

Support Material for Agenda Item No. 4

Special Transit Committee Meeting

April 16, 2026

9:00 AM

Location:

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

4. Transit Operators and Transportation Development Act Audits for Fiscal Year 2024/2025

A. Review and receive the Transit Operators and Transportation Development Act Audit Reports for Fiscal Year 2024/2025.

B. Review and receive the City of Adelanto Transportation Development Act Audit Reports for Fiscal Year 2022/2023 and Fiscal year 2023/2024.

C. Review and receive the City of Rialto Transportation Development Act Audit Reports for Fiscal Year 2023/2024.

Full financial reports for Recommendation A are attached in the order listed below:

• <i>City of Barstow</i>	• <i>Omnitrans 2025 Compliance Report</i>
• <i>City of Chino</i>	• <i>Omnitrans Prop 1B 2025</i>
• <i>City of Chino Hills</i>	• <i>Omnitrans Single Audit</i>
• <i>City of Colton</i>	• <i>City of Rancho Cucamonga</i>
• <i>City of Fontana</i>	• <i>City of Redlands</i>
• <i>City of Hesperia</i>	• <i>City of Rialto</i>
• <i>City of Highland</i>	• <i>City of San Bernardino</i>
• <i>City of Loma Linda</i>	• <i>City of Twentynine Palms</i>
• <i>MARTA Financial Statements</i>	• <i>VVTA Financial Statements</i>
• <i>MARTA Single Audit</i>	• <i>VVTA Single Audit</i>
• <i>MBTA Financial Statements</i>	• <i>VVTA AUP Report</i>
• <i>Needles Transit Fund</i>	• <i>City of Victorville</i>
• <i>Omnitrans 2025 ACFR</i>	• <i>City of Yucaipa</i>
• <i>Omnitrans 2025 AUP Report</i>	• <i>Town of Yucca Valley</i>

**CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Transportation Development Act Article 8 Fund (TDA Fund) of the City of Barstow, California (City), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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 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, 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, 2025 and 2024 or the changes in its financial position 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.

(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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California
December 18, 2025

CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 8	
	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and investments	\$ 206,625	\$ 199,659
Interest receivable	<u>1,506</u>	<u>1,569</u>
 Total assets	 <u>\$ 208,131</u>	 <u>\$ 201,228</u>
 FUND BALANCE		
Fund balance		
Restricted for transportation	<u>208,131</u>	<u>201,228</u>
 Total fund balance	 <u>\$ 208,131</u>	 <u>\$ 201,228</u>

See notes to financial statements.

CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

	Article 8	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA Allocation	\$ -	\$ -
Interest income	<u>6,903</u>	<u>7,072</u>
Total revenues	<u>6,903</u>	<u>7,072</u>
Expenditures		
Construction, maintenance, and engineering	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Net change in fund balance	6,903	7,072
Fund balance at beginning of year	<u>201,228</u>	<u>194,156</u>
Fund balance at end of year	<u><u>\$ 208,131</u></u>	<u><u>\$ 201,228</u></u>

See notes to financial statements.

CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 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, 2025, and changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Article 8: San Bernardino County Transportation Authority (SBCTA) receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, 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 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 8 funds in its TDA Fund which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on 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.

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.

(Continued)

CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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, 2025 and 2024, cash balance was \$206,625 and \$199,659, 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.

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 BARSTOW, 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, 2025

	Budget		Actual	Variance
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ 6,903	\$ 6,903
Total revenues	-	-	6,903	6,903
Expenditures				
Construction, maintenance, and engineering	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	6,903	6,903
Fund balance at beginning of year	201,228	201,228	201,228	-
Fund balance at end of year	<u>\$ 201,228</u>	<u>\$ 201,228</u>	<u>\$ 208,131</u>	<u>\$ 6,903</u>

(Continued)

CITY OF BARSTOW, 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, 2024

	Budget			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Interest income	\$ -	\$ 500	\$ 7,072	\$ 6,572
Total revenues	-	500	7,072	6,572
Expenditures				
Construction, maintenance, and engineering	21,000	28,000	-	28,000
Total expenditures	21,000	28,000	-	28,000
Net change in fund balance	(21,000)	(27,500)	7,072	34,572
Fund balance at beginning of year	194,156	194,156	194,156	-
Fund balance at end of year	<u>\$ 173,156</u>	<u>\$ 166,656</u>	<u>\$ 201,228</u>	<u>\$ 34,572</u>

See note to required supplementary information.

CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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 BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 8	Streets & Road Maintenance	2022-23	\$ 65,403	\$ 65,403	\$ -	\$ 65,403
Article 8	Streets & Road Maintenance	2021-22	58,027	58,027	-	58,027
Article 8	Streets & Road Maintenance	2020-21	15,676	15,676	-	15,676
Article 8	Streets & Road Maintenance	2019-20	<u>42,195</u>	<u>33,872</u>	<u>-</u>	<u>33,872</u>
			<u>\$ 181,301</u>	<u>\$ 172,978</u>	<u>\$ -</u>	<u>\$ 172,978</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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 Barstow, California (City), as of and for the year ended June 30, 2025, 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 18, 2025.

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.

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

Costa Mesa, California
December 18, 2025

**CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY

FINANCIAL STATEMENTS
June 30, 2025 and 2024

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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 Activity (TDA Activity) of the City of Chino, California (City), as of and for the years ended June 30, 2025 and 2024, 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 Activity of the City, as of June 30, 2025 and 2024, and the changes in its financial position 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Activity of the City, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, or the changes in its financial position 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.

(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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2026, on our consideration of the City's internal control over financial reporting of the TDA 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 Activity.


Crowe LLP

Los Angeles, California
February 9, 2026

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Due from other governments	\$ 271,673	\$ 358,673
Total assets	<u>\$ 271,673</u>	<u>\$ 358,673</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Due to other City funds	\$ 271,673	\$ 357,900
Deferred inflows of resources		
Unavailable revenues	<u>271,673</u>	<u>358,673</u>
Fund balance (deficit)		
Unassigned	<u>(271,673)</u>	<u>(357,900)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 271,673</u>	<u>\$ 358,673</u>

See notes to financial statements.

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA allocation	\$ 87,000	\$ 127,648
Expenditures		
Capital		
TDA expenditures	<u>87,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>127,648</u>
Other financing sources (uses)		
Transfers from other City fund	<u>86,227</u>	<u>-</u>
Net change in fund balance	86,227	127,648
Fund balance, beginning of year	<u>(357,900)</u>	<u>(485,548)</u>
Fund balance, end of year	<u><u>\$ (271,673)</u></u>	<u><u>\$ (357,900)</u></u>

See notes to financial statements.

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 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) as of June 30, 2025 and 2024, and the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Article 3: The San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 local matching funds.

NOTE 2 - 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 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 Transportation Grants Fund 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)

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 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 Activity'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 Article 3 Activity'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

The Due from other governments in the amount of \$271,673 and \$358,673 as of June 30, 2025 and 2024, respectively, are receivables from SBCTA for reimbursement of eligible TDA expenditures.

(Continued)

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 – DUE TO OTHER CITY FUNDS

Due to other City funds of \$271,673 and \$357,900 as of June 30, 2025 and 2024, respectively, represents the TDA Article 3 costs paid by the City. The amount will be repaid by the TDA Article 3 Fund as reimbursements are received from SBCTA.

NOTE 5 – UNAVAILABLE REVENUE

The deferred inflows of resources - unavailable revenue balance of \$271,673 and \$358,673 as of June 30, 2025 and 2024, 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 \$271,673 and \$357,900, as of June 30, 2025 and 2024, respectively. Article 3 revenues may be spent on projects and then reimbursed after completion. As such, the timing difference between the expenditures and the receipt of Article 3 revenues has created a deficit fund balance. The deficit at June 30, 2025, represents expenditures that exceeded the amounts received for TDA Article 3, on completed projects. The City has recorded additional funding from other City funds for the equivalent amount within the fiscal year, to eliminate the deficit. The remaining 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 ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 ACTIVITY
Year ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ -	\$ -	\$ 87,000	\$ 87,000
Expenditures				
Capital				
TDA expenditures	-	-	87,000	(87,000)
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfers from other City fund	-	-	86,227	86,227
Net change in fund balance	-	-	86,227	86,227
Fund balance, beginning of year	(357,900)	(357,900)	(357,900)	-
Fund balance, end of year	<u>\$ (357,900)</u>	<u>\$ (357,900)</u>	<u>\$ (271,673)</u>	<u>\$ 86,227</u>

See note to required supplementary information.

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 ACTIVITY
Year ended June 30, 2024

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
TDA allocation	\$ 604,021	\$ 604,021	\$ 127,648	\$ (476,373)
Expenditures				
Capital				
TDA expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	604,021	604,021	127,648	(476,373)
Fund balance, beginning of year	<u>(485,548)</u>	<u>(485,548)</u>	<u>(485,548)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 118,473</u></u>	<u><u>\$ 118,473</u></u>	<u><u>\$ (357,900)</u></u>	<u><u>\$ (476,373)</u></u>

See note to required supplementary information.

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

NOTE 1 - BUDGETARY DATA

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The City did not adopt a budget for the TDA Article 3 Activity in 2025. The legal level of budgetary control is the fund level.

ADDITIONAL INFORMATION

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Sidewalk Retrofitting	2022-2023	\$ 87,000	\$ 87,000	\$ 87,000	\$ -
Article 3	Bicycle Path and Pedestrian Facilities	2017-2018	<u>353,081</u>	<u>271,672</u>	<u>-</u>	<u>271,672</u>
			<u>\$ 440,081</u>	<u>\$ 358,672</u>	<u>\$ 87,000</u>	<u>\$ 271,672</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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 Activity (TDA Activity) of the City of Chino, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the TDA Activity's basic financial statements, and have issued our report thereon dated February 9, 2026.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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


Crowe LLP

Los Angeles, California
February 9, 2026

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2025

2025-001 – Revenue Recognition (Material Weakness)

Criteria: Management is responsible for accounting for the City's special revenue funds using the current financial resources measurement focus and the modified accrual basis of accounting. This involves only recognizing revenues when 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. Amounts earned but received after 60 days should be recorded as unavailable revenues.

Condition: The City recognized revenue for TDA funds that were received more than 60 days after the end of the 2025 fiscal year.

Cause: The City did not have sufficient control precision related to the revenue recognition control utilized to ensure proper cutoff of TDA revenue for the fiscal year.

Context: Crowe noted the issues during our testing of TDA Activity revenue.

Effect: TDA Activity revenue was overstated and unavailable revenue was understated by \$271,673 for the amount received after the period of availability, requiring an audit adjustment to reduce revenue and to record those funds as unavailable revenue on the balance sheet.

Recommendation: Crowe recommends that management review the receipt date for all revenue transactions to determine whether those funds are both measurable and have been collected within 60 days of the end of the fiscal period.

Views of responsible officials and planned corrective action: Management will enhance year-end revenue recognition procedures to ensure TDA revenues are recognized in accordance with the modified accrual basis of accounting. This will include reviewing receipt dates for revenues received after fiscal year-end to confirm amounts meet the 60-day availability requirement. Revenues received outside the availability period will be properly recorded as unavailable revenue. Management will also reinforce procedures and oversight to ensure consistent application of these requirements.

**CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY**

FINANCIAL STATEMENTS

June 30, 2025

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
FINANCIAL STATEMENTS
June 30, 2025

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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 Chino Hills, California (City), as of and for the year ended June 30, 2025, 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, 2025, 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, 2025, 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.

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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2025, 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.

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

Crowe LLP

Los Angeles, California
November 3, 2025

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
BALANCE SHEET
June 30, 2025

	<u>Article 3</u>
ASSETS	
Cash and investments	\$ -
Interest receivable	<u>-</u>
Total assets	<u><u>\$ -</u></u>
FUND BALANCE	
Fund balance	<u>-</u>
Total fund balance	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended June 30, 2025

	<u>Article 3</u>
Revenue	
TDA allocation	\$ 170,965
 Expenditures	
Capital	
TDA expenditures	<u>170,965</u>
 Net change in fund balance	<u>-</u>
 Fund balance, beginning of year	<u>-</u>
 Fund balance, end of year	 <u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 Activity 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 Activity. 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 local matching funds.

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)

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025, 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.

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.

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.

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, 2025

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
TDA allocation	\$ 248,954	\$ 248,954	\$ 170,965	\$ (77,989)
Expenditures				
TDA expenditures	<u>248,954</u>	<u>248,954</u>	<u>170,965</u>	<u>77,989</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2025

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, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Sierra Vista Dr & Del Norte Ave Improvement	2020-21	\$ 170,965	\$ 170,965	\$ 170,965	\$ -
Article 3	Montecito Dr Improvement	2019-20	<u>77,989</u>	<u>77,989</u>	<u>-</u>	<u>77,989</u>
			<u>\$ 248,954</u>	<u>\$ 248,954</u>	<u>\$ 170,965</u>	<u>\$ 77,989</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2025, 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 November 3, 2025.

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.

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.

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

Crowe LLP

Los Angeles, California
November 3, 2025

**CITY OF COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY**

FINANCIAL STATEMENTS

June 30, 2025

CITY OF COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY

FINANCIAL STATEMENTS
June 30, 2025

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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 Colton, California (City), as of and for the year ended June 30, 2025, 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, 2025, 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, 2025, 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.

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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Los Angeles, California
December 15, 2025

CITY OF COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
BALANCE SHEET
June 30, 2025

Article 3

ASSETS

Cash and investments	\$ -
Due from other government	-
Total assets	\$ -

LIABILITIES AND FUND BALANCE

Due to other City funds	\$ -
Fund balance (deficit)	
Unassigned	-
Total liabilities and fund balance	\$ -

See notes to financial statements.

CITY OF COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended June 30, 2025

	<u>Article 3</u>
Revenues	
TDA allocation	\$ 223,200
Expenditures	
Capital	216,947
Administrative	<u>6,253</u>
Total TDA expenditures	223,200
Net change in fund balance	<u>-</u>
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>

See notes to financial statements.

CITY OF COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 (TDA Fund Activity) of the City of Colton, 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 San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 reimbursement 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 local matching funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the TDA Activity 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 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 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)

CITY OF COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA 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, 2025, the cash balance was \$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'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 with inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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.

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.

Unassigned fund balance represents the excess and residual deficit amounts in the TDA Article 3 fund activities. 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 COLTON, 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, 2025

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
TDA allocation	\$ 431,200	\$ 431,200	\$ 223,200	\$ (208,000)
Expenditures				
Capital	216,947	216,947	216,947	-
Administrative	<u>6,253</u>	<u>6,253</u>	<u>6,253</u>	-
Total TDA expenditures	223,200	223,200	223,200	-
Net change in fund balance	<u>208,000</u>	<u>208,000</u>	-	(208,000)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 208,000</u>	<u>\$ 208,000</u>	<u>\$ -</u>	<u>\$ (208,000)</u>

CITY OF COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2025

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 COLTON, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Bicycle Route Project	2021-22	<u>\$ 223,200</u>	<u>\$ 223,200</u>	<u>\$ 223,200</u>	<u>\$ -</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Colton, California (City), as of and for the year ended June 30, 2025, 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 15, 2025.

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.

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.

(Continued)

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.

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

Crowe LLP

Los Angeles, California
December 15, 2025

**CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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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 Fontana, California (City), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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.

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, 2025 and 2024, 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.

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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2026, 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

Los Angeles, California
February 9, 2026

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Due from other governments	\$ 14,466	\$ 256,224
Total assets	<u>\$ 14,466</u>	<u>\$ 256,224</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 63,369
Accrued payroll	846	355
Due to other City funds	<u>13,619</u>	<u>192,500</u>
Total liabilities	<u>14,465</u>	<u>256,224</u>
Deferred inflows of resources		
Unavailable revenue	<u>14,466</u>	<u>67,688</u>
Fund balance (deficit)		
Unassigned	<u>(14,465)</u>	<u>(67,688)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 14,466</u>	<u>\$ 256,224</u>

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, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA allocation	\$ 119,810	\$ 188,535
Expenditures		
Capital		
TDA expenditures	<u>63,930</u>	<u>199,933</u>
Revenues over/(under) expenditures	<u>55,880</u>	<u>(11,398)</u>
Other financing sources (uses)		
Transfers to other City funds	<u>(2,657)</u>	<u>-</u>
Net change in fund balance	53,223	(11,398)
Fund balance, beginning of year	<u>(67,688)</u>	<u>(56,290)</u>
Fund balance, end of year	<u><u>\$ (14,465)</u></u>	<u><u>\$ (67,688)</u></u>

See notes to financial statements.

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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, 2025 and 2024, 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 San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 local matching funds.

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.

Measurement Focus and Basis of Accounting: The special revenue funds of the City are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 180 days of the fiscal period. Expenditures generally are recorded when a liability is incurred.

(Continued)

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 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.

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

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

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$14,466 and \$256,224 as of June 30, 2025 and 2024, respectively, represents the TDA allocations which had not been received from SBCTA for reimbursement of eligible expenditures.

(Continued)

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 – DUE TO OTHER CITY FUNDS

Due to other City funds of \$13,619 and \$192,500 as of June 30, 2025 and 2024, respectively, represents the amounts paid by the City general fund and Measure I fund on behalf of the TDA Fund. The balance will be repaid as the TDA allocations are received.

NOTE 5 – DEFICIT FUND BALANCE

The TDA Fund reported a deficit fund balance of \$14,465 and \$67,688 as of June 30, 2025 and 2024, 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.

NOTE 6 – TRANSFERS TO OTHER CITY FUNDS

Transfers were made to the City's Measure I 2010-2024 Local fund in the amount of \$2,657 to reimburse the fund for costs incurred on a jointly funded capital improvement project.

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, 2025

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
TDA allocation	\$ -	\$ 634,068	\$ 119,810	\$ (514,258)
Expenditures				
Capital				
TDA expenditures	-	557,335	63,930	493,405
Other financing sources (uses)				
Transfers to other City funds	-	-	(2,657)	(2,657)
Net change in fund balance	-	76,733	53,223	(23,510)
Fund balance, beginning of year	(67,688)	(67,688)	(67,688)	-
Fund balance, end of year	<u>\$ (67,688)</u>	<u>\$ 9,045</u>	<u>\$ (14,465)</u>	<u>\$ (23,510)</u>

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, 2024

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
TDA allocation	\$ -	\$ 775,788	\$ 188,535	\$ (587,253)
Expenditures				
Capital				
TDA expenditures	-	753,978	199,933	554,045
Net change in fund balance	-	21,810	(11,398)	(33,208)
Fund balance, beginning of year	(56,290)	(56,290)	(56,290)	-
Fund balance, end of year	<u>\$ (56,290)</u>	<u>\$ (34,480)</u>	<u>\$ (67,688)</u>	<u>\$ (33,208)</u>

See note to required supplementary information.

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Alder Middle Schools SRTS Projects	2017-18	250,000	65,578	53,784	11,794
Article 3	Kathy Binks Elem. Sch. SRTS TDA 21	2021-22	160,000	2,657	2,657	-
Article 3	Transit Stops Improvements TDA 2021	2021-22	52,500	6,388	-	6,388
Article 3	Catawba Ave. SRTS Sidewalks	2023-24	396,348	392,028	10,111	381,917
Article 3	10 Bus Pads	2023-24	59,023	59,023	35	58,988
			<u>\$ 917,871</u>	<u>\$ 525,674</u>	<u>\$ 66,587</u>	<u>\$ 459,087</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2025, 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 9, 2026.

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

Los Angeles, California
February 9, 2026

**CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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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 years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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.

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, 2025 and 2024 or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, 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

Los Angeles, California
December 17, 2025

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	<u>Article 8</u>	
	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and investments	\$ 1,587,814	\$ 1,740,335
Due from other City funds	-	1,571
Interest receivable	<u>13,326</u>	<u>16,969</u>
 Total assets	 <u>\$ 1,601,140</u>	 <u>\$ 1,758,875</u>
 FUND BALANCE		
Restricted for transportation	<u>\$ 1,601,140</u>	<u>\$ 1,758,875</u>

See notes to financial statements.

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years ended June 30, 2025 and 2024

	Article 8	
	<u>2025</u>	<u>2024</u>
Revenues		
Interest income	\$ 62,163	\$ 68,129
Gain on fair market value	<u>6,987</u>	<u>34,687</u>
Total revenues	69,150	102,816
 Expenditures		
Current		
TDA expenditures	<u>2</u>	<u>215,637</u>
 Revenues over/(under) expenditures	69,148	(112,821)
 Other financing sources (uses)		
Transfers to other City funds	<u>(226,883)</u>	<u>(226,883)</u>
 Net change in fund balance	(157,735)	(339,704)
 Fund balance, beginning of year	<u>1,758,875</u>	<u>2,098,579</u>
 Fund balance, end of year	<u><u>\$ 1,601,140</u></u>	<u><u>\$ 1,758,875</u></u>

See notes to financial statements.

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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. Expenditures generally are recorded when a liability is incurred.

(Continued)

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 \$226,883 for the years ended June 30, 2025 and 2024, represent amounts used to cover expenditures related to the Citywide Preservation and Maintenance Project.

NOTE 4 – DUE FROM OTHER CITY FUNDS

Due from other City funds in the amount of \$1,571 at June 30, 2024, represented amounts used to cover expenditures related to the Ranchero Road Improvements Project. There were no such amounts at June 30, 2025.

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, 2025

	Budget			Variance from Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest income	\$ 72,951	\$ 72,951	\$ 62,163	\$ (10,788)
Gain on fair market value	<u>-</u>	<u>-</u>	<u>6,987</u>	<u>6,987</u>
Total revenues	72,951	72,951	69,150	(3,801)
Expenditures				
Current				
TDA expenditures	<u>64,804</u>	<u>64,804</u>	<u>2</u>	<u>64,802</u>
Revenues over (under) expenditures	<u>8,147</u>	<u>8,147</u>	<u>69,148</u>	<u>61,001</u>
Other financing sources (uses)				
Transfers to other City funds	<u>(226,883)</u>	<u>(226,883)</u>	<u>(226,883)</u>	<u>-</u>
Net change in fund balance	(218,736)	(218,736)	(157,735)	61,001
Fund balance, beginning of year	<u>1,758,875</u>	<u>1,758,875</u>	<u>1,758,875</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,540,139</u>	<u>\$ 1,540,139</u>	<u>\$ 1,601,140</u>	<u>\$ 61,001</u>

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, 2024

	Budget			Variance from Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest income	\$ 70,374	\$ 70,374	\$ 68,129	\$ (2,245)
Gain on fair market value	<u>-</u>	<u>-</u>	<u>34,687</u>	<u>34,687</u>
Total revenues	70,374	70,374	102,816	32,442
Expenditures				
Current				
TDA expenditures	<u>373,868</u>	<u>373,868</u>	<u>215,637</u>	<u>158,231</u>
Revenues over (under) expenditures	<u>(303,494)</u>	<u>(303,494)</u>	<u>(112,821)</u>	<u>190,673</u>
Other financing sources (uses)				
Transfers to other City funds	<u>(226,883)</u>	<u>(226,883)</u>	<u>(226,883)</u>	<u>-</u>
Net change in fund balance	(530,377)	(530,377)	(339,704)	190,673
Fund balance, beginning of year	<u>2,098,579</u>	<u>2,098,579</u>	<u>2,098,579</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,568,202</u>	<u>\$ 1,568,202</u>	<u>\$ 1,758,875</u>	<u>\$ 190,673</u>

See note to required supplementary information.

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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 HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 8	Street & Roadside Maintenance	2022-23	\$ 872,556	\$ 872,556	\$ -	\$ 872,556
Article 8	Street & Roadside Maintenance	2021-22	82,465	82,465	-	82,465
Article 8	Street & Roadside Maintenance	2020-21	<u>541,581</u>	<u>456,701</u>	<u>226,885</u>	<u>229,816</u>
Article 8 total			<u>\$ 1,496,602</u>	<u>\$ 1,411,722</u>	<u>\$ 226,885</u>	<u>\$ 1,184,837</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 year ended June 30, 2025, 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 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Crowe LLP

Los Angeles, California
December 17, 2025

**CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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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 Highland, California (City), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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.

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, 2025 and 2024 or the changes in its financial position 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.

(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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2025, 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

Los Angeles, California
October 28, 2025

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Due from other governments	\$ 154,014	\$ 202,700
Total assets	<u>\$ 154,014</u>	<u>\$ 202,700</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Accounts payable	\$ 25,901	\$ 7,143
Retention payable	1,343	-
Due to other City funds	<u>126,770</u>	<u>195,558</u>
Total liabilities	<u>154,014</u>	<u>202,701</u>
Deferred inflows of resources		
Unavailable revenue	<u>154,014</u>	<u>95,886</u>
Fund balance (deficit)		
Unassigned	<u>(154,014)</u>	<u>(95,887)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 154,014</u>	<u>\$ 202,700</u>

See notes to financial statements.

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

	<u>Article 3</u>	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA allocation	\$ <u> -</u>	\$ <u> 170,437</u>
Total revenues	-	170,437
Expenditures		
Construction, maintenance, and engineering	<u> 58,127</u>	<u> 45,321</u>
Total expenditures	<u> 58,127</u>	<u> 45,321</u>
Net change in fund balance	(58,127)	125,116
Fund balance (deficit) at beginning of year	<u> (95,887)</u>	<u> (221,003)</u>
Fund balance (deficit) at end of year	<u>\$ (154,014)</u>	<u>\$ (95,887)</u>

See notes to financial statements.

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 – GENERAL INFORMATION

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Highland, California (City), as of June 30, 2025 and 2024, 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 San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding to the City 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 local matching funds.

NOTE 2 - 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.

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.

(Continued)

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 - 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 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 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. 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.

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, 2025 and 2024 were \$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. The City's basic financial statements can be obtained at City Hall.

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 \$154,014 and \$202,700 represents the TDA allocations which had not been received from SBCTA as of June 30, 2025 and 2024, respectively. The amounts of \$154,014 and \$95,886 were also included in unavailable revenue as of June 30, 2025 and 2024, respectively, as the funds were received outside of the City's period of availability.

NOTE 4 – DUE TO OTHER CITY FUNDS

Due to other City funds of \$126,770 and \$195,558 represent the amounts paid by other City funds on behalf of the TDA Fund for expenditures incurred for which reimbursements had not yet been received as of June 30, 2025 and 2024, respectively.

(Continued)

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 5 – FUND BALANCE

The TDA Fund reported a deficit fund balance of \$154,014 and \$95,887 as of June 30, 2025 and 2024, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND, 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, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Construction, maintenance, and engineering	-	-	58,127	(58,127)
Total expenditures	-	-	58,127	(58,127)
Net change in fund balance	-	-	(58,127)	(58,127)
Fund balance (deficit) at beginning of year	(95,887)	(95,887)	(95,887)	-
Fund balance (deficit) at end of year	<u><u>\$ (95,887)</u></u>	<u><u>\$ (95,887)</u></u>	<u><u>\$ (154,014)</u></u>	<u><u>\$ (58,127)</u></u>

(Continued)

CITY OF HIGHLAND, 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, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ 82,000	\$ 82,000	\$ 170,437	\$ 88,437
Total revenues	82,000	82,000	170,437	88,437
Expenditures				
Construction, maintenance, and engineering	82,000	82,000	45,321	36,679
Total expenditures	82,000	82,000	45,321	36,679
Net change in fund balance	-	-	125,116	125,116
Fund balance (deficit) at beginning of year	(221,003)	(221,003)	(221,003)	-
Fund balance (deficit) at end of year	<u>\$ (221,003)</u>	<u>\$ (221,003)</u>	<u>\$ (95,887)</u>	<u>\$ 125,116</u>

See note to required supplementary information.

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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 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.

ADDITIONAL INFORMATION

CITY OF HIGHLAND, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	9th St Transit Stops, Sidewalk, And Bikeway Improvements					
	SWK19-001	2023/2024	\$ 471,608	\$ 409,123	\$ 58,127	\$ 350,996

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 Highland, California (City), as of and for the year ended June 30, 2025, 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 October 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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


Crowe LLP

Los Angeles, California
October 28, 2025

**CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY**

FINANCIAL STATEMENTS

June 30, 2025

CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
FINANCIAL STATEMENTS
June 30, 2025

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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 Loma Linda, California (City), as of and for the year ended June 30, 2025, 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, 2025, 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, 2025, 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.

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.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025, 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.

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

Crowe LLP

Los Angeles, California
November 24, 2025

CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
BALANCE SHEET
June 30, 2025

	<u>Article 3</u>
ASSETS	
Due from other governments	\$ <u>-</u>
 Total assets	 \$ <u><u>-</u></u>
FUND BALANCE	
Fund balance	
Restricted for transportation	\$ <u>-</u>
 Total fund balance	 \$ <u><u>-</u></u>

See accompanying notes to financial statements.

CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended June 30, 2025

	<u>Article 3</u>
Revenue	
TDA allocation	\$ 50,122
 Expenditures	
Capital	
TDA expenditures	<u>50,122</u>
 Net change in fund balance	<u>-</u>
 Fund balance, beginning of year	<u>-</u>
 Fund balance, end of year	 <u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 Loma Linda, 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 San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 Activity 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 Activity. 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 local matching funds.

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)

CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025, 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.

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 LOMA LINDA, 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, 2025

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
TDA allocation	\$ 50,100	\$ 50,200	\$ 50,122	\$ (78)
Expenditures				
Capital				
TDA expenditures	<u>50,100</u>	<u>50,100</u>	<u>50,122</u>	<u>(22)</u>
Net change in fund balance	-	100	-	(100)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (100)</u></u>

CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2025

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 at the department level.

ADDITIONAL INFORMATION

CITY OF LOMA LINDA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	11 Bus Pads in the City of Loma Linda	2023-24	\$ 50,122	\$ 50,122	\$ 50,122	\$ -
			<u>\$ 50,122</u>	<u>\$ 50,122</u>	<u>\$ 50,122</u>	<u>\$ -</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Loma Linda, California (City), as of and for the year ended June 30, 2025, 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 November 24, 2025.

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.

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

Los Angeles, California
November 24, 2025



**Mountain Area Regional Transit Authority
A Joint Power Authority
Basic Financial Statements
*As of and for the Year Ended June 30, 2025
with Independent Auditor's Report***

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Independent Auditor's Report

**The Board of Directors
Mountain Area Regional Transit Authority**

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, 2025, and the related notes to the basic 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, 2025, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MARTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 MARTA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025, 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.

Glendale, California
December 29, 2025

Mountain Area Regional Transit Authority
Statement of Net Position
June 30, 2025

Current assets

Cash and cash equivalents	\$ 1,923,243
Restricted cash and cash equivalents	406,208
Accounts receivable	230,396
Operating grants receivable	651,424
Capital grants receivable	5,598,939
Prepaid expenses	535,091
Total current assets	9,345,301

Capital assets

Capital assets, net of accumulated depreciation	25,951,658
Right-to-use lease assets, net of accumulated amortization	20,383
SBITA asset, net of accumulated amortization	20,767
Total noncurrent assets	25,992,808
TOTAL ASSETS	35,338,109

LIABILITIES

Current liabilities

Accounts payable	5,773,124
Accrued liabilities	283,533
Leases	10,048
SBITA liability	8,550
Compensated absences	49,178
Unearned revenue	496,333
Total current liabilities	6,620,766

Noncurrent liabilities

Leases	11,349
SBITA liability	8,550
Compensated absences	49,178
Total noncurrent liabilities	69,077
TOTAL LIABILITIES	6,689,843

NET POSITION

Net investment in capital assets	25,954,311
Unrestricted	2,693,955
TOTAL NET POSITION \$	28,648,266

See accompanying notes to basic financial statements.

Mountain Area Regional Transit Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

Operating revenues

Fares \$ 2,070,740

Operating expenses

Operations 3,756,775
General and administration 3,064,204
Maintenance 1,535,107
Depreciation and amortization 1,082,029

Total operating expenses 9,438,115

Operating loss (7,367,375)

Non-operating revenues (expenses)

Operating assistance
 Federal transit administration section 5311 1,918,017
 Local transportation fund article 4 4,238,899
 Measure I 167,268
Interest income 1,587
Reimbursements 4,401
Gain on disposal of assets 17,240
Loss on write-off of a receivable (4,550)
Interest expense on leases (1,101)
Other 84,046

Total non-operating revenue (expenses) 6,425,807

Loss before capital contributions (941,568)

Capital Contributions

Congestion Mitigation and Air Quality 1,285,283
State Transportation Fund 16,724,001
Local Transportation Fund 14,300
State of Good Repair 166,353
Low Carbon Transit Operations Program (LTCOP) 182,667
County/Local 74,947

Total capital contributions 18,447,551

Change in net position 17,505,983

Net position, beginning of year 11,142,283

Net position, end of year \$ 28,648,266

See accompanying notes to basic financial statements.

Mountain Area Regional Transit Authority
Statement of Cash Flows
Year Ended June 30, 2025

Cash flows from operating activities

Cash received from fares	\$ 1,864,857
Cash received from other income	84,046
Payments to employees	(4,470,606)
Payments to vendors for services	<u>(4,352,539)</u>

Net cash used in operating activities (6,874,242)

Cash flows from noncapital financing activity

Operating grants received	<u>6,376,130</u>

Cash provided by noncapital financing activities 6,376,130

Cash flows from capital and related financing activities

Capital grants received	18,704,065
Purchase of capital assets	(18,373,694)
Proceeds from sale of capital assets	27,476
Cash paid for lease liabilities - principal portion	(9,751)
Cash paid for lease liabilities - interest portion	(1,101)
Cash paid for SBITA liability - principal portion	<u>(9,600)</u>

Net cash used in capital and related financing activities 337,395

Cash flows from investing activities

Investment income received	1,587
Bank reimbursements received	<u>4,401</u>

Cash provided by investing activities 5,988

Net decrease cash and cash equivalents (154,729)

Cash and cash equivalents, beginning of year 2,484,180

Cash and cash equivalents, end of year \$ 2,329,451

Cash and cash equivalents as reported in the statement of net position:

Cash and cash equivalents	\$ 1,923,243
Restricted cash and cash equivalents	<u>406,208</u>
	<u>\$ 2,329,451</u>

(Continued)

See accompanying notes to basic financial statements.

Mountain Area Regional Transit Authority
Statement of Cash Flows (Continued)
Year Ended June 30, 2025

**Reconciliation of operating loss to net cash used in
operating activities**

Operating loss \$ (7,367,375)

**Adjustments to reconcile operating loss to net cash
used in operating activities**

Depreciation and amortization 1,082,029

Miscellaneous revenues 84,046

Changes in assets and liabilities

(Increase) in assets

Accounts receivable (205,883)

Prepaid expenses (523,487)

Increase (decrease) in liabilities

Accounts payable (33,610)

Accrued liabilities 105,592

Compensated absences (15,554)

Total adjustments 493,133

Net cash used in operating activities \$ (6,874,242)

See accompanying notes to basic 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 for a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Measurement Focus and Basis of Accounting

MARTA's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Cash and Cash Equivalents

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

Operating and Nonoperating Revenue and Expenses

MARTA distinguishes operating revenues and expenses from nonoperating 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. Nonoperating revenues consist primarily of Federal, State, and local operating grants and investment income. Operating expenses include cost of services, operations, maintenance, administrative expenses, and depreciation and amortization of capital assets. Expenses not meeting this definition are reported as nonoperating 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Contributions and Operating Assistance

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. Moreover, 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.

Capital Assets

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

Buildings	15 to 30 years
Improvements	5 to 15 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 lease 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 lease 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 lease 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 lease assets are amortized over the lease term using the straight-line method.

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 either by paid time off, by requesting to cash out up to 40 hours of vacation per fiscal year for employees who worked consecutively for four years, or by payments upon termination or retirement. Unused sick leave does not carry over to future periods.

MARTA recognizes compensated absence liabilities for unused leave that (a) is attributable to services already rendered, (b) accumulates to future periods, and (c) is more likely than not to be used for time off or otherwise paid or settled. The liability is measured at current pay rates as of the financial statement date and includes related salary-based payments. Leave categories evaluated include vacation, sick leave, and paid time off.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Liabilities

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.

Subscription-Based Information Technology Arrangements (SBITA)

MARTA has recorded an SBITA asset as a result of implementing GASB Statement No. 96, *SBITAs*, as of and for the year ended June 30, 2025. The SBITA asset is initially measured at an amount equal to the related SBITA liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, if applicable, and capitalizable initial implementation costs less any SBITA vendor incentives received from SBITA vendor at the commencement of subscription term.

An SBITA asset is amortized using the straight-line method over the subscription term. The amortization of the SBITA asset is reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization begins at the commencement of the subscription term.

The right-to-use SBITA asset is reported along with other capital assets and the SBITA liability is reported on the Statement of Net Position.

Net Position

Net position represents the difference between assets 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 and amortization and reduced by outstanding debt that is attributed to the acquisition construction, regarding improvement of the assets.
- Restricted - This amount is restricted by external creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted - This balance represents the amount of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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.

New accounting pronouncements

During the fiscal year ended June 30, 2025, MARTA implemented the following GASB Standards:

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which establishes updated recognition and measurement guidance for leave benefits such as vacation, sick leave, paid time off, and other compensated absences. The objective of this Statement is to improve consistency and comparability in financial reporting by clarifying when and how liabilities for compensated absences should be recognized.

The implementation of this statement did not have a significant impact on MARTA's financial statements and did not materially affect beginning net position.

GASB Statement No. 102, Certain Risk Disclosures

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Also, it requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

MARTA evaluated risks related to concentrations and constraints under GASB 102. Although operating and capital funding is significantly dependent on allocations from SBCTA and state programs, management concluded that no associated event had occurred, begun to occur, or was more likely than not to begin within 12 months of the issuance date that would expose MARTA to a substantial impact. Accordingly, no GASB 102 disclosure is required for June 30, 2025.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting pronouncements (Continued)

GASB has released the following statements which will be implemented in future financial statements, if applicable:

GASB Statement No. 103, Financial Reporting Model Improvements

This Statement requires that the information presented in management's discussion and analysis (MD&A) be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104, Disclosures of Certain Capital Assets

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. Also, it requires additional disclosure for capital assets held for sale. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

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 SBCTA. Expenditures of Federal assistance funds are subject to final audit and approval by the Federal Transit Administration (FTA). The total amount of Federal assistance received by MARTA during the fiscal year ended June 30, 2025 was \$1,918,017.

NOTE 3 FEDERAL, STATE, AND LOCAL GRANTS (CONTINUED)

Transportation Development Act

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

A. Section 6634

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

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

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2024	\$ (65,935)	\$ 502,360	\$ 436,425
Gross receipts			
State Transportation Fund, Article 4	-	16,645,276	16,645,276
Local Transportation Fund, Article 4	4,238,899	14,300	4,253,199
Federal Transportation Admin, Section 5311	1,918,017	1,285,283	3,203,300
Measure I	167,268	-	167,268
Interest income	-	1,841	1,841
Fares	2,070,740	-	2,070,740
LCTOP	-	142,365	142,365
State of good repair	-	94,436	94,436
Other	-	74,947	74,947
Total gross receipts	<u>8,394,924</u>	<u>18,258,448</u>	<u>26,653,372</u>
Operating expenses, less depreciation	(8,322,141)	(33,945)	(8,356,086)
Capital acquisitions	<u>(143,164)</u>	<u>(18,230,530)</u>	<u>(18,373,694)</u>
Receipts over (under) expenses in current period	<u>(70,381)</u>	<u>(6,027)</u>	<u>(76,408)</u>
Amount not carryover	<u>(136,316)</u>	<u>-</u>	<u>(136,316)</u>
Amount unearned at June 30, 2025	<u>\$ -</u>	<u>\$ 496,333</u>	<u>\$ 496,333</u>

NOTE 3 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 of at least equal to 10 percent.

The fare ratio as of June 30, 2025 are calculated as follows:

Operating expenses	\$ 9,438,115
Less depreciation and amortization	(1,082,029)
Adjusted operating expenses	<u>\$ 8,356,086</u>
 Fare revenue	 \$ 2,070,740
Fare ratio	24.78%

State of Good Repair

The FTA'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, 2025 was \$189,829.

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, 2025 was \$216,379.

NOTE 4 CASH AND CASH EQUIVALENTS

Deposits as of June 30, 2025 consist of the following:

Demand accounts	\$ 2,323,225
Undeposited funds	6,226
Total	<u>\$ 2,329,451</u>

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, 2025, \$1,813,009 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.

Mountain Area Regional Transit Authority
Notes to the Basic Financial Statements
Year Ended June 30, 2025

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025 is as follows:

	Beginning Balance July 1, 2024	Additions	Transfers	Retirements	Ending Balance June 30, 2025
Nondepreciable assets					
Land	\$ 953,878	\$ -	\$ -	\$ -	\$ 953,878
Construction in progress	3,678,945	15,870,631	(510,752)	-	19,038,824
Total nondepreciable assets	4,632,823	15,870,631	(510,752)	-	19,992,702
Depreciable assets					
Buildings and improvements	3,532,646	23,561	11,416	-	3,567,623
Passenger facilities	935,551	-	499,336	-	1,434,887
Shop, office, and other equipment	6,159,705	2,479,502	-	(328,879)	8,310,328
Total depreciable assets	10,627,902	2,503,063	510,752	(328,879)	13,312,838
Accumulated depreciation					
Buildings and improvements	(1,979,154)	(104,806)	-	-	(2,083,960)
Passenger facilities	(313,721)	(116,392)	-	-	(430,113)
Shop, office, and other equipment	(4,313,399)	(845,053)	-	318,643	(4,839,809)
Total accumulated depreciation	(6,606,274)	(1,066,251)	-	318,643	(7,353,882)
Capital assets, net	8,654,451	17,307,443	-	(10,236)	25,951,658
Right-to-use leased assets being amortized					
Right-to-use leased equipment	49,226	-	-	-	49,226
Less accumulated amortization for					
Right-to-use leased equipment	(18,998)	(9,845)	-	-	(28,843)
Net right-to-use leased assets	30,228	(9,845)	-	-	20,383
Right-to-use IT assets being amortized					
SBITA asset	-	26,700	-	-	26,700
Less accumulated amortization for					
SBITA asset	-	(5,933)	-	-	(5,933)
Net SBITA asset	-	20,767	-	-	20,767
Total capital assets, net	\$ 8,684,679	\$ 17,318,365	\$ -	\$ (10,236)	\$ 25,992,808

NOTE 6 LEASES

MARTA has entered into three noncancelable lease agreements for office equipment. These leases do not include variable lease payments, residual value guarantees, or short-term lease arrangements, and there are no related-party transactions associated with these leases. MARTA is required to make principal and interest payments through November 2026, April 2027 and June 2028. 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 \$49,226 and \$28,843 as of June 30, 2025, respectively. The lease liabilities as of June 30, 2025 amount to \$21,397.

Mountain Area Regional Transit Authority
Notes to the Basic Financial Statements
Year Ended June 30, 2025

NOTE 7 SBITA

During the fiscal year ended June 30, 2025, MARTA entered into a subscription-based information technology agreement (SBITA) with PlanetBids, LLC for procurement and bidding software services. The agreement grants MARTA the right to use the software for vendor management and bid solicitation purposes. The contract has a fixed term of three years and includes two optional one-year renewal periods, which MARTA may exercise at its discretion. The subscription liability is measured at the present value of payments expected to be made over the subscription term, using MARTA's incremental borrowing rate of 3% applicable for fiscal year 2025. As of June 30, 2025, the right-to-use IT asset totaled \$26,700, with accumulated amortization of \$5,933. The corresponding SBITA liability was \$17,100. No significant modifications to the subscription terms occurred during the fiscal year.

NOTE 8 LONG-TERM LIABILITIES

	Balance July 1 2024	Additions	Deletions	Balance June 30, 2025	Amount Due in One Year
Compensated absences	\$ 113,910	\$ 139,906	\$ (155,460)	\$ 98,356	\$ 49,178
Leases	31,148	-	(9,751)	21,397	10,048
SBITA	-	26,700	(9,600)	17,100	8,550
	<u>\$ 145,058</u>	<u>\$ 166,606</u>	<u>\$ (174,811)</u>	<u>\$ 136,853</u>	<u>\$ 67,776</u>

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

Year Ending June 30	Principal	Interest	Total
2026	\$ 10,048	\$ 468	\$ 10,516
2027	7,425	189	7,614
2028	3,924	50	3,974
Total	<u>\$ 21,397</u>	<u>\$ 707</u>	<u>\$ 22,104</u>

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

Year Ending June 30	Principal	Interest	Total
2026	\$ 8,550	\$ 256	\$ 8,806
2027	8,550	521	9,071
Total	<u>\$ 17,100</u>	<u>\$ 777</u>	<u>\$ 17,877</u>

NOTE 9 RISK MANAGEMENT

MARTA is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 126 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, 2025, there are no retrospective adjustment calculations resulting in a cumulative payable to be applied in fiscal year 2026. 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 to be using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes costs incurred up to \$100,000 for each occurrence and are evaluated as a percentage of the pool's total costs incurred within the first layer. (3) The second layer of losses includes costs incurred from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total costs incurred within the second layer. (4) Incurred costs, from \$500,000 to \$50 million, are distributed based on the outcome of the 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 also have a \$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/>.

NOTE 9 RISK MANAGEMENT (CONTINUED)

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 costs incurred up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total costs incurred within the first layer. (3) The second layer of losses includes costs incurred from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total costs incurred 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 2024-2025, 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's property is currently insured according to a schedule of covered property submitted by MARTA to the Authority. MARTA's property currently has all-risk property insurance protection in the amount of \$4,615,579. 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's property currently has earthquake protection in the amount of \$725,792. 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 RISK MANAGEMENT (CONTINUED)

Special Event Tenant User Liability Insurance

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

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2024-25.

NOTE 10 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 11 401(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 up to 6% of the employee's compensation to the employee's 457 plan and nonelective employer contributions. MARTA's contributions to the Plan totaled \$130,716 during the fiscal year ended June 30, 2025.

NOTE 12 SUBSEQUENT EVENTS

In preparing the financial statements, MARTA has evaluated events and transactions for potential recognition or disclosure through December 29, 2025, 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 Board of Directors Mountain Area Regional Transit Authority

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 (*Government Auditing Standards*), the financial statements of Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MARTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 MARTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Vazquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 29, 2025**

COMPLIANCE SECTION



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Independent Auditor's Report on State Compliance

**The Board of Directors
Mountain Area Regional Transit Authority**

Report on Compliance with Transportation Development Act Requirements

Opinion

We have audited the Mountain Area Regional Transit Authority's (MARTA) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by MARTA were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the San Bernardino County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations for the year ended June 30, 2025.

In our opinion, MARTA complied, in all material respects, with the compliance requirements referred to above that are applicable to MARTA for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the requirement of the TDA regulations. Our responsibilities under these standards 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 with the TDA compliance requirements. Our audit does not provide a legal determination of MARTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for MARTA's compliance with the TDA 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, provisions of contracts or agreements applicable to the TDA.



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 GAAS, *Government Auditing Standards*, and the TDA regulations 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 the TDA regulations as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the TDA regulations, 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 TDA regulations, 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 the TDA regulations 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 the TDA regulations 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 the TDA regulations 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 TDA regulations. Accordingly, this report is not suitable for any other purpose.

Glendale, California
December 29, 2025

Mountain Area Regional Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year Ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
1. Claimant was an entity eligible to receive the funds allocated to it.	X				
2. Claimant maintains its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99243.	X				
3. Funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5, and 99277 for Article 4.5 claimants; Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract; and Section 99405(d) for transportation services provided by cities and counties with populations of less than 5,000.	X				
4. Funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions.	X				
5. Interest earned on funds received by the claimant pursuant to the TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6.	X				

See independent auditor's report on state compliance.

Mountain Area Regional Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year Ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
6. The amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in the Section 6633.2, is verified.	X				
7. The amount of the claimant's actual fare revenues for the fiscal year is verified.	X				
8. The amount of the claimant's actual local support for the fiscal year is verified.	X				
9. The amount the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649 is verified.	X				
10. The amount of the operator's expenditure limitation in accordance with Section 6633.1 is verified.	X				
11. The operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273	X				
12. The operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251	X				
13. The operator's State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7 is verified.	X				

See independent auditor's report on state compliance.

Mountain Area Regional Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year Ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
14. The claimant for community transit services is in compliance with Public Utilities Code Sections 99155 and 99155.5.	X				

See independent auditor's report on state compliance.



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**Mountain Area Regional Transit Authority
A Joint Powers Authority
Single Audit Report
*Year Ended June 30, 2025
with Independent Auditor's Report***

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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***

**Board of Directors
Mountain Area Regional Transit Authority**

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 (*Government Auditing Standards*), the financial statements of the Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MARTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 MARTA's 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 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.

A handwritten signature in black ink that reads "Vazquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 29, 2025**



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

**Board of Directors
Mountain Area Regional Transit Authority**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mountain Area Regional Transit Authority's (MARTA) 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 MARTA's major federal program for the year ended June 30, 2025. MARTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MARTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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 the major federal program. Our audit does not provide a legal determination of MARTA'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 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MARTA's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items SA 2025-001 and SA 2025-002. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding SA 2025-001 to be a significant deficiency.

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

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

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



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

We have audited the financial statements of Mountain Area Regional Transit Authority as of and for the year ended June 30, 2025, and have issued our report thereon dated December 29, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Glendale, California

February 18, 2026, *except for the Schedule of Expenditures of Federal Awards, as to which the date is December 29, 2025.*

Mountain Area Regional Transit Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number (ALN)	Contract Number	Provided to Subrecipients	Total Federal Expenditures
MAJOR PROGRAM				
<u>U.S. Department of Transportation - Federal Transit Administration</u>				
<i>Passed-through State of California Department of Transportation</i>				
Formula Grants for Rural Areas, Section 5311	20.509	64BA24-02507	\$ -	\$ 384,018
Formula Grants for Rural Areas, Intercity Bus Section 5311f	20.509	64CA17-02442	-	267,406
Formula Grants for Rural Areas, Section 5311 The American Rescue Plan Act of 2021	20.509	64TO21-01865	-	360,500
Formula Grants for Rural Areas, Section 5311 The American Rescue Plan Act of 2021 Intercity Bus	20.509	64MO21-01910	-	208,681
Formula Grants for Rural Areas, Section 5311 Congestion Mitigation and Air Quality Improvement Program (2021 CMAQ)	20.509	64HC22-02180	-	847,115
Formula Grants for Rural Areas, Section 5311 Congestion Mitigation and Air Quality Improvement Program (2022 CMAQ)	20.509	64HC21-01500	-	438,168
Formula Grants for Rural Areas, Section 5311 Coronavirus Response and Relief Supplemental Appropriations Act of 2021	20.509	64RO21-01648	-	697,412
Total Federal Transit Cluster			-	3,203,300
TOTAL FEDERAL EXPENDITURES			\$ -	\$ 3,203,300

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mountain Area Regional Transit Authority (MARTA) under programs of the federal government for the year ended June 30, 2025. 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). The Schedule presents only the accounts of various grant programs and, therefore, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of MARTA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MARTA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 SUBRECIPIENTS

MARTA provided no federal awards to subrecipients for the year ended June 30, 2025.

NOTE 4 RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported within 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
Year Ended June 30, 2025**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report 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? Yes – SA 2025-001

Type of auditor's report issued on compliance with respect to major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes – SA 2025-001 and SA 2025-002

Identification of Major Programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**Mountain Area Regional Transit Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

Section II - Financial Statement Findings

There were no financial statement findings noted during the fiscal year ended June 30, 2025.

Section III - Federal Award Findings and Questioned Costs

SA 2025-001: Allowable Costs – Non-Payroll

Assistance Listing Number:	20.509
Federal Program/Cluster Name:	Formula Grants for Rural Areas and Tribal Transit
Federal Agency:	U.S. Department of Transportation – Federal Transit Administration
Federal Award Number:	64BA24-02507/64CA17-02442/64HC22-02180/64RO21-01648/64TO21-01865/64MO21-01910/64HC21-01500
Federal Award Year:	July 1, 2024 to June 30, 2025
Compliance Requirement	Allowable Costs

Criteria

Except where otherwise authorized by statute, cost must meet the following general criteria in order to be allowable under federal awards;

1. Be necessary and reasonable for the performance of the federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.
2. Conform to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E or in the federal award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity.
4. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
5. Be determined in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only as otherwise provided for in 2 CFR Part 200.
6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.
7. Be adequately documented.

Condition

During the audit of non-payroll expenses charged to the program, an invoice dated May 1, 2025 was approved by the Director of Operations & Maintenance during the General Manager's absence. The related purchase order was subsequently signed by the General Manager on June 10, 2025, after the invoice had already been received and approved. The procurement policy does not specify the required timing of purchase order approval relative to invoice receipt or approval.

SA 2025-001: Allowable costs – Non-Payroll (Continued)

Cause

The procurement policy lacks clear guidance on the timing of purchase order authorization. The Director of Operations & Maintenance approved the invoice to avoid delays, but the purchase order was not signed until the General Manager's return.

Effect

This practice increases the risk of:

- Commitments are being made without proper prior authorization.
- Noncompliance with federal procurement standards requiring documented procedures that ensure approvals before obligations are incurred.
- Potential questioned costs if federal funds were used for expenditures not properly authorized in advance.

Questioned Costs

None

Repeat Findings

No

Recommendation

MARTA should revise the procurement policy to explicitly require purchase order approval prior to invoice receipt or payment. Establish a clear delegation of authority for situations when the General Manager is absent, ensuring that approvals are documented and consistent with federal requirements.

Views of Responsible Officials and Planned Corrective Action

MARTA recognizes the importance of ensuring all expenses are approved before they are incurred. To address this finding, MARTA is updating its internal procurement rules to clearly state that a purchase order must be signed prior to ordering any items or initiating any services. This measure will prevent the receipt of invoices for costs that have not been officially authorized.

Additionally, MARTA is creating a formal backup approval plan. Under this plan, if the General Manager is unavailable, another designated leader will have the documented authority to approve purchases immediately, eliminating the need to wait for the General Manager's return to complete the necessary paperwork.

Finally, MARTA's finance team will implement a new check-and-balance step in the payment process. Moving forward, the team will verify that the date on the approved purchase order comes before the date on the vendor's invoice. If the dates are out of sequence, the payment will be flagged for review. In addition, MARTA will conduct a training session for all department heads to reinforce that verbal orders are not permitted and that written authorization must always be obtained first. This plan is designed to ensure full compliance with federal grant requirements and prevent any future delays in the approval process.

Personnel responsible: Sandra Benson, General Manager

Anticipated completion date: October 2026

SA 2025-002: Develop Written Policies and Procedures

Assistance Listing Number:	20.509
Federal Program/Cluster Name:	Formula Grants for Rural Areas and Tribal Transit
Federal Agency:	U.S. Department of Transportation – Federal Transit Administration
Federal Award Number:	64BA24-02507/64CA17-02442/64HC22-02180/64RO21-01648/64TO21-01865/64MO21-01910/64HC21-01500
Federal Award Year:	July 1, 2024 to June 30, 2025
Compliance Requirement	Others

Criteria

2 CFR 200.303 requires nonfederal entities to establish and maintain effective internal control over federal awards to provide reasonable assurance that organizations who manage the federal award:

- Understand and comply with the federal statutes, regulations, and terms and conditions of the award;
- Evaluate and monitor compliance;
- Take prompt action when instances of noncompliance is identified.

These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, or the *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Additionally, the Uniform Guidance requires non-federal entities to develop written procedures related to the following areas:

1. Cash Management
2 CFR 200.302(b)(6) states that the financial management system of each non-Federal entity must provide for the written procedures to implement the requirements of 2 CFR 200.305 Federal Payment.
2. Equipment Management Requirements
Non-federal entities other than states must follow 2 CFR sections 200.313(c) through (e).

Condition

MARTA does not have comprehensive written policies and procedures concerning the following key compliance areas which are required by the Uniform Guidance:

Cash Management

MARTA does not have written procedures to implement the requirements of 2 CFR 200.305 Federal Payment.

Equipment and Real Property Management

MARTA has an Asset Inventory Policy and Procedures, however, it does not clearly define the policies and procedures that are in place for the use, management and disposition of equipment acquired under a Federal award in accordance with 2 CFR sections 200.313(c) through (e).

SA 2025-002: Develop Written Policies and Procedures (Continued)

Cause

MARTA's reliance on informal business practices leads to inconsistencies in its internal controls.

Effect

The absence of formal policies and procedures in the key compliance areas could result in non-compliance with federal regulations, which may lead to unnecessary sanctions. Additionally, without formal written policies and procedures, it is difficult to ensure consistent practices across the organization.

Questioned Costs

None

Repeat Findings

Yes, see the Summary Schedule of Prior Year Audit Findings, SA 2024-001. The Cash Management and Equipment and Real Property Management policies have not been updated since last year's audit.

Recommendation

MARTA should develop and implement formal written policies and procedures for the specific areas required by the Uniform Guidance. These policies and procedures must clearly delineate the requirements of Uniform Guidance. Personnel responsible for these areas should receive adequate training and apply the policies effectively. Regular reviews should be conducted to update the policies and procedures as needed.

Views of Responsible Officials and Planned Corrective Action

MARTA has grown substantially in the last several years. This progress includes identifying areas that need to be updated or developing new processes and documentation.

MARTA has an Asset Inventory Policy and Procedures in which the purpose is to ensure that fixed assets are properly accounted for, identified, and tracked.

MARTA also has Cash Handling Policy and Procedures which addresses safeguarding public funds and maximizing the available resources. This is designed to reduce the risks associated with the collection, receipts storage and reporting of cash transactions and to safeguard and maintain the security and integrity of MARTA's fiscal assets.

MARTA will review and update these policies and/or create new policies to make sure that they are compliant with the Uniform Guidance.

Personnel responsible: Sandy Benson, General Manager

Anticipated completion date: October 2026

Mountain Area Regional Transit Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Compliance and Other Matters

Finding No.	Finding Description	Recommendation	Current Status
SA 2024-001	Develop Written Policies and Procedures	MARTA should develop and implement formal written policies and procedures for the specific areas required by the Uniform Guidance. These policies and procedures must clearly delineate the requirements of Uniform Guidance. Personnel responsible for these areas should receive adequate training and apply the policies effectively. Regular reviews should be conducted to update the policies and procedures as needed.	Partially Implemented.
SA 2024-002	Procurement, Suspension and Debarment	MARTA should strengthen its internal controls over procurement by ensuring that all procurement activities, particularly significant expenditures, are properly documented. This includes retaining evidence that procurement methods required by the Uniform Guidance were followed, such as bids, contracts, or justifications for sole-source vendors. MARTA should also conduct training for staff involved in procurement to ensure awareness and adherence to the policies. Regular internal audits may be implemented to verify compliance with procurement procedures.	Implemented.
SA 2024-003	Allowable costs - Payroll	MARTA should strengthen its internal controls over the payroll process by ensuring that all Personnel Action Forms (PAF) are reviewed for accuracy and properly approved. MARTA should ensure that PAF and timecards are adequately documented and filed.	Implemented.



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**Morongo Basin Transit Authority
(A Joint Powers Authority)
Audited Financial Statements and
Required Supplementary Information
*As of and for the Year Ended June 30, 2025
with Independent Auditor's Report***



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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 (Basin Transit), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise 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 Basin Transit, as of June 30, 2025, and the changes in its 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 (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 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.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, Basin Transit adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. As a result, the beginning net position as of July 1, 2024, has been restated. 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 Basin Transit's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 Net Pension Contributions, and the Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability and Related Ratios 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 GASB 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 GAAS, 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 GASB 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 30, 2025, on our consideration of 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.

Glendale, California
December 30, 2025

Morongo Basin Transit Authority
Statement of Net Position
June 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and cash equivalents	\$ 9,591,754
Restricted cash	
Restricted for capital purposes	354,024
Section 115 Pension Trust	531,975
Receivables	
Grants	933,929
Accrued revenue	96,857
Prepaid expenses and other current asset	16,971

Total current assets 11,525,510

Noncurrent Assets

Capital assets, net	5,866,179

Total assets 17,391,689

Deferred Outflows of Resources

Deferred amount related to pensions	569,637
Deferred amount related to OPEB	395,414

Total deferred outflows of resources 965,051

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 18,356,740

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities

Accounts payable	\$ 251,971
Compensated absences	80,565
Other accrued liabilities	84,704
Unearned revenue	6,209,852

Total current liabilities 6,627,092

Noncurrent Liabilities

Net pension liability	1,471,506
Net OPEB liability	772,702
Compensated absences	80,565

Total noncurrent liabilities 2,324,773

Total liabilities 8,951,865

Deferred Inflows of Resources

Deferred amount related to pensions	53,249
Deferred amount related to OPEB	1,473,573

Total deferred inflows of resources 1,526,822

Net Position

Net investment in capital assets	5,866,179
Restricted	885,999
Unrestricted	1,125,875

Total net position 7,878,053

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION \$ 18,356,740

See notes to financial statements.

Morongo Basin Transit Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

OPERATING REVENUES

Passenger fares	\$ 329,612
Procurement services	624,777
Taxi licensing services	3,400
Total operating revenues	<u>957,789</u>

OPERATING EXPENSES

Operations	3,400,642
Maintenance	720,556
Administration	1,057,927
Procurement	261,323
Taxi licensing	7,571
Escort program TREP	94,765
Depreciation	1,289,369
Total operating expenses	<u>6,832,153</u>

OPERATING LOSS (5,874,364)

NON-OPERATING REVENUES

Operating assistance	
Local Transportation Fund (LTF) Article 4	3,186,684
Measure I	149,573
Federal Transit Administration (FTA) Section 5311	555,516
FTA Section 5310 TREP	94,764
Low Carbon Transit Operator Program (LCTOP)	45,000
State and local grants	40,000
Interest income	162,987
Miscellaneous	470,686
Total non-operating revenues	<u>4,705,210</u>

LOSS BEFORE CAPITAL CONTRIBUTIONS (1,169,154)

CAPITAL CONTRIBUTIONS

State Transit Assistance Fund (STAF)	432,288
LTF Article 4	1,086,890
Public Transportation Modernization, Improvement, and Service Enhancement	
Account (PTMISEA)	181,310
LCTOP	119,807
State of Good Repair (SGR)	274,228
Total capital contributions	<u>2,094,523</u>

CHANGE IN NET POSITION 925,369

NET POSITION

Beginning of Year, as restated	<u>6,952,684</u>
End of Year	<u>\$ 7,878,053</u>

See notes to financial statements.

Morongo Basin Transit Authority
Statement of Cash Flows
Year Ended June 30, 2025

Cash flows from operating activities	
Cash received from passenger fares	\$ 329,612
Cash received from procurement and taxi licensing services	628,177
Payments to employees	(3,638,650)
Payments to vendors for services	<u>(1,913,060)</u>
Net cash used in operating activities	<u>(4,593,921)</u>
Cash flow from noncapital financing activity	
Operating grants received	<u>5,475,586</u>
Cash provided by noncapital financing activity	<u>5,475,586</u>
Cash flows from capital and related financing activities	
Capital grants received	1,821,674
Sale of capital assets	5,875
Purchase of capital assets	<u>(1,515,510)</u>
Net cash provided by capital and related financing activities	<u>312,039</u>
Cash flows from investing activity	
Interest income	<u>162,987</u>
Cash provided by financing activity	<u>162,987</u>
Net increase in cash and cash equivalents, and restricted cash	1,356,691
Cash and cash equivalents, and restricted cash, beginning of year	<u>9,121,062</u>
Cash and cash equivalents, and restricted cash, end of year	<u>\$ 10,477,753</u>
Cash and cash equivalents	\$ 9,591,754
Restricted cash for capital purposes	354,024
Restricted cash - pension and OPEB trusts	<u>531,975</u>
Total cash and cash equivalents, and restricted cash	<u>\$ 10,477,753</u>
	(Continued)

See notes to financial statements.

Morongo Basin Transit Authority
Statement of Cash Flows (Continued)
Year Ended June 30, 2025

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ <u>(5,874,364)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	1,289,369
Changes in operating assets and liabilities and deferred outflows and inflows of resources:	
Increase in prepaid expenses and other current asset	(14,541)
Increase (decrease) in:	
Accounts payable	213,508
Compensated absences	(690)
Other accrued liabilities	16,147
Net pension liability	(14,504)
Net OPEB liability	(263,933)
Change in deferred outflows of resources related to pensions	191,788
Change in deferred inflows of resources related to pensions	19,259
Change in deferred outflows of resources related to OPEB	102,224
Change in deferred inflows of resources related to OPEB	<u>(258,184)</u>
Total adjustments	<u>1,280,443</u>
Net cash used in operating activities	\$ <u>(4,593,921)</u>

See notes to financial statements.

NOTE 1 DESCRIPTION OF THE 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.

Measurement Focus and Basis of Accounting

Basin Transit's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Cash and Cash Equivalents

Cash and 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.

Restricted Cash

As of June 30, 2025, Basin Transit held \$354,024 of Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Program, State of Good Repair, and Low Carbon Transit Operations Program (LCTOP) cash restricted for capital projects. Basin Transit also held \$531,975 of restricted cash under the establishment of Section 115 Trusts funds through the California Public Employees Retirement System's (CalPERS) California Employers' Pension Prefunding Trust Program (CEPPT).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

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. Operating grant activity for the fiscal year is detailed in Notes 5 and 7.

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

Capital assets being depreciated:

Buildings and improvements	7 to 25 years
Office furniture, fixtures, and equipment	5 years
Buses	5 to 12 years
Vehicles	5 years
Security enhancements	10 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, as detailed in Note 9.

Compensated Absences

Compensated employee absences are accrued as the employees earn them. The balance is attributable to services already rendered and will likely be used as paid time off or paid out upon termination or retirement.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

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 Basin Transit's 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)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Basin Transit's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows and Outflows of Resources

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 outflows of resources (consumption of net position) that apply to future periods and therefore are not recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and therefore, are not recognized as revenue until that time.

Basin Transit reported deferred outflows and inflows of resources related to pensions and OPEB. See Notes 11 and 13 for items identified as deferred inflows and outflows as of June 30, 2025.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, and is classified into three categories:

Net investment in capital assets – This balance reflects the net position of Basin Transit invested in capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This balance represents the amount of net position that does not meet the definition of net investment in capital assets or restricted net position.

Operating and Non-Operating Revenues and Expenses

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 of 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, revenue from the sale of CNG and renewable natural gas.

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.

Use of 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of New GASB Pronouncements

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which establishes updated recognition and measurement guidance for leave benefits such as vacation, sick leave, paid time off, and other compensated absences. The objective of this Statement is to improve consistency and comparability in financial reporting by clarifying when and how liabilities for compensated absences should be recognized. The implementation of this statement resulted in an adjustment to the beginning net position of Basin Transit amounting to \$21,826. See Note 15.

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to disclose vulnerabilities arising from significant concentrations and certain constraints that could impact their ability to acquire resources or manage spending. The objective of this Statement is to improve transparency and provide users of financial statements with more relevant information about potential risks that could substantially affect a government's operations or financial position. The implementation of this statement did not have a significant impact on Basin Transit's financial statements.

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, 2025, procurement revenues were expended on bid expenses and transit assistance grant programs to local government and non-profit agencies. The remaining procurement expenses were allocated to fund the administrative activities of Basin Transit, based on approved budgeted balances.

Taxi licensing activities are for the licensing of taxi service providers of Basin Transit and funds are retained to reimburse costs incurred in the operation and administration of taxi licensing activities. For the year ended June 30, 2025, these expenses included legal fees, insurance, drug testing, background verification, rent, and utilities.

Morongo Basin Transit Authority
Notes to the Financial Statements
Year Ended June 30, 2025

NOTE 3 PROCUREMENT ACTIVITY AND TAXI LICENSING ACTIVITY (CONTINUED)

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 from prior year	\$ 1,661,816
Procurement services during the year	624,777
Expenditures during the year	<u>(261,323)</u>
Ending balance of procurement activities	<u>\$ 2,025,270</u>
Taxi licensing activities balance from prior year	\$ 61,392
Taxi licensing services	3,400
Expenditures during the year	<u>(7,571)</u>
Ending balance of taxi licensing activities	<u>\$ 57,221</u>

NOTE 4 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents	\$ 9,591,754
Restricted cash	<u>885,999</u>
Total	<u>\$ 10,477,753</u>
Cash and cash equivalents as of June 30, 2025	
consist of the following:	
Cash on hand	\$ 1,248
Demand accounts	6,014,691
Demand accounts restricted for capital projects	354,024
Section 115 Trust Funds	531,975
Local Agency Investment Fund (LAIF)	<u>3,575,815</u>
Total	<u>\$ 10,477,753</u>

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 of the California Government Code. 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 AND RESTRICTED CASH (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates which 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 and Basin Transit's investment in LAIF at June 30, 2025 was not rated.

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 related to 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% 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% of the secured public deposits. As of June 30, 2025, 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 \$5,530,562 exposed to credit risk for deposits as of June 30, 2025.

Local Agency Investment Funds (LAIF)

Basin Transit is a voluntary participant in the California State Treasurer's LAIF that is regulated by the California Government Code Section 16429 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, 2025, Basin Transit's balance in LAIF of \$3,575,815 is measured at amortized cost, which approximates fair value.

NOTE 4 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Investments in Section 115 Trusts

Basin Transit participates in CEPPT 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 the CEPPT fund 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, 2025 of \$3,575,815 is measured based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 inputs.

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 Administration (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, 2025 was \$555,516.

Morongo Basin Transit Authority
Notes to the Financial Statements
Year Ended June 30, 2025

NOTE 5 FEDERAL, STATE AND LOCAL GRANTS (CONTINUED)

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.

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 that 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 2025 is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2024	\$ 5,006,300	\$ 689,244	\$ 5,695,544
Gross receipts			
Fares	329,612	-	329,612
State Transit Assistance Fund	-	432,288	432,288
FTA Section 5311	555,516	-	555,516
Local Transportation Fund (LTF), Article 4	4,001,456	1,086,890	5,088,346
Measure I	149,573	-	149,573
Interest income	159,162	526	159,688
Other	568,742	-	568,742
LCTOP	45,000	164,762	209,762
AB 2766	40,000	-	40,000
SB1 State of Good Repair	-	137,208	137,208
Total gross receipts	<u>5,849,061</u>	<u>1,821,674</u>	<u>7,670,735</u>
Operating expenses, less depreciation	(5,061,377)	-	(5,061,377)
Capital acquisitions and expenditures	<u>-</u>	<u>(2,095,050)</u>	<u>(2,095,050)</u>
Receipts over expenses in current period	<u>787,684</u>	<u>(273,376)</u>	<u>514,308</u>
Unearned revenue at June 30, 2025	<u>\$ 5,793,984</u>	<u>\$ 415,868</u>	<u>\$ 6,209,852</u>

Morongo Basin Transit Authority
Notes to the Financial Statements
Year Ended June 30, 2025

NOTE 5 FEDERAL, STATE AND LOCAL GRANTS (CONTINUED)

Transportation Development Act (Continued)

A. Section 6634 (Continued)

Unearned revenue at June 30, 2025, consists of the following:

	Operating Funds	Capital Funds	Total
LTF Carryover	\$ 5,787,253	\$ -	\$ 5,787,253
LCTOP	6,731	349,237	355,968
State of Good Repair	-	9,428	9,428
PTMISEA Vehicles	-	57,203	57,203
	<u>\$ 5,793,984</u>	<u>\$ 415,868</u>	<u>\$ 6,209,852</u>

B. Section 99268.4

Section 99268.4 indicates that in the case of an operator that 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, 2025, is calculated as follows:

Operating expenses	\$ 6,832,153
Less Basin Transit reported procurement operations expense	(261,323)
Less Basin Transit reported taxi licensing operations expense	(7,571)
Less reimbursable expenses	(263,455)
Less depreciation	(1,289,369)
Adjusted operating expenses	<u>\$ 5,010,435</u>
 Fare revenue	 \$ 329,612
Fare ratio	6.58%

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

	171,431
Adjusted fare revenue	<u>501,043</u>
Adjusted fare ratio	<u>10.00%</u>

NOTE 5 FEDERAL, STATE AND LOCAL GRANTS (CONTINUED)

Proposition 1B

The 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, 2024	\$ 238,561
Interest earning during fiscal year	48
Funds expended during fiscal year	<u>(181,406)</u>
Unearned PTMISEA Balance, June 30, 2025	<u>\$ 57,203</u>

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, 2025 was \$0.

Low Carbon Transit Operations Program

LCTOP provides funds for approved projects to support new or expanded bus or rail services and expand intermodal facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services of facilities, with each project reducing greenhouse gas emissions. The total held in restricted accounts as of June 30, 2025, was \$354,024.

Morongo Basin Transit Authority
Notes to the Financial Statements
Year Ended June 30, 2025

NOTE 6 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, is as follows:

	Beginning Balance July 1, 2024	Additions	Retirements	Ending Balance June 30, 2025
Capital assets being depreciated				
Buildings and improvements	\$ 11,170,464	\$ 342,381	\$ 260,581	\$ 11,252,264
Office furniture, fixtures, and equipment	253,439	16,115	3,626	265,928
Buses	5,869,265	459,448	146,289	6,182,424
Vehicles	287,445	-	64,050	223,395
Security enhancements	221,609	-	-	221,609
Information systems	36,506	697,566	-	734,072
Data handling equipment	12,465	-	-	12,465
Total capital assets being depreciated	<u>17,851,193</u>	<u>1,515,510</u>	<u>474,546</u>	<u>18,892,157</u>
Less accumulated depreciation				
Buildings and improvements	8,225,181	568,719	260,581	8,533,319
Office furniture, fixtures, and equipment	225,267	11,652	3,626	233,293
Buses	3,449,068	527,013	146,289	3,829,792
Vehicles	261,207	12,769	64,050	209,926
Security enhancements	22,161	22,161	-	44,322
Information systems	20,976	144,563	-	165,539
Data handling equipment	7,295	2,492	-	9,787
Total accumulated depreciation	<u>12,211,155</u>	<u>1,289,369</u>	<u>474,546</u>	<u>13,025,978</u>
Total capital assets, net of accumulated depreciation	<u>\$ 5,640,038</u>	<u>\$ 226,141</u>	<u>\$ -</u>	<u>\$ 5,866,179</u>

NOTE 7 GRANTS

Grants receivable at June 30, 2025 were \$933,929. This balance was composed of \$594,388 of federal operating assistance grant funds and \$339,541 from state and local sources.

NOTE 8 LINE OF CREDIT

Basin Transit has an unsecured line of credit with Banc of California. As of June 30, 2025, the amount available on the line of credit was \$500,000. The line of credit has a maturity date of March 10, 2026. 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 9% percent as of June 30, 2025. No amounts were outstanding on the line of credit as of June 30, 2025 and Basin Transit did not make 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, 2025, 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 \$296,213 for the fiscal year ended June 30, 2025. 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 up 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 \$161,130 is related to accumulated unpaid personal leave, which includes vacation and sick pay accrued at June 30, 2025.

Balance July 1, 2024, as restated	Additions	Deletions	Balance June 30, 2025	Amount Due in One Year	Amount Due Beyond One year
\$ 161,820	\$ 162,501	\$ 163,191	\$ 161,130	\$ 80,565	\$ 80,565

NOTE 11 EMPLOYEES' RETIREMENT PLAN

General Information about the Pension Plan

Plan Description

Basin Transit contributes to the 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.

NOTE 11 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Benefits Provided

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

The Plans provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous	
	Classic - Prior to January 1, 2013	PEPRA - On or After January 1, 2013
Hire Date		
Formula	2.0% @60	2.0% @62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	50-62
Monthly benefits, as a % of annual salary	2.00%	2.00%
Required employee contribution rate	7.00%	7.75%
Required employer contribution rate	10.19%	7.96%
Plus: annual required lump sum payment	\$ 128,445	\$ 10,888

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, 2025, were \$216,458.

NOTE 11 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

As of June 30, 2025, Basin Transit's proportionate share of the collective net pension liability of the Plan is \$1,471,506.

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, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, 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 measurement dates June 30, 2023, and 2024 were as follows:

	Miscellaneous
Proportion - June 30, 2023 measurement date	0.02972%
Proportion - June 30, 2024 measurement date	0.03042%
Change - Increase (Decrease)	0.00070%

At June 30, 2025, 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	\$ 37,821	\$ -
Difference between Expected and Actual Experience	127,225	(4,964)
Difference between Projected and Actual Investment Earnings	84,713	-
Difference between Employer's Contributions and Proportionate Share Contributions	15,790	(48,285)
Change in Employer's Proportion	87,630	-
Pension Contributions Made Subsequent to Measurement Date	216,458	-
Total \$	\$ 569,637	\$ (53,249)

NOTE 11 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

The amount of \$216,458 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 ending June 30, 2026. 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,	
2026	\$ 130,337
2027	199,545
2028	(925)
2029	(29,030)
2030	-
Thereafter	-
	<u>\$ 299,927</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
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.

NOTE 11 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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 would be made at the current contribution rate and that Basin Transit's contributions would be made at rates equal to the difference between actuarially determined contribution 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.

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:

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	<u>100.00%</u>	

(1) An expected price of 2.30% was used for this period.

(2) Figures are based on the 2021-2022 Assets Liability Management study.

NOTE 11 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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 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%
Basin Transit's proportionate share of net pension liability	\$ 2,545,327	\$ 1,471,506	\$ 587,594

Pension Plan Fiduciary Net Position

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

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 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, 2025, HRA reimbursements in the amount of \$98,015 were reported as part of operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position. The total HRA liability as of June 30, 2025 is \$0.

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS

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

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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 \$1,513 for managers, \$756 for non-managers, 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.

Benefits Provided

Basin Transit funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$300 per month for each retirees' benefits from Basin Transit funds as they become due.

Employees Covered by Benefit Terms

At June 30, 2024, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Active plan members	42
Inactive employees or beneficiaries currently receiving benefits	7
Total	<u>49</u>

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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). Assets are accumulated in a Trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. For the fiscal year 2024-2025, the total contributions made to the plan which represent benefit payments, implicit subsidy and contributions to the Trust were \$204,869.

Total OPEB Liability

Basin Transit's total OPEB liability of \$772,702 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024. 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 on the June 30, 2024 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	5.50%
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	5.50%, net of OPEB plan investment expense
Mortality	\$ (1)
Healthcare Trend Rate	7.50 percent for 2024 decreasing to 5.40 percent for 2029, 5.25 percent for 2030-2034, 4.60 percent for 2035-2049, 4.50 percent for 2050-2064, 4.25 percent for 2065-2074, and 4.00 percent for 2075 and later years; Medicare ages: 4.50 percent for 2024-2064, 4.25 percent for 2065-2074, and 4.00 percent for 2075 and later years

- (1) 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

Basin Transit's policy regarding the allocation of the plan's invested assets is established and may be amended by the agency's Board of Directors. Basin Transit participates in the California Employers' Retiree Benefit Trust (CERBT), a Section 115 trust fund dedicated to prefunding Other Postemployment Benefits for all eligible California public agencies.

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global ex-U.S. Equity	34%	4.8%
U.S. Fixed	41%	1.8%
TIPS	5%	1.6%
Real Estate	17%	3.7%
Commodities	3%	1.9%

Discount Rate

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- b) A yield index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments.

The discount rate used to measure Basin Transit's total OPEB liability is the long-term expected return on plan investments of 5.5%.

Morongo Basin Transit Authority
Notes to the Financial Statements
Year Ended June 30, 2025

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

The changes in the net OPEB liability during the measurement period ended June 2024 are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2024	\$ 1,369,054	\$ 332,419	\$ 1,036,635
Changes Recognized for the Fiscal Year:			
Service Cost	113,017	-	113,017
Interest on the Total OPEB Liability	80,582	-	80,582
Differences Between Expected and Actual Experience	(239,334)	-	(239,334)
Change of Assumptions	22,828	-	22,828
Benefit Payments	(34,345)	(34,345)	-
Contributions from the Employer	-	204,325	(204,325)
Net Investment Income	-	36,833	(36,833)
Administrative Expense	-	(132)	132
Net Changes	(57,252)	206,681	(263,933)
Balance at June 30, 2025 (Based on June 30, 2024 Measurement Date)	\$ 1,311,802	\$ 539,100	\$ 772,702

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

The following presents the net OPEB liability of Basin Transit, as well as what Basin Transit's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50%) or 1 percentage-point higher (6.50%) than the current discount rate:

	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Net OPEB Liability	\$ 958,135	\$ 772,702	\$ 619,922

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of Basin Transit, as well as what Basin Transit's net 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:

	Healthcare Cost		
	1% Decrease (a)	Trend Rate	1% Increase (b)
Total OPEB Liability	\$ 603,204	\$ 772,702	\$ 982,145

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

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

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2025, Basin Transit recognized a credit to OPEB expenses of \$215,024. At June 30, 2025, 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	\$ -	\$ (767,325)
Difference between assumptions or other inputs	190,545	(705,277)
Difference between projected and actual returns on OPEB investments	-	(971)
OPEB benefits paid subsequent to measurement date	204,869	-
Total \$	<u>395,414</u>	<u>(1,473,573)</u>

\$204,869 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2026.

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

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
2025	\$ 95,453	(425,478)
2026	61,963	(368,719)
2027	22,641	(314,675)
2028	3,085	(287,077)
2029	3,085	(32,342)
Thereafter	4,318	(45,282)
	<u>\$ 190,545</u>	<u>\$ (1,473,573)</u>

NOTE 14 SECTION 115 TRUST

In April 2021, the board of directors approved Basin Transit's participation in CEPPT and CERBT. The 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 CEPPT are considered assets of Basin Transit, while the assets in CERBT are considered assets of the OPEB Plan. As of June 30, 2025, the fair value of assets in CEPPT of \$531,975 was reported as a restricted asset in the Statement of Net Position.

NOTE 15 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

Basin Transit's beginning net position as of July 1, 2024, has been restated in relation to the adoption of GASB 101, Compensated Absences. The impact of the restatement on the previously reported amounts as of July 1, 2024 is as follows:

Beginning net position, as previously reported	\$ 6,974,510
Adjustment related to the adoption of GASB 101	<u>(21,826)</u>
Beginning net position, as restated	<u>\$ 6,952,684</u>

NOTE 16 SUBSEQUENT EVENTS

Basin Transit has evaluated events subsequent to June 30, 2025 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 30, 2025, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Morongo Basin Transit Authority
Schedule of Proportionate Share of Net Pension Liability
Last Ten Years
For the Year Ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Reporting Year										
Proportion of the collective net pension liability	0.03042%	0.02972%	0.02838%	0.02095%	0.02488%	0.00906%	0.00848%	0.00841%	0.00802%	0.00841%
Proportionate share of the collective net pension liability	\$ 1,471,506	\$ 1,486,010	\$ 1,327,753	\$ 397,837	\$ 1,049,355	\$ 928,676	\$ 817,011	\$ 834,456	\$ 694,380	\$ 477,834
Covered payroll	\$ 2,356,844	\$ 2,065,447	\$ 1,607,731	\$ 1,892,163	\$ 1,768,347	\$ 1,660,794	\$ 1,478,115	\$ 1,288,112	\$ 1,189,863	\$ 1,167,401
Proportionate share of the net pension liability as a percentage of covered payroll	62.44%	82.59%	82.59%	21.03%	59.34%	55.92%	55.27%	64.78%	58.36%	40.93%
Plan fiduciary net position as a percentage of total pension liability	78.45%	79.41%	79.41%	90.49%	77.71%	77.73%	75.26%	73.31%	74.06%	78.40%
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Morongo Basin Transit Authority
Schedule of Net Pension Contributions
Last Ten Years
For the Year Ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contributions	\$ 216,458	\$ 193,686	\$ 258,256	\$ 220,260	\$ 144,126	\$ 132,946	\$ 110,190	\$ 101,940	\$ 89,367	\$ 97,304
Contributions in relation to the actuarially determined contribution	<u>\$ (216,458)</u>	<u>\$ (193,686)</u>	<u>\$ (258,256)</u>	<u>\$ (220,260)</u>	<u>\$ (144,126)</u>	<u>\$ (132,946)</u>	<u>\$ (110,190)</u>	<u>\$ (101,940)</u>	<u>\$ (89,367)</u>	<u>\$ (97,304)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,465,617	\$ 2,356,844	\$ 2,065,447	\$ 1,607,731	\$ 1,725,338	\$ 1,892,163	\$ 1,768,347	\$ 1,660,794	\$ 1,478,115	\$ 1,288,112
Contributions as a percentage of covered payroll	8.78%	8.22%	12.50%	13.70%	8.35%	7.03%	6.23%	6.14%	6.05%	7.55%

Morongo Basin Transit Authority
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Years*
For the Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 113,017	\$ 98,924	\$ 290,754	\$ 279,570	\$ 228,652	\$ 241,469	\$ 243,107	\$ 307,069
Interest Cost	80,582	72,234	59,829	63,097	81,370	78,383	88,680	74,734
Differences Between Expected and Actual Experiences	(239,334)	-	(683,738)	-	(644,109)	-	(638,083)	-
Changes of Assumptions	22,828	-	(1,247,797)	215,090	289,197	161,055	47,476	-
Benefit Payments	(34,345)	(32,609)	(27,612)	(28,832)	(31,753)	(35,552)	(33,163)	(33,163)
Net Change in Total OPEB Liability	(57,252)	138,549	(1,608,564)	528,925	(76,643)	445,355	(291,983)	348,640
Total OPEB Liability - Beginning	1,369,054	1,230,505	2,839,069	2,310,144	2,386,787	1,941,432	2,233,415	1,884,775
Total OPEB Liability - Ending	<u>\$ 1,311,802</u>	<u>\$ 1,369,054</u>	<u>\$ 1,230,505</u>	<u>\$ 2,839,069</u>	<u>\$ 2,310,144</u>	<u>\$ 2,386,787</u>	<u>\$ 1,941,432</u>	<u>\$ 2,233,415</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 204,325	\$ 202,589	\$ 197,592	\$ -	\$ -	\$ -	\$ -	\$ -
Net Investment Income	36,833	10,942	(18,395)	-	-	-	-	-
Benefit Payments	(34,345)	(32,609)	(27,612)	-	-	-	-	-
Administrative Expenses	(132)	(67)	(21)	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	206,681	180,855	151,564	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	332,419	151,564	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending	<u>539,100</u>	<u>332,419</u>	<u>151,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability - Ending	<u>\$ 772,702</u>	<u>\$ 1,036,635</u>	<u>\$ 1,078,941</u>	<u>\$ 2,839,069</u>	<u>\$ 2,310,144</u>	<u>\$ 2,386,787</u>	<u>\$ 1,941,432</u>	<u>\$ 2,233,415</u>
Covered Employee Payroll	\$ 2,229,081	\$ 2,005,519	\$ 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	35%	52%	57%	198%	132%	146%	131%	173%

Funding Policy: Basin Transit funds the benefits on a pay-as-you-go basis. Fiscal year 2018 was the first year of implementation.

Changes in assumptions - The discount rate remained the same at 5.50% for the measurement periods ended June 30, 2024 and 2023, respectively.

Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future year's information will be displayed up to ten years as information becomes available.

**Morongo Basin Transit Authority
Schedule of OPEB Contributions
For the Year Ended June 30, 2025***

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Actuarially determined contributions	\$ 184,747	\$ 194,182	\$ 188,526
Contributions in relation to the actuarially determined contribution	\$ (204,325)	\$ (202,589)	\$ (197,592)
Contribution deficiency (excess)	\$ (19,578)	\$ (8,407)	\$ (9,066)
Covered payroll	\$ 2,229,081	\$ 2,005,519	\$ 1,892,163
Contributions as a percentage of covered payroll	9.17%	10.10%	10.44%

- Based on available information as of the end of the FY 2024/25.



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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 Board of Directors Morongo Basin Transit Authority

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 Morongo Basin Transit Authority (Basin Transit) as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated December 30, 2025.

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 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 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. 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 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, 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.

**Glendale, California
December 30, 2025**

COMPLIANCE SECTION



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Independent Auditor's Report on State Compliance

**The Board of Directors
Morongo Basin Transit Authority**

Report on Compliance with Transportation Development Act Requirements

Opinion

We have audited the Morongo Basin Transit Authority's (Basin Transit) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by Basin Transit were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the San Bernardino County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations for the year ended June 30, 2025.

In our opinion, Basin Transit complied, in all material respects, with the compliance requirements referred to above that are applicable to Basin Transit for the year ended June 30, 2025.

Basis for Opinion

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

We are required to be independent of Basin Transit 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 with the TDA compliance requirements. Our audit does not provide a legal determination of Basin Transit's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for Basin Transit's compliance with the TDA and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, provisions of contracts or agreements applicable to the TDA.



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 Basin Transit's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines 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 Basin Transit's compliance with the requirements of the TDA regulations as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the TDA regulations, 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 Basin Transit'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 Basin Transit'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 TDA regulations, but not for the purpose of expressing an opinion on the effectiveness of Basin Transit'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 the TDA regulations 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 the TDA regulations 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 the TDA regulations 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 TDA regulations. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is fluid and cursive, with the letters "V" and "C" being particularly prominent.

Glendale, California
December 30, 2025

Morongo Basin Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
1. Claimant was an entity eligible to receive the funds allocated to it.	X				
2. Claimant maintains its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99243.	X				
3. Funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5, and 99277 for Article 4.5 claimants; Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract; and Section 99405(d) for transportation services provided by cities and counties with populations of less than 5,000.	X				
4. Funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions	X				
5. Interest earned on funds received by the claimant pursuant to the TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6.			X		

See independent auditor's report on compliance.

Morongo Basin Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
6. The amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in the Section 6633.2, is verified.	X				
7. The amount of the claimant's actual fare revenues for the fiscal year is verified.	X				
8. The amount of the claimant's actual local support for the fiscal year is verified.	X				
9. The amount the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649 is verified.	X				
10. The amount of the operator's expenditure limitation in accordance with Section 6633.1 is verified.	X				
11. The operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273	X				
12. The operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251	X				
13. The operator's State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7 is verified.	X				

See independent auditor's report on compliance.

Morongo Basin Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
14. The claimant for community transit services is in compliance with Public Utilities Code Sections 99155 and 99155.5.	X				

See independent auditor's report on compliance.



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

FINANCIAL STATEMENTS

June 30, 2025

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

FINANCIAL STATEMENTS
June 30, 2025

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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 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, 2025, 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, 2025, and the changes in its financial position and its cash flows 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 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, 2025, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

(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 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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Transit Fund's basic financial statements. The accompanying combining statements listed in the table of contents are 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026 on our consideration of the City's internal control over financial reporting of the Transit Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance of the Transit Fund.


Crowe LLP

Los Angeles, California
March 3, 2026

NEEDLES TRANSIT FUND
STATEMENT OF NET POSITION
June 30, 2025

ASSETS

Current assets

Cash and cash equivalents	\$ 263,175
Accounts receivable	1,182
Due from other governments	8,326
Total current assets	<u>272,683</u>

Capital assets

Depreciable	1,171,879
Accumulated depreciation	(605,021)
Total capital assets, net	<u>566,858</u>

Total assets	<u>839,541</u>

LIABILITIES

Current liabilities

Accounts payable	44,274
Unearned revenues	16,095
Total liabilities	<u>60,369</u>

NET POSITION

Net investment in capital assets	566,858
Unrestricted	<u>212,314</u>
Total net position	<u><u>\$ 779,172</u></u>

See accompanying notes to financial statements.

NEEDLES TRANSIT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2025

OPERATING REVENUES

Fares	\$ 53,971
Total operating revenues	<u>53,971</u>

OPERATING EXPENSES

Operations	556,812
General and administration	24,120
Depreciation and amortization	<u>101,707</u>
Total operating expenses	<u>682,639</u>

Operating loss (628,668)

NONOPERATING REVENUES

Local Transportation Fund Article 8	347,953
Federal Transit Administration Section 5311	57,716
States Transit Assistance Fund	99,277
Measure I - Senior and Disabled Subsidy	17,679
MDAQMD AB 2766	15,000
Interest income	<u>112</u>
Total nonoperating revenues	<u>537,737</u>

Loss before capital contributions (90,931)

CAPITAL CONTRIBUTIONS

State of Good Repair	<u>8,941</u>
Total capital contributions	<u>8,941</u>

Change in net position (81,990)

Net position, beginning of year 861,162

Net position, end of year \$ 779,172

See accompanying notes to financial statements.

NEEDLES TRANSIT FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2025

OPERATING ACTIVITIES

Cash received from fares	\$ 54,018
Payments to vendors for services	(581,118)
Net cash used in operating activities	<u>(527,100)</u>

NON-CAPITAL FINANCING ACTIVITIES

Operating grants received	560,349
Net cash provided by non-capital financing activities	<u>560,349</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	158,367
Net cash provided by capital and related financing activities	<u>158,367</u>

INVESTING ACTIVITIES

Interest received	<u>112</u>

Net increase in cash and cash equivalents 191,728

Cash and cash equivalents, beginning of year 71,447

Cash and cash equivalents, end of year 263,175

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

Operating loss	\$ (628,668)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	101,707
Changes in assets and liabilities	
Decrease in accounts receivable	47
Increase in accounts payable	(186)
Total adjustments	<u>101,568</u>

Net cash used in operating activities \$ (527,100)

See accompanying notes to financial statements.

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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.

(Continued)

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025 was \$263,175 for the Transit Fund.

Cash and cash equivalents 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.

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.

(Continued)

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 – 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.

Section 6634: Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA) for operating costs 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 the maximum amount eligible to receive and comparison to the actual STA and LTF amounts received for the year ended June 30, 2025, is as follows:

Total operating expense less depreciation	\$ 580,932
Less:	
Fare revenues	53,971
Local support	17,679
	<u>71,650</u>
Maximum amount eligible to receive	<u>\$ 509,282</u>
State grants received	
STA operating received	99,277
LTF received	<u>347,953</u>
Total state grants received	<u>\$ 447,230</u>
Amount eligible to receive in excess of amount allocated	<u>\$ 62,052</u>

(Continued)

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS (Continued)

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 2025-26 fiscal year, with the provisions set to become inoperative on January 1, 2027.

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 any nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.

The fare ratio as of June 30, 2025, is calculated as follows:

Adjusted operating expenses:	
Operating expenses	\$ 682,639
Less depreciation	<u>(101,707)</u>
Adjusted operating expenses (a)	<u>\$ 580,932</u>
Adjusted fare revenue:	
Fare revenue	\$ 53,971
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	<u>17,679</u>
Adjusted fare revenue (b)	<u>\$ 71,650</u>
Fare ratio (b) / (a)	12.33%

(Continued)

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, is as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2025</u>
Depreciable assets				
Passenger facilities	\$ 495,829	\$ -	\$ -	\$ 495,829
Vehicles	676,050	-	-	676,050
Total depreciable assets	<u>1,171,879</u>	<u>-</u>	<u>-</u>	<u>1,171,879</u>
Accumulated depreciation				
Passenger facilities	(165,230)	(21,760)	-	(186,990)
Vehicles	<u>(338,084)</u>	<u>(79,947)</u>	<u>-</u>	<u>(418,031)</u>
Total accumulated depreciation	<u>(503,314)</u>	<u>(101,707)</u>	<u>-</u>	<u>(605,021)</u>
Net depreciable assets	<u>668,565</u>	<u>(101,707)</u>	<u>-</u>	<u>566,858</u>
Total capital assets, net	<u>\$ 668,565</u>	<u>\$ (101,707)</u>	<u>\$ -</u>	<u>\$ 566,858</u>

NOTE 5 – COMMITMENTS

On September 10, 2019, the Transit Fund engaged in an arrangement 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 and April 2025, each extending the service provision for an additional two-year period, ending June 30, 2025 and June 30, 2027, respectively. 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 2025, the Transit Fund recognized revenue from this arrangement based on the accrual of fare revenue shared by Transportation Concepts in the amount of \$53,971.

SUPPLEMENTARY INFORMATION

NEEDLES TRANSIT FUND
COMBINING STATEMENT OF NET POSITION
June 30, 2025

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 42,979	\$ 45,559	\$ 174,637	\$ 263,175
Accounts receivable	-	-	1,182	1,182
Due from other governments	4,724	1,746	1,856	8,326
Total current assets	<u>47,703</u>	<u>47,305</u>	<u>177,675</u>	<u>272,683</u>
Capital assets				
Depreciable	197,933	-	973,946	1,171,879
Accumulated depreciation	(154,393)	-	(450,628)	(605,021)
Total capital assets, net	<u>43,540</u>	<u>-</u>	<u>523,318</u>	<u>566,858</u>
Total assets	91,243	47,305	700,993	839,541
LIABILITIES				
Current liabilities				
Accounts payable	6,311	1,400	36,563	44,274
Unearned revenues	10,827	1,841	3,427	16,095
Total liabilities	<u>17,138</u>	<u>3,241</u>	<u>39,990</u>	<u>60,369</u>
NET POSITION				
Net investment in capital assets	43,540	-	523,318	566,858
Unrestricted	<u>30,565</u>	<u>44,064</u>	<u>137,685</u>	<u>212,314</u>
Total net position	<u>\$ 74,105</u>	<u>\$ 44,064</u>	<u>\$ 661,003</u>	<u>\$ 779,172</u>

NEEDLES TRANSIT FUND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2025

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
OPERATING REVENUES				
Fares	\$ 8,749	\$ 1,841	\$ 43,381	\$ 53,971
Total operating revenues	<u>8,749</u>	<u>1,841</u>	<u>43,381</u>	<u>53,971</u>
OPERATING EXPENSES				
Operations	79,550	19,520	457,742	556,812
General and administration	8,880	4,152	11,088	24,120
Depreciation	<u>20,899</u>	<u>-</u>	<u>80,808</u>	<u>101,707</u>
Total operating expenses	<u>109,329</u>	<u>23,672</u>	<u>549,638</u>	<u>682,639</u>
Operating loss	(100,580)	(21,831)	(506,257)	(628,668)
NONOPERATING REVENUES				
Local Transportation Fund Article 8	-	-	347,953	347,953
Federal Transit Administration				
Section 5311	-	-	57,716	57,716
States Transit Assistance Fund	62,002	21,831	15,444	99,277
Measure I - Senior and Disabled				
Subsidy	17,679	-	-	17,679
MDAQMD AB 2766	-	-	15,000	15,000
Interest income	<u>-</u>	<u>-</u>	<u>112</u>	<u>112</u>
Total nonoperating revenues	<u>79,681</u>	<u>21,831</u>	<u>436,225</u>	<u>537,737</u>
Loss before capital contributions	(20,899)	-	(70,032)	(90,931)
CAPITAL CONTRIBUTIONS				
State of Good Repair	<u>-</u>	<u>-</u>	<u>8,941</u>	<u>8,941</u>
Total capital contributions	<u>-</u>	<u>-</u>	<u>8,941</u>	<u>8,941</u>
Change in net position	(20,899)	-	(61,091)	(81,990)
Net position, beginning of year	<u>95,004</u>	<u>44,064</u>	<u>722,094</u>	<u>861,162</u>
Net position, end of year	<u>\$ 74,105</u>	<u>\$ 44,064</u>	<u>\$ 661,003</u>	<u>\$ 779,172</u>

NEEDLES TRANSIT FUND
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2025

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
OPERATING ACTIVITIES				
Cash received from fares	\$ 8,749	\$ 1,841	\$ 43,428	\$ 54,018
Payments to vendors for services	(88,896)	(23,376)	(468,846)	(581,118)
Net cash used in operating activities	(80,147)	(21,535)	(425,418)	(527,100)
NON-CAPITAL FINANCING ACTIVITIES				
Operating grants received	90,274	28,499	441,576	560,349
Net cash provided by non-capital financing activities	90,274	28,499	441,576	560,349
CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received	-	-	158,367	158,367
Net provided by capital and related financing activities	-	-	158,367	158,367
INVESTING ACTIVITIES				
Interest received	-	-	112	112
Net increase in cash and cash equivalents	10,127	6,964	174,637	191,728
Cash and cash equivalents, beginning of year	32,852	38,595	-	71,447
Cash and cash equivalents, end of year	<u>\$ 42,979</u>	<u>\$ 45,559</u>	<u>\$ 174,637</u>	<u>\$ 263,175</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	\$ (100,580)	\$ (21,831)	\$ (506,257)	\$ (628,668)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation expense	20,899	-	80,808	101,707
Change in assets and liabilities				
Decrease in accounts receivable	-	-	47	47
Increase (decrease) in accounts payable	(466)	296	(16)	(186)
Total adjustments	20,433	296	80,839	101,568
Net cash used in operating activities	<u>\$ (80,147)</u>	<u>\$ (21,535)</u>	<u>\$ (425,418)</u>	<u>\$ (527,100)</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Needles Transit Fund (the Transit Fund), an enterprise fund of the City of Needles, California (the City), as of and for the year ended June 30, 2025, 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 March 3, 2026.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Transit Fund of the City 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 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 6667 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

City's Response to Findings

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

Purpose of this Report

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


Crowe LLP

Los Angeles, California
March 3, 2026

NEEDLES TRANSIT FUND
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2025

FINANCIAL STATEMENT FINDINGS

2025-001 Revenue Recognition – (Material Weakness)

Criteria: Generally accepted accounting principles require that reimbursement-type grant revenue should only be recognized when the eligibility requirements, such as an executed grant agreement, have been met.

Condition: The City incorrectly recognized grant revenue of \$53,315 in the fiscal year ended June 30, 2025, on a reimbursement grant where the agreement was not executed until October 2025, and as such did not meet the eligibility requirements until the subsequent fiscal year.

Cause: The City did not have sufficient precision in controls related to revenue recognition for amounts deemed significant to the audit of the Transit Fund.

Context: The City's Federal Transit Authority (FTA) 5311 grant agreement for fiscal year ended June 30, 2025, was not executed until October 2025.

Effect: The error resulted in a decrease of approximately \$53,000 for Revenue and Due from other governments for fiscal year 2025 financial statements.

Recommendation: Crowe recommends the City strengthen internal controls over grant revenue recognition by implementing a documented verification process to ensure reimbursement-type grant revenue is not recognized until grant agreements are fully executed and all eligibility requirements are met.

Views of responsible officials and planned corrective actions: The City has had turnover in the executive leadership of the Finance Dept over the last few years. We believe this is what led to the above referenced item. This has been rectified by the hiring of a permanent executive leader with decades of experience. The City has made the suggested audit adjustment and is taking the recommendation for corrective action under advisement.

NEEDLES TRANSIT FUND
SCHEDULE OF PRIOR YEAR FINDINGS
Year ended June 30, 2025

2024-001 Unearned Revenue Adjustment Entry – (Material Weakness)

Condition/Context: The City's internal control environment over financial reporting did not allow for the proper application of revenue recognition guidance and resulted in material misstatements of unearned revenue. Unearned revenue was not reconciled or adjusted from the previous year financial statements. An audit adjustment was identified as a result of the audit and posted by management for fiscal year 2024.

Status: Corrected.



**Omnitrans, San Bernardino, CA
Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2025
With Comparative Totals for June 30, 2024**

Omnitrans

San Bernardino, California

Annual Comprehensive Financial Report

For the Year Ended June 30, 2025
(With Comparative Totals for June 30, 2024)

Prepared by Omnitrans, Finance Department

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Members of the Board of Directors and Omnitrans employees:

We are pleased to present Omnitrans' Annual Comprehensive Financial Report (ACFR) for Fiscal Year (FY) ended June 30, 2025. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

As we begin the 2025-2026 fiscal year, Omnitrans is pleased to have fully restored service levels to what was planned prior to the pandemic. This was a significant organizational undertaking which involved hiring and training nearly 150 new bus operators. Increasing service provides faster, more reliable and more convenient service for our customers, ultimately increasing ridership

and delivering on our mission.

To this end, Omnitrans remains focused on implementing the Board-approved Strategic Plan initiatives and priorities including maintaining financial sustainability and expanding economic opportunity and mobility across the region.

Highlights of activities and outcomes this year include:

- **Enhanced Safety and Security Focus:** *In the annual American Bus Benchmarking Group (ABBG) customer survey, Omnitrans scores related to safety and security improved by 11 percentage points year over year. This is a testament to the effectiveness of the multi-faceted approach taken to address safety and security concerns including increased lighting at bus stops, cleaning of fleet and transit facilities, increased security presence, and enhanced partnership with local law enforcement agencies.*
- **Improved Customer Experience:** *Omnitrans continues to focus on making the customer journey safe, easy and enjoyable. This is accomplished by offering integrated trip planning and payment apps, Bus Operators who are friendly and helpful, and providing reliable service. In addition, Omnitrans introduced the Simplify Transit app which provides real-time service updates and implemented a Transit Ambassador program, with Ambassadors in the field to assist customers with wayfinding. Omnitrans' overall customer satisfaction rating increased this year from 76 to 81 percent.*
- **Steady Ridership Growth:** *In fiscal year 2025, Omnitrans provided approximately 8 million passenger trips, providing access to jobs, education and healthcare. This is an increase of 8 percent over the previous year. Omnitrans remains the foundation of the mobility landscape of the region, working with partners and stakeholders to ensure coordination and collaboration.*

- **Broad Community Value:** *Omnitrans supported more than 50 community events and continued the Free Fares for School program, providing 2.4 million free rides to K-12 students since 2021 – building the next generation of transit riders.*

While focusing on service resumption and ridership growth, other major agency initiatives are also underway, including transitioning the fleet and facilities to zero emission by 2040, and preparing to launch the agency's second Bus Rapid Transit Line, the Purple Line, in 2026. To ensure organizational readiness in meeting the challenges and opportunities of the future, we remain focused on workforce development initiatives including an Apprenticeship Program for Technicians and a Coach Operator Mentorship Program. Further, the agency is engaged in supporting upcoming global events including the FIFA World Cup in 2026 and the Summer Olympic Games to be held in Los Angeles in 2028.

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 resilience of our employees. The progress made this year positions Omnitrans for the future, as we continue to deliver on the promise of our mission: to provide innovative mobility solutions that connect our region and strengthen the economy.

Sincerely,



Erin Rogers
CEO/General Manager



January 14, 2026

To the Members of 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, 2025.

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.

Vasquez & Company, 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, 2025, 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, 2025, are fairly represented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

(Continued)

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

Serving the communities of Chino Hills, Colton, County of San Bernardino, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland and Yucaipa.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements 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 the previously issued ACFR has 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 Financial Reporting" a total of twenty-one (21) 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).

According to the Southern California Association of Governments' Economic Roundtable for the Third Quarter 2025, the region continues to see modest and narrow job growth. Warehousing and distribution, a major driver in the region, continue to be strong in the Inland Empire. The Inland Empire labor force has been growing relatively fast, up 7 percent relative to just before the pandemic in February 2020, compared to a 1.1 percent increase for California and a 3.6 percent increase nationally.

The unemployment rate in the Inland Empire was 6.4 percent in July 2025, which is higher than the prior month and a year ago.

The Inland Empire is not immune to the broader trend of an aging population. Baby boomers are leaving the labor force and school enrollments have declined in many communities.

Long-term Financial Planning

Omnitrans continues to plan for the future in its short-term and 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 Agency has an adopted Short-Range Transit Plan that takes it through 2030. 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, passed in 2023, is a budget trailer bill that directs \$5.1 billion in funding to public transit agencies across the state to address short-term fiscal cliffs and support long-term sustainability. The funding is distributed through a formula-based system via the existing Transit and Intercity Rail Capital Program (TIRCP) and a newly established Zero-Emission Transit Capital Program (ZETCP), which are administered by regional transportation planning agencies. This funding can be used for various operating and capital expenses, including the purchase of zero-emission vehicles.

California's Senate Bill (SB) 1 - The Road Repair and Accountability Act of 2017, provided the first significant, stable, and ongoing 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 put more dollars toward transit and safety.

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

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

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

- Bipartisan Infrastructure Law – signed by President Biden in 2022 this is a once-in-a-generation investment in the nation's infrastructure. The new law provides \$39 billion of new investment to modernize transit and \$89.9 billion in guaranteed funding for public transit over the next five years. This is the largest Federal investment in public transit history. Omnitrans is expected to see an increase in Federal funding from this law going forward.
- Fixing America's Surface Transportation Act (FAST Act) – signed by President Obama in 2015 and reauthorized during Federal Fiscal Year 2021 is the first law enacted in over ten years that provides long-term funding certainty for surface transportation. The law grants FTA authority to strengthen the safety of public transportation systems throughout the United States. It also provides a steady and predictable funding stream for five years. Omnitrans' Federal funding for Fiscal Year 2024 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, or 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, 2024. 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. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR. Certificate of Achievement is valid for a period of one year only. We believe that Omnitrans' current ACFR continues to meet the Certificate of Achievement Program's requirements and Omnitrans will submit to the GFOA to determine its eligibility for another certificate.

Preparation of this report could not have been completed without the professional, efficient, and dedicated services of the Finance Department staff, with special thanks to Mary Bucayu-Miller, Accounting Manager and Emmanuel Salazar, Budget and Grants Manager. We also wish 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,

Charles De Simoni

Charles De Simoni, CPA, CGMA, CGFM
Director of Finance, OMNITRANS

OMNITRANS
Organizational Chart

Board of
Directors

CEO/General
Manager

Sr. Contract/
Administrator
DBE Liason

Sr. Executive
Assistant
to the CEO/GM
Clerk of the Board

Executive Staff
Assistant / Deputy
Clerk of the Board

Director of
Finance

Director of
Human
Resources

Director of
Information
Technology

Director of
Maintenance

Director of
Marketing &
Communications

Director of
Operations

Director of
Procurement

Director of
Safety &
Regulatory
Compliance

Chief
Strategy & Planning
Officer

OMNITRANS SENIOR LEADERSHIP TEAM

Erin Rogers
CEO/General Manager

Jeremiah Bryant
Chief Strategy and Planning Officer

Charles De Simoni
Director of Finance

Vacant
Director of Human Resources

Micah May
Director of Information Technology

Connie Raya
Director of Maintenance

Nicole Ramos
Director of Marketing & Communications

Dietter Aragon
Director of Operations

Michelle Tagle
Director of Procurement

Colin Mulloy
Director of Safety, Security & Regulatory Compliance



BOARD MEMBERS



Alan Wapner - Chair
City of Ontario



Penny Lilburn - Vice Chair
City of Highland



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



Brian Johsz
City of Chino Hills



Frank Navarro
City of Colton



John Roberts
City of Fontana



Bill Hussey
City of Grand Terrace



Ron Dailey
City of Loma Linda



John Dutrey
City of Montclair



Kristine Scott
City of Rancho Cucamonga



Denise Davis
City of Redlands



Joe Baca
City of Rialto



Helen Tran
City of San Bernardino



Bill Velto
City of Upland



Judy Woolsey
City of Yucaipa

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**OMNITRANS
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

GENERAL INFORMATION

PROFILE OF OMNITRANS

Omnitrans was founded in 1976 under a Joint Powers Agreement to provide transportation service to the San Bernardino Valley. Omnitrans is the major public transportation provider in the San Bernardino Valley, with a service area of approximately 466 square miles, serving fifteen municipalities, and unincorporated areas of San Bernardino County. Omnitrans also travels beyond the service area to Pomona, Eastvale and Riverside, providing connections 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 to 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:

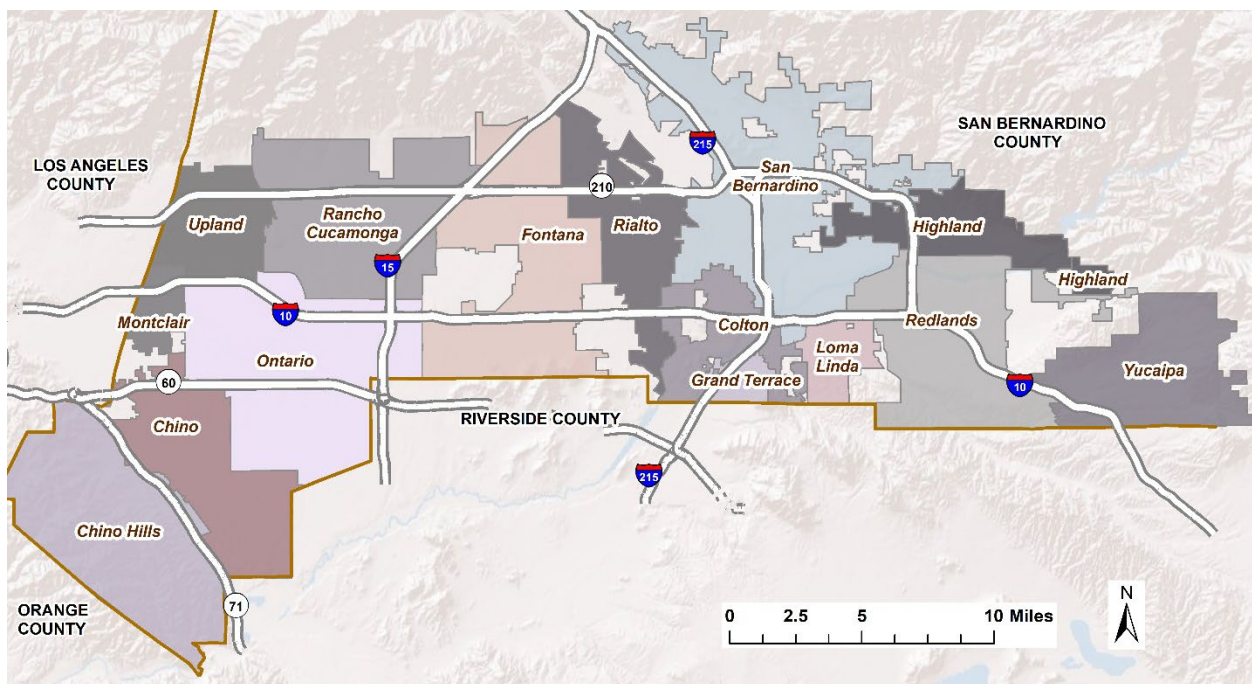
City of Chino
City of Chino Hills
City of Colton
City of Fontana
City of Grand Terrace

City of Highland
City of Loma Linda
City of Montclair
City of Ontario
City of Rancho Cucamonga
County of San Bernardino

City of Redlands
City of Rialto
City of San Bernardino
City of Upland
City of Yucaipa

Each city has one member, and the County of San Bernardino has four members on the Board, representing 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 authority 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 2025, Omnitrans had a budgeted staff of 645 employees to provide its services. The CEO/General Manager is responsible for the day-to-day management of the Agency and acts as the liaison to the Board of Directors and each of the committees. Reporting to the CEO/General Manager are the following departments:

1. Executive Office
2. Finance
3. Human Resources
4. Information Technology
5. Maintenance
6. Marketing & Communications
7. Operations
8. Procurement
9. Safety, Security & Regulatory Compliance
10. 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) coordinate a region-wide bus transit marketing program, and 3) 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 provision of service. The family of services that Omnitrans currently offers are summarized below:

Local Fixed Route Service

- During May 2025, Omnitrans fully restored 100% of planned service after operating reduced service levels due to the pandemic and the subsequent tight labor market. At the beginning of FY2025, Omnitrans was operating 83% of the planned service.
- At the close of FY2025, Omnitrans operated 20 traditional local fixed routes, 6 contracted local fixed routes, 1 bus rapid transit route and 2 Freeway Express routes described below.
- 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 10:39 PM. On Sundays, there are 22 routes in service, which begin at approximately 5:00 AM and end at 8:00 PM.

- 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 FY2025, the sbX Green Line operated on weekdays from 5:00 AM to 11:00 PM with 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, real-time 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 at the Vine Street Mobility Hub. This route travels along Interstate 215. At the end of FY2025, the route operated 20/30-minute service on weekdays and 30/60-minute service on weekends.
- Route 290 is a cross San Bernardino Valley Freeway Express Route that travels along Interstate 10 connecting key destinations including Downtown San Bernardino at the San Bernardino Transit Center, Arrowhead Regional Medical Center 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.

FY2025 Year End Fixed-Route Service Frequency by Route				
Route	Route Name	Service Days/Frequency		
		Weekday	Saturday	Sunday
1	ARMC - San Bernardino - Del Rosa	15/30	30	30
2	Cal State - E Street - Loma Linda	75	75	50
3	Baseline - Highland - San Bernardino	15/30	25	25
4	Baseline - Highland - San Bernardino	15/30	25	25
6	San Bernardino - Sierra Way - Cal State	30/60	60	60
8	San Bernardino - Mentone – Crafton Hills	30/60	60	60
10	Fontana - Baseline - San Bernardino	30/60	60	60
14	Fontana - Foothill - San Bernardino	15/30	20	20
15	Fontana - San Bndo/Highland - Redlands	30/60	60	60
19	Fontana - Colton-Redlands-Yucaipa	30/60	60	60
22	North Rialto - Riverside Ave - ARMC	30/60	60	60
215	San Bernardino – Riverside	30	30/60	30/60
290	San Bernardino-ARMC-Ontario Mills-Montclair Transit Center	135	*	*
300	SB Connect	20/30	*	*
305	San Bernardino-Waterman-Grand Terrace	60	60	60
312	Fontana-Muscoy-Cal State	60	60	60
319	Yucaipa-Sunnyside-County Line	60	*	*
380	ONT Connect	35/60	60	60
367	Chaffey-Baseline-Fontana	60	*	*
61	Fontana-Ontario Mills-Pomona	15/30	20	20
66	Fontana-Foothill Blvd.-Montclair	20	30	30
81	Chino-Haven-Chaffey College	60	60	*
82	Rancho Cucamonga - Fontana-Sierra Lakes	60	70	70
83	Upland-Euclid-Chino	30/60	60	60
84	Upland-Mountain Ave-Chino	60	60	60
85	Chino-Montclair-Chaffey College	30/60	60	60
87	Chaffey College-Ontario-Eastvale	60	60	*
88	Chino Hills-Ramona Ave-Montclair	60	60	60
sbX	Green Line	10/15	20	*
* No Saturday or Sunday Service (as applicable)				

OmniRide

- 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 operates three OmniRide services. OmniRide Bloomington, OmniRide Chino and Chino Hills, and OmniRide Upland. OmniRide Bloomington is partially funded through a Clean Mobility Options Voucher. Omnitrans expanded OmniRide service in Bloomington in January 2025 by expanding the span and adding weekend service.
- Omnitrans contracts with TransDev and RideCo to deliver the service. TransDev provides the vehicles and drivers, while RideCo is the technology provider.

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 trips, with the option of calling up to three days in advance.
- OmniAccess operates during the same days and hours as fixed-route buses within a $\frac{3}{4}$ mile of a fixed-route service.
- OmniAccess service is reserved for people with an Omnitrans ADA certification ID card and paratransit-certified visitors from other transit agencies. Personal Care Attendants, children of certified riders, and companions may accompany ADA-certified riders.

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 called the Transportation Escort Reimbursement Program (TREP), travel training, and a trip subsidy program with a taxi provider and Uber service.
- Omnitrans also oversees a regional mobility partnership program with cities and local non-profit organizations to deliver coordinated transportation services for seniors and individuals with disabilities.

Metrolink and Arrow 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 (SCRRA). SCRRA operates Arrow rail service between San Bernardino and Redlands.
- Omnitrans provides feeder bus service to 12 Metrolink/Arrow Stations located in San Bernardino (3), Redlands, Rialto, Fontana, Rancho Cucamonga, Upland, Montclair, East Ontario, Riverside, and Pomona.
- Metrolink ticket/pass is valid 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 passengers ride the bus.

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FINANCIAL SECTION

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Independent Auditor's Report

The Board of Directors
Omnitrans
San Bernardino, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Omnitrans, as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise Omnitrans' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Omnitrans as of June 30, 2025, 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 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 Omnitrans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 net pension liability and related ratios – Public Employees Retirement System (PERS), and the schedule of pension 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 (GASB) 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

In connection with our audits 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

We have previously audited the Omnitrans' 2024 financial statements, and we expressed unmodified opinion on those financial statements in our report dated January 27, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 14, 2026, on our consideration of Omnitrans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Omnitrans' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Omnitrans' internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
January 14, 2026

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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, 2025. 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 2025, the Statement of Net Position presents a total net position of \$226.5 million. This is an increase of \$15.2 million or 7.2% compared to the previous fiscal year.
- Total assets at fiscal year ended June 30, 2025 increased from \$316.0 million to \$318.0 million, an increase of \$2.0 million or 0.6%. The increase in investments and capital asset accounts for most of the increase.
- Total liabilities at fiscal year ended June 30, 2025 decreased \$18.8 million or 15.6% compared to the previous fiscal year. The main driver behind this was decreases in Net Pension Liability and Accounts Payable at year end.
- Total revenues for the fiscal year ended June 30, 2025, were \$149.1 million compared to \$198.9 million for the previous fiscal year. This is \$49.8 million or 25.0% decrease in revenue compared to the previous year. The decrease is primarily due to capital assistance related to the West Valley Connector Project managed by San Bernardino County Transportation Authority (SBCTA) and other capital support.
- Total expenses for the fiscal year ended June 30, 2025, excluding depreciation, were \$113.7 million compared to \$164.6 million for the previous fiscal year. This is a decrease of \$50.9 million or 30.9%. The decrease in expenses is principally associated with passthrough payments for costs related to the West Valley Connector Project and a one-time legal settlement accrued in 2024.
- Depreciation for fiscal year 2025 was \$20.2 million compared to \$20.5 million for the previous fiscal year. This is a decrease of \$0.4 million or 1.8%.

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 statements on the accrual basis of accounting. The enterprise fund concept is like how private business enterprises are financed and operated.

The statement of net position includes 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 changes in net position present information regarding how Omnitrans' net position changed during the fiscal year ended June 30, 2025. 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 2025 with fiscal year 2024. For additional information regarding Omnitrans' financial activities for fiscal year ended June 30, 2025, 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 the fiscal year ended June 30, 2025, were \$149.1 million compared to \$198.9 million for the previous fiscal year. This is a \$49.8 million or 25.0% decrease compared to last fiscal year. Federal and local operating grants decreased by \$11.8 million compared to last fiscal year. Capital assistance decreased \$38.3 million over the previous year principally attributed to the West Valley Connector Project managed by 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 sources of federal and local operating grants and capital assistance Omnitrans received include the following:

- Measure I - the ½ cent sales tax collected throughout San Bernardino County for transportation improvements.
- Local Transportation Fund (LTF) - Transportation Development Act (TDA) earmarks 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 to 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)
Year Ended June 30, 2025

- 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 emissions and improve mobility, with a priority on serving disadvantaged communities.
- Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) - created by Proposition 1B, provides 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 during the fiscal year ended June 30, 2025, were \$8.2 million compared to \$7.9 million for the previous fiscal year. This is an increase of \$0.3 million or 3.4%. The increase in passenger fares can be attributed to the recovery of ridership from the previous years.

Interest income for Omnitrans consists of quarterly return on investment with the Local Agency Investment Fund (LAIF) and California Assets Management Program (CAMP). 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. CAMP also offers local agencies the opportunity to participate in a major portfolio, which pools and invests hundreds of millions of dollars of public funds, with professional investment expertise at no additional cost. Total LAIF and CAMP interest income for the fiscal year ended June 30, 2025, was \$4.1 million compared to \$3.5 million for the previous fiscal year.

Revenues from the Compressed Natural Gas (CNG) fuel tax credit for the fiscal year ended June 30, 2025, was \$0.6 million compared to \$1.2 million for the previous fiscal year.

Omnitrans' Revenues				
	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
Passenger revenue	\$ 8,165,727	\$ 7,899,386	\$ 266,341	3.4%
Advertising	916,698	977,017	(60,319)	-6.2%
Federal, state and local operating grants	93,750,412	105,527,444	(11,777,032)	-11.2%
Contributed capital, net	41,572,814	79,857,213	(38,284,399)	-47.9%
Interest income	4,060,485	3,472,725	587,760	16.9%
CNG fuel tax credit	618,493	1,165,672	(547,179)	-46.9%
Miscellaneous	35,806	32,559	3,247	10.0%
Total Revenues	<u>\$ 149,120,435</u>	<u>\$ 198,932,016</u>	<u>\$ (49,811,581)</u>	<u>-25.0%</u>

Omnitrans
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2025

Expenses

Total expenses for the fiscal year ended June 30, 2025, were \$133.9 million compared to \$185.2 million for the previous fiscal year. This is a \$51.3 million or 27.7% decrease in total expenses. Included in total expenses is depreciation (\$20.2 million). Also included in expenses is a \$15.0 million pass-through to other agencies. The pass-through was associated with the construction of the West Valley Connector Project managed by the SBCTA.

Wages, salaries, and benefits increased from \$50.5 million for fiscal year 2024 to \$54.2 million for fiscal year 2025. This is an increase of \$3.7 million or 7.4% due to increased fringe benefits costs and regular yearly salaries increases.

Purchased transportation services for fiscal year 2025 were \$11.4 million compared to \$10.5 million for the previous year. This is a \$0.9 million increase or 8.4% based on contractual arrangements.

General and administrative expenses increased by \$1.6 million or 12.5% compared to the previous fiscal year. Total general and administrative expenses for the fiscal year ended June 30, 2025, were \$14.4 million compared to \$12.8 million for the previous fiscal year.

Capital purchases for fiscal year 2025 decreased \$2.4 million compared to the previous year. This was impacted by the West Valley Connector Project managed by SBCTA.

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 costs incurred on approved projects. Pass-through payments to other agencies decreased \$52.0 million or 77.6% compared to the previous fiscal year. The significant decrease is related to the West Valley Connector Project managed by SBCTA.

Omnitrans' Expenses				
	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
Salaries and benefits	\$ 54,254,316	\$ 50,524,612	\$ 3,729,704	7.4%
Depreciation and amortization	20,182,000	20,551,058	(369,058)	-1.8%
General and administrative	14,425,832	12,827,279	1,598,553	12.5%
Purchased transportation services	11,414,661	10,531,327	883,334	8.4%
Materials and supplies	8,689,145	7,947,020	742,125	9.3%
Professional and technical services	7,284,293	6,609,694	674,599	10.2%
Capital purchases	1,228,186	3,591,986	(2,363,800)	-65.8%
Advertising and printing	893,122	818,065	75,057	9.2%
Pass-through to other agencies	15,028,592	67,045,755	(52,017,163)	-77.6%
Settlement expense	-	4,350,000	(4,350,000)	-100.0%
Miscellaneous	518,479	365,261	153,218	41.9%
Total Expenses	\$ 133,918,626	\$ 185,162,057	\$ (51,243,431)	-27.7%

Omnitrans
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2025

Net Position

Omnitrans' total net position on June 30, 2025, increased \$15.2 million or 7.2% from the prior year's balance of \$211.3 million. Total assets for the fiscal year increased by \$2.0 million or 0.6%. This increase in total assets was mainly due to Omnitrans' increase in investments and capital assets at the end of the reporting period.

Total liabilities decreased \$18.8 million or 15.6% compared to the previous fiscal year. Current liabilities decreased by \$14.9 million or 19.9% and long-term liabilities decreased by \$3.9 million or 8.6%. The net decrease in liabilities was mainly driven by the decreases in accounts payable, net pension liability, and unearned revenue.

Deferred outflows and inflows of resources related to pension as required by GASB 68 decreased by \$7.3 million and \$1.7 million, respectively, compared to the previous fiscal year. As of June 30, 2025 and 2024, deferred inflows of resources were \$10.7 million and \$0.6 million, respectively. The deferred outflows and inflows of resources represent changes of assumptions, differences between expected and actual experience, contributions after measurement date and the net difference between projected and actual earnings on the pension plan investments. In addition, deferred outflows of resources include contributions 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' Statements of Net Position				
	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current and other assets	\$ 159,940,092	\$ 163,401,844	\$ (3,461,752)	-2.1%
Net Capital Assets	158,097,171	152,644,276	5,452,895	3.6%
Total Assets	318,037,263	316,046,120	1,991,143	0.6%
Deferred outflow of resources:				
Deferred amount on pensions (Note 9)	10,694,311	17,952,705	(7,258,394)	-40.4%
Total Deferred outflow of resources	10,694,311	17,952,705	(7,258,394)	-40.4%
Liabilities				
Current Liabilities	59,822,336	74,699,642	(14,877,306)	-19.9%
Long-term Liabilities	41,768,588	45,714,651	(3,946,063)	-8.6%
Total Liabilities	101,590,924	120,414,293	(18,823,369)	-15.6%
Deferred inflow of resources:				
Deferred amount on pension (Note 9)	601,162	2,279,331	(1,678,169)	-73.6%
Total Deferred inflow of resources	601,162	2,279,331	(1,678,169)	-73.6%
Net Position				
Net investment in capital assets	157,992,538	152,409,070	5,583,468	3.7%
Restricted - Capital projects	20,100,135	24,860,125	(4,759,990)	-19.1%
Restricted - CTSA activities	21,733,414	22,168,538	(435,124)	-2.0%
Unrestricted	26,713,401	11,867,468	14,845,933	125.1%
Total Net Position	\$ 226,539,488	\$ 211,305,201	\$ 15,234,287	7.2%

Omnitrans
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2025

Changes in Net Position

The following Statement of Revenues, Expenses, and Changes in Net Position table illustrates and compares the various categories of revenues and expenses for fiscal years 2025 and 2024.

Omnitrans' Statements of Revenues, Expenses, and Changes in Net Position				
	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
Passenger revenue	\$ 8,165,727	\$ 7,899,386	\$ 266,341	3.4%
Advertising	916,698	977,017	(60,319)	-6.2%
Miscellaneous	4,691	2,249	2,442	108.6%
Total revenues	9,087,116	8,878,652	208,464	2.3%
Expenses				
Depreciation and amortization	20,182,000	20,551,058	(369,058)	-1.8%
Other operating expenses	98,704,136	93,208,619	5,495,517	5.9%
Total expenses	118,886,136	113,759,677	5,126,459	4.5%
Nonoperating Revenue/(Expenses)				
Federal, state and local operating grants	93,750,412	105,527,444	(11,777,032)	-11.2%
Legal settlement	-	(4,350,000)	4,350,000	-100.0%
Interest income	4,060,485	3,472,725	587,760	16.9%
Interest expense	(3,898)	(6,625)	2,727	
Pass-through to other agencies	(15,028,592)	(67,045,755)	52,017,163	-77.6%
Gain (loss) on disposal of assets	32,478	(99,498)	131,976	-132.6%
CNG fuel tax credit	618,493	1,165,672	(547,179)	-46.9%
Other nonoperating revenues	31,115	30,310	805	2.7%
Total nonoperating revenues, net	83,460,493	38,694,273	44,766,220	115.7%
Loss before capital contribution	(26,338,527)	(66,186,752)	39,848,225	-60.2%
Capital contributions				
Contributed capital, net	41,572,814	79,857,213	(38,284,399)	-47.9%
Total capital contributions	41,572,814	79,857,213	(38,284,399)	-47.9%
Change in net position	15,234,287	13,670,461	1,563,826	11.4%
Net position, beginning of year	211,305,201	197,634,740	13,670,461	6.9%
Net position, end of year	\$ 226,539,488	\$ 211,305,201	\$ 15,234,287	7.2%

Omnitrans
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2025

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, Omnitrans had a total of \$158.1 million invested in capital assets. This total represents an overall increase of \$5.5 million or 3.6% compared to the prior fiscal year total of \$152.6 million.

Omnitrans' Capital Assets (Net of Accumulated Depreciation and Amortization)				
	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
Buildings and improvements	\$ 153,669,063	\$ 149,903,046	\$ 3,766,017	2.5%
Operations equipment	132,896,566	127,538,993	5,357,573	4.2%
Furniture and office equipment	56,083,722	59,368,263	(3,284,541)	-5.5%
Construction in progress	42,206,767	30,388,822	11,817,945	38.9%
Land	5,505,423	5,505,423	-	0.0%
Subscription Based IT Arrangements	419,490	490,619	(71,129)	-14.5%
Accumulated depreciation and amortization	(232,683,860)	(220,550,890)	(12,132,970)	5.5%
Total capital assets	\$ 158,097,171	\$ 152,644,276	\$ 5,452,895	3.6%

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

Debt Administration

As of June 30, 2025, Omnitrans had \$15.1 million in long-term liabilities compared to \$14.0 million at June 30, 2024. The June 30, 2025, balance increased \$1.1 million or 7.6%. Claims payable increased \$1.1 million or 10.5% and Compensated absences remained relatively flat.

Omnitrans' Long-Term Liabilities				
	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percent Increase (Decrease)
Subscription liabilities	\$ 104,633	\$ 235,206	\$ (130,573)	-55.5%
Claims payable	11,539,927	10,441,346	1,098,581	10.5%
Compensated absences	3,421,401	3,319,599	101,802	3.1%
Total long-term liabilities	\$ 15,065,961	\$ 13,996,151	\$ 1,069,810	7.6%

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 ended June 30, 2026, 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.

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 has been identified, and 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 conditions. 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.

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BASIC FINANCIAL STATEMENTS

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Omnitrans
Statements of Net Position

		June 30	
		2025	2024
ASSETS			
Current assets			
Cash and cash equivalents	\$	4,963,160	\$ 12,827,958
Restricted cash and cash equivalents		25,922,682	31,861,071
Investment		91,504,427	73,641,181
Restricted investment		15,910,867	15,167,592
Receivables:			
Accounts, net of allowance		1,648,457	2,229,690
Interest		733,041	815,802
Due from other governments		14,609,303	22,443,778
Inventory		3,927,115	3,829,203
Prepaid items		721,040	585,569
Total current assets		159,940,092	163,401,844
Noncurrent assets			
Capital assets, nondepreciable		47,712,190	35,894,245
Capital assets, depreciable/amortizable, net		110,384,981	116,750,031
Total noncurrent assets		158,097,171	152,644,276
Total assets		318,037,263	316,046,120
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows of resources		10,694,311	17,952,705
Total deferred outflows of resources		328,731,574	333,998,825
LIABILITIES			
Current liabilities			
Accounts payable		7,008,937	20,092,463
Accrued expenses		2,684,305	1,901,805
Unearned revenue		40,717,554	42,984,559
Settlement liability		4,350,000	4,350,000
Due within one year:			
Subscription liability		94,195	108,882
Compensated absences		1,263,738	1,226,136
Claims payable		3,703,607	4,035,797
Total current liabilities		59,822,336	74,699,642
Noncurrent liabilities			
Due in more than one year:			
Subscription liability		10,438	126,324
Compensated absences		2,157,663	2,093,463
Claims payable		7,836,320	6,405,549
Net pension liability		31,764,167	37,089,315
Total noncurrent liabilities		41,768,588	45,714,651
Total liabilities		101,590,924	120,414,293
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources		601,162	2,279,331
Total deferred inflows of resources		601,162	2,279,331
NET POSITION			
Net investment in capital assets		157,992,538	152,409,070
Restricted for:			
West Valley Connector Capital Projects		2,959,753	8,058,191
CTSA activities		21,733,414	22,168,538
Other capital projects		17,140,382	16,801,934
Unrestricted		26,713,401	11,867,468
Total net position	\$	226,539,488	\$ 211,305,201

See accompanying notes to basic financial statements.

Omnitrans

Statements of Revenues, Expenses, and Changes in Net Position

	Years ended June 30	
	2025	2024
Operating revenues		
Passenger revenue	\$ 8,165,727	\$ 7,899,386
Advertising	916,698	977,017
Miscellaneous	4,691	2,249
Total operating revenues	9,087,116	8,878,652
Operating expenses		
Salaries and benefits	54,254,316	50,524,612
Depreciation and amortization	20,182,000	20,551,058
General and administrative	14,425,832	12,827,279
Purchased transportation services	11,414,661	10,531,327
Materials and supplies	8,689,145	7,947,020
Professional and technical services	7,284,293	6,609,694
Capital purchases	1,228,186	3,591,986
Advertising and printing	893,122	818,065
Miscellaneous	514,581	358,636
Total operating expenses	118,886,136	113,759,677
Operating loss	(109,799,020)	(104,881,025)
Public support and nonoperating revenues (expenses)		
Federal, state and local operating grants	93,750,412	105,527,444
Pass-through to other agencies	(15,028,592)	(67,045,755)
Legal settlement	-	(4,350,000)
Interest income	4,060,485	3,472,725
CNG fuel tax credit	618,493	1,165,672
Gain (loss) on disposal of assets	32,478	(99,498)
Interest expense	(3,898)	(6,625)
Other nonoperating revenues	31,115	30,310
Total public support and nonoperating revenues, net	83,460,493	38,694,273
Loss before contributed capital	(26,338,527)	(66,186,752)
Contributed capital, net	41,572,814	79,857,213
Changes in net position	15,234,287	13,670,461
Net position		
Beginning of year	211,305,201	197,634,740
End of year	\$ 226,539,488	\$ 211,305,201

See accompanying notes to basic financial statements.

Omnitrans
Statements of Cash Flows

	Years ended June 30	
	2025	2024
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 8,165,727	\$ 7,899,386
Miscellaneous operating receipts	921,389	979,266
Miscellaneous nonoperating receipts	649,608	1,195,982
Payments for insurance claims	(1,765,426)	(301,109)
Payments to suppliers	(56,230,451)	(41,830,694)
Payments to employees	(53,114,937)	(48,744,297)
Net cash used in operating activities	(101,374,090)	(80,801,466)
Cash Flows From Noncapital Financing Activities		
Federal, state, and local operating grants	94,331,645	105,173,796
Pass-through payments to other agencies	(15,028,592)	(58,229,761)
Principal payments on long term debt	(130,573)	(90,672)
Interest paid	(3,898)	(6,625)
Net cash provided by noncapital financing activities	79,168,582	46,846,738
Cash Flows From Capital and Related Financing Activities		
Capital grants received	47,140,284	44,186,600
Property acquisition	(24,420,123)	(7,604,461)
Proceeds from disposal of assets	145,435	98,345
Net cash provided by capital and related financing activities	22,865,596	36,680,484
Cash Flows From Investing Activities		
Purchase of investments	(18,606,521)	(25,979,326)
Interest received on investments	4,143,246	3,111,884
Net cash used in investing activities	(14,463,275)	(22,867,442)
Net decrease in cash and cash equivalents	(13,803,187)	(20,141,686)
Cash and cash equivalents, beginning of year	44,689,029	64,830,715
Cash and cash equivalents, end of year	\$ 30,885,842	\$ 44,689,029
Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Cash and cash equivalents	\$ 4,963,160	\$ 12,827,958
Restricted cash and equivalents	25,922,682	31,861,071
Total cash and cash equivalents	\$ 30,885,842	\$ 44,689,029

See accompanying notes to basic financial statements.

Omnitrans
Statements of Cash Flows (Continued)

	Years ended June 30	
	2025	2024
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (109,799,020)	\$ (104,881,025)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	20,182,000	20,551,058
Nonoperating miscellaneous income	649,608	1,195,982
Increase in:		
Inventory	(97,912)	(1,023,914)
Prepaid items and other current assets	(135,471)	(8,192)
Increase (decrease) in:		
Accounts payable	(14,411,255)	1,885,419
Accrued expenses	782,500	262,842
Net pension liability and pension-related deferred inflows and outflows of resources	255,077	1,455,368
Compensated absences	101,802	62,105
Claims payable	1,098,581	(301,109)
Total adjustments	8,424,930	24,079,559
Net cash used in operating activities	\$ (101,374,090)	\$ (80,801,466)

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of 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 statements of net position, the statements of revenues, expenses and changes in net position, and statements of cash flows) report information on all of the activities of Omnitrans. The statements of revenues, expenses, and changes in net position demonstrate 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 Statement 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statements of Net Position report 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 90% and 89% of Omnitrans operating revenues for FY2025 and FY2024, respectively.

Other Operating Revenues

Omnitrans receives a variety of operating revenues that are not received directly from passengers. The source 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 Revenues

Federal Transit Administration (“FTA”) revenues are funded by federal gas tax and revenues from the federal general fund. On November 15, 2021, the Bipartisan Infrastructure Law was signed, reauthorizing surface transportation programs through Federal Fiscal Year 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 construction in progress and operating budgets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Federal Transit Administration Revenues (Continued)

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

Bipartisan Infrastructure Law

Signed by President Biden in 2021, 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.

Transportation Development Act

The 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. In February 2024, the base rate for the sales tax increased from 7.75 percent to 8.75 percent. San Bernardino County Transportation Authority ("SBCTA") is responsible for the apportionment of these funds within the San Bernardino region.

Measure I

Measure I was first approved in 1989 and in 2004, the County approved the extension through 2040. This local fund is the half-cent sales tax collected throughout the County for transportation improvements. SBCTA is responsible for the apportionment of these funds within the San Bernardino region.

State Transit Assistance

State Transit Assistance ("STA") funding comes from the Public Transportation Account which derives its revenue from the state sales tax on diesel fuels. This fund is appropriated by the legislature with a formula based on population and local revenue generated.

STA State of Good Repair Program

The STA State of Good Repair 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. This fund is allocated with the same STA Program formula.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Low Carbon Transit Operations Program

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 SB 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions 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. SB 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP.

Compressed Natural Gas Rebate

Alternative fuel credits are issued by the IRS to Omnitrans for utilizing compressed natural gas ("CNG") to power its vehicles. This rebate program was originally set to expire on December 31, 2021, but has been extended through December 31, 2024.

Transformative Climate Communities

The Transformative Climate Communities ("TCC") program was established by Assembly Bill 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 and in partnership with 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 Statements 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents and Investments (Continued)

Certain disclosure 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

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 judgment 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 cash 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 Statements of Net Position. Restricted cash and cash equivalents are not available for use in current operations.

G. Receivables, Allowance for Doubtful Accounts and Due from Other Governments

Receivables consist of amounts owed by customers for goods and services provided. Due from other governments represents amounts due from federal, state, and local government agencies. Management considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventory

Inventories consist of operational vehicles' parts and fuel in storage held for consumption. The parts and fuel in storage are valued at the lower of cost or net realizable value. The cost of inventory is determined using the moving average method. Under this method, the cost of inventory is recalculated after each purchase by dividing the total cost of inventory available for consumption by the total units available for consumption. Inventory will be consumed based on specific identification in the course of Omnitrans' operations.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

J. Capital Assets

Capital and subscription assets include buildings and improvements, operational 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.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	5 to 30
Operation equipment	3 to 12
Furniture and office equipment	3 to 20

K. Subscription-Based Information Technology Arrangements ("SBITA")

Omnitrans has a policy to recognize SBITA liability and right-to-use subscription asset ("SBITA asset") in its 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 SBITA liability as interest expense in subsequent financial reporting periods.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**K. Subscription-Based Information Technology Arrangements ("SBITA")
(Continued)**

SBITA asset is measured as the sum of the initial SBITA 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. SBITA asset is 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 information technology 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 SBITA 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 SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets, included in capital assets, and SBITA liabilities are reported on the Statements of Net Position.

L. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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 of total accumulated vacation credits. Eligible employees with an annual accrual of three (3) or more weeks of vacation per year, after taking 80 hours of 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.

In 2025, Omnitrans implemented GASB Statement No. 101, *Compensated Absences*. In accordance with this standard, Omnitrans recognizes a liability for unused vacation, sick leave, and similar compensatory time balances. These balances accumulate over time, are attributable to services already rendered, and it is more likely than not that substantially all will be settled through paid time off or payments upon termination or retirement.

N. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pass-Through Grants

Revenues associated with grants, where Omnitrans serves as the administering agent, are recorded as either nonoperating 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 Statements of Revenues, Expenses, and Changes in Net Position, as the expenses do not support the operations of Omnitrans nor provide an asset.

P. Pension

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 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:

	<u>Fiscal year June 30, 2025</u>	<u>Fiscal year June 30, 2024</u>
Valuation Date	June 30, 2023	June 30, 2022
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 - June 30, 2024	July 1, 2022 - June 30, 2023

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.

Q. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position (Continued)

Restricted (Continued)

- As of June 30, 2025 and 2024, Omnitrans reported \$2,959,753 and \$8,058,191, respectively, 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, 2025 and 2024, Omnitrans reported \$21,733,414 and \$22,168,538, respectively, 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.
- As of June 30, 2025 and 2024, Omnitrans reported \$17,140,382 and \$16,801,934, respectively, of restricted net position for funds restricted to other capital projects.

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.

R. Use of 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.

S. New Accounting Pronouncements

During the fiscal year ended June 30, 2025, Omnitrans implemented the following GASB standards:

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which establishes updated recognition and measurement guidance for leave benefits such as vacation, sick leave, paid time off, and other compensated absences. The objective of this Statement is to improve consistency and comparability in financial reporting by clarifying when and how liabilities for compensated absences should be recognized. The implementation of this statement did not have a significant impact on Omnitrans' financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. New Accounting Pronouncements (Continued)

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to disclose vulnerabilities arising from significant concentrations and certain constraints that could impact their ability to acquire resources or manage spending. The objective of this Statement is to improve transparency and provide users of financial statements with more relevant information about potential risks that could substantially affect a government's operations or financial position. The implementation of this statement did not have a significant impact on Omnitrans' financial statements.

GASB has released the following statements which will be implemented in future financial statements, if applicable:

GASB Statement No. 103 – Financial Reporting Model Improvements. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104 – Disclosures of Certain Capital Assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2025 and 2024, cash, cash equivalents, and investments are reported in the accompanying Statements of Net Position as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,963,160	\$ 12,827,958
Restricted cash and cash equivalents	25,922,682	31,861,071
Investment	91,504,427	73,641,181
Restricted investment	15,910,867	15,167,592
Total cash, cash equivalents, and		
investments	\$ <u>138,301,136</u>	\$ <u>133,497,802</u>

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

At June 30, 2025 and 2024, cash, cash equivalents, and investments consisted of the following:

Investment Type	Measurement Input	Fair Value	
		2025	2024
Cash on hand	N/A	\$ 9,200	\$ 9,200
Demand deposits	N/A	30,876,642	44,679,829
State of California - LAIF	Uncategorized	70,908,767	73,641,181
CAMP	Uncategorized	36,506,527	15,167,592
Total cash, cash equivalents, and investments		\$ 138,301,136	\$ 133,497,802

A. Demand Deposits

As of June 30, 2025 and 2024, the carrying amounts of demand deposits were \$30,876,642 and \$44,679,829, respectively, and the bank balances were \$31,821,247 and \$45,393,824, respectively, of which the total amounts were 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.

Authorized Investment Type	Authorized By Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
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 Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
LAIF	Yes	N/A	None	75 million/acct.
CAMP	Yes	N/A	None	None

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

C. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

Omnitrans' investments in LAIF and CAMP have remaining investment maturity of 12 months or less and fair values of \$70,908,767 and \$36,506,527, respectively, as of June 30, 2025, and \$73,641,181 and \$15,167,592, respectively, as of June 30, 2024.

Disclosures Relating to Credit Risk

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

Omnitrans' investments in LAIF and CAMP are unrated and are 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 fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

D. Investment in 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, 2025, 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.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

D. Investment in LAIF (Continued)

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, 2025 and 2024, Omnitrans had \$70,908,767 and \$73,641,181, respectively, invested in LAIF, which had invested 3.81% and 3.00%, 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, 2025 and 2024, 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, 2025 and 2024, the fair values of Omnitrans' position in the pool are the same as the values of the pool shares. The credit quality 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.

E. Investment in CAMP

Omnitrans is a voluntary participant in CAMP. CAMP is an investment pool offered by the California Asset Management Trust (the "Trust"). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. Security types prohibited include but are not limited to: Investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.

As of June 30, 2025 and 2024, Omnitrans held investments in CAMP totaling \$36,506,527 and \$15,167,592, respectively. Of these amounts, \$15,910,867 and \$15,167,592, were restricted for CTSA activities. Omnitrans reports its investment in CAMP based on its pro-rata share of the fair value as determined and reported by CAMP.

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.

NOTE 3 FEDERAL STATE AND LOCAL GRANTS (CONTINUED)

B. TDA Assistance

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 years ended June 30, 2025 and 2024 are 22.86% and 23.36%, respectively, for general public transit service, and 38.68% and 47.30%, respectively, for specialized service for the elderly and handicapped.

In accordance with section 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 section 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 section 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, 2025 were calculated as follows:

	General Transit	Special Transit	Total
Operating expenses	\$ 100,536,728	\$ 16,720,749	\$ 117,257,477
Less: Depreciation and amortization	(19,492,810)	(689,190)	(20,182,000)
Adjusted operating expenses	<u>\$ 81,043,918</u>	<u>\$ 16,031,559</u>	<u>\$ 97,075,477</u>
 Fare revenue	 \$ 7,857,647	 \$ 4,746,940	 12,604,587
Fare ratio	9.70%	29.61%	12.98%
 Local funds (Measure I) used by the operator to supplement fare box revenues to satisfy the fare ratio as permitted by section 99268.19			
	10,665,358	1,454,367	12,119,725
Adjusted fare revenue	<u>\$ 18,523,005</u>	<u>\$ 6,201,307</u>	<u>\$ 24,724,312</u>
Adjusted fare ratio	<u>22.86%</u>	<u>38.68%</u>	<u>25.47%</u>

NOTE 3 FEDERAL STATE AND LOCAL GRANTS (CONTINUED)

B. TDA Assistance (Continued)

Omnitrans' ratios for the fiscal year ended June 30, 2024 were calculated as follows:

	General Transit	Special Transit	Total
Operating expenses	\$ 97,641,998	\$ 15,836,282	\$ 113,478,280
Less: Depreciation and amortization	(19,549,972)	(1,001,086)	(20,551,058)
Adjusted operating expenses	<u>\$ 78,092,026</u>	<u>\$ 14,835,196</u>	<u>\$ 92,927,222</u>
 Fare revenue	 \$ 7,404,975	 \$ 5,538,979	 \$ 12,943,954
Fare ratio	9.48%	37.34%	13.93%
 Local funds (Measure I) used by the operator to supplement fare box revenues to satisfy the fare ratio as permitted by section 99268.19			
	10,840,852	1,478,298	12,319,150
Adjusted fare revenue	<u>\$ 18,245,827</u>	<u>\$ 7,017,277</u>	<u>\$ 25,263,104</u>
Adjusted fare ratio	<u>23.36%</u>	<u>47.30%</u>	<u>27.19%</u>

In accordance with section 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 voters 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 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.

NOTE 3 FEDERAL STATE AND LOCAL GRANTS (CONTINUED)

E. Proposition 1B (Continued)

Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. During the fiscal years ended June 30, 2025 and 2024, Proposition 1B cash receipts and cash disbursements were as follows:

	<u>2025</u>	<u>2024</u>
Unspent Proposition 1B funds at the beginning of the year	\$ 1,073,115	\$ 1,861,493
Proposition 1B expenses incurred during the year	(58,653)	(800,426)
Interest revenue earned on unspent Proposition 1B funds during the year	934	12,048
Unspent Proposition 1B funds at the end of the year	<u>\$ 1,015,396</u>	<u>\$ 1,073,115</u>

The amount of unspent Proposition 1B funds noted above is included in unearned revenue on the Statements of Net Position.

F. ARPA

Through 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, 2025 and 2024, Omnitrans incurred eligible expenses and recognized \$9,054,387 and \$4,337,173 of ARPA revenue, respectively.

G. State of Good Repair

SB 1, the Road Repair and Accountability Act of 2017, was signed into law on April 28, 2017. SB 1 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, 2025 and 2024, State of Good Repair cash receipts and cash disbursements were as follows:

	<u>2025</u>	<u>2024</u>
Unspent State of Good Repair funds at the beginning of the year	\$ 6,597,464	\$ 6,489,873
State of Good Repair funds received during the year	1,959,575	351,811
State of Good Repair expenses incurred during the year	(2,078,170)	(297,013)
Interest revenue earned on unspent State of Good Repair funds during the year	5,923	52,793
Unspent State of Good Repair funds at the end of the year	<u>\$ 6,484,792</u>	<u>\$ 6,597,464</u>

NOTE 3 FEDERAL STATE AND LOCAL GRANTS (CONTINUED)

G. State of Good Repair (Continued)

The amounts of unspent State of Good Repair funds noted above are included in unearned revenue on the Statements of Net Position.

H. Operating Assistance

Operating assistance is summarized as follows for the fiscal years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Local Transportation Fund TDA	\$ 42,305,684	\$ 58,442,393
Federal Assistance	16,363,710	14,253,777
Measure I	12,119,725	12,319,150
ARPA	9,054,387	4,337,173
Measure I CTSA	4,048,136	3,140,270
LCTOP	3,722,310	3,794,305
STAF	2,869,134	4,823,409
Low Carbon Fuel Standard (Operating)	2,170,363	2,277,358
State of Good Repair	410,468	289,500
Job Access Reverse Commute / New Freedom		
CTSA	313,409	-
County-Based Medi-Cal Administrative Activities	-	1,622,011
Measure I Demand Response	176,610	162,650
South Coast Air Quality Management District	100,612	-
Transformative Climate Communities	95,864	65,448
Total operating assistance	\$ 93,750,412	\$ 105,527,444

I. Capital Contributions

Capital contributions for the fiscal years ended June 30, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Federal Assistance	\$ 20,002,178	\$ 71,173,661
CalTrans - State Transit Assistance Fund TDA	14,305,270	1,714,128
Measure I Capital Reimbursements	5,509,577	1,057,696
Local Transportation Fund TDA	583,611	4,339,273
Prop 1B	257,977	522,546
LCTOP Capital Reimbursements	67,271	535,227
Other	846,930	514,682
Total capital contributions	\$ 41,572,814	\$ 79,857,213

NOTE 4 PASS-THROUGH GRANTS

Pass-through activity of federal awards to a sub-recipient for which Omnitrans provides administrative oversight and determines sub-recipient's eligibility for the fiscal years ended June 30, 2025 and 2024, is summarized as follows:

	2025	2024
SBCTA	\$ 15,028,592	\$ 67,045,755

NOTE 5 CAPITAL ASSETS

Summary of changes in capital assets for the fiscal year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets, not depreciated				
Land	\$ 5,505,423	\$ -	\$ -	\$ 5,505,423
Construction in progress	30,388,822	29,811,738	(17,993,793)	42,206,767
Total capital assets, not depreciated	35,894,245	29,811,738	(17,993,793)	47,712,190
Capital assets, depreciated or amortized				
Building and improvements	149,903,046	3,804,471	(38,454)	153,669,063
Operating equipment	127,538,993	7,027,421	(1,669,848)	132,896,566
Furniture and office equipment	59,368,263	3,067,314	(6,351,855)	56,083,722
SBITA assets	490,619	30,701	(101,830)	419,490
Total capital assets, depreciated or amortized	337,300,921	13,929,907	(8,161,987)	343,068,841
Less accumulated depreciation or amortization				
Building and improvements	(76,817,307)	(6,839,127)	38,455	(83,617,979)
Operating equipment	(89,930,851)	(10,323,381)	1,621,137	(98,633,095)
Furniture and office equipment	(53,592,603)	(2,905,480)	6,338,523	(50,159,560)
SBITA assets	(210,129)	(114,012)	50,915	(273,226)
Total accumulated depreciation or amortization	(220,550,890)	(20,182,000)	8,049,030	(232,683,860)
Total capital assets, depreciated or amortized, net	116,750,031	(6,252,093)	(112,957)	110,384,981
Total capital assets, net	\$ 152,644,276	\$ 23,559,645	\$ (18,106,750)	\$ 158,097,171

Construction in progress deletions for the fiscal year ended June 30, 2025 are more than the depreciable capital asset additions due to reclassifications to inventory and discontinued construction projects.

NOTE 5 CAPITAL ASSETS (CONTINUED)

Summary of changes in capital assets for the fiscal year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets, not depreciated				
Land	\$ 5,505,423	\$ -	\$ -	\$ 5,505,423
Construction in progress	19,737,432	12,448,842	(1,797,452)	30,388,822
Total capital assets, not depreciated	<u>25,242,855</u>	<u>12,448,842</u>	<u>(1,797,452)</u>	<u>35,894,245</u>
Capital assets, depreciated or amortized				
Building and improvements	149,464,127	438,919	-	149,903,046
Operating equipment	136,991,306	135,081	(9,587,394)	127,538,993
Furniture and office equipment	58,966,874	401,389	-	59,368,263
SBITA assets	490,619	-	-	490,619
Total capital assets, depreciated or amortized	<u>345,912,926</u>	<u>975,389</u>	<u>(9,587,394)</u>	<u>337,300,921</u>
Less accumulated depreciation or amortization				
Building and improvements	(70,483,900)	(6,333,407)	-	(76,817,307)
Operating equipment	(88,080,051)	(11,268,211)	9,417,411	(89,930,851)
Furniture and office equipment	(50,771,385)	(2,821,218)	-	(53,592,603)
SBITA assets	(81,907)	(128,222)	-	(210,129)
Total accumulated depreciation or amortization	<u>(209,417,243)</u>	<u>(20,551,058)</u>	<u>9,417,411</u>	<u>(220,550,890)</u>
Total capital assets, depreciated or amortized, net	<u>136,495,683</u>	<u>(19,575,669)</u>	<u>(169,983)</u>	<u>116,750,031</u>
Total capital assets, net	\$ <u>161,738,538</u>	\$ <u>(7,126,827)</u>	\$ <u>(1,967,435)</u>	\$ <u>152,644,276</u>

Depreciation and amortization expense for capital assets for the fiscal years ended June 30, 2025 and 2024 were \$20,182,000 and \$20,551,058, respectively.

NOTE 6 UNEARNED REVENUE

At June 30, 2025 and 2024, unearned revenue consisted of the following:

	2025	2024
Measure I - CTSA funds received in advance	\$ 11,084,700	\$ 10,090,870
Measure I - Operating funds received in advance	9,357,568	9,317,688
LCTOP funds received in advance	8,086,633	7,133,380
STA SGR funds received in advance	6,484,792	6,597,464
West Valley Connector Project funds received in advance	2,411,938	6,489,067
Proposition 1B funds received in advance	1,015,396	1,073,115
Other grants received in advance	2,276,527	2,282,975
Total unearned revenue	\$ <u>40,717,554</u>	\$ <u>42,984,559</u>

NOTE 7 LONG-TERM LIABILITIES

Summary of changes in long-term liabilities for the fiscal years ended June 30, 2025 and 2024, is as follows:

2025:

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due within One Year	Due in More Than One Year
SBITA liabilities	\$ 235,206	\$ 30,701	\$ (161,274)	\$ 104,633	\$ 94,195	\$ 10,438
Compensated absences	3,319,599	756,755	(654,953)	3,421,401	1,263,738	2,157,663
Claims payable	10,441,346	3,430,531	(2,331,950)	11,539,927	3,703,607	7,836,320
Total	\$ 13,996,151	\$ 4,217,987	\$ (3,148,177)	\$ 15,065,961	\$ 5,061,540	\$ 10,004,421

2024:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Due within One Year	Due in More Than One Year
SBITA liabilities	\$ 325,878	\$ -	\$ (90,672)	\$ 235,206	\$ 108,882	\$ 126,324
Compensated absences	3,257,494	2,379,078	(2,316,973)	3,319,599	1,226,136	2,093,463
Claims payable	10,742,455	2,306,219	(2,607,328)	10,441,346	4,035,797	6,405,549
Total	\$ 14,325,827	\$ 4,685,297	\$ (5,014,973)	\$ 13,996,151	\$ 5,370,815	\$ 8,625,336

SBITA Liabilities

Omnitrans has entered into 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, 2025 and 2024, the capitalized SBITA assets were \$419,490 and \$490,619, respectively, and the total SBITA liabilities were \$104,633 and \$235,206, respectively, of which \$94,195 and \$108,882, respectively, are reported as a current liability representing the amount due within the next fiscal year. Principal and interest payments to maturity as of June 30, 2025 and 2024, are as follows:

June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 94,195	\$ 1,543	\$ 95,738
2027	10,438	42	10,480
Total	\$ 104,633	\$ 1,585	\$ 106,218

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

SBITA Liabilities (Continued)

June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2025	\$ 108,882	\$ 5,458	\$ 114,340
2026	104,873	1,885	106,758
2027	21,451	49	21,500
Total	\$ 235,206	\$ 7,392	\$ 242,598

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, 2025 was estimated to be \$11,539,927, and was based on an IBNR study performed in fiscal year 2024-2025. Changes in the fund claims liability amount for the last three fiscal years are as follows:

The outstanding claims at June 30, 2024 was estimated to be \$10,441,346, respectively, and was based on an IBNR study performed in fiscal year 2023-2024.

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
2025	\$ 10,441,346	\$ 3,430,531	\$ (2,331,950)	\$ 11,539,927	\$ 3,703,607	\$ 7,836,320
2024	\$ 10,742,455	\$ 2,306,219	\$ (2,607,328)	\$ 10,441,346	\$ 4,035,797	\$ 6,405,549
2023	\$ 11,366,903	\$ 2,245,886	\$ (2,870,334)	\$ 10,742,455	\$ 4,049,593	\$ 6,692,862

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, 2025 and 2024, 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 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' compensation 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 a \$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 CalPERS Miscellaneous Plan (the "Plan"), 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. Benefits 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 June 30, 2024 and 2023 measurement dates, the following employees were covered by the benefit terms:

	2024	2023
Active employees	545	487
Transferred and terminated employees	670	599
Retired Employees and Beneficiaries	604	594
Total	<u>1,819</u>	<u>1,680</u>

Benefit Provided

CalPERS provides 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 Plan's provisions and benefits in effect at June 30, 2025 and 2024, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire Date	1/1/2013	1/1/2013
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	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	8.50%

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 July 1 following notice of a change in rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 fiscal year ended June 30, 2025 and 2024 for classic and PEPR members were 11.16% and 8.5%, and 11.50% and 8.50%, respectively. For the fiscal years ended June 30, 2025 and 2024, Omnitrans contributed \$6,649,500 and \$5,684,135, respectively, 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, 2022 and 2023 valuations were rolled forward to determine June 30, 2023 and 2024 measurement dates total pension liability, respectively, based on the following actuarial methods and assumptions:

	2024	2023
Actuarial Cost Method	Entry age normal in accordance with requirements of GASB 68	Entry age normal in accordance with requirements of GASB 68
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
	Derived using CalPERS'	Derived using CalPERS'
Mortality Rate Table ¹	Membership Data for all Funds Contract COLA up to 2.3% until	Membership Data for all Funds Contract COLA up to 2.3% until
Post Retirement Benefit Increase	Purchasing Power Protection Allowance	Purchasing Power Protection Allowance

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. 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.

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:

Measurement dates June 30, 2024 and 2023:

Asset Class¹	Assumed Asset Allocation	Real Return^{1,2}
Global Equity - Cap-weighted	27.00%	4.54%
Global Equity - Non-Cap-weighted	10.00%	3.84%
Private Equity	15.00%	7.28%
Treasury	7.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	6.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	8.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-3.00%	-0.59%
Total	100.00%	

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)

Discount Rate

The discount rate used to measure the total pension liability as at June 30, 2024 and 2023, 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.

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

The following presents Omnitrans' net pension liability as of the measurement date, calculated using the discount rate, as well as what 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:

	<u>2025</u>	<u>2024</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 64,481,056	\$ 68,808,873
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 31,764,167	\$ 37,089,315
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 4,605,575	\$ 10,778,964

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)

Pension Plan Fiduciary Net Position

Detailed 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.

Changes in Net Pension Liability

The following table shows the changes in the net pension liability for the Miscellaneous Plan over the 2024 measurement period:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2023	\$ 244,111,538	\$ 207,022,223	\$ 37,089,315
Changes during the year:			
Service cost	5,371,034	-	5,371,034
Interest on the total pension liability	16,626,409	-	16,626,409
Changes of assumptions	-	-	-
Changes in benefit terms	-	-	-
Differences between expected and actual experience	300,559	-	300,559
Benefit payments, including refunds of member contributions	(12,270,344)	(12,270,344)	-
Contributions - employer	-	5,684,096	(5,684,096)
Contributions - employee	-	2,462,712	(2,462,712)
Net investment income	-	19,644,797	(19,644,797)
Administrative expense	-	(168,455)	168,455
Net Changes	<u>10,027,658</u>	<u>15,352,806</u>	<u>(5,325,148)</u>
Balance at June 30, 2024 (Measurement Date)	<u>\$ 254,139,196</u>	<u>\$ 222,375,029</u>	<u>\$ 31,764,167</u>

The following table shows the changes in the net pension liability for the Miscellaneous Plan over the 2023 measurement period:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2022	\$ 235,538,563	\$ 199,032,527	\$ 36,506,036
Changes during the year:			
Service cost	5,204,580	-	5,204,580
Interest on the total pension liability	15,973,737	-	15,973,737
Changes of assumptions	-	-	-
Changes in benefit terms	376,352	-	376,352
Differences between expected and actual experience	(1,045,857)	-	(1,045,857)
Benefit payments, including refunds of member contributions	(11,935,837)	(11,935,837)	-
Contributions - employer	-	5,675,388	(5,675,388)
Contributions - employee	-	2,168,684	(2,168,684)
Net investment income	-	12,227,820	(12,227,820)
Administrative expense	-	(146,359)	146,359
Net Changes	<u>8,572,975</u>	<u>7,989,696</u>	<u>583,279</u>
Balance at June 30, 2023 (Measurement Date)	<u>\$ 244,111,538</u>	<u>\$ 207,022,223</u>	<u>\$ 37,089,315</u>

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)

Deferred Outflows and Inflows of Resources

At June 30, 2025 and 2024, Omnitrans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 6,649,500	\$ -	\$ 5,684,135	\$ -
Changes in assumptions	462,509	-	2,775,050	-
Differences between expected and actual experience	196,918	(601,162)	-	(2,279,331)
Differences between projected and actual earnings on pension plan investments	3,385,384	-	9,493,520	-
Total	\$ 10,694,311	\$ (601,162)	\$ 17,952,705	\$ (2,279,331)

Deferred outflows of resources related to pensions resulting from the Omnitrans' contributions made subsequent to the measurement date in the amounts of \$6,649,500 and \$5,684,135 will be recognized as a reduction of the collective net pension liability in the fiscal years ending June 30, 2026 and 2025, respectively.

For the fiscal years ended June 30, 2025 and 2024, Omnitrans recognized pension expense in the amounts of \$6,904,537 and \$7,139,187, respectively. At June 30, 2025 and 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025		2024	
Year Ending June 30	Amounts	Year Ending June 30	Amounts
2026	\$ (166,807)	2025	\$ 2,332,809
2027	5,544,320	2026	831,976
2028	(831,437)	2027	6,553,467
2029	(1,102,426)	2028	270,987
Total	\$ 3,443,650	Total	\$ 9,989,239

NOTE 10 NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets at June 30, 2025 and 2024 is reported as follows:

	2025	2024
Capital assets, net	\$ 158,097,171	\$ 152,644,276
Less: SBITA liabilities	(104,633)	(235,206)
Net investment in capital assets	\$ 157,992,538	\$ 152,409,070

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 other than the matter below.

In August 2020, Omnitrans became a party to a lawsuit complaint for alleged wage and hour causes of action. During fiscal years 2021 and 2022, the original complaint was amended to add a cause of action for civil penalties pursuant to the Labor Code of Private Attorneys General Act of 2004 ("PAGA"). The plaintiff filed amendments limiting the action to failure to pay minimum wage, failure to provide meal periods, failure to permit rest periods, and civil penalties under PAGA.

In March 2024, parties to the lawsuit complaint participated in a mediation but a resolution could not be reached. In April 2024, parties to the lawsuit entered into a settlement agreement. The settlement agreement includes Omnitrans' promise to pay plaintiffs in the amount of \$4,350,000 and to separately pay any and all employer payroll taxes owed on the wages portion of the individual class payments. This amount is recognized as a settlement liability in the Statements of Net Position. Subsequent to June 30, 2025, the matter was fully settled at \$4,173,299. Management evaluated the settlement and determined that the difference between the recorded estimate and the actual settlement amount is not material to the financial statements, and accordingly, no adjustment has been made to the recorded liability included on the Statements of Net Position.

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.

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	\$ 23,471,868	\$ 11,276,831	\$ 12,195,037
Computer Software and Hardware	2,667,885	2,489,094	178,791
Holt Bus Rapid Transit	7,943,428	7,943,428	-
Vehicle and Shop Equipment	23,489,475	20,497,414	2,992,061
Total	\$ 57,572,656	\$ 42,206,767	\$ 15,365,889

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Commitments (Continued)

On November 1, 2017, the 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 for maintaining the Project and retaining the title to the project until the project is completed and transferred to Omnitrans. The anticipated project completion date is October 2026.

To fund its commitment to the Project, Omnitrans received proceeds of \$25,077,045 from the sale of real property acquired with local and federal funds during the year ended 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, 2025 and 2024 was \$2,959,753 and \$8,058,191, 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. 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 SUBSEQUENT EVENTS

Omnitrans has evaluated events subsequent to June 30, 2025 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 14, 2026, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events, including that which was described in Note 11, occurred that require recognition or additional disclosure in the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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Omnitrans
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
Year Ended June 30, 2025
Last Ten Years

Measurement Period, Year Ended June 30:	2024	2023	2022	2021	2020
Total Pension Liability					
Service Cost	\$ 5,371,034	5,204,580	5,431,433	5,037,154	6,283,890
Interest on total pension liability	16,626,409	15,973,737	15,384,725	15,006,729	14,485,693
Changes in assumptions	-	-	7,400,132	-	-
Changes of benefit terms	-	376,352			
Differences between expected and actual experience	300,559	(1,045,857)	(4,040,685)	(3,728,873)	(1,403,532)
Benefit payments, including refunds of employee contributions	(12,270,344)	(11,935,837)	(11,057,818)	(9,977,682)	(8,282,600)
Net change in total pension liability	10,027,658	8,572,975	13,117,787	6,337,328	11,083,451
Total pension liability - beginning	244,111,538	235,538,563	222,420,776	216,083,448	204,999,997
Total pension liability - ending (a)	\$ 254,139,196	244,111,538	235,538,563	222,420,776	216,083,448
Plan fiduciary net position					
Contributions - employer	\$ 5,684,096	5,675,388	5,216,389	5,139,924	5,193,463
Contributions - employee	2,462,712	2,168,684	2,023,848	2,094,716	2,543,478
Net investment income	19,644,797	12,227,820	(16,415,680)	40,781,907	8,732,860
Benefit payments, including refunds of employee contributions	(12,270,344)	(11,935,837)	(11,057,818)	(9,977,682)	(8,282,600)
Net plan to plan resource movement	-	-	-	-	-
Administrative expense	(168,455)	(146,359)	(136,675)	(181,352)	(244,737)
Other miscellaneous (income)/expense	-	-	-	-	-
Net change in plan fiduciary net position	15,352,806	7,989,696	(20,369,936)	37,857,513	7,942,464
Plan fiduciary net position - beginning	207,022,223	199,032,527	219,402,463	181,544,950	173,602,486
Plan fiduciary net position - ending (b)	\$ 222,375,029	207,022,223	199,032,527	219,402,463	181,544,950
Net pension liability - ending (a) - (b)	\$ 31,764,167	37,089,315	36,506,036	3,018,313	34,538,498
Plan fiduciary net position as a percentage of the total pension liability	87.50%	84.81%	84.50%	98.64%	84.02%
Covered payroll	\$ 29,414,206	28,163,313	29,374,973	29,457,039	37,182,784
Plan net pension liability as a percentage of covered payroll	107.99%	131.69%	124.28%	10.25%	92.89%

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:

*2023 - 2024 - No changes
*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

Omnitrans

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited) (Continued)

Year Ended June 30, 2025

Last Ten Years

Measurement Period, Year Ended June 30:	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 6,192,874	5,937,322	5,619,063	4,952,455	4,752,183
Interest on total pension liability	13,727,338	12,594,016	11,757,906	11,122,864	10,405,272
Changes in assumptions	-	(1,592,446)	10,060,448	-	(2,654,537)
Changes of benefit terms					
Differences between expected and actual experience	4,435,739	2,130,851	(1,848,982)	(813,650)	(3,304,350)
Benefit payments, including refunds of employee contributions	(7,629,045)	(6,859,350)	(5,901,950)	(5,239,568)	(4,887,764)
Net change in total pension liability	16,726,906	12,210,393	19,686,485	10,022,101	4,310,804
Total pension liability - beginning	188,273,091	176,062,698	156,376,213	146,354,112	142,043,308
Total pension liability - ending (a)	\$ 204,999,997	188,273,091	176,062,698	156,376,213	146,354,112
Plan fiduciary net position					
Contributions - employer	\$ 4,797,140	4,312,649	4,049,916	3,500,671	3,095,406
Contributions - employee	2,594,545	2,490,292	2,329,577	2,067,151	2,010,360
Net investment income	10,773,154	12,784,235	15,133,615	734,228	2,966,348
Benefit payments, including refunds of employee contributions	(7,629,045)	(6,859,350)	(5,901,950)	(5,239,568)	(4,887,764)
Net plan to plan resource movement	-	(378)	-	-	7,386
Administrative expense	(116,451)	(235,515)	(200,392)	(82,121)	(151,602)
Other miscellaneous (income)/expense	378	(447,247)	-	-	-
Net change in plan fiduciary net position	10,419,721	12,044,686	15,410,766	980,361	3,040,134
Plan fiduciary net position - beginning	163,182,765	151,138,079	135,727,313	134,746,952	131,706,818
Plan fiduciary net position - ending (b)	\$ 173,602,486	163,182,765	151,138,079	135,727,313	134,746,952
Net pension liability - ending (a) - (b)	\$ 31,397,511	25,090,326	24,924,619	20,648,900	11,607,160
Plan fiduciary net position as a percentage of the total pension liability	84.68%	86.67%	85.84%	86.80%	92.07%
Covered payroll	\$ 35,702,027	34,587,684	32,039,361	30,655,864	28,606,926
Plan net pension liability as a percentage of covered payroll	87.94%	72.54%	77.79%	67.36%	40.57%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30,

Changes of assumptions:

- *2023 - 2024 - No changes
- *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

Omnitrans
Schedule of Pension Contributions (Unaudited)
Year Ended June 30, 2025
Last Ten Years

Fiscal Year Ended June 30:	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 6,649,500	\$ 5,684,135	\$ 5,675,388	\$ 5,216,389	\$ 5,139,924
Contributions in relation to the actuarially determined contribution	<u>(6,649,500)</u>	<u>(5,684,135)</u>	<u>(5,675,388)</u>	<u>(5,216,389)</u>	<u>(5,139,924)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	35,614,608	29,414,206	28,163,313	29,374,973	29,457,039
Contributions as a percentage of covered payroll	18.67%	19.32%	20.15%	17.76%	17.45%

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 2024-25 were derived from the June 30, 2023 funding valuation report.

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2023 Funding Valuation Report.
Asset valuation method	Fair value of assets
Inflation	2.30%
Salary increases	Varies based on entry age and service
Payroll growth	2.75%
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.

Omnitrans
Schedule of Pension Contributions (Unaudited) (Continued)
Year Ended June 30, 2025
Last Ten Years

Fiscal Year Ended June 30:	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 5,193,463	\$ 4,797,140	\$ 4,312,649	\$ 4,049,916	\$ 3,500,671
Contributions in relation to the actuarially determined contribution	(5,193,463)	(4,797,140)	(4,312,649)	(4,049,916)	(3,500,671)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	37,182,784	35,702,027	34,587,684	32,039,361	30,655,864
Contributions as a percentage of covered payroll	13.97%	13.44%	12.47%	12.64%	11.42%

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 2024-25 were derived from the June 30, 2023 funding valuation report.

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2023 Funding Valuation Report.
Asset valuation method	Fair value of assets
Inflation	2.30%
Salary increases	Varies based on entry age and service
Payroll growth	2.75%
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.

**STATISTICAL SECTION
(UNAUDITED)**

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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 have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess Omnitrans' most significant local revenue source, passenger fares.

Debt Capacity

This schedule contains information to help the reader assess the affordability of Omnitrans' current levels of outstanding debt and the ability to issue additional debt in the future.

Demographics and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which 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 is derived from the Annual Comprehensive Financial Reports for the relevant years.

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FINANCIAL TRENDS

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Omnitrans
Net Position by Component (Unaudited)
Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Primary government:					
Net investment in capital assets	\$ 157,992,538	\$ 152,409,070	\$ 161,412,660	\$ 178,969,234	\$ 194,852,648
Less: Debt offsetting capital assets	-	-	-	-	-
Total net investment in capital assets	<u>157,992,538</u>	<u>152,409,070</u>	<u>161,412,660</u>	<u>178,969,234</u>	<u>194,852,648</u>
Restricted - Capital projects	20,100,135	24,860,125	24,860,125	314,460	314,460
Restricted - CTSA activities	21,733,414	22,168,538	22,168,538	5,391,341	5,448,007
Unrestricted net position	<u>26,713,401</u>	<u>11,867,468</u>	<u>11,867,468</u>	<u>11,482,687</u>	<u>(955,763)</u>
Total primary government net position	\$ <u>226,539,488</u>	\$ <u>211,305,201</u>	\$ <u>220,308,791</u>	\$ <u>196,157,722</u>	\$ <u>199,659,352</u>

Source: Finance Department

Omnitrans
Net Position by Component (Unaudited) (Continued)
Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Primary government:					
Net investment in capital assets	\$ 202,666,266	\$ 200,270,564	\$ 218,134,323	\$ 212,850,236	\$ 204,298,178
Less: Debt offsetting capital assets	-	-	-	-	-
Total net investment in capital assets	<u>202,666,266</u>	<u>200,270,564</u>	<u>218,134,323</u>	<u>212,850,236</u>	<u>204,298,178</u>
Restricted - Capital projects	4,864,626	4,812,857	3,914,213	-	-
Restricted - CTSA activities	5,418,603	11,016,293	-	-	-
Unrestricted net position	<u>(4,298,682)</u>	<u>(8,756,220)</u>	<u>-</u>	<u>976,796</u>	<u>7,896,427</u>
Total primary government net position	\$ <u>208,650,813</u>	\$ <u>207,343,494</u>	\$ <u>222,048,536</u>	\$ <u>213,827,032</u>	\$ <u>212,194,605</u>

Source: Finance Department

Omnitrans
Changes in Net Position (Unaudited)
Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues					
Passenger revenue	\$ 8,165,727	\$ 7,899,386	\$ 7,527,114	\$ 7,726,741	\$ 6,639,109
Advertising	916,698	977,017	758,901	755,178	645,714
Miscellaneous	4,691	2,249	1,320	1,785	23,697
Total operating revenues	<u>9,087,116</u>	<u>8,878,652</u>	<u>8,287,335</u>	<u>8,483,704</u>	<u>7,308,520</u>
Operating expenses					
Depreciation and amortization	20,182,000	20,551,058	22,633,034	22,836,730	20,935,486
Other operating expenses	98,704,136	93,208,619	81,451,130	69,950,920	78,264,894
Total operating expenses	<u>118,886,136</u>	<u>113,759,677</u>	<u>104,084,164</u>	<u>92,787,650</u>	<u>99,200,380</u>
Non-operating revenues (expenses)					
Federal, state and local operating grants	93,750,412	105,527,444	88,564,761	71,334,095	70,157,677
Interest income	4,060,485	3,472,725	1,318,455	(536,684)	(23,485)
Interest expense	(3,898)	(6,625)	(5,223)	-	-
Pass-through to other agencies	(15,028,592)	(67,045,755)	(1,326,902)	(14,594,588)	(50,676,427)
Pass-through to CTSA community partners	-	-	-	-	(929,943)
Donation to other agency	-	-	-	-	-
Loss on disposal of assets	32,478	(99,498)	(238,972)	(36,718)	(665,723)
CNG fuel tax credit	618,493	1,165,672	1,583,776	525,164	966,554
Legal settlement	-	(4,350,000)	-	-	-
Other non-operating revenues	31,115	30,310	31,704	84,523	43,766
Total non-operating revenues, net	<u>83,460,493</u>	<u>38,694,273</u>	<u>89,927,599</u>	<u>56,775,792</u>	<u>18,872,419</u>
Loss before capital contribution	<u>(26,338,527)</u>	<u>(66,186,752)</u>	<u>(5,869,230)</u>	<u>(27,528,154)</u>	<u>(73,019,441)</u>
Capital contributions					
Capital assistance	41,572,814	79,857,213	7,346,248	24,026,524	64,027,980
Contributions from other agencies	-	-	-	-	-
Total capital contributions	<u>41,572,814</u>	<u>79,857,213</u>	<u>7,346,248</u>	<u>24,026,524</u>	<u>64,027,980</u>
Changes in net position	<u>15,234,287</u>	<u>13,670,461</u>	<u>1,477,018</u>	<u>(3,501,630)</u>	<u>(8,991,461)</u>
Special items					
Transfer of operations	-	-	-	-	-
Total special items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of year	211,305,201	197,634,740	196,157,722	199,659,352	208,650,813
Restatement	-	-	-	-	-
Net Position, beginning of year, as restated	<u>211,305,201</u>	<u>197,634,740</u>	<u>196,157,722</u>	<u>199,659,352</u>	<u>208,650,813</u>
Net position, end of year	<u>\$ 226,539,488</u>	<u>\$ 211,305,201</u>	<u>\$ 197,634,740</u>	<u>\$ 196,157,722</u>	<u>\$ 199,659,352</u>

Source: Finance Department

Omnitrans
Changes in Net Position (Unaudited) (Continued)
Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues					
Passenger revenue	\$ 11,227,212	\$ 13,168,821	\$ 12,677,056	\$ 12,956,556	\$ 13,809,102
Advertising	685,699	774,189	598,078	596,098	673,669
Miscellaneous	69,755	55,673	38,680	62,779	57,832
Total operating revenues	<u>11,982,666</u>	<u>13,998,683</u>	<u>13,313,814</u>	<u>13,615,433</u>	<u>14,540,603</u>
Operating expenses					
Depreciation and amortization	19,288,208	18,797,139	16,540,761	16,762,307	15,222,998
Other operating expenses	91,888,124	95,682,829	86,902,089	79,318,693	70,670,842
Total operating expenses	<u>111,176,332</u>	<u>114,479,968</u>	<u>103,442,850</u>	<u>96,081,000</u>	<u>85,893,840</u>
Non-operating revenues (expenses)					
Federal, state and local operating grants	75,325,966	84,857,421	69,716,169	63,623,628	68,179,717
Interest income	846,858	315,357	167,494	52,757	172,124
Interest expense	-	-	-	-	(927)
Pass-through to other agencies	(30,661,723)	(854,709)	(1,690,894)	(14,232,126)	(11,531,009)
Pass-through to CTSA community partners	(988,351)	(394,708)	-	-	-
Donation to other agency	-	(6,838,655)	-	(27,910)	-
Loss on disposal of assets	(709,129)	(1,910,005)	(650,981)	-	-
CNG fuel tax credit	3,758,891	-	1,434,406	-	-
Legal settlement	-	-	-	-	-
Other non-operating revenues	19,738	21,422	352,633	922,850	1,107,516
Total non-operating revenues, net	<u>47,592,250</u>	<u>75,196,123</u>	<u>69,328,827</u>	<u>50,339,199</u>	<u>57,927,421</u>
Loss before capital contribution	<u>(51,601,416)</u>	<u>(25,285,162)</u>	<u>(20,800,209)</u>	<u>(32,126,368)</u>	<u>(13,425,816)</u>
Capital contributions					
Capital assistance	52,908,735	8,760,536	29,021,713	35,816,686	34,402,150
Contributions from other agencies	-	846,500	-	-	-
Total capital contributions	<u>52,908,735</u>	<u>9,607,036</u>	<u>29,021,713</u>	<u>35,816,686</u>	<u>34,402,150</u>
Changes in net position	<u>1,307,319</u>	<u>(15,678,126)</u>	<u>8,221,504</u>	<u>3,690,318</u>	<u>20,976,334</u>
Special items					
Transfer of operations	-	973,084	-	-	-
Total special items	<u>-</u>	<u>973,084</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of year	207,343,494	222,048,536	213,827,032	212,194,605	191,218,271
Restatement	-	-	-	(2,057,891)	-
Net Position, beginning of year, as restated	<u>207,343,494</u>	<u>222,048,536</u>	<u>213,827,032</u>	<u>210,136,714</u>	<u>191,218,271</u>
Net position, end of year	<u>\$ 208,650,813</u>	<u>\$ 207,343,494</u>	<u>\$ 222,048,536</u>	<u>\$ 213,827,032</u>	<u>\$ 212,194,605</u>

Source: Finance Department

REVENUE CAPACITY

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Omnitrans
Revenue by Source (Unaudited)
Last Ten Years

	2025	2024	2023	2022	2021
Passenger fares - individuals					
F/R full fares - cash	\$ 2,519,294	\$ 2,378,317	\$ 1,993,456	\$ 1,822,752	\$ 1,736,809
F/R senior/disable fare - cash	590,914	526,727	472,044	436,176	382,588
F/R 1-day & 7 day full fare - pass	1,364,681	1,247,971	1,100,339	1,020,016	1,016,907
F/R 1-day & 7 day S/D fare - pass	483,433	536,562	519,469	484,629	428,802
F/R 7-day youth pass	-	4,047	3,972	3,810	15,578
F/R 31-day full fare - pass (less: discount)	904,475	970,654	1,591,000	2,042,796	1,353,135
F/R 31-day youth fare - pass	135	7,689	9,900	40,365	74,880
F/R 31-day disability fare - pass	638,336	510,267	293,944	263,640	245,970
University passes*	991,485	908,365	829,351	799,170	598,017
VET - cash	16,276	13,655	11,887	10,820	11,016
VET 31-day pass	34,797	33,788	31,458	29,119	30,229
VET 7 day pass	4,697	3,575	2,437	2,160	2,106
VET 1 day pass	7,548	5,989	5,351	6,800	5,150
Metrolink transfer	130,541	104,385	86,960	57,598	46,834
Access base fare - cash	94,248	97,911	101,460	117,353	141,357
Access base fare (3 zones) - ticket	525,229	615,060	545,364	624,364	530,021
Access additional (1 zone) - ticket	2,617	2,763	641	1,904	3,718
Total passenger fares - individuals	8,308,706	7,967,725	7,599,033	7,763,472	6,623,117
Special transit fares - group					
F/R 1 - trip full fare - ticket	40,203	29,671	20,770	16,592	-
OmniRide	30,932	21,629	20,829	23,766	8,230
OmniGo - fares**	-	-	-	-	7,762
Total special transit fares	71,135	51,300	41,599	40,358	15,992
Bus pass sales discounts	(214,114)	(214,114)	(113,518)	(77,089)	(65,947)
Net passenger fares \$	\$ 8,165,727	\$ 7,804,911	\$ 7,527,114	\$ 7,726,741	\$ 6,573,162

* From 2014 - 2019 Omnitrans implemented GoSmart Student Pass Program.

** Starting 2018, OmniLink service was rebranded as OmniGo

Source: Finance Department

Omnitrans
Revenue by Source (Unaudited) (Continued)
Last Ten Years

	2020	2019	2018	2017	2016
Passenger fares - individuals					
F/R full fares - cash	\$ 2,690,880	\$ 3,250,699	\$ 3,301,892	\$ 3,473,311	\$ 3,920,383
F/R senior/disable fare - cash	478,431	569,175	588,484	548,603	577,375
F/R 1-day & 7 day full fare - pass	1,776,965	2,585,110	2,710,454	2,888,887	3,207,595
F/R 1-day & 7 day S/D fare - pass	714,675	806,385	836,285	849,267	861,302
F/R 7-day youth pass	93,529	124,634	129,652	126,818	137,774
F/R 31-day full fare - pass (less: discount)	2,455,560	2,313,010	1,294,738	1,260,680	1,354,705
F/R 31-day youth fare - pass	379,471	461,947	478,183	506,414	485,891
F/R 31-day disability fare - pass	415,099	522,033	571,081	599,932	650,869
University passes*	905,180	955,091	998,587	773,383	755,318
VET - cash	12,775	15,475	13,479	13,665	23,564
VET 31-day pass	48,460	60,935	67,441	70,819	61,588
VET 7 day pass	7,486	17,576	18,884	19,362	16,560
VET 1 day pass	9,535	10,158	8,266	9,714	6,310
Metrolink transfer	90,080	67,577	94,809	122,680	54,778
Access base fare - cash	139,051	171,457	170,373	172,695	172,367
Access base fare (3 zones) - ticket	979,726	1,161,937	1,330,100	1,448,556	1,466,273
Access additional (1 zone) - ticket	6,985	8,975	10,977	12,096	8,509
Total passenger fares - individuals	11,203,888	13,102,174	12,623,685	12,896,882	13,761,161
Special transit fares - group					
F/R 1 - trip full fare - ticket	-	-	-	-	-
OmniRide	-	-	-	-	-
OmniGo - fares**	23,324	-	53,371	59,677	47,941
Total special transit fares	23,324	-	53,371	59,677	47,941
Bus pass sales discounts	-	-	-	-	-
Net passenger fares \$	\$ 11,227,212	\$ 13,102,174	\$ 12,677,056	\$ 12,956,559	\$ 13,809,102

* From 2014 - 2019 Omnitrans implemented GoSmart Student Pass Program.

** Starting 2018, OmniLink service was rebranded as OmniGo

Source: Finance Department

DEBT CAPACITY

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Omnitrans
Ratios of Outstanding Debt by Type (Unaudited)
Last Two Fiscal Years

Fiscal Year	Subscription Liability	Total	Percentage of Personal Income	Per Capita
2024	\$ 235,206	\$ 235,206	0.00%	\$ 0.11
2025	104,633	104,633	0.00%	0.05

Source: Finance Department

Note: Details regarding Omnitrans' outstanding debt can be found in the notes to the financial statements.

Subscription Liability recognized under GASB 96 constitutes the sole outstanding debt of the Agency. GASB 96 became effective for the Agency on July 1, 2023; accordingly, only two years of historical information are currently available. Additional years will be presented prospectively as they become available until the full ten-year reporting requirement is met.

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DEMOGRAPHICS AND ECONOMIC INFORMATION

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Omnitrans

Demographics and Statistics of San Bernardino County (Unaudited)

Last Ten Years

	Population	Personal Income (thousands)	Per Capita Personal Income (B/A)	Median Age	School Enrollment	Average Unemployment Rate
	(A)	(B)				
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%
2024	2,196,314	112,438,090	51,194	33.9	396,860	5.30%
2025	2,227,757	136,233,604	61,153	34.1	420,188	5.90%

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									
			2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Amazon Fulfillment Centers	10,000 - 20,000	1.03%	3	1	1	1	-	-	-	-	-	-
County of San Bernardino	10,000 - 20,000	1.03%	2	2	2	4	3	3	3	3	3	3
Loma Linda University*	10,000 - 20,000	1.03%	1	3	3	5	6	1	1	1	1	1
San Bernardino City Unified School District	5,000 - 10,000	0.50%	-	4	4	6	4	9	9	9	9	9
Ontario International Airport, Ontario	5,000 - 10,000	0.50%	4	5	5	7	5	8	8	8	8	8
Kaiser Permanente Arrowhead Regional Medical Center	5,000 - 10,000	0.50%	-	6	6	8	7	5	5	5	5	5
Fontana Unified School District	1,000 - 5,000	0.20%	-	7	7	2	1	-	-	-	-	-
Burlington Distribution Center	1,000 - 5,000	0.20%	-	8	8	9	8	-	-	-	-	-
San Manuel Band of Mission Indians	1,000 - 5,000	0.20%	6	9	9	-	-	-	-	-	-	-
Dignity Health Community Hospital of San Bernardino	1,000 - 5,000	0.20%	-	10	10	10	9	-	-	-	-	-
California State University of San Bernardino	1,000 - 5,000	0.20%	5	-	-	-	-	-	-	-	-	-
Environmental Systems Research Institute	1,000 - 5,000	0.20%	7	-	-	-	-	-	-	-	-	-
Fedex Ground	1,000 - 5,000	0.20%	8	-	-	-	-	-	-	-	-	-
Inland Empire Health Plan	1,000 - 5,000	0.20%	9	-	-	-	-	-	-	-	-	-
			10	-	-	-	-	-	-	-	-	-

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

Source: Economic Development Agency San Bernardino County, 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 and Labor Force Benchmark (Unaudited)
Last Ten Fiscal Years

TITLE	Jun-25	Jun-24	Jun-23	Jun-22	Jun-21
Civilian Labor Force	2,232,200	2,159,400	2,127,600	2,151,100	2,107,300
Civilian Employment	2,099,300	2,044,800	2,021,600	2,065,200	1,930,000
Civilian Unemployment	132,800	114,600	106,000	85,900	177,300
Civilian Unemployment Rate	6.00%	5.30%	5.00%	4.00%	8.40%
Total, All Industries	1,719,500	1,720,600	1,688,700	1,673,600	1,575,700
Total Farm	14,100	15,600	17,100	18,100	15,200
Total Nonfarm	1,705,400	1,705,000	1,671,600	1,655,500	1,560,500
Total Private	1,422,900	1,430,300	1,412,500	1,398,100	1,316,200
Goods Producing	206,400	216,400	217,100	212,800	206,800
Mining, Logging, and Construction	113,900	119,900	120,300	113,400	111,700
Mining and Logging	1,500	1,600	1,600	1,400	1,400
Construction	112,400	118,300	118,700	112,000	110,300
Construction of Buildings	17,400	18,300	18,100	17,200	17,200
Heavy & Civil Engineering Construction	14,700	15,400	14,400	12,700	12,800
Specialty Trade Contractors	80,300	84,600	86,200	82,100	80,300
Building Foundation & Exterior Contractors	23,800	26,800	26,700	24,900	24,200
Building Equipment Contractors	29,600	31,500	32,500	30,100	29,900
Building Finishing Contractors	17,600	17,500	18,200	17,200	17,600
Manufacturing	92,500	96,500	96,800	99,400	95,100
Durable Goods	56,300	59,000	57,900	61,900	59,000
Fabricated Metal Product Manufacturing	14,700	14,400	13,900	13,900	13,600
Nondurable Goods	36,200	37,500	38,900	37,500	36,100
Service Providing	1,499,000	1,488,600	1,454,500	1,442,700	1,353,700
Private Service Providing	1,216,500	1,213,900	1,195,400	1,185,300	1,109,400
Trade, Transportation & Utilities	447,500	452,400	449,600	467,200	431,000
Wholesale Trade	68,700	68,400	67,500	70,100	67,000
Merchant Wholesalers, Durable Goods	40,000	40,400	40,200	40,800	39,800
Merchant Wholesalers, Nondurable Goods	25,100	24,700	23,800	24,900	23,800
Retail Trade	180,500	180,300	179,500	181,800	174,600
Motor Vehicle & Parts Dealer	25,800	25,700	26,500	25,300	24,200
Automotive Parts, Accessories & Tire Stores	7,900	7,600	8,300	7,700	7,300
Building Material & Garden Equipment Stores	15,000	15,800	15,400	16,200	16,000
Food & Beverage Stores	40,100	39,900	37,700	36,800	35,500
Health & Personal Care Stores	38,200	39,300	39,200	12,100	11,600
Clothing & Clothing Accessories Stores	11,500	10,900	12,100	15,200	14,500
Clothing Stores	15,900	15,400	14,300	11,400	10,700
General Merchandise Stores	12,100	11,600	10,800	39,000	37,600
Transportation, Warehousing & Utilities	198,300	203,700	202,600	215,300	189,400
Utilities	5,400	5,700	5,800	5,000	5,100
Transportation & Warehousing	192,900	198,000	196,800	210,300	184,300
Truck Transportation	32,500	32,600	34,100	33,500	31,300
General Freight Trucking	24,100	23,900	25,800	25,400	23,800
Couriers & Messengers	20,700	22,500	18,200	21,800	21,400
Warehousing & Storage	118,900	120,400	126,300	135,400	114,600
Information	12,800	13,000	10,100	10,000	9,900
Publishing Industries (except Internet)	1,000	1,500	1,600	1,700	1,800
Telecommunications	4,300	4,600	4,500	4,300	4,600
Financial Activities	42,600	44,300	46,800	46,700	44,400
Finance & Insurance	21,200	22,000	23,900	23,900	24,100
Credit Intermediation & Related Activities	9,700	10,000	12,000	12,000	12,500
Depository Credit Intermediation	6,800	7,000	8,100	7,500	8,300
Nondepository Credit Intermediation	1,400	1,600	2,200	2,400	2,500
Insurance Carriers & Related	9,500	9,900	9,800	9,500	9,600
Insurance Carriers	3,400	3,400	2,500	2,600	2,700

(Continued)

Omnitrans
Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment and Labor Force Benchmark (Unaudited) (Continued)
Last Ten Fiscal Years

TITLE	Jun-20	Jun-19	Jun-18	Jun-17	Jun-16
Civilian Labor Force	2,103,000	2,055,300	2,037,900	1,999,600	1,972,100
Civilian Employment	1,818,800	1,966,900	1,944,000	1,890,800	1,845,500
Civilian Unemployment	284,200	88,400	93,900	108,800	126,600
Civilian Unemployment Rate	13.50%	4.30%	4.60%	5.40%	6.40%
Total, All Industries	1,470,200	1,565,400	1,520,700	1,466,000	1,409,800
Total Farm	17,000	19,600	17,900	18,900	19,000
Total Nonfarm	1,453,200	1,545,800	1,502,800	1,447,100	1,390,800
Total Private	1,209,100	1,281,100	1,241,000	1,193,800	1,146,600
Goods Producing	200,600	210,900	208,300	198,800	190,900
Mining, Logging, and Construction	105,700	109,500	108,100	100,200	93,000
Mining and Logging	1,300	1,200	1,200	900	900
Construction	104,400	108,300	106,900	99,300	92,100
Construction of Buildings	16,200	16,400	15,800	15,300	14,700
Heavy & Civil Engineering Construction	12,800	12,700	12,400	12,500	12,100
Specialty Trade Contractors	75,400	79,200	78,700	71,500	65,300
Building Foundation & Exterior Contractors	22,900	24,300	25,000	22,400	18,600
Building Equipment Contractors	27,100	28,400	27,000	24,700	23,000
Building Finishing Contractors	17,000	17,700	18,000	16,100	15,800
Manufacturing	94,900	101,400	100,200	98,600	97,900
Durable Goods	60,300	65,500	65,500	64,700	64,600
Fabricated Metal Product Manufacturing	14,600	15,300	15,100	14,300	14,500
Nondurable Goods	34,600	35,900	34,700	33,900	33,300
Service Providing	1,252,600	1,334,900	1,294,500	1,248,300	1,199,900
Private Service Providing	1,008,500	1,070,200	1,032,700	995,000	955,700
Trade, Transportation & Utilities	393,300	387,600	373,700	356,000	337,800
Wholesale Trade	63,800	68,100	66,300	62,900	62,100
Merchant Wholesalers, Durable Goods	37,600	40,300	39,300	36,800	36,900
Merchant Wholesalers, Nondurable Goods	23,200	24,500	24,000	23,100	22,100
Retail Trade	161,500	177,300	178,300	178,100	174,600
Motor Vehicle & Parts Dealer	22,400	25,300	25,900	25,800	24,600
Automotive Parts, Accessories & Tire Stores	7,000	7,400	7,500	7,600	7,400
Building Material & Garden Equipment Stores	15,300	14,500	14,800	14,500	14,200
Food & Beverage Stores	35,600	33,700	33,800	33,600	34,000
Health & Personal Care Stores	9,600	11,900	11,500	11,300	10,600
Clothing & Clothing Accessories Stores	10,400	17,900	18,800	19,300	18,900
Clothing Stores	7,400	13,000	13,900	14,300	14,100
General Merchandise Stores	36,300	36,100	35,900	36,200	36,700
Transportation, Warehousing & Utilities	168,000	142,200	129,100	115,000	101,100
Utilities	5,000	4,800	4,900	5,000	5,300
Transportation & Warehousing	163,000	137,400	124,200	110,000	95,800
Truck Transportation	29,100	28,100	26,900	26,200	25,600
General Freight Trucking	22,200	21,900	21,200	20,300	19,900
Couriers & Messengers	19,000	15,200	13,600	11,000	9,500
Warehousing & Storage	99,400	76,300	66,200	56,100	44,200
Information	8,700	11,600	11,500	11,500	12,000
Publishing Industries (except Internet)	1,700	1,700	1,600	1,400	1,500
Telecommunications	4,800	5,200	5,300	5,500	5,500
Financial Activities	42,900	44,700	44,600	44,600	44,900
Finance & Insurance	24,200	24,100	25,400	27,000	27,000
Credit Intermediation & Related Activities	12,800	12,800	13,500	14,400	14,700
Depository Credit Intermediation	9,000	9,100	9,000	9,500	9,500
Nondepository Credit Intermediation	2,100	2,200	2,900	3,100	2,800
Insurance Carriers & Related	9,800	10,000	10,100	10,100	10,700
Insurance Carriers	2,700	2,800	3,100	3,500	3,900

(Continued)

Omnitrans
Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment and Labor Force Benchmark (Unaudited) (Continued)
Last Ten Fiscal Years

TITLE	Jun-25	Jun-24	Jun-23	Jun-22	Jun-21
Real Estate & Rental & Leasing	21,400	22,300	22,900	22,800	20,300
Real Estate	15,400	16,100	16,600	16,200	14,800
Professional & Business Services	159,200	162,600	181,600	174,900	165,800
Professional, Scientific & Technical Services	47,300	45,900	52,200	48,400	44,200
Management of Companies & Enterprises	8,800	9,200	8,900	8,600	8,700
Administrative & Support & Waste Services	103,100	107,500	120,500	117,900	112,900
Administrative & Support Services	98,500	102,700	115,800	113,000	108,700
Employment Services	44,500	47,100	53,700	54,500	53,000
Investigation & Security Services	17,200	18,500	18,600	16,800	16,100
Services to Buildings & Dwellings	23,000	23,100	24,900	22,900	22,300
Educational & Health Services	320,500	306,600	277,400	262,300	252,000
Educational Services	26,200	22,000	19,900	18,100	16,700
Colleges, Universities & Professional Schools	6,400	5,700	5,200	5,700	4,900
Health Care & Social Assistance	294,300	284,600	257,500	244,200	235,300
Ambulatory Health Care Services	95,900	91,400	83,600	84,400	80,800
Offices of Physicians	26,600	26,500	25,000	24,200	23,400
Hospitals	50,100	47,300	44,400	43,000	42,100
Nursing & Residential Care Facilities	30,600	29,700	28,600	25,800	25,200
Leisure & Hospitality	182,600	185,800	179,900	179,700	162,400
Arts, Entertainment & Recreation	21,500	20,400	18,900	17,600	16,900
Accommodation & Food Services	161,100	165,400	161,000	162,100	145,500
Accommodation	17,400	17,100	15,800	15,400	13,400
Food Services & Drinking Places	143,700	148,300	145,200	146,700	132,100
Restaurants	137,800	143,100	141,100	143,100	128,600
Full-Service Restaurants	51,200	53,400	53,900	52,900	47,100
Limited-Service Eating Places	86,600	89,700	87,200	90,200	81,500
Other Services	51,300	49,200	50,000	44,500	43,900
Repair & Maintenance	20,200	20,100	20,700	18,800	17,600
Personal & Laundry Services	16,700	16,400	15,700	14,500	13,300
Government	282,500	274,700	259,100	257,400	244,300
Federal Government	21,000	21,500	21,200	20,800	21,200
Department of Defense	5,600	5,700	5,700	6,000	6,000
Federal Government excluding Department of Defense	15,400	15,800	15,500	14,800	15,200
State & Local Government	261,500	253,200	237,900	236,600	223,100
State Government	27,700	29,500	28,500	33,000	30,800
State Government Education	9,500	10,800	9,900	14,300	12,000
State Government Excluding Education	18,200	18,700	18,600	18,700	18,800
Local Government	233,800	223,700	209,400	203,600	192,300
Local Government Education	145,100	138,500	126,900	124,800	114,300
Local Government Excluding Education	88,700	85,200	82,500	78,800	78,000
County	32,000	31,400	31,400	32,300	34,000
City	18,900	18,000	16,600	15,500	14,400
Special Districts plus Indian Tribes	37,800	35,800	34,500	31,000	29,600

(Continued)

Omnitrans
Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment and Labor Force Benchmark (Unaudited) (Continued)
Last Ten Fiscal Years

TITLE	Jun-20	Jun-19	Jun-18	Jun-17	Jun-16
Real Estate & Rental & Leasing	18,700	20,100	19,300	18,400	17,900
Real Estate	13,600	14,000	13,300	12,800	12,300
Professional & Business Services	147,800	156,300	150,000	145,400	142,500
Professional, Scientific & Technical Services	41,100	43,500	41,700	39,400	38,600
Management of Companies & Enterprises	8,300	8,800	8,300	8,300	9,300
Administrative & Support & Waste Services	98,400	104,000	100,000	97,700	94,600
Administrative & Support Services	94,400	99,900	95,900	93,900	91,100
Employment Services	39,500	44,100	42,300	42,900	42,700
Investigation & Security Services	16,600	16,300	15,700	15,100	14,000
Services to Buildings & Dwellings	21,800	21,300	20,300	19,600	19,300
Educational & Health Services	242,600	248,000	236,900	224,500	213,800
Educational Services	16,400	18,600	18,400	17,500	17,700
Colleges, Universities & Professional Schools	5,200	5,400	5,600	5,300	5,700
Health Care & Social Assistance	226,200	229,400	218,500	207,000	196,100
Ambulatory Health Care Services	75,300	78,500	74,100	70,600	66,900
Offices of Physicians	22,500	23,000	22,900	22,500	22,400
Hospitals	41,400	41,400	39,900	38,700	38,700
Nursing & Residential Care Facilities	25,700	27,200	27,400	25,900	25,600
Leisure & Hospitality	135,200	175,500	169,800	167,000	159,900
Arts, Entertainment & Recreation	11,700	18,900	18,500	18,700	18,300
Accommodation & Food Services	123,500	156,600	151,300	148,300	141,600
Accommodation	11,500	18,400	18,300	18,800	17,400
Food Services & Drinking Places	112,000	138,200	133,000	129,500	124,200
Restaurants	109,800	133,600	128,800	125,600	120,400
Full-Service Restaurants	36,400	52,000	51,100	50,600	49,400
Limited-Service Eating Places	73,400	81,600	77,700	75,000	71,000
Other Services	38,000	46,500	46,200	46,000	44,800
Repair & Maintenance	16,000	17,600	17,400	17,300	17,000
Personal & Laundry Services	9,400	13,600	13,000	12,700	12,000
Government	244,100	264,700	261,800	253,300	244,200
Federal Government	21,700	21,000	20,700	20,600	20,500
Department of Defense	6,100	5,900	5,700	5,600	5,700
Federal Government excluding Department of Defense	15,600	15,100	15,000	15,000	14,800
State & Local Government	222,400	243,700	241,100	232,700	223,700
State Government	31,600	31,600	31,400	30,900	30,200
State Government Education	13,200	13,300	13,500	13,400	12,800
State Government Excluding Education	18,400	18,300	17,900	17,500	17,400
Local Government	190,800	212,100	209,700	201,800	193,500
Local Government Education	112,500	129,600	128,700	122,300	116,500
Local Government Excluding Education	78,300	82,500	81,000	79,500	77,000
County	35,600	34,500	34,200	34,600	33,700
City	14,000	15,600	15,400	15,300	15,300
Special Districts plus Indian Tribes	28,700	32,400	31,400	29,600	28,000

(Concluded)

Source: CA.Gov EDD Labor Market Info

Omnitrans' service area is located within the Metropolitan Statistical Area (MSA) of San Bernardino County and Riverside County (Inland Empire).

According to the Southern California Association of Governments' Economic Roundtable for the Third Quarter 2025, the region continues to see modest and narrow job growth. Warehousing and distribution, a major driver in the region, continues to be strong in the Inland Empire. The Inland Empire labor force has been growing relatively fast, up 7 percent relative to just before the pandemic in February 2020, compared to a 1.1 percent increase for California and a 3.6 percent increase nationally.

The unemployment rate in the Inland Empire was 6.4 percent in July 2025, which is higher than the prior month and a year ago.

The Inland Empire is not immune to the broader trend of an aging population. Baby boomers are leaving the labor force and school enrollments have declined in many communities.

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OPERATING INFORMATION

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Omnitrans
Full-Time Equivalent Employees by Function (Unaudited)
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Administration	3	3	3	3	3
Operations	432	389	336	346	352
Maintenance	94	91	87	92	99
Information Technology	10	10	9	9	8
Marketing & Communications	12	13	13	12	13
Strategic Development	8	8	7	7	7
Human Resources	10	9	8	9	6
Safety & Security	5	3	3	5	***** 10
Procurement	17	16	17	18	20
Finance	11	12	10	10	10
Integrated Project Mgmt. Oversight (IPMO)	-	-	-	-	-
Rail	-	-	-	-	-
Mobility Services	6	5	4	4	5
Total Operating Expenses	<u>608</u>	<u>559</u>	<u>497</u>	**** <u>515</u>	**** <u>533</u> ****

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

**** Re-evaluated to Capital Projects Services Manager in Maintenance.

***** 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 (Unaudited) (Continued)

Last Ten Fiscal Years

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

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

**** Re-evaluated to Capital Projects Services Manager in Maintenance.

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

***** Fleet Safety & Training moved from Safety & Security to Operations

Source: Human Resources Department

Omnitrans
Operating Expenses by Category (Unaudited)
Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Personnel	\$ 33,647,752	\$ 31,778,951	\$ 28,414,233	\$ 26,704,911	\$ 25,941,626
Materials & Supplies	8,689,145	7,947,020	7,332,823	5,746,130	4,570,791
Casualty & Liability	7,798,107	6,202,540	7,670,437	8,798,001	8,118,892
Purchased Transportation	11,414,661	10,531,327	10,091,996	9,155,625	8,457,688
Depreciation & Other	57,336,471	57,299,839	50,574,675	42,382,983	52,111,383
Total Operating Expenses	\$ 118,886,136	\$ 113,759,677	\$ 104,084,164	\$ 92,787,650	\$ 99,200,380

Source: Finance Department

Omnitrans
Operating Expenses by Category (Unaudited) (Continued)
Last Ten Fiscal Years

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

Source: Finance Department

Omnitrans
Operating Expenses by Function (Unaudited)
Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Transportation	\$ 32,190,446	\$ 29,162,877	\$ 26,139,762	\$ 25,058,972	\$ 24,121,692
Maintenance	20,568,408	18,442,740	17,137,761	15,769,466	14,649,667
Risk Management *	7,798,107	6,202,540	7,670,437	6,278,255	9,308,157
Marketing	2,297,678	1,908,360	1,799,384	1,700,015	1,581,742
General Administration	26,135,765	23,368,790	17,852,825	12,318,912	19,572,242
Depreciation & Other **	29,895,732	34,674,370	33,483,995	31,662,030	29,966,880
Total Operating Expenses	\$ 118,886,136	\$ 113,759,677	\$ 104,084,164	\$ 92,787,650	\$ 99,200,380

* 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 Expenses by Function (Unaudited) (Continued)
Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Transportation	\$ 32,771,294	\$ 36,377,440	\$ 35,768,134	\$ 34,901,970	\$ 34,444,699
Maintenance	15,822,177	16,931,367	13,788,752	15,895,286	14,588,796
Risk Management *	9,308,157	7,812,623	7,869,167	6,379,626	3,107,806
Marketing	1,904,206	3,381,213	3,282,207	3,208,490	3,126,790
General Administration	20,901,379	11,354,192	13,341,246	9,315,612	6,615,304
Depreciation & Other **	30,469,119	38,623,133	29,393,344	26,380,016	24,010,445
Total Operating Expenses	\$ 111,176,332	\$ 114,479,968	\$ 103,442,850	\$ 96,081,000	\$ 85,893,840

* Risk Management consists of casualty and liability costs.

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

Source: Finance Department

Omnitrans
Capital Assets by Function (Unaudited)
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Fixed Route:					
Buses	156	154	169	169	173
Paratransit:					
Paratransit buses	81	74	74	74	105
Paratransit vans	-	-	-	-	-
Support vehicles:					
Vans, cars & trucks	72	66	66	66	66

Source: Finance Department

Omnitrans
Capital Asset by Function (Unaudited) (Continued)
Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Fixed Route:					
Buses	189	190	208	188	199
Paratransit:					
Paratransit buses	119	137	137	109	144
Paratransit vans	-	-	-	-	6
Support vehicles:					
Vans, cars & trucks	76	93	88	68	43

Source: Finance Department

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Omnitrans
Compliance Report
Year Ended June 30, 2025
With Independent Auditor's Reports

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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 Board of Directors Omnitrans

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 (*Government Auditing Standards*), the financial statements of Omnitrans as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated January 14, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Omnitrans' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Omnitrans' internal control. Accordingly, we do not express an opinion on the effectiveness of Omnitrans' internal control.

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

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

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
January 14, 2026**

COMPLIANCE SECTION



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Independent Auditor's Report on State Compliance

**The Board of Directors
Omnitrans**

Report on Compliance with Transportation Development Act Requirements

Opinion

We have audited Omnitrans' compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by Omnitrans were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the San Bernardino County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations for the year ended June 30, 2025.

In our opinion, Omnitrans complied, in all material respects, with the compliance requirements referred to above that are applicable to Omnitrans for the year ended June 30, 2025.

Basis for Opinion

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

We are required to be independent of Omnitrans and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the TDA compliance requirements. 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 Omnitrans' compliance with the TDA regulations and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, provisions of contracts or agreements applicable to the TDA regulations.



Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the TDA regulations, 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 TDA regulations, 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 the TDA regulations 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 the TDA regulations 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 the TDA regulations 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 TDA regulations. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

Glendale, California
January 14, 2026

Omnitrans
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
1. Claimant was an entity eligible to receive the funds allocated to it.	X				
2. Claimant maintains its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99243.	X				
3. Funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5, and 99277 for Article 4.5 claimants; Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract; and Section 99405(d) for transportation services provided by cities and counties with populations of less than 5,000.	X				
4. Funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions.	X				
5. Interest earned on funds received by the claimant pursuant to the TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6.	X				

See independent auditor's report on compliance.

Omnitrans
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
6. The amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in Section 6633.2, is verified.	X				
7. The amount of the claimant's actual fare revenues for the fiscal year is verified.	X				
8. The amount of the claimant's actual local support for the fiscal year is verified.	X				
9. The amount the claimant was eligible to receive under the TDA during the fiscal year, in accordance with Sections 6634 and 6649, is verified.	X				
10. The amount of the operator's expenditure limitation in accordance with Section 6633.1 is verified.	X				
11. The operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273	X				
12. The operator has had a certification by the California Department of the Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251	X				
13. The operator's State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7 is verified.	X				
14. The claimant for community transit services is in compliance with Public Utilities Code Sections 99155 and 99155.5.	X				

See independent auditor's report on compliance.



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Omnitrans
Independent Accountant's 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, 2025

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Independent Accountant's Report on Applying Agreed Upon Procedures

**To the Board of Directors of Omnitrans
San Bernardino, California
and the Federal Transit Administration**

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

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data is being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data is fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by the FTA or otherwise meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual Vehicle Revenue Miles (VRM) data, appear to be accurate.
7. Data is consistent with prior reporting periods and other facts known about Omnitrans' operations.

We have performed the procedures listed in Attachment I to the data contained in Omnitrans' FFA-10 for the fiscal year ended June 30, 2025. These procedures, specified by the FTA in the Declarations section of the 2025 NTD Policy Manual, were agreed to by Omnitrans to assist in evaluating compliance with the standards described and ensure that the information in the Omnitrans report FFA-10 for the fiscal year ended June 30, 2025, is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 Code of Federal Regulations (CFR) Part 630, Federal Register, dated January 15, 1993; and as presented in the 2025 NTD Policy Manual. Omnitrans management is responsible for the preparation of FFA-10 and compliance with the standards described above.



Omnitrans has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of ensuring accurate and compliant reporting of transit data to the National Transit Database. 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. As such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results are described in Attachment I to this report.

We were engaged by San Bernardino County Transportation Authority (SBCTA) 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 (AICPA). 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 procedures and findings included in this report. 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 SBCTA 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 Omnitrans management, SBCTA, and the FTA and is not intended to be, and should not be, used by anyone other than these specified parties.

Glendale, California
January 14, 2026

The procedures listed below, which are referenced in order to correspond to the 2025 NTD Policy Manual procedures, were performed separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), passenger miles traveled (PMT), and operating expenses (OE) of Omnitrans for the fiscal year ended June 30, 2025, for each of the following modes:

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

The procedures performed and associated results are as follows:

- 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 2025 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 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 2025 NTD Policy Manual and Omnitrans follows the procedures set forth within, as they are in possession of a copy of the 2025 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 2025 NTD Policy Manual.

Response: We discussed these procedures with various Omnitrans personnel responsible for supervising the preparation and maintenance of NTD data (responsible personnel) and reviewed the written procedures noted in item “a” above to determine that Omnitrans’ MBDO, MBPT, and DRPT services followed the procedures on a continuous basis. The responsible personnel believe that such procedures result in the 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 2025 NTD Policy Manual. No exceptions were noted as a result of applying these procedures.

Omnitrans
National Transit Database Report
Attachment I
Procedures and Results
Year Ended June 30, 2025

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

Response: We verified that Omnitrans' retention policy for source documents supporting the FFA-10 data reported is a minimum of three years, which complies with the FTA's minimum requirement. 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. For three months out of the year, we inspected the following source documents for each type of service 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 Vontas/Transtrack. - Ridership by Trip Reports - Trapeze FX Summaries by Route - Route Plans	- December 2024, April 2025, and June 2025. - 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	- December 2024, April 2025 and June 2025. - 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	- December 2024, April 2025 and June 2025. - 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 discussed the system of internal controls with Omnitrans personnel responsible for supervising and maintaining the NTD data. We noted that the individual preparing source documents was the same individual posting data summaries. A different individual is responsible for reviewing the source documents and summarizing data for completeness, accuracy, and reasonableness. Review of source documents and data summaries is performed monthly and annually. 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: The information used for NTD reporting is mostly accumulated electronically. As such, no supervisors' signatures are usually present in actual reports. Management asserted that the data, which is in electronic format, are reviewed before being entered into the accumulation worksheets. Omnitrans has an NTD dedicated group that meets quarterly and discusses the NTD report and data. We obtained the worksheet with the specific assignments and responsibilities for each form. Additionally, we noted that Omnitrans has a dedicated folder where each staff uploads the supporting forms after validation of data for the NTD report. 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.

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 procedure for accumulating and recording PMT data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2025 NTD Policy Manual.

Response: Sampling was conducted for the MBDO and MBPT modes. For DRPT, Omnitrans uses 100% of the actual passenger miles. We inspected the sampling methodologies and noted that the sampling methodology used met the requirements of the 2025 NTD Policy Manual for all 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 NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
 1. The public transit agency serves an urbanized area (UZA) with a population of less than 500,000 according to the most recent census.
 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 purchased from a seller 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 (2023) 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 meets one of the NTD criteria that allows transit agencies to conduct statistical samples for accumulating PMT data every third year. Per the triennial sampling requirement, 2025 was not a mandatory sampling year. The DPRT mode does not involve sampling and uses a 100% count of actual PMT. The PMT is calculated for DPRT using the census of trips during the entire year. For MBDO and MBPT, the transit agency calculates the annual PMT by mode and daytime. These are multiplied by the total ridership of the mode. 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 and MBPT modes, we obtained a copy of Omnitrans' methodology for statistical sampling to estimate average PM and observed that Omnitrans' methodology resulted in a random selection of runs and that the stated sampling procedure was followed without exception. The DRPT mode does not involve sampling since it uses a 100% count of the actual PMT. 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 recompute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summary. Alternatively, if the agency uses APCs for PMT reporting, confirm that the agency has FTA's approval to report APC data for the current year. Obtain the report that provides PMT totals for the year from the APC system. Compare the data in this report to the NTD report.

Response: We randomly selected December 2024, April 2025, and June 2025 and reviewed the related source documents for accumulating PMT data for MBPT, MBDO and DRPT modes. We recomputed the PMT data for each of the selected periods and verified the arithmetical accuracy of the summary. 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: The procedure identified above is not applicable. According to Omnitrans personnel, Omnitrans does not have a charter, school bus, or other ineligible vehicle miles.

- 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 recompute 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 the 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 that the actual amounts were reasonable compared to the fixed route schedule. 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: The procedure identified above is not applicable, as Omnitrans does not provide rail service.

- 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.

Response: We inquired of personnel about the procedures in which Omnitrans reports VRMs, passenger miles, and operating expenses for fixed guideway 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 they computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, recompute the average monthly 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 Omnitrans personnel, we determined that there were no changes during the year that resulted in an increase or decrease in DRMs. No exceptions were noted as a result of applying the procedure.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to 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 its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.

Response: Per inquiry of the Omnitrans personnel, there were no temporary interruptions in the 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 the route.

Response: We have retraced the route that the MBDO service operates over the exclusive access ROW. No exceptions were noted as a result of applying the procedure.

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the 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 Accounting Manager and Business Intelligence Analyst and noted that no other public transit agencies operate their services over the same DRMs as Omnitrans. No exceptions were noted as a result of applying the procedure.

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2025 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 2025 report year, the Agency Revenue Service Date must occur within the transit agency's 2025 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 about the procedures for revenue service for each FG/HIB segment. Omnitrans did not add any new segments during the 2025 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 the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the PT service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

Response: The data for PT services is included in the reporting by Omnitrans, and therefore, no IAS for the purchased transportation services is included. No exceptions were noted as a result of applying this procedure.

- 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 with 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. No exceptions were noted as a result of applying this procedure.

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- y. If the transit agency provides service in more than one UZA, or between a 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: The procedure identified above is not applicable, as Omnitrans is an urbanized area provider only.

- z. Compare the data reported on the FFA-10 to 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: We obtained the data reported on the FFA-10 Form for the fiscal year ended June 30, 2025. Please see comparable data from the prior year below:

Mode	Data	Fiscal Year		Change	% Change	Note
		2025	2024			
MBPT	VRM	460,792	407,775	53,017	13.00%	A
	PMT	881,079	776,287	104,792	13.50%	
	OE	\$ 4,357,153	\$ 3,945,624	\$ 411,529	10.43%	B
MBDO	VRM	7,036,391	6,407,218	629,173	9.82%	
	PMT	36,041,030	32,891,722	3,149,308	9.57%	
	OE	\$ 77,415,641	\$ 75,333,137	\$ 2,082,504	2.76%	
DRPT	VRM	1,290,256	1,375,881	(85,625)	-6.22%	
	PMT	1,584,906	1,664,172	(79,266)	-4.76%	
	OE	\$ 16,009,531	\$ 14,902,822	\$ 1,106,709	7.43%	

- A. MBPT experienced a 13% increase in Vehicle Revenue Miles and a 13.5% increase in Passenger Miles. Per inquiry with Omnitrans personnel, ridership saw a substantial year-over-year increase, rising from 171,884 in FY24 to 208,851 in FY25, which positively impacted key operational metrics such as VRM and VRH. Additionally, the agency has fully restored service to pre-COVID levels, supporting overall ridership recovery and growth. In addition, Route 380 experienced significant improvements during FY25, including the introduction of weekend service and the addition of another vehicle. The primary driver of ridership growth was the transition from Route 67 (MBDO) to Route 367 (MBPT), which alone contributed 25,879 riders, accounting for approximately 70% of the total increase.

- B. An increase of 10.43% for Operating Expense is also noted for MBPT. Per inquiry with Omnitrans personnel, the overall increase in OE is primarily attributable to higher personnel costs, including salaries, wages, and related benefits. In addition, there was a notable rise in service expenses, driven largely by elevated security costs. Finally, the increase also reflects greater purchased transportation expenses, contributing further to the overall upward trend.
- 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 performed and the results of those procedures in our work papers. The work papers are available for FTA review for a minimum of three years following the NTD report year. No additional procedures were performed.



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Omnitrans
Independent Auditor's Report
On Proposition 1B Schedule of
Unspent Funds and Cash Disbursements
Year Ended June 30, 2025

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

**To the Board of Directors of Omnitrans
San Bernardino, California**

We have audited the financial statements of Omnitrans, which comprise the statement of net position as of June 30, 2025 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 14, 2026, which contained an unqualified opinion on those financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Proposition 1B Schedule of Unspent Funds and Cash Disbursements is presented for purposes of additional analysis to satisfy the requirements of Section 6667 of Title 21 of the California Code of Regulations, the California Government Code §8879.50, and the California State Senate Bill 88 (2007), et seq. and is not a required part of the 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.

This report is intended for the information and use of management, the board of directors, others within the Agency, state and federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Glendale, California
January 14, 2026**

Omnitrans
Proposition 1B Schedule of Unspent Funds and Cash Disbursements
Year Ended June 30, 2025

	<u>PTMISEA¹</u>
Unspent Proposition 1B funds at the beginning of the year	\$ 1,073,115
Proposition 1B expenses incurred during the year	(58,653)
Interest revenue earned on unspent Proposition 1B funds during the year	<u>934</u>
Unspent Proposition 1B funds at the end of the year	<u><u>\$ 1,015,396</u></u>

¹Public Transportation, Modernization, Improvement, and Service Enhancement Account.



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Omnitrans
Single Audit Report
Year Ended June 30, 2025
With Independent Auditor's Report

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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***

**Board of Directors
Omnitrans**

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 (*Government Auditing Standards*), the financial statements of Omnitrans as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements and have issued our report thereon dated January 14, 2026.

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.



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

**Glendale, California
January 14, 2026**



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

**Board of Directors
Omnitrans**

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 program for the year ended June 30, 2025. Omnitrans' major federal program is 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 program for the year ended June 30, 2025.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the 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.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2025, and have issued our report thereon dated January 14, 2026 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 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 financial statements as a whole.

Vasquez & Company LLP

Glendale, California

February 3, 2026, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is January 14, 2026

Omnitrans
Schedule of Expenditures of Federal Awards
Year ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number (ALN)	Contract Number	Provided to Subrecipients	Total Federal Expenditure
<u>MAJOR PROGRAM</u>				
<u>U.S. Department of Transportation Federal Transit Administrator</u>				
<u>Federal Transit Cluster</u>				
Direct Programs				
Federal Transit—Capital Investment Grants (Fixed Guideway Capital Investment Grants)	20.500	CA-2023-025	\$ 7,758,335	\$ 7,758,335
Federal Transit—Capital Investment Grants (Fixed Guideway Capital Investment Grants)	20.500	CA-2023-048	3,937,646	3,937,646
		Total ALN 20.500	<u>11,695,981</u>	<u>11,695,981</u>
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-032	-	178,364
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-040	499,878	499,878
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-169	-	547,460
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-130	-	208,492
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-004	-	857,818
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2022-086	-	9,054,387
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2023-143	-	601,955
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2024-053	-	666,568
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2025-060	-	16,021,780
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA 2023-149	-	396,696
Federal Transit—Formula Grants (Urbanized Area Formula Program) – West Valley Connect Corridor Project – Land Proceeds	20.507		<u>2,264,756</u>	<u>2,264,756</u>
		Total ALN 20.507	<u>2,764,634</u>	<u>31,298,154</u>
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2020-255	-	1,827,628
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	CA-2023-151	-	261,138
		Total ALN 20.526	<u>-</u>	<u>2,088,766</u>
		Total Federal Transit Cluster	<u>14,460,615</u>	<u>45,082,901</u>
		Total Major Program \$	<u>14,460,615</u>	<u>\$ 45,082,901</u>

See accompanying notes to schedule of expenditures of federal awards.

Omnitrans
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number (ALN)</u>	<u>Contract Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditure</u>
NON-MAJOR PROGRAMS				
<u>U.S. Department of Transportation Federal Transit Administrator</u>				
<u>Transit Services Program Cluster</u>				
Direct Programs				
Enhanced Mobility of Seniors and Individuals with Disabilities Program	20.513	CA-2018-034	\$ -	\$ 131,890
Enhanced Mobility of Seniors and Individuals with Disabilities Program	20.513	CA-2022-235	-	313,409
Total Transit Services Program Cluster			-	445,299
<i>Passed through Kansas City Area Transportation Authority</i>				
Public Transportation Innovation Program — Kansas City Validators	20.530		-	176,100
		Total ALN 20.530	-	176,100
Total Non-Major Programs			-	621,399
TOTAL FEDERAL EXPENDITURES			\$ 14,460,615	\$ 45,704,300

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of Omnitrans for the year ended June 30, 2025. 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 2 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.

Omnitrans elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 AWARDS PASSED-THROUGH TO SUBRECIPIENTS

Omnitrans provided and paid a total of \$21,009,948 in federal awards to a subrecipient for the year ended June 30, 2025. This amount includes \$6,549,333 in federal award expenditures that had been accrued and reported in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2024, but were not included in the amount reported as federal awards provided to subrecipients in that prior year.

NOTE 4 RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Consistent with management's policy, revenues from both federal and non-federal governmental awards are collectively reported as federal, state, and local operating grants in Omnitrans' financial statements. As a result, the amount of total federal awards expended on the Schedule does not agree with total federal, state, and local operating grants on the Statement of Revenues, Expenses, and Changes in Net Position as presented in Omnitrans' financial statements as of and for the year ended June 30, 2025.

Total federal expenditures reported include those funded by proceeds from the sale of land acquired with federal funding. These proceeds were used for the West Valley Connector Corridor Project.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report 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 the financial statements noted?	No

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance with respect to major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No

Identification of Major Program

<u>Assistance Listing Numbers</u> 20.500 / 20.507 / 20.526	<u>Name of Federal Program or Cluster</u> Federal Transit Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,371,129
Auditee qualified as a low-risk auditee?	Yes

Omnitrans
Schedule of Findings and Questioned Costs
Year ended June 30, 2025

Section II – Financial Statement Findings

There were no financial statement findings noted for the year ended June 30, 2025.

Section III – Federal Award Findings

There were no federal award findings noted for the year ended June 30, 2025.

Omnitrans
Summary Schedule of Prior Audit Findings
Year ended June 30, 2025

There were no financial statement and federal award findings reported for the
fiscal year ended June 30, 2024.



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**CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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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 Rancho Cucamonga, California (City), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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.

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, 2025 and 2024 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2026, 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

Los Angeles, California
March 25, 2026

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Due from other governments	\$ 459,527	\$ 47,910
 Total assets	<u>\$ 459,527</u>	<u>\$ 47,910</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payables	\$ -	\$ 465
Retention payable	27,495	-
Due to other City funds	<u>473,471</u>	<u>47,445</u>
Total liabilities	<u>500,966</u>	<u>47,910</u>
 Deferred inflows of resources		
Unavailable revenues	459,527	47,910
 Fund balance (deficit)		
Unassigned	<u>(500,966)</u>	<u>(47,910)</u>
 Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 459,527</u>	<u>\$ 47,910</u>

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, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA allocation	\$ 227,192	\$ -
Expenditures		
Capital		
TDA expenditures	680,248	36,355
Net change in fund balance	(453,056)	(36,355)
Fund balance (deficit), beginning of year	(47,910)	(11,555)
Fund balance (deficit), end of year	<u>\$ (500,966)</u>	<u>\$ (47,910)</u>

See notes to financial statements.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 local matching funds.

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, except for sales tax and grant revenue where the government considers revenue to be available if closed within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

(Continued)

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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, 2025 and 2024, 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 \$473,471 and \$47,445 represent the amounts paid by the City on behalf of the TDA Fund as of June 30, 2025 and 2024, respectively. The balance will be repaid to the City's General Fund as the TDA allocations are received.

NOTE 4 – UNAVAILABLE REVENUE

The deferred inflows of resources - unavailable revenue balance of \$459,527 and \$47,910 as of June 30, 2025 and 2024, respectively, is related to the revenues earned, but not collected by the City within its period of availability.

(Continued)

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 5 – DEFICIT FUND BALANCE

The TDA Fund ended the year with a fund deficit of \$500,966 and \$47,910 in 2025 and 2024, respectively. 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, 2025

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
TDA allocation	\$ 239,550	\$ -	\$ 227,192	\$ 227,192
Expenditures				
Capital				
TDA expenditures	-	651,445	680,248	(28,803)
Net change in fund balance	239,550	(651,445)	(453,056)	198,389
Fund balance, beginning of year	(47,910)	(47,910)	(47,910)	-
Fund balance, end of year	<u>\$ 191,640</u>	<u>\$ (699,355)</u>	<u>\$ (500,966)</u>	<u>\$ 198,389</u>

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, 2024

	Budget		Actual	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
TDA allocation	\$ 618,620	\$ 786,080	\$ -	\$ (786,080)
Expenditures				
Capital				
TDA expenditures	618,620	564,500	36,355	528,145
Net change in fund balance	-	221,580	(36,355)	(257,935)
Fund balance, beginning of year	(11,555)	(11,555)	(11,555)	-
Fund balance, end of year	<u>\$ (11,555)</u>	<u>\$ 210,025</u>	<u>\$ (47,910)</u>	<u>\$ (257,935)</u>

See note to required supplementary information.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Day Creek Channel Bike Trail	2023-24	\$ 510,250	\$ 510,250	\$ 375,112	\$ 135,138
		2021-22	84,415	84,415	84,415	-
Article 3	Haven Sidewalk Improvement	2021-22	<u>227,192</u>	<u>220,721</u>	<u>220,721</u>	<u>-</u>
			<u>\$ 821,857</u>	<u>\$ 815,386</u>	<u>\$ 680,248</u>	<u>\$ 135,138</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2025, 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 March 25, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Crowe LLP

Los Angeles, California
March 25, 2026

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2025

2025-001 – Revenue Recognition (Material Weakness)

Criteria: Management is responsible for accounting for the City's special revenue funds using the current financial resources measurement focus and the modified accrual basis of accounting. This involves only recognizing revenues when 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, except for sales tax and grant revenue where the government considers revenue to be available if closed within 180 days of the end of the current fiscal period.

Condition: The City recognized revenue for TDA funds that were received more than 180 days after the end of the 2025 fiscal year.

Cause: The City did not have sufficient control precision related to the revenue recognition control utilized to ensure proper cutoff of TDA revenue for the fiscal year.

Context: Crowe noted the issues during our testing of TDA revenue.

Effect: TDA revenue was overstated and unavailable revenue was understated by \$459,527 for the amount received after the period of availability, requiring an audit adjustment to reduce revenue and to record those funds as unavailable revenue on the balance sheet.

Recommendation: Crowe recommends that management review the receipt date for all revenue transactions to determine whether those funds are both measurable and have been collected within 180 days of the end of the fiscal period.

Views of responsible officials and planned corrective action: Management agrees with the auditor's observation regarding the recognition of TDA revenue outside of the availability period under the modified accrual basis of accounting. The condition identified relates to the recognition of certain TDA revenues that were received more than 180 days after fiscal year-end. This resulted from insufficient precision in the City's control procedures to ensure proper cutoff and evaluation of revenue availability. Contributing to this condition were both the need for more clearly defined review procedures and significant staff turnover within the Finance department, which impacted continuity in the application of established controls. Management acknowledges that an adjustment of \$459,527 was necessary to properly defer revenue that was not received within the required availability period. The adjustment was recorded to reclassify the amount from revenue to unavailable revenue in accordance with applicable accounting standards.

To address this issue, the City has implemented and/or will implement the following corrective actions:

- Enhanced review procedures to evaluate revenue cutoff, including verification of receipt dates relative to the applicable availability period.
- Implemented additional reconciliation controls to ensure all material revenues are assessed for proper period recognition prior to financial statement preparation.
- Updated internal procedures and financial reporting checklists to require documentation of availability assessments for special revenue funds.
- Provided additional training to staff on modified accrual revenue recognition requirements, including application of the 60-day and 180-day availability periods.

These actions will strengthen internal controls over revenue recognition and ensure compliance with modified accrual accounting requirements going forward.

**CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Redlands, California (City), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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 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, 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, 2025 and 2024 or the changes in its financial position 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.

(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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Los Angeles, California
December 17, 2025

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Due from other governments	\$ -	\$ 9,256
Total assets	<u>\$ -</u>	<u>\$ 9,256</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Due to other City funds	\$ 2,883	\$ 9,164
Total liabilities	<u>2,883</u>	<u>9,164</u>
Deferred inflows of resources		
Unavailable revenue	<u>-</u>	<u>9,256</u>
Fund balance (deficit) - restricted		
Unassigned	<u>(2,883)</u>	<u>(9,164)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 9,256</u>

See notes to financial statements.

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

		Article 3	
		<u>2025</u>	<u>2024</u>
Revenues			
TDA allocation		\$ 55,596	\$ 671,581
Total revenues		55,596	671,581
Expenditures			
TDA expenditures		<u>49,315</u>	<u>-</u>
Total expenditures		<u>49,315</u>	<u>-</u>
Net change in fund balance		6,281	671,581
Fund balance (deficit) at beginning of year		<u>(9,164)</u>	<u>(680,745)</u>
Fund balance (deficit) at end of year		<u><u>\$ (2,883)</u></u>	<u><u>\$ (9,164)</u></u>

See notes to financial statements.

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 – GENERAL INFORMATION

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Redlands, California (City), as of June 30, 2025 and 2024, 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 San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 local matching funds.

NOTE 2 - 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.

(Continued)

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Cash and Investments: 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, 2025 and 2024 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.

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.

(Continued)

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 3 – DUE TO OTHER CITY FUNDS

Due to the City of Redlands General Fund of \$2,883 and \$9,164, respectively, represent 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, 2025 and 2024, respectively.

NOTE 4 – UNAVAILABLE REVENUE

The City of Redlands did not receive the TDA Article 3 reimbursement for the expenditures for the East Valley Corridor Bike Route Project totaling \$9,256 within the City's period of availability for the fiscal year ended June 30, 2024. This amount was received and recognized as revenue in fiscal year ended June 30, 2025.

NOTE 5 – DEFICIT FUND BALANCE

The TDA Fund reported a deficit fund balance of \$2,883 and \$9,164 as of June 30, 2025 and 2024, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDLANDS, 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, 2025

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ -	\$ 1,145,296	\$ 55,596	\$ (1,089,700)
Total revenues	-	1,145,296	55,596	(1,089,700)
Expenditures				
TDA expenditures	-	1,136,040	49,315	1,086,725
Total expenditures	-	1,136,040	49,315	1,086,725
Net change in fund balance	-	9,256	6,281	(2,975)
Fund balance (deficit) at beginning of year	(9,164)	(9,164)	(9,164)	-
Fund balance (deficit) at end of year	<u>\$ (9,164)</u>	<u>\$ 92</u>	<u>\$ (2,883)</u>	<u>\$ (2,975)</u>

(Continued)

CITY OF REDLANDS, 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, 2024

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
TDA allocation	\$ -	\$ 1,972,631	\$ 671,581	\$ (1,301,050)
Total revenues	-	1,972,631	671,581	(1,301,050)
Expenditures				
TDA expenditures	-	1,291,794	-	1,291,794
Total expenditures	-	1,291,794	-	1,291,794
Net change in fund balance	-	680,837	671,581	(9,256)
Fund balance (deficit) at beginning of year	(680,745)	(680,745)	(680,745)	-
Fund balance (deficit) at end of year	<u>\$ (680,745)</u>	<u>\$ 92</u>	<u>\$ (9,164)</u>	<u>\$ (9,256)</u>

See note to required supplementary information.

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

NOTE 1 - BUDGETARY DATA

The City adopts a biennial 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

CITY OF REDLANDS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Funds Rescinded</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	East Valley Corridor Bike Route	2017-18	\$ 264,401	\$ 155,754	\$ -	\$ (155,754)	\$ -
Article 3	Transit Stop Access Program	2021-22	46,340	46,340	46,340	-	-
Article 3	Orange Blossom Trail (OBT) Project Phase IV	2023-24	<u>1,089,700</u>	<u>1,089,700</u>	<u>2,975</u>	<u>-</u>	<u>1,086,725</u>
			<u>\$ 1,400,441</u>	<u>\$ 1,291,794</u>	<u>\$ 49,315</u>	<u>\$ (155,754)</u>	<u>\$ 1,086,725</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Redlands, California (City), as of and for the year ended June 30, 2025, 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 17, 2025.

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.

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.

A handwritten signature in black ink, appearing to read "Crowe LLP", is positioned above the printed name of the firm.

Crowe LLP

Los Angeles, California
December 17, 2025

**CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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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 Rialto, California (City), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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.

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, 2025 and 2024, or the changes in its financial position 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.

(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.

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 opinions on the financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, 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

Los Angeles, California
January 22, 2026

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Due from other governments	\$ 542,292	\$ 181,137
 Total assets	<u>\$ 542,292</u>	<u>\$ 181,137</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Accounts payable	\$ 473,243	\$ 72,199
Retainage payable	48,067	-
Due to other City funds	<u>809,970</u>	<u>28,617</u>
 Total liabilities	<u>1,331,280</u>	<u>100,816</u>
 Deferred inflows of resources		
Unavailable revenue	542,292	-
 Fund balance (deficit)		
Restricted for transportation	-	80,321
Unassigned	<u>(1,331,280)</u>	<u>-</u>
 Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 542,292</u>	<u>\$ 181,137</u>

See notes to financial statements.

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA Article 3 Funds	\$ 230,957	\$ 181,137
Investment income	<u>827</u>	<u>575</u>
Total revenues	231,784	181,712
Expenditures		
Construction, maintenance, and engineering	<u>1,643,385</u>	<u>122,351</u>
Total expenditures	<u>1,643,385</u>	<u>122,351</u>
Net change in fund balance	(1,411,601)	59,361
Fund balance (deficit) at beginning of year	<u>80,321</u>	<u>20,960</u>
Fund balance (deficit) at end of year	<u><u>\$ (1,331,280)</u></u>	<u><u>\$ 80,321</u></u>

See notes to financial statements.

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 (TDA Fund) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Rialto, California (City), as of June 30, 2025 and 2024, 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: San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 local matching funds.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the TDA Activity 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. 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 activity of the Article 3 TDA Fund in its Transportation Development Act Fund, which is a 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: 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.

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 - 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 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 represent revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period when revenue becomes 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 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.

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.

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.

NOTE 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, 2025 and 2024 were \$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.

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$542,292 and \$181,137 of June 30, 2025 and 2024, respectively, represents the TDA allocations which had not been received from SBCTA for reimbursement of eligible expenditures.

(Continued)

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 5 – DUE TO OTHER CITY FUNDS

Due to other City funds of \$809,970 and \$28,617 as of June 30, 2025 and 2024, respectively, represents the amounts paid by other City funds on behalf of the TDA Fund. The balance will be repaid as the TDA allocations are received.

NOTE 6 – DEFICIT FUND BALANCE

The TDA Fund reported a deficit fund balance of \$1,331,280 as of June 30, 2025. Article 3 revenues may be spent on projects, then reimbursed after completion. As such, the timing difference between the expenditures and receipt of Article 3 revenues has created a deficit fund balance. The obligation of the negative unassigned fund balance will be paid by future Article 3 revenues from SBCTA when eligible claims for reimbursement are filed and approved.

NOTE 7 – UNAVAILABLE REVENUE

The deferred inflows of resources – unavailable revenue balance of \$542,292 as of June 30, 2025 is related to the revenues earned, but not collected by the City within its period of availability.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIALTO, 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, 2025

	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA Article 3 Funds	\$ 200	\$ 408,073	\$ 230,957	\$ (177,116)
Investment income	-	-	827	827
Total revenues	200	408,073	231,784	(176,289)
Expenditures				
Construction, maintenance, and engineering	60	3,265,935	1,643,385	1,622,550
Total expenditures	60	3,265,935	1,643,385	1,622,550
Net change in fund balance	140	(2,857,862)	(1,411,601)	(1,446,261)
Fund (deficit) balance at beginning of year	80,321	80,321	80,321	-
Fund (deficit) balance at end of year	<u>\$ 80,461</u>	<u>\$ (2,777,541)</u>	<u>\$ (1,331,280)</u>	<u>\$ (1,446,261)</u>

See note to required supplementary information.

CITY OF RIALTO, 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, 2024

	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA Article 3 Funds	\$ -	\$ -	\$ 181,137	\$ 181,137
Investment income	-	-	575	575
Total revenues	-	-	181,712	181,712
Expenditures				
Construction, maintenance, and engineering	-	-	122,351	122,351
Total expenditures	-	-	122,351	122,351
Net change in fund balance	-	-	59,361	59,361
Fund (deficit) balance at beginning of year	20,960	20,960	20,960	-
Fund (deficit) balance at end of year	<u>\$ 20,960</u>	<u>\$ 20,960</u>	<u>\$ 80,321</u>	<u>\$ 59,361</u>

See note to required supplementary information.

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025 and 2024

NOTE 1 - BUDGETARY DATA

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The City did not adopt a budget for the TDA Article 3 Fund in 2024. The level of budgetary control is at the fund level.

ADDITIONAL INFORMATION

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Merrill Safe Routes to School	2021	\$ 639,405	\$ 639,405	\$ 639,405	\$ -
Article 3	Sycamore Safe Routes to School	2021	457,616	457,616	443,952	13,664
Article 3	Bemis Elementary Safe Routes to School	2024	716,745	594,394	560,028	34,366
Article 3	Frisbie Middle School Safe Routes to School	2024	<u>1,095,091</u>	<u>1,095,091</u>	<u>-</u>	<u>1,095,091</u>
			<u>\$ 2,908,857</u>	<u>\$ 2,786,506</u>	<u>\$ 1,643,385</u>	<u>\$ 1,143,121</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Rialto, California (City), as of and for the year ended June 30, 2025, 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 January 22, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Crowe LLP

Los Angeles, California
January 22, 2026

CITY OF RIALTO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2025

2025-001 – Revenue Recognition, Cutoff, and Classification (Material Weakness)

Criteria: Management is responsible for preparing financial statements for the City's special revenue funds in accordance with generally accepted accounting principles (GAAP), including the current financial resources measurement focus and the modified accrual basis of accounting. Under modified accrual accounting, revenues should be recognized when they are both measurable and available, receivables and unavailable revenue should be properly recorded, and revenues should be properly classified. In addition, management is responsible for designing and implementing internal controls that provide reasonable assurance that revenues, receivables, cash, and transfers are accurately recorded, properly classified, and recognized in the correct accounting period.

Condition: The City did not have effective controls in place to ensure the proper recognition, cutoff, and classification of revenue in the TDA Fund. Specifically:

- Revenue was recognized for amounts received more than 60 days after fiscal year-end rather than being recorded as unavailable revenue.
- Receivables were not recorded for earned revenue not received as of June 30, resulting in cash being recorded instead of accounts receivable or due from other governments.
- Transfers intended as budgetary transactions were recorded as actual revenues, resulting in an overstatement of revenue and cash.

Cause: The City lacked sufficient control precision and review procedures over the year-end revenue recognition and close process, including controls related to cutoff, accrual of receivables, and classification of revenues and transfers.

Context: We noted the issues during our testing of TDA Fund revenues and related balance sheet accounts.

Effect: As a result of these deficiencies:

- TDA Fund revenue was overstated and unavailable revenue was understated by \$319,114.
- Cash was overstated and due from other governments was understated by \$542,292.
- Revenue and cash were overstated by \$407,873 due to misclassification of transfers.

These matters resulted in multiple audit adjustments and represent a material misstatement of the TDA Fund financial statements.

Recommendation: We recommend that management strengthen controls over the year-end financial reporting process to ensure revenues, receivables, cash, and transfers are accurately recorded, properly classified, and recognized in accordance with GAAP, including timely review of revenue cutoff, accruals, and classification of budgetary versus actual transactions.

Views of responsible officials and planned corrective actions: Management acknowledges the deficiencies in TDA Fund revenue recognition, cutoff, and classification and agrees with the finding. To remediate this material weakness, management will: (1) implement a comprehensive year-end close checklist with detailed procedures for revenue cutoff, receivable accruals, and transfer classification; (2) establish formal review processes to ensure revenues received more than 60 days after year-end are recorded as unavailable revenue and earned but unreceived amounts are properly accrued; (3) provide staff training on modified accrual accounting and the 60-day availability criterion; and (4) provide training to accounting staff on the 60-day availability criterion and modified accrual accounting principles. These corrective actions will be implemented immediately, with full procedures in place prior to the FY 2025-26 year-end close.

**CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
FINANCIAL STATEMENTS

June 30, 2025 and 2024

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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 Activity (TDA Activity) of the City of San Bernardino, California (City), as of and for the years ended June 30, 2025 and 2024, 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 Activity of the City, as of June 30, 2025 and 2024, 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Activity of the City, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

(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.

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.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of the City's internal control over financial reporting of the TDA 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 Activity.


Crowe LLP

Los Angeles, California
December 17, 2025

CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and investments	\$ -	\$ 26,936
Due from Other Governments	<u>96,000</u>	<u>-</u>
 Total assets	<u><u>\$ 96,000</u></u>	<u><u>\$ 26,936</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other City funds	\$ 96,000	\$ 26,936
 Fund balance		
Restricted for transportation	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 96,000</u></u>	<u><u>\$ 26,936</u></u>

See notes to financial statements.

CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA allocation	\$ <u>146,800</u>	\$ <u>26,936</u>
Expenditures		
TDA expenditures	<u>146,800</u>	<u>26,936</u>
Net change in fund balance	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 Activity only and do not purport to, and do not, present fairly the financial position of the City of San Bernardino, California (City) as of June 30, 2025 and 2024, and the changes in financial position thereof in accordance with accounting principles generally accepted in the United States of America.

Article 3: The San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 City is required to provide local matching funds.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the TDA Activity 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 in separate general ledger accounts within the City's Transportation special revenue fund.

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)

CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 Activity based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA 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.

The TDA Activity 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 Activity deposits and withdrawals in the City's Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the TDA Activity's investment in the City'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 City considers restricted funds to have been spent first.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from Other Governments of \$96,000 at June 30, 2025, represents the TDA allocations which had not been received from SBCTA as of June 30, 2025. There was no Due from Other Governments as of June 30, 2024.

NOTE 4 – DUE TO OTHER CITY FUNDS

Due to other City funds of \$96,000 and \$26,936 represents the amounts paid by other City funds on behalf of the TDA Activity for expenditures incurred for which reimbursements had not yet been received as of June 30, 2025 and 2024, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3
Years ended June 30, 2025 and 2024

	Budget		Actual	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
June 30, 2025				
Revenues				
TDA allocation	\$ -	\$ -	\$ 146,800	\$ 146,800
Expenditures				
TDA expenditures	-	96,000	146,800	(50,800)
Net change in fund balance	-	(96,000)	-	96,000
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ (96,000)</u>	<u>\$ -</u>	<u>\$ 96,000</u>
	Budget		Actual	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
June 30, 2024				
Revenues				
TDA allocation	\$ 96,000	\$ 96,000	\$ 26,936	\$ (69,064)
Expenditures				
TDA expenditures	96,000	96,000	26,936	69,064
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See note to required supplementary information.

CITY OF SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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 SAN BERNARDINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Bus Stop Sidewalk Improvements	2023-24	\$ 96,000	\$ 96,000	\$ 96,000	\$ -
Article 3	Bus Stop Sidewalk Improvements	2021-22	<u>50,800</u>	<u>50,800</u>	<u>50,800</u>	<u>-</u>
			<u>\$ 146,800</u>	<u>\$ 146,800</u>	<u>\$ 146,800</u>	<u>\$ -</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Activity (TDA Activity) of the City of San Bernardino, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the TDA Activity's basic financial statements, and have issued our report thereon dated December 17, 2025.

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 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.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Los Angeles, California
December 17, 2025

**CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY**

FINANCIAL STATEMENTS

June 30, 2025

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY

FINANCIAL STATEMENTS
June 30, 2025

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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 Twentynine Palms, California (City), as of and for the year ended June 30, 2025, 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, 2025, 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, 2025, 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.

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.

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.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, 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.

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

Crowe LLP

Los Angeles, California
October 20, 2025

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
BALANCE SHEET
June 30, 2025

ASSETS

Cash and investments	\$ -
Due from other government	<u>-</u>
 Total assets	 <u><u>\$ -</u></u>

LIABILITIES AND FUND BALANCE

Due to other City funds	\$ 17,802
 Fund balance (deficit)	
Unassigned	<u>(17,802)</u>
 Total liabilities and fund balance	 <u><u>\$ -</u></u>

See notes to financial statements.

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended June 30, 2025

Revenues	
TDA allocation	\$ 110,721
 Expenditures	
Capital	
TDA expenditures	<u>128,523</u>
 Net change in fund balance	<u>(17,802)</u>
 Fund balance, beginning of year	<u>-</u>
 Fund balance, end of year	 <u><u>\$ (17,802)</u></u>

See notes to financial statements.

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 (TDA Fund Activity) 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 3: The San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 reimbursement 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 local matching funds.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA 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, 2025, the cash balance was \$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'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 with inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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.

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.

Unassigned fund balance represents the excess and residual deficit amounts in the TDA Article 3 fund activities. 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 \$17,802 represents the amounts paid by other City funds on behalf of the TDA Article 3 Fund for expenditures incurred for which reimbursements had not yet been received as of June 30, 2025.

(Continued)

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 – FUND BALANCE

The TDA Fund reported a deficit fund balance of \$17,802. Article 3 revenues may be spent on projects, and then reimbursed after completion. As such, the timing difference between the expenditures and the receipt of Article 3 revenues has created a deficit fund balance. The obligation of the negative unassigned fund balance will be paid by future Article 3 revenues from SBCTA.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TWENTYNINE PALMS, 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, 2025

	Budget			Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
TDA allocation	\$ 495,000	\$ 420,750	\$ 110,721	\$ (310,029)
Expenditures				
Capital				
TDA expenditures	<u>495,000</u>	<u>420,750</u>	<u>128,523</u>	<u>292,227</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(17,802)</u>	<u>(17,802)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (17,802)</u></u>	<u><u>\$ (17,802)</u></u>

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2025

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 TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Bicycle & Pedestrian Improvements	2023-24	\$ 420,750	\$ 420,750	\$ 128,523	\$ 292,227

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 Twentynine Palms, California (City), as of and for the year ended June 30, 2025, 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 October 20, 2025.

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.

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.

(Continued)

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.

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

Crowe LLP

Los Angeles, California
October 20, 2025

VICTOR VALLEY TRANSIT

**Victor Valley Transit Authority
A Joint Powers Authority
Basic Financial Statements
*As of and for the Year Ended June 30, 2025
with Independent Auditor's Report***

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Independent Auditor's Report

**The 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, 2025, 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 financial position of VVTa as of June 30, 2025, the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VVTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 on pages 4 through 12, the schedule of VVTA's proportionate share of the net pension liability on page 44, and the schedule of pension plan contributions on page 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 GAAS, 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 January 28, 2026, 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.

Glendale, California
January 28, 2026

This discussion and analysis of the Victor Valley Transit Authority's (VVTa or the Authority) financial performance for the year ended June 30, 2025, 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, 2025. 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 like 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 on 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:** The change in net position reflects a decrease of \$8,666,541, primarily due to the delay in receipt of the new SB 125 funds. These funds began to be received in October 2025 and will be recognized in FY 2025/26. The overall net position for Fiscal Year (FY) 2024–25 totaled \$91,238,826 and was largely affected by a decrease in net investment in capital assets of \$2,249,405, as well as a reduction in unrestricted net position of \$6,562,516. These changes are discussed in greater detail in this analysis.
- The value of the Authority's capital assets (net of deletions, depreciation, and amortization) decreased by \$3,432,558 or 3.9%. This decrease was caused by investment in new assets of \$3,135,178, offset by depreciation, amortization, and asset retirement costs totaling \$6,567,736.
- This decrease in depreciable asset value also impacted on the overall ending net position, the additions in Capital assets in FY 2025 are less by \$6.3 million compared to last FY24 additions.

**Victor Valley Transit Authority
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2025**

- The Authority's overall operating statistics were impacted during the year by an increase in the Operations and Maintenance contractor rate under the new contract that became effective July 1, 2024. This adjustment aligns with the level of transit service required to deliver the highest quality transportation to the community and reflects the necessity for private contractors to provide bus operators with a living wage. Additionally, operating impacts reflect route improvements recommended in the Five-Year Comprehensive and Operating Analysis (COA) and implemented in FY 2024/25.
- The Authority also faced rising costs for supplies and services, largely attributable to inflationary pressures and increased transportation-related expenses.
- Program revenues: Passenger fares decreased by 22.7% or \$574,431 compared to the prior year. This 22.7% decrease is due to the decrease of \$600K provided by SBCTA from the STA funds to support free rides to kindergarten through 12th grade (K-12) students, last year was \$750K, FY24-25 is only \$150K.
- Other Program Revenues FY2024/25 totaled \$3,007,884, representing a 15% decrease compared to the prior year. This decline is primarily attributable to the absence of RINs credit revenue in FY 2024/25, along with a slight decrease in fuel station sales. These reductions were partially offset by an increase in interest income, resulting from higher market interest rates during the fiscal year.
- Federal grants for operating shows a slight decrease in the amount of \$472,930 compared to last year, Operating Expenses are supported by the Federal Funds Section 5307 with 50% local match.
- Capital revenues contributed by Federal, State, and local agencies totaled \$4,900,745. These sources were provided by grants to support specific capital purchases and capital projects. 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 2024/25.
- Total revenues decreased by 16.3% from \$61,593,313 in FY 2023/24 to \$51,535,727 in FY 2024/25, largely due to delay in receipt of the new SB 125 funds. These funds began to be received in October 2025 and will be recognized in FY 2025/26 as mentioned above.
- Total expenses, including depreciation and interest, for the fiscal year totaled \$60,202,268, representing an increase of \$14,237,090 compared to the prior fiscal year. This mainly was impacted by the increase in the Operations and Maintenance contractor rate under the new contract that became effective July 1, 2024. Plus, the contract of the Sheriff department that support the safety and security to the riders. Additionally, the increase in the inflation rate impacted the costs of all supplies and services. Furthermore, the Authority maintained a reasonable increase in general and administrative costs of 1.4% or \$68,382, compared to the prior year.

- Cash and equivalents at the end of the year were \$45,375,055. Of this amount, \$35,910,026 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 \$3,266,298 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, \$231,249 is in Proposition 1B funds, \$4,200,249 is in Low Carbon Transit Operations Program (LCTOP) funds, and \$1,525,809 is in State of Good Repair (SGR) funds. These funds are restricted by grant agreements for certain capital projects, as well as \$6,198,731 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 2024/25 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 2024/25 was \$568,122 or 0.1% 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 (Unaudited)
Year Ended June 30, 2025

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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
ASSETS				
Capital assets, net	\$ 84,440,377	\$ 87,872,935	\$ (3,432,558)	-3.9%
All other assets	<u>47,661,302</u>	<u>51,344,460</u>	<u>(3,683,158)</u>	<u>-7.2%</u>
Total assets	<u>132,101,679</u>	<u>139,217,395</u>	<u>(7,115,716)</u>	<u>-5.1%</u>
Deferred outflows of resources				
Pension	536,009	499,579	36,430	7.3%
Refunding	<u>697,293</u>	<u>755,400</u>	<u>(58,107)</u>	<u>-7.7%</u>
Total deferred outflows of resources	<u>1,233,302</u>	<u>1,254,979</u>	<u>(21,677)</u>	<u>-1.7%</u>
Total assets and deferred outflows of resources	<u>\$ 133,334,981</u>	<u>\$ 140,472,374</u>	<u>\$ (7,137,393)</u>	<u>-5.1%</u>
LIABILITIES				
Current liabilities	\$ 15,197,175	\$ 12,356,798	\$ 2,840,377	23.0%
Noncurrent liabilities	<u>26,877,515</u>	<u>28,151,515</u>	<u>(1,274,000)</u>	<u>-4.5%</u>
Total liabilities	<u>42,074,690</u>	<u>40,508,313</u>	<u>1,566,377</u>	<u>3.9%</u>
Deferred inflows of resources				
Pension	3,759	9,094	(5,335)	-58.7%
Leases	<u>17,706</u>	<u>49,600</u>	<u>(31,894)</u>	<u>-64.3%</u>
Total deferred inflows of resources	<u>21,465</u>	<u>58,694</u>	<u>(37,229)</u>	<u>-63.4%</u>
NET POSITION				
Net investment in capital assets	56,783,090	59,032,495	(2,249,405)	-3.8%
Restricted for debt service	<u>3,266,298</u>	<u>3,120,918</u>	<u>145,380</u>	<u>4.7%</u>
Unrestricted	<u>31,189,438</u>	<u>37,751,954</u>	<u>(6,562,516)</u>	<u>-17.4%</u>
Total net position	<u>91,238,826</u>	<u>99,905,367</u>	<u>(8,666,541)</u>	<u>-8.7%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 133,334,981</u>	<u>\$ 140,472,374</u>	<u>\$ (7,137,393)</u>	<u>-5.1%</u>

Table A-1 indicates that the Authority's total net position declined from \$99,905,367 in FY 2023/24 to \$91,238,826 in FY 2024/25, representing a decrease of \$8,666,541, or 8.7%. This reduction is primarily attributable to the delayed receipt of the new SB 125 funding, that received and will be reported in FY25/26 as discussed in greater detail later in this report.

Victor Valley Transit Authority
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2025

- All other assets decreased by \$3,683,158, or 7.2%, compared to the prior year. This decline is largely the result of a reduction in grants receivable balances, which reflects the conversion of previously outstanding receivables into cash during FY 2024/25.
- Total capital assets, net of accumulated depreciation, decreased by \$3,432,558 during the fiscal year. This change reflects overall activity within the capital asset accounts, including acquisitions, retirements, and depreciation expense. The decrease is primarily attributable to delays in bus manufacturing, which postponed the purchase of hydrogen buses. As a result, total capital assets declined by 3.9% compared to the prior year.

	2025	2024	Dollar Change	Percentage Change
Land	\$ 3,262,834	\$ 3,262,834	\$ -	0.0%
Construction in progress	1,264,315	824,050	440,265	53.4%
Total non-depreciable	4,527,149	4,086,884	440,265	10.8%
Capital assets, net	79,591,208	83,479,087	(3,887,879)	-4.7%
Right-to-use leased assets, net	45,061	81,109	(36,048)	-44.4%
SBITA asset, net	276,959	225,855	51,104	22.6%
Total depreciable and amortizable	79,913,228	83,786,051	(3,872,823)	-4.6%
Total capital assets, net	\$ 84,440,377	\$ 87,872,935	\$ (3,432,558)	-3.9%

The ending balance of \$1,264,315 in the construction in progress accounts for the new transfer center in Hesperia, and the Hydrogen Fuel Station.

During the fiscal year, the Authority invested \$3,135,178 in property and equipment to enhance operational capacity and service delivery. These investments included the acquisition of six BraunAbility vans and three StranTrans Senator buses designated for Demand Response Micro-link services, as well as three new service vehicles to provide driver relief and supervisory support. In addition, Cradle Point systems on buses were upgraded to improve connectivity.

Facilities improvements were also undertaken throughout the year. These included remodeling office cubicles to accommodate staff growth, and carpeting at the Hesperia facility. The Authority completed a bus turnout in the City of Victorville and finalized the construction-in-progress project for a CNG backup generator at the Barstow facility. Additional enhancements included renovation and expansion of surveillance systems and the acquisition of maintenance equipment and computer hardware to support operations at both locations.

- Total liabilities increased by \$1,566,377 compared to FY 2023/24. This increase was primarily driven by a rise in unearned revenue, which was partially offset by decreases in long-term liabilities and accounts payable.
- Net position – net investment in capital assets in the amount of \$56,783,090. 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.

Victor Valley Transit Authority
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2025

- Net position in the amount of \$3,266,298 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.
- Net position in the amount of \$31,189,438 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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues				
Program revenues (operating)				
Charges for services (fares)	\$ 1,958,106	\$ 2,532,537	\$ (574,431)	-22.7%
Federal grants - operating	8,758,399	9,231,329	(472,930)	-5.1%
State and local grants - operating	32,910,593	35,285,375	(2,374,782)	-6.7%
Other revenues	3,007,884	3,539,263	(531,379)	-15.0%
Capital revenues (operating)				
Federal grants	2,055,174	7,319,172	(5,263,998)	-71.9%
State and local grants	2,845,571	3,685,637	(840,066)	-22.8%
Total revenues	<u>51,535,727</u>	<u>61,593,313</u>	<u>(10,057,586)</u>	<u>-16.3%</u>
Expenses				
Program expenses				
Operations	46,911,584	32,680,941	14,230,643	43.5%
Depreciation and amortization	7,148,650	7,151,176	(2,526)	0.0%
General and administration	5,073,946	5,005,564	68,382	1.4%
Capital expenses:				
Capital interest expense	1,068,088	1,127,497	(59,409)	-5.3%
Total expenses	<u>60,202,268</u>	<u>45,965,178</u>	<u>14,237,090</u>	<u>31.0%</u>
Change in net position	<u>(8,666,541)</u>	<u>15,628,135</u>	<u>(24,294,676)</u>	<u>-155.5%</u>
Net position - beginning of year	<u>99,905,367</u>	<u>84,277,232</u>	<u>15,628,135</u>	<u>18.5%</u>
Net position - end of year \$	<u>\$ 91,238,826</u>	<u>\$ 99,905,367</u>	<u>\$ (8,666,541)</u>	<u>-8.7%</u>

As shown in Table A-2, fare revenues decreased by \$574,431, or 22.7%, in FY 2024/25. This decline is primarily attributable to the \$750,000 in State Transit Assistance (STA) funds provided by the San Bernardino County Transportation Authority (SBCTA) in the prior year to support the launch of the free-ride program for kindergarten through 12th grade (K–12) students. These funds were not provided at this level in FY 2024/25, resulting in the year-over-year decrease in fare revenues.

Program revenues supporting operations from federal sources decreased slightly by \$472,930, or 5.1%, compared to the prior year. This reduction reflects a decline in federal operating grants, as the Authority relied more heavily on other funding sources during the fiscal year.

Other program revenues for FY 2024/25 totaled \$3,007,884, representing a 15% decrease compared to the prior year. This decline is primarily attributable to the absence of RINs credit revenue in FY 2024/25, along with a slight decrease in fuel station sales. These reductions were partially offset by an increase in interest income, resulting from higher market interest rates during the fiscal year.

Capital revenues contributed by Federal, State, and local agencies totaled \$4,900,745. 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 2024/25, which are detailed in this report's discussion of "net position."

Total revenues decreased by \$10,057,586, or 16.3%, from \$61,593,313 in FY 2023/24 to \$51,535,727 in FY 2024/25. This decline was primarily attributable to reduced utilization of federal capital funds, a decrease in state LTF allocated funds, and the exclusion of new SB 125 funding from FY 2024/25 revenues. As previously noted, the SB 125 funds will be recognized in FY 2025/26.

Program expenses totaled \$60,202,268 for the fiscal year, representing an increase of \$14,237,090 compared to the prior year. This increase was primarily driven by higher Operations and Maintenance (O&M) Purchase Transportation contractor cost under the new contract that became effective July 1, 2024, as well as the increase of a Sheriff's Department contract to enhance rider safety and security. Further contributing factors included inflationary pressures affecting the cost of transit supplies and services. Despite these increases, the Authority limited growth in general and administrative expenses to a modest 1.4%, or \$68,382, compared to the prior year.4%. Depreciation and amortization expense remained essentially unchanged from the prior year, decreasing by only \$2,526.

Financial Condition

Overall, the Authority's financial condition remained strong and stable, supported by planned growth in programming activities and continued capital investment. The Authority continues to benefit from diversified and reliable funding sources, including federal, state, and local funds, and remains focused on advancing strategic initiatives such as hydrogen fueling station infrastructure to support the planned transition of rolling stock to hydrogen-fueled buses, as well as the construction of the Hesperia Transfer Hub.

In addition, both the federal government and the State have reaffirmed their commitment to providing increased and stable funding for public transit, from which the Authority is expected to continue to benefit. This strong financial position is reflected in Table A-1, which reports the Authority's ending net position of \$91,238,826.

Some specific activities that have led to the Authority's financial condition as of June 30, 2025, include:

- This fiscal year, the Authority invested \$3.6 million in new capital asset acquisitions, including vehicles and equipment and Construction in Progress. 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 2024/25 is forecasted to remain strong from investment in new rolling stock, including Hydrogen Electric Buses and Hydrogen Station infrastructure, to comply with the Zero Emission Bus Transition ZEB and continued capital investments in its facilities.
- The Authority continued its program for increasing the number of buses, 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. Throughout FY 2024/25 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 Operation Department and the direction of the Director of Operations. 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. The Authority has continued and maintained its commitment to the Vanpool Program in FY 2024/25 with further plans to market and grow the program.
- FY 2024/25 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 \$661,800 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 on FY 2024/25.
- In July 2023, VVTA successfully implemented and launched a new enterprise Oracle software system. This comprehensive platform integrates multiple functionalities, including purchase order creation and approval workflows, an advanced accounting system with payment approvals, fixed asset management, human resources (HR), timesheet tracking, and payroll processing. The system also ensures the retention of all supporting documents for every transaction. By replacing four legacy software systems, the Oracle platform streamlines operations, enhances efficiency, strengthens internal controls, and centralizes critical business processes, while allowing the Authority to receive the latest system updates and maintain modern, advanced capabilities.

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 the funders 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 the public 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.

Victor Valley Transit Authority
Statement of Net Position
Year ended June 30, 2025

ASSETS

Current assets

Cash and cash equivalents	\$ 35,910,026
Cash and investments with fiscal agent - restricted	3,266,298
Cash and investments - Board reserved	6,198,731
Receivables	
Federal, State, and other local grants	1,400,730
Other	375,772
Leases, current portion	15,799
Prepaid expenses	451,573
Fuel inventory	37,228
Total current assets	<u>47,656,157</u>

Noncurrent assets

Lease receivables, long-term portion	5,145
Capital assets, not being depreciated	4,527,149
Capital assets, net of accumulated depreciation	79,591,208
Right-to-use leased assets, net of accumulated amortization	45,061
SBITA asset, net of accumulated amortization	276,959
Total noncurrent assets	<u>84,445,522</u>
Total assets	<u>132,101,679</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension	536,009
Deferred debt refunding cost	697,293
Total deferred outflows of resources \$	<u>1,233,302</u>

(Continued)

See accompanying notes to the basic financial statements.

Victor Valley Transit Authority
Statement of Net Position (Continued)
Year ended June 30, 2025

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	\$ 3,975,082
Unearned revenues	9,524,848
Compensated absences	349,351
Lease liability	40,993
Certificates of participation, current portion	1,231,327
SBITA liability, current portion	75,574
Total current liabilities	<u>15,197,175</u>

Noncurrent liabilities

Certificates of participation, long-term portion	26,168,597
Net pension liability	568,122
SBITA liability, long-term portion	140,796
Total noncurrent liabilities	<u>26,877,515</u>
Total liabilities	<u>42,074,690</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension	3,759
Deferred leases	17,706
Total deferred inflows of resources	<u>21,465</u>

NET POSITION

Net investment in capital assets	56,783,090
Restricted for debt service	3,266,298
Unrestricted	31,189,438
Total net position \$	<u><u>91,238,826</u></u>

(Concluded)

See accompanying notes to the basic financial statements.

Victor Valley Transit Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

Operating revenues

Fares	\$ 1,860,536
Special transit fares	97,570
Total operating revenues	<u>1,958,106</u>

Operating expenses

Operations	46,911,584
Depreciation and amortization	7,148,650
General and administration	5,073,946
Total operating expenses	<u>59,134,180</u>

Operating loss

(57,176,074)

Nonoperating revenues (expenses)

Operating assistance	
Local Transportation Fund, operating	30,818,443
Federal Transit Administration - Section 5307, operating	7,750,000
Federal Transit Administration - Section 5311, operating	1,005,977
Federal Transit Administration - Section 5316, operating	2,422
Measure I	1,639,973
AB 2766	250,000
State - LCTOP	202,177
Gain on disposal of assets	66,517
Interest income	1,705,857
Miscellaneous	1,235,510
Interest expense	(1,068,088)
Total nonoperating revenues, net	<u>43,608,788</u>
Loss before capital contributions	<u>(13,567,286)</u>

Capital contributions

Local Transportation Fund, capital	1,802,150
Federal Transit Administration - Section 5307, capital	2,036,794
Federal Transit Administration - Section 5339, capital	18,380
State of Good Repair	680,235
Proposition 1B	178,524
CMAQ	129,545
State Transit Assistance Fund	55,117
Total capital contributions	<u>4,900,745</u>

Change in net position (8,666,541)

Net position, beginning of year	99,905,367
Net position, end of year	<u>\$ 91,238,826</u>

See accompanying notes to the basic financial statements.

Victor Valley Transit Authority
Statement of Cash Flows
Year Ended June 30, 2025

Cash flows from operating activities

Cash received from fares	\$ 1,910,053
Cash payments to employees	(4,267,843)
Cash payments to vendors for services	(47,881,332)
Net cash used in operating activities	<u>(50,239,122)</u>

Cash flows from noncapital financing activities

Operating grants received	50,772,410
Other noncapital financing	1,203,618
Net cash provided by noncapital financing activities	<u>51,976,028</u>

Cash flows from capital and related financing activities

Capital grants received	6,463,349
Purchase of capital assets	(3,716,092)
Proceeds from disposal of capital assets	66,517
Principal payments on capital debt	(1,020,000)
Interest paid	(1,161,450)
Payment of SBITA liabilities - principal portion	36,310
Payment of SBITA liabilities - interest portion	(7,287)
Payment of lease liabilities - principal portion	(38,136)
Payment of lease liabilities - interest portion	(2,573)
Cash received as lessor - principal portion	36,232
Cash received as lessor - interest portion	2,035
Net cash provided by capital and related financing activities	<u>658,905</u>

Cash flows from investing activities

Interest received	1,703,822
Cash provided by investing activities	<u>1,703,822</u>

Net increase in cash and cash equivalents 4,099,633

Cash and cash equivalents

Beginning balance	41,275,422
Ending balance	<u>\$ 45,375,055</u>

**Reconciliation of cash and cash equivalents to the
Statement of Net Position**

Cash and cash equivalents	\$ 35,910,026
Cash and investments with fiscal agent - restricted	3,266,298
Cash and investments - Board reserved	6,198,731
Total cash, cash equivalents, and investments	<u>\$ 45,375,055</u>

Continued

See accompanying notes to the basic financial statements.

Victor Valley Transit Authority
Statement of Cash Flows (Continued)
Year Ended June 30, 2025

**Reconciliation of operating loss to net cash used
in operating activities**

Operating loss	\$ (57,176,074)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization expense	7,148,650
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:	
Increase in other receivables	(48,053)
Decrease in prepaid expenses	17,211
Increase in inventory	(5,813)
Decrease in accounts payable and accrued liabilities	(285,983)
Increase in compensated absences	167,462
Decrease in net pension liability	(14,757)
Increase in deferred pension	(41,765)
Total adjustments	<u>6,936,952</u>
Net cash used in operating activities	\$ <u>(50,239,122)</u>

Schedule of non-cash investing, capital, and financing activities

Amortization of premiums on certificates of participation	\$ 103,220
Lease revenue recognized	\$ 24,914

(Concluded)

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 include 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. Measurement Focus and Basis of Accounting

VVTA's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, 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 in savings and certificates of deposit. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and investments - Board reserved

Certain VVTA accounts are reserved to fund board designated projects and programs. At June 30, 2025, cash and investments reserved through board resolutions was \$6,198,731.

E. Cash and Investments with Fiscal Agent - Restricted

Certain VVTA accounts are restricted by debt agreements to fund specified debt service requirements. At June 30, 2025, the balance held with fiscal agent pursuant to this agreement was \$3,266,298, respectively.

F. 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. Investments are measured at fair value on a recurring basis.

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 judgment 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.

G. Grants, Grants Receivable and Unearned Revenue

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 Transportation 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. Revenues earned under capital grants are recorded as capital contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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 paid.

I. 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, 2025 was \$37,228.

J. 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 \$2,500. 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 underlying assets 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 lease term using the straight-line method.

K. Subscription-Based Information Technology Arrangements ("SBITAs")

VVTA has recorded a Subscription-Based Information Technology Arrangements ("SBITA") asset as a result of implementing GASB Statement No. 96, *SBITAs*. The SBITA asset is initially measured at an amount equal to the related SBITA liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, if applicable, and capitalizable initial implementation costs less any SBITA vendor incentives received from the SBITA vendor at the commencement of the subscription term.

An SBITA asset is amortized using the straight-line method over the subscription term. The amortization of the SBITA asset is reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization begins at the commencement of the subscription term.

The right-to-use SBITA asset is reported along with other capital assets and the SBITA liability is reported on the statement of net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Operating and Nonoperating Revenue and Unearned 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.

M. Operating and Nonoperating Expenses

Operating expenses include the cost of services, administrative expenses, and depreciation or amortization of capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

N. Capital Contributions

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

O. Net Position

The net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources and is categorized and reported under the following classifications:

Net Investment in Capital Assets 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 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 respective categories.

Unrestricted Net Position consists of 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.

When an expense is incurred for which both restricted and unrestricted net position are 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.

P. Lease Receivables

Lease receivables are recorded by VVTA at 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 is discounted based on the interest rate VVTA charges the lessee.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

R. 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 (expenses) 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 represent 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 and leases where VVTA is the lessor. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

S. Long-Term Obligations

In the Statement of Net Position, long-term debt and other long-term obligations are reported under noncurrent liabilities. 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 is discounted based on an incremental borrowing rate determined by VVTA.

T. Compensated Absences

VVTA permits employees to accumulate earned vacation and sick leave up to a defined maximum amount. Accumulated vacation time is accrued at year-end to account for the VVTA's obligation to the employees for the amount owed. Sick leave can be accumulated and must be paid out once the maximum allowed accrual is reached. Accrued sick leave is forfeited at the time of the termination of employment but shall be restored if employee is rehired within one year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Compensated Absences (Continued)

In 2025, VVTA implemented GASB Statement No. 101, *Compensated Absences*. In accordance with this standard, VVTA recognizes a liability for unused vacation, sick leave, and similar compensatory time balances. These balances accumulate over time, are attributable to services already rendered, and it is more likely than not that substantially all will be settled through paid time off or payments upon termination or retirement.

The liability for unused leave is measured using the employee's pay rate as of the financial statement date and includes salary-related payments directly and incrementally associated with payment for leave.

U. 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.

V. New Accounting Pronouncements

During the fiscal year ended June 30, 2025, VVTA implemented the following new GASB standards:

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which establishes updated recognition and measurement guidance for leave benefits such as vacation, sick leave, paid time off, and other compensated absences. The objective of this Statement is to improve consistency and comparability in financial reporting by clarifying when and how liabilities for compensated absences should be recognized. The implementation of this new accounting standard resulted in recognition of additional compensated absence liabilities in VVTA's financial statements as of June 30, 2025. Further, although the new accounting standard requires retrospective application to the earliest period presented, the effects of adoption were not material. Accordingly, no restatement of VVTA's previously issued financial statements for the year ended June 30, 2024, was necessary.

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to disclose vulnerabilities arising from significant concentrations and certain constraints that could impact their ability to acquire resources or manage spending. The objective of this Statement is to improve transparency and provide users of financial statements with more relevant information about potential risks that could substantially affect a government's operations or financial position. The implementation of this statement did not have a significant impact on VVTA's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. New Accounting Pronouncements (Continued)

GASB has released the following statements which will be implemented in future financial statements, if applicable:

GASB Statement No. 103 – Financial Reporting Model Improvements. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104 – Disclosures of Certain Capital Assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

NOTE 3 CNG TAX CREDITS

VVTA has accumulated unspent Compressed Natural Gas (CNG) tax credits totaling \$2,153,213. 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, 2025, 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, 2024, 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, 2025, was \$0. 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.

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, 2025 was \$10,943,118.

NOTE 4 FEDERAL, STATE, AND LOCAL GRANTS (CONTINUED)

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.

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.

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.

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 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.

NOTE 4 FEDERAL, STATE, AND LOCAL GRANTS (CONTINUED)

Transportation Development Act (Continued)

Sections 99268.4 and 99405 (Continued)

The fare ratio as of June 30, 2025 is calculated as follows:

	Motor Bus Routes	Demand Response	Total
Operating expenses	\$ 48,682,492	\$ 10,451,688	\$ 59,134,180
Less: depreciation and amortization	(6,702,962)	(445,688)	(7,148,650)
Less: exemptions	(4,680,642)	-	(4,680,642)
Adjusted operating expenses	\$ 37,298,888	\$ 10,006,000	\$ 47,304,888
Fare revenue including free ride and days	\$ 1,739,600	433,419	\$ 2,173,019
Fare ratio	4.7%	4.3%	4.6%
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	1,229,980	409,993	1,639,973
CNG stations sales	1,155,957	-	1,155,957
Interest income	1,705,857	-	1,705,857
Adjusted fare revenue	\$ 5,831,394	\$ 843,412	\$ 6,674,806
Adjusted fare ratio	16%	8%	14%
Total fare ratio requirements pursuant to PUC Sections 99405(c) and 99268.4	18%	10%	18%

During the fiscal year ended June 30, 2025, VVTA recorded a total fare ratio of 14%, which falls below the required minimum fare ratio of 18 percent pursuant to PUC Section 99405. Although VVTA has experienced prior shortfalls in meeting the fare ratio requirement, those instances were not consecutive. In accordance with PUC Section 99268.9(b), the first fiscal year in which the required ratio is not maintained is deemed a grace year, regardless of prior nonconsecutive shortfalls. Therefore, the current year qualifies as a grace year, and VVTA remains eligible for Transportation Development Act funding with no penalty or reportable noncompliance.

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)

Transportation Development Act (Continued)

Proposition 1B (Continued)

Proposition 1B activities during the year ended June 30, 2025 were as follows:

	PTMISEA
Unspent Proposition 1B funds as of July 1, 2024	\$ 398,267
Proposition 1B funds interest earned	11,506
Proposition 1B expenses incurred	(178,524)
Unearned balance, June 30, 2025	\$ 231,249

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 activities during the year ended June 30, 2025 were as follows:

	LCTOP
Unspent LCTOP as of July 1, 2024	\$ 2,782,043
LCTOP funds received	1,514,195
LCTOP funds interest earned	106,113
LCTOP expenses incurred	(202,177)
Unearned balance, June 30, 2025	\$ 4,200,174

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 service improvements.

NOTE 4 FEDERAL, STATE, AND LOCAL GRANTS (CONTINUED)

Transportation Development Act (Continued)

State of Good Repair (Continued)

These funds are to be made available for eligible transit maintenance, rehabilitation and capital projects. SGR activities during the year ended June 30, 2025 were as follows:

	<u>SGR</u>
Unspent SGR funds as of July 1, 2024	\$ 1,272,453
SGR funds received	891,661
SGR funds interest earned	41,930
SGR expenses incurred	<u>(680,235)</u>
Unearned balance, June 30, 2025	\$ <u>1,525,809</u>

NOTE 5 CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Cash and cash equivalents*	\$ 35,910,026
Cash and investments with fiscal agent - restricted	3,266,298
Cash and investments - Board reserved	<u>6,198,731</u>
Total	\$ <u>45,375,055</u>

*Cash balance includes \$231,248 of unspent Proposition 1B grant funds which are restricted 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	\$ 42,108,757
Cash and cash equivalents held with fiscal agent	<u>3,266,298</u>
Total	\$ <u>45,375,055</u>

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code

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 projects and accompanying funds held by the bond trustee are 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 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 investment interest rate risk.

Information about the sensitivity of the fair value of VVTA's investments to market interest rate fluctuations is provided in the following table that shows the distribution of VVTA's investment by maturity as of June 30, 2025.

Investment Type	Total	Remaining Maturity (in Months)
		12 Month or Less
Money market fund	\$ 3,266,298	\$ 3,266,298
Total	\$ 3,266,298	\$ 3,266,298

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 investment 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.

VVTA has the following recurring fair value measurements as of June 30, 2025:

		<u>Fair Value Measurements at Reporting Date Using:</u>		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2025</u>	<u>Fair Value</u>			
Money market fund	\$ 3,266,298	\$ 3,266,298	\$ -	\$ -
Total	\$ 3,266,298	\$ 3,266,298	\$ -	\$ -

Victor Valley Transit Authority
Notes to the Basic Financial Statements
Year Ended June 30, 2025

NOTE 6 CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Transfers	Additions	Retirements/ Adjustments	Balance June 30, 2025
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	824,050	(711,057)	1,151,322	-	1,264,315
Total capital assets, not being depreciated	4,086,884	(711,057)	1,151,322	-	4,527,149
Capital assets, being depreciated					
Facilities	67,506,923	253,062	376,055	-	68,136,040
Operations equipment	66,992,137	-	1,928,208	(2,174,748)	66,745,597
Furniture and office equipment	2,312,719	457,995	119,858	(34,563)	2,856,009
Total capital assets being depreciated	136,811,779	711,057	2,424,121	(2,209,311)	137,737,646
Less accumulated depreciation					
Facilities	(16,740,481)	-	(2,002,096)	-	(18,742,577)
Operations equipment	(32,935,563)	-	(4,712,318)	2,174,748	(35,473,133)
Furniture and office equipment	(3,656,648)	-	(308,643)	34,563	(3,930,728)
Total accumulated depreciation	(53,332,692)	-	(7,023,057)	2,209,311	(58,146,438)
Net depreciable assets	83,479,087	711,057	(4,598,936)	-	79,591,208
Right-to-use leased assets being amortized					
Right-to-use leased assets	180,242	-	-	-	180,242
Total right-to-use leased asset being amortized	180,242	-	-	-	180,242
Less accumulated amortization for					
Right-to-use leased asset	(99,133)	-	(36,048)	-	(135,181)
Total accumulated amortization	(99,133)	-	(36,048)	-	(135,181)
Net right-to-use leased assets	81,109	-	(36,048)	-	45,061
Right-to-use IT assets being amortized					
SBITA asset	330,520	-	140,649	-	471,169
Total right-to-use IT asset being amortized	330,520	-	140,649	-	471,169
Less accumulated amortization for					
SBITA asset	(104,665)	-	(89,545)	-	(194,210)
Total accumulated amortization	(104,665)	-	(89,545)	-	(194,210)
Net SBITA asset	225,855	-	51,104	-	276,959
Total capital assets, net	\$ 87,872,935	\$ -	\$ (3,432,558)	\$ -	\$ 84,440,377

Depreciation and amortization for the year ended June 30, 2025 was \$7,148,650.

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.

The property insurance program is group-purchased under a master property insurance policy with accumulated values from all participants resulting in 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 and maintenance services, which encompass Fixed Routes, Demand Response, commuter routes for Fort Irwin, and County connector routes. This contract expired on July 1, 2024. For the fiscal year ended June 30, 2025, the total expenses recognized under this contract amounted to \$36,530,602. Following its expiration, VVTA entered into a new contract with Keolis Transit Services for similar services, with the contract scheduled to expire on June 30, 2029.

NOTE 8 COMMITMENTS (CONTINUED)

The following schedule outlines the future expenses VVTA has committed to under this agreement:

<u>Year Ending June 30</u>	<u>Amount</u>
2026	\$ 35,178,182
2027	37,230,589
2028	40,935,766
2029	44,349,405
2030	47,200,911
Total	\$ <u>204,894,853</u>

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 were added by mutual agreement of the parties.

The contract was renewed from August 1, 2023, to July 30, 2025, 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.

During the year ended June 30, 2025, VVTA paid \$54,323 under this contract.

NOTE 9 UNEARNED REVENUES

At June 30, 2025, unearned revenue consisted of the following:

LCTOP funds received in advance	\$ 4,200,174
CNG tax credits funds received in advance	2,153,213
SGR funds received in advance	1,525,809
Renewable Identification Numbers (RINs) credits funds received in advance	1,414,403
Proposition 1B funds received in advance	231,249
	\$ <u>9,524,848</u>

Victor Valley Transit Authority
Notes to the Basic Financial Statements
Year Ended June 30, 2025

NOTE 10 LONG-TERM LIABILITIES

The following is a summary of the changes in the balance of long-term liabilities for the year ended June 30, 2025.

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year	Due Beyond One Year
Governmental activities						
2016 Refunding Certificates of Participation	\$ 16,825,000	\$ -	\$ (785,000)	\$ 16,040,000	\$ 825,000	\$ 15,215,000
Premium on 2016 Certificates of Participation	2,057,896	-	(146,993)	1,910,903	146,993	1,763,910
2018 Certificates of Participation	9,340,000	-	(235,000)	9,105,000	245,000	8,860,000
Premium on 2018 Certificates of Participation	358,355	-	(14,334)	344,021	14,334	329,687
Leases	79,129	-	(38,136)	40,993	40,993	-
Compensated absences	181,889	167,462	-	349,351	349,351	-
Net pension liability (asset)	582,879	-	(14,757)	568,122	-	568,122
SBITA liability	180,060	88,649	(52,339)	216,370	75,574	140,796
Total long-term liabilities	<u>\$ 29,605,208</u>	<u>\$ 256,111</u>	<u>\$ (1,286,559)</u>	<u>\$ 28,574,760</u>	<u>\$ 1,697,245</u>	<u>\$ 26,877,515</u>

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 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 2025, VVTA generated \$1,958,106 in farebox revenues. Of this revenue, VVTA allocated a total of \$1,539,550 to service the certificates' debt, with \$785,000 covering principal repayments and \$754,550 applied to interest payments. This allocation represents approximately 78.6% 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.

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation – 2016 (Continued)

The future debt service payment requirements are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	950,000	585,300	1,535,300
2030	1,000,000	537,800	1,537,800
2031-2035	5,810,000	1,886,250	7,696,250
2036-2037	5,680,000	327,350	6,007,350
Total	\$ 16,040,000	\$ 5,356,850	\$ 21,396,850

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, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, 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 2025, VVTA generated \$1,958,106 in farebox revenues. Of this revenue, VVTA allocated a total of \$641,900 to service the certificates' debt, with \$235,000 covering principal repayments and \$406,900 applied to interest payments. This allocation represents approximately 32.8% 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, on July 1, at various amounts from \$200,000 to \$615,000. The final principal payment of the certificates is scheduled for July 1, 2048.

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation – 2018 (Continued)

The future debt service payment requirements are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 245,000	\$ 395,150	\$ 640,150
2027	260,000	382,900	642,900
2028	270,000	369,900	639,900
2029	285,000	356,400	641,400
2030	300,000	342,150	642,150
2031-2035	1,735,000	1,470,500	3,205,500
2036-2040	1,700,000	1,087,400	2,787,400
2041-2045	2,535,000	667,200	3,202,200
2046-2048	1,775,000	143,800	1,918,800
Total	\$ 9,105,000	\$ 5,215,400	\$ 14,320,400

NOTE 11 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 48 to 60 months, including the noncancelable period of the lease and extensions VVTA is reasonably certain to exercise. The lease payments vary, ranging from \$700 to \$1,500 per month, depending on the specific agreement and period within the lease term. The remaining receivable for these leases was \$20,994 as of June 30, 2025. Deferred inflows of resources related to these leases were \$17,706 as of June 30, 2025. Interest revenue recognized on these leases was \$2,035 for the year ended June 30, 2025. Principal receipts of \$36,232 were recognized during the year. The interest rate on the leases was 5.15%. The final receipt is expected in fiscal year 2027.

During the fiscal year, the lease for the restaurant space with Vegan Vato was amended to a month-to-month arrangement. With the amendment, the lease agreement ceased to qualify for recognition under GASB Statement No. 87, *Leases*, and accordingly, VVTA ceased recognizing a lease liability and right-to-use leased asset for this agreement. The financial impact of this amendment was considered immaterial to VVTA's financial statements.

NOTE 11 LEASES (CONTINUED)

Lessor Activities (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 15,799	\$ 620
2027	5,145	33
Total	\$ 20,944	\$ 653

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 2025. A 5.0% discount is applied on the applicable monthly rent upon prepayment of the year's rent.

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, 2025, with 3 remaining on the lease term, VVTA's monthly lease payments are \$3,500 per month.

At June 30, 2025, the lease liability of VVTA related to this agreement amounted to \$40,993. During the year, VVTA recorded \$36,048 in amortization expense and \$2,573 in interest expense for the right-to-use the land.

The remaining obligation associated with this lease is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 40,993	\$ 530
Total	\$ 40,993	\$ 530

NOTE 12 SBITA LIABILITIES

During the fiscal year ended June 30, 2025, VVTA has two existing IT software subscription agreements with Oracle America, Inc. and Fluxx Labs, Inc., both of which have a three-year fixed term, with the option to renew for one year twice. Subscription payable is measured at the present value of the subscription payments expected to be made during the subscription term. The annual interest rate used is equivalent to VVTA's incremental borrowing rate of 5% for fiscal year 2025. VVTA reported a total payment of \$104,339 on IT software subscriptions for the fiscal year ended June 30, 2025. The SBITA liabilities as of June 30, 2025 amounted to \$216,370.

NOTE 12 SBITA LIABILITIES (CONTINUED)

The future minimum subscription obligations as of June 30, 2025 are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 75,573	\$ 9,052	\$ 84,625
2027	79,404	5,222	84,626
2028	37,582	2,324	39,906
2029	23,811	1,190	25,001
Total	\$ 216,370	\$ 17,788	\$ 234,158

NOTE 13 COMPENSATED ABSENCES

Accumulated unpaid personal leave, consisting of vacation and sick pay, has been accrued at June 30, 2025, in the amount of \$349,351. VVTA's liability for compensated absences is typically liquidated within one year. Compensated absences at the beginning of the year were \$181,889. During the year, the liability increased by \$167,462, representing the net change resulting from additional accruals and usage during the year. VVTA reports the entire balance within current liabilities, as it expects employees to use it annually.

NOTE 14 EMPLOYEE'S 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 CalPERS. The Plan consists of individual rate plans (benefit tiers) within 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, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. 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, who are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan.

NOTE 14 EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

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, 2025 are summarized as follows:

	Miscellaneous	
	Classic	New Member
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	2.70%	2%
Required employee contribution rates	8%	7.75%
Required employer contribution rates	15.24%	7.87%

Employees Covered

At June 30, 2025, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	35
Total	39

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.

NOTE 14 EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

Contributions (Continued)

For the year ended June 30, 2025, VVTA made contributions to the Plan as follows:

Miscellaneous Classic	\$ 87,766
Miscellaneous PEPRA	<u>206,853</u>
	<u>\$ 294,619</u>

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

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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024. 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, 2024 and 2023, is as follows:

Proportion - June 30, 2024	0.01175%
Proportion - June 30, 2023	<u>0.01166%</u>
Change - Increase/(Decrease)	<u>0.00009%</u>

As of June 30, 2025, VVTA reported a liability of \$568,122 for its proportionate share of the collective net pension liability.

For the year ended June 30, 2025, VVTA recognized pension expense of \$305,179. At June 30, 2025, 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
Changes of assumptions	\$ 14,602	\$ -
Differences between expected and actual experience	49,119	(1,917)
Net differences between projected and actual earnings on pension plan investments	32,706	-
Difference between VVTA's contributions and proportionate share of contributions	49,865	-
Change in employer's proportion	95,098	(1,842)
Contributions subsequent to the measurement date	294,619	-
Total \$	<u>536,009</u>	<u>(3,759)</u>

NOTE 14 EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The amount of \$294,619 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 ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2026	\$ 97,505
2027	128,255
2028	23,080
2029	(11,209)
Total	\$ 237,631

Payable to the Pension Plan

At June 30, 2025, VVTA reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

Actuarial Assumptions

The June 30, 2023 actuarial valuation was rolled forward to determine the June 30, 2024 total pension liability, based on the following actuarial methods and assumptions:

Reporting date	June 30, 2025	
Measurement date	June 30, 2024	
Valuation date	June 30, 2023	
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 lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter	

NOTE 14 EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- (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 and Review of Actuarial Assumptions. 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.

Long-Term Expected Rate of Return

In determining the expected long-term rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns were calculated over the next 20 years using a building block approach. The expected rate of return by asset class are as follows:

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 14 EMPLOYEE'S 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	\$ 1,344,003	\$ 568,122	\$ (70,541)

Pension Plan Fiduciary Net Position

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

NOTE 15 DEFERRED COMPENSATION PLAN

VVTA offers its employees a deferred compensation plan created in accordance with the 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. 97, *Certain Component Unit Criteria*, and *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 16 SUBSEQUENT EVENTS

VVTA has evaluated events subsequent to June 30, 2025 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 28, 2026, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

Victor Valley Transit Authority
Schedule of VVTA's Proportionate Share of the Net Pension Liability
Last Ten Years
Year Ended June 30, 2025

Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Reporting Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Proportion of the collective net pension liability (asset)	0.01175%	0.01166%	0.00873%	-0.00265%	0.00244%
Proportionate share of the collective net pension liability (asset)	\$ 568,122	\$ 582,879	\$ 408,716	\$ (143,469)	\$ 265,609
Covered payroll	\$ 2,491,435	\$ 2,511,111	\$ 1,910,495	\$ 1,854,850	\$ 1,800,825
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	22.80%	23.21%	21.39%	-7.73%	14.75%
Plan fiduciary net position as a percentage of the total pension liability	90.12%	87.62%	78.19%	90.49%	77.71%

Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Reporting Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Proportion of the collective net pension liability (asset)	0.00204%	0.00169%	0.00181%	0.00159%	0.01770%
Proportionate share of the collective net pension liability (asset)	\$ 208,643	\$ 162,489	\$ 179,958	\$ 137,916	\$ 121,552
Covered payroll	\$ 1,800,825	\$ 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	11.59%	10.71%	14.36%	13.27%	13.47%
Plan fiduciary net position as a percentage of the total pension liability	77.73%	77.69%	73.31%	74.06%	78.40%

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.

There were no assumption changes in 2023 and 2024.

Victor Valley Transit Authority
Schedule of Pension Plan Contributions
Last Ten Years
Year Ended June 30, 2025

Reporting Date	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Actuarially determined contributions	\$ 294,619	\$ 233,531	\$ 214,213	\$ 231,346	\$ 213,449
Contributions in relation to the actuarially determined contributions	<u>(294,619)</u>	<u>(233,531)</u>	<u>(214,213)</u>	<u>(231,346)</u>	<u>(213,449)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,491,435	\$ 2,491,435	\$ 2,511,111	\$ 1,910,495	\$ 1,854,850
Contributions as a percentage of covered payroll	11.83%	9.37%	8.53%	12%	11.51%

Reporting Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Actuarially determined contributions	\$ 156,614	\$ 166,440	\$ 137,899	\$ 118,569	\$ 97,561
Contributions in relation to the actuarially determined contributions	<u>(156,614)</u>	<u>(166,440)</u>	<u>(137,899)</u>	<u>(118,569)</u>	<u>(97,561)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,800,825	\$ 1,800,825	\$ 1,517,121	\$ 1,253,046	\$ 1,039,065
Contributions as a percentage of covered payroll	8.70%	9.24%	9.09%	9.46%	9.39%



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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 Board of Directors Victory Valley Authority

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 Victor Valley Transit Authority (VVTa), as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2026.

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, 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 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.

**Glendale, California
January 28, 2026**

COMPLIANCE SECTION



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Independent Auditor's Report on State Compliance

**The Board of Directors
Victor Valley Transit Authority**

Report on Compliance with Transportation Development Act Requirements

Opinion

We have audited the Victor Valley Transit Authority's (VVTa) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by VVTa were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the San Bernardino County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations (collectively, the TDA regulations) for the year ended June 30, 2025.

In our opinion, VVTa complied, in all material respects, with the compliance requirements referred to above that are applicable to VVTa for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the requirement of the TDA regulations. Our responsibilities under these standards 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 with the TDA compliance requirements. 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 VVTa's compliance with the TDA 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, provisions of contracts or agreements applicable to the TDA.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on VVTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the TDA regulations 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 the TDA regulations as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the TDA regulations, 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 TDA regulations, 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 the TDA regulations 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 the TDA regulations 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 the TDA regulations 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 TDA regulations. Accordingly, this report is not suitable for any other purpose.

Vasquez & Company LLP

Glendale, California
January 28, 2026

Victor Valley Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
1. Claimant was an entity eligible to receive the funds allocated to it.	X				
2. Claimant maintains its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99243.	X				
3. Funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5, and 99277 for Article 4.5 claimants; Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract; and Section 99405(d) for transportation services provided by cities and counties with populations of less than 5,000.	X				
4. Funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions.	X				
5. Interest earned on funds received by the claimant pursuant to the TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6.			X		

See independent auditor's report on state compliance.

Victor Valley Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
6. The amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in Section 6633.2, is verified.	X				
7. The amount of the claimant's actual fare revenues for the fiscal year is verified.	X				
8. The amount of the claimant's actual local support for the fiscal year is verified.	X				
9. The amount the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649 is verified.	X				
10. The amount of the operator's expenditure limitation in accordance with Section 6633.1 is verified.	X				
11. The operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273	X				
12. The operator has had a certification by the California Department of Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251	X				
13. The operator's State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7 is verified.	X				

See independent auditor's report on state compliance.

Victor Valley Transit Authority
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
14. The claimant for community transit services is in compliance with Public Utilities Code Sections 99155 and 99155.5.			X		

See independent auditor's report on state compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Victor Valley Transit Authority
Transportation Development Act Requirements Section 6667
Schedule of Findings and Questioned Costs
Year ended June 30, 2025**

There were no findings or questioned costs.



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VICTOR VALLEY TRANSIT

**Victor Valley Transit Authority
A Joint Powers Authority
Single Audit Report
Year Ended June 30, 2025
with Independent Auditor's Report**



INDEPENDENT AUDITOR'S REPORT	<u>PAGE</u>
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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***

**Board of Directors
Victor Valley Transit Authority**

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 (*Government Auditing Standards*), the financial statements of Victor Valley Transit Authority (VVTa), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise VVTa's basic financial statements and have issued our report thereon dated January 28, 2026.

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 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 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.

Vasquez & Company LLP

**Glendale, California
January 28, 2026**



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

**Board of Directors
Victor Valley Transit Authority**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Victor Valley Transit Authority's (VVTa) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on VVTa's major federal program for the year ended June 30, 2025. VVTa's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, VVTa complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to VVTA's federal 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 VVTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about VVTA's compliance with the requirements of each major federal program as a whole.

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

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

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



Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of VVTA as of and for the year ended June 30, 2025, and have issued our report thereon dated January 28, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Glendale, California

February 3, 2026 except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is January 28, 2026.

Victor Valley Transit Authority
Schedule of Expenditures of Federal Awards
Year ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number (ALN)	Contract Number	Provided to Subrecipients	Total Federal Expenditures
<u>MAJOR PROGRAM</u>				
<u>U.S. Department of Transportation Federal Transit Administration</u>				
<u>Federal Transit Cluster</u>				
Direct programs				
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-162, CA-2022-066 CA-2023-028, CA-2024-062 CA-2025-021	\$ -	\$ 9,786,794
Federal Transit—Formula Grants (Urbanized Area Formula Program)	20.507	CA-2023-145-01	-	129,545
		Total ALN 20.507	-	9,916,339
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Buses and Bus Facilities Formula)	20.526	CA-2023-159 CA-2024-091	-	18,380
		Total ALN 20.526	-	18,380
		Total Federal Transit Cluster	-	9,934,719
		Total major program	-	9,934,719
<u>NON-MAJOR PROGRAMS</u>				
<u>U.S. Department of Transportation Federal Transit Administration</u>				
<u>Transit Services Programs Cluster</u>				
Direct program				
Job Access Reverse Commute Program	20.516	CA-37-X178	-	2,422
		Total Transit Services Programs Cluster	-	2,422
<i>Passed-through the State of California Department of Transportation</i>				
Formula Grants for Rural Areas and Tribal Transit Program	20.509		-	1,005,977
		Total ALN 20.509	-	1,005,977
		Total non-major programs	-	1,008,399
		TOTAL FEDERAL EXPENDITURES	\$ -	\$ 10,943,118

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Victor Valley Transit Authority (VVTA) under programs of the federal government for the year ended June 30, 2025. 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). Federal assistance received directly from federal agencies, as well as federal assistance passed through the California Department of Transportation, is included in the Schedule. 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 on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

VVTA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 SUBRECIPIENTS

VVTA provided no federal awards to subrecipients for the year ended June 30, 2025.

NOTE 4 RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Consistent with management's policy, revenues from both federal and non-federal governmental awards are collectively reported under operating assistance and capital contributions in VVTA's financial statements. As a result, the amount of total federal awards expended on the Schedule does not agree to total operating assistance and capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position as presented in VVTA's financial statements as of and for the year ended June 30, 2025.

Victor Valley Transit Authority
Schedule of Findings and Questioned Costs
Year ended June 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report 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 the financial statements noted?	No

Federal Awards

Internal control over major federal program:	
• Major weakness(es) identified	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	None

Identification of Major Program

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.507, 20.526	Federal Transit Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**Victor Valley Transit Authority
Schedule of Findings and Questioned Cost
Year ended June 30, 2025**

Section II – Financial Statement Findings

There were no financial statement findings noted during the fiscal year ended June 30, 2025

Section III – Federal Award Findings

There were no federal award findings noted for the year ended June 30, 2025.

**Victor Valley Transit Authority
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2025**

There were no financial statement and federal award findings reported for the
fiscal year ended June 30, 2024.



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VICTOR VALLEY TRANSIT

**Victor Valley Transit Authority
Independent Accountant's Report
on Agreed-Upon Procedures Applied to the
Victor Valley Transit Authority's Compliance
with the National Transit Database Reporting of the
Federal Funding Allocation Statistics Form
*For the Fiscal Year Ended June 30, 2025***



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Independent Accountant's Report on Applying Agreed-Upon Procedures

**To the Board of Directors
Victor Valley Transit Authority
Hesperia, California
and the Federal Transit Administration**

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

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data is being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data is fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by the FTA or otherwise meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual Vehicle Revenue Miles (VRM) data, appear to be accurate.
7. Data is consistent with prior reporting periods and other facts known about VVTA's operations.

We have performed the procedures listed in Attachment I to the data contained in VVTA's FFA-10 for the fiscal year ended June 30, 2025. These procedures, specified by the FTA in the Declarations section of the 2025 NTD Policy Manual, were agreed to by VVTA to assist in evaluating compliance with the standards described and ensure that the information in the VVTA report FFA-10 for the fiscal year ended June 30, 2025, is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 Code of Federal Regulations (CFR) Part 630, Federal Register, dated January 15, 1993; and as presented in the 2025 NTD Policy Manual. VVTA management is responsible for the preparation of FFA-10 and compliance with the standards described above.



VVTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of ensuring accurate and compliant reporting of transit data to the National Transit Database. 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. As such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results are described in Attachment I to this report.

We were engaged by the San Bernardino County Transportation Authority (SBCTA) 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 (AICPA). 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 procedures and findings included in this report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Glendale, California
February 17, 2026

The procedures listed below, which are referenced in order to correspond to the 2025 NTD Policy Manual procedures, were performed separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), passenger miles traveled (PMT), and operating expenses (OE) of VVTA for the fiscal year ended June 30, 2025, for each of the following modes:

1. Motor Bus - purchased transportation (MBPT),
2. Commuter Bus - purchased transportation (CBPT),
3. Demand Response - purchased transportation (DRPT), and
4. Vanpool Service - purchased transportation (VPPT).

The procedures performed and associated results are as follows:

- 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 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the 2025 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.

Result: We obtained and reviewed a copy of the written system procedures for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the 2025 NTD Policy Manual. We also discussed these procedures with the NTD personnel responsible for overseeing the preparation and maintenance of NTD data. No exceptions were noted as a result of applying this procedure.

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

- The extent to which the transit agency followed the procedures on a continuous basis, and
- Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the 2025 NTD Policy Manual.

Result: We discussed with VVTA personnel the procedures noted in (a) above to gain an understanding of the extent to which VVTA follows these procedures on an ongoing basis. We confirmed that these procedures support the process for accumulating and reporting data in accordance with the 2025 NTD Policy Manual requirements and definitions, as set forth in the USOA and Records and Reporting System; Final Rule, specified in 49 CFR Part 630, Federal Register, dated January 15, 1993. No exceptions were noted as a result of applying these procedures.

**Victor Valley Transit Authority
National Transit Database Report
Attachment I
Procedures and Results (Continued)
Year Ended June 30, 2025**

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

Result: We verified that VVTA's retention policy requires maintaining source documents supporting the FFA-10 data for a minimum of three years, which complies with the FTA's minimum requirement. No exceptions were noted as a result of applying this procedure.

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

Result: We identified the following source documents (14 types of source documents - 12 are prepared annually, 1 prepared monthly, and 1 prepared both annually and monthly) that VVTA must retain for a minimum of three years.

<u>Form</u>	<u>No.</u>	<u>Source Document</u>	<u>Frequency</u>
B-30 Contractual Relationship	1	TransTrack Report	Annually
F-10 Sources of Funds	2	TransTrack Report/Accounting software	Annually
F-20 Uses of Capital	3	Grant Allocation Log Spreadsheet	Annually
F-30 Operating Expenses	4	TransTrack Report/Spreadsheet (VP)	Annually
F-40 Operating Expenses Summary	5	TransTrack Report/Spreadsheet (VP)	Annually
F-60 Financial Statement	6	Statement of Net Position Spreadsheet/accounting software	Annually
A-15 TAM Facilities Inventory	7	VVTA Facility Condition Assessment	Annually
A-30 Revenue Vehicle Inventory	8	TransTrack Report/Trip Spark (VP)	Annually
A-35 Service Vehicle Inventory	9	TransTrack Report	Annually
A-90 TAM Performance Measure Targets	10	NTD Data Worksheets	Annually
S-10 Service Non-Rail	11	TransTrack Report/Trip Spark (VP)	Annually/Monthly
MR20 - Ridership Activity	12	TransTrack Report	Monthly
R-20 Maintenance Performance	13	TransTrack Report	Annually
FFA-10 Federal Funding Allocation Statistics	14	Transaction Detail Report	Annually

For each of the monthly source documents, we randomly selected three months (December 2024, April 2025, and June 2025) for each mode (CBPT, DRPT, MBPT and VPPT) related to the fiscal year ended June 30, 2025, and confirmed that the source documents existed for each of these months. For each of the annual source documents, we selected the year ended June 30, 2025, and verified that the source documents exist. 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.

Result: We discussed the system of internal controls with VVTA personnel responsible for supervising and maintaining the NTD data. We were informed that separate individuals review the source documents and data summaries for completeness, accuracy, and reasonableness. These reviews of source documents and data summaries are performed on a monthly and annual basis. 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 personnel document supervisors' reviews.

Result: The information used for NTD reporting is mostly accumulated electronically. As such, supervisors' signatures are typically not present in actual reports. Management asserted that the data, in electronic format, is reviewed before being entered into the accumulation worksheets. No exceptions were noted as a result of applying this procedure.

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes 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 summaries.

Result: We obtained VVTA's year-end service allocation worksheets for each mode of service, which are used to prepare the final data that is transcribed onto the FFA-10. We compared the periodic data – vehicle revenue miles (VRM), vehicle revenue hours (VRH), passenger miles traveled (PMT), unlinked passenger trips (UPT), and operating expenses (OE) – included in the S-10 the worksheets to the periodic summaries (source documents: Transit Agency Service Form and Operating Expenses Form (F-30)) prepared by VVTA. We tested the mathematical accuracy of the summaries. No exceptions were noted as a result of applying this procedure.

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2025 NTD Policy Manual.

Result: We discussed the procedure for accumulating and recording PMT data in accordance with NTD requirements with transit agency staff. Sampling was conducted for the MBPT and CBPT modes. We inspected the sampling methodologies and noted that they met the requirements of the 2025 NTD Policy Manual and the Guide: National Transit Database (NTD). The VPPT and DRPT modes do not involve sampling, as they use a 100% count of actual PMT. 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 NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- The public transit agency serves an urbanized area (UZA) with a population of less than 500,000 according to the most recent census.
 - The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
 - The service purchased from a seller is included in the transit agency's NTD report.
 - For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year and determine that statistical sampling was conducted and meets the 95 percent confidence and ± 10 percent precision requirements.
 - Determine how the transit agency estimated annual PMT for the current report year.

Result: VVTA meets the NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year. Per the triennial sampling requirement, 2025 was not a mandatory sampling year. The DRPT and VPPT modes do not involve sampling, as they use a 100% count of actual PMT. 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.

Result: For the MBPT and CBPT modes, we obtained a copy of VVTA's methodology used in the statistical sampling to estimate average PMT. We determined that the methodology resulted in a random selection of runs and that the stated sampling procedure was followed. The DRPT and VPPT modes do not involve sampling, as they use a 100% count of actual PMT. 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 the data is complete (all required data is 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 summary. Alternatively, if the agency uses APCs for PMT reporting, confirm that the agency has FTA's approval to report APC data for the current year. Obtain the report that provides PMT totals for the year from the APC system. Compare the data in this report to the NTD report.

Result: For the fiscal year ended June 30, 2025, we randomly selected three months (December 2024, April 2025, and June 2025) and reviewed the related source documents for accumulating PMT data for MBPT, CBPT, DRPT, and VPPT modes. We recomputed the PMT data for each of the selected periods and verified the arithmetical accuracy of the summary. No exceptions were noted as a result of applying this procedure.

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

Result: The procedure identified above is not applicable. According to VVTA's management, VVTA did not provide charter, school bus, or other ineligible services.

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

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

Result: For the MBPT and CBPT modes, VVTA calculates actual missed vehicle revenue miles using the TransTrack system. The system generates an accumulation of missed revenue miles per trip which are subtracted from scheduled revenue miles. We selected December 2024, April 2025 and June 2025 missed trips for MBPT and CBPT and noted that those trips were subtracted from the scheduled revenue miles. No exceptions related to arithmetic accuracy were noted as a result of these procedures.

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

Result: This procedure is not applicable as VRMs are not calculated from hubodometers.

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

Result: For the DRPT mode, revenue miles are calculated by the Ecolane / RideCo system based on the odometer readings from the first pickup to the last drop-off. Deadhead miles are excluded from the revenue miles calculations. We selected December 2024, April 2025 and June 2025 to test and noted without exception that the deadhead miles are not included in the revenue miles calculations. For the VPPT mode, deadhead miles are automatically excluded because only commute miles are entered into the calculation of revenue miles.

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

Result: The procedure identified above is not applicable, as VVTA does not provide rail service.

- o. If fixed guideway or High Intensity Busway Directional Route Miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA definition of fixed guideway (FG) or High Intensity Busway (HIB) in that the service is:
- Rail, trolleybus (TB), Ferryboat (FB), or Aerial Tramway (TR); or
 - Bus (Motorbus (MB), Commuter Bus (CB), or Bus Rapid Transit (RB)) service operating over exclusive or controlled access rights-of-way (ROW); and
 - Access is restricted;
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway; and
 - Restricted access is enforced for freeways; priority lanes used by other HOV (i.e., Vanpools (VP), carpools) must demonstrate safe operation.

Result: The procedure identified above is not applicable, as VVTA does not operate using fixed guideways or high-intensity directional routes.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, recompute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the FFA-10.

Result: The procedure identified above is not applicable. Based on discussions with VVTA personnel, VVTA does not operate FG or HIB service.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to an FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.

Result: The procedure identified above is not applicable. Based on discussions with VVTA personnel, VVTA does not operate FG service or HIB service.

- r. Measure FG/HIB DRM from maps or by retracing route.

Result: The procedure identified above is not applicable. Based on discussions with VVTA personnel, VVTA does not operate FG or HIB service.

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the FFA-10. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

Result: The procedure identified above is not applicable. Based on discussions with VVTA personnel, VVTA does not operate FG or HIB service.

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2025 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 2025 report year, the Agency Revenue Service Date must occur within the transit agency's 2025 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for 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.

Result: This procedure identified above is not applicable. Based on discussions with VVTA personnel, VVTA does not operate FG or HIB service.

- u. Compare operating expenses with audited financial data after reconciling items are removed.

Result: We compared total operating expenses per Form F-40 to the audited financial statements after removing the 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 on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

Result: We discussed with VVTA personnel responsible for reporting NTD data related to the amount of PT-generated fare revenues. We compared the PT-generated fare revenues reported on the Contractual Relationship Form (Form B-30) to the amount reported in the NTD data. No exceptions were noted as a result of applying this procedure.

**Victor Valley Transit Authority
National Transit Database Report
Attachment I
Procedures and Results (Continued)
Year Ended June 30, 2025**

- w. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the IAS-FFA regarding data for the PT service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

Result: The data for purchased transportation is included in the reporting by VVTA, and therefore, no IAS for the purchased transportation services is included. No exceptions were noted as a result of applying this procedure.

- x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

Result: We inspected the MBPT, CBPT, DRPT, and VPPT service contracts and determined that they contained the items noted above without exception. We inquired with the Procurement Manager regarding VVTA's retention policy for executed contracts for purchased transportation programs. Per inquiry, the current practice is to retain contracts for at least five years. No exceptions were noted as a result of applying this procedure.

- y. If the transit agency provides service in more than one UZA, or between a 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.

Result: We discussed with VVTA personnel the procedure for the allocation of statistics between UZAs and non-UZAs and noted that VVTA's allocation is based on passenger boarding per actual vehicle revenue mile. The following table lists VVTA's estimated service allocation percentages for the fiscal year ended June 30, 2025:

Mode of Service	Description	UZA	Service Area	Percentage of Service	Dates of Service
MBPT	Motor Bus	90541	Victorville-Hesperia-Apple Valley	72.99%	July 1, 2024 to June 30, 2025
		75340	Riverside-San Bernardino	0.00%	
		NA	Cal-non UZA	27.01%	
CBPT	Commuter Bus	90541	Victorville-Hesperia-Apple Valley	79.71%	July 1, 2024 to June 30, 2025
		NA	Cal-non UZA	20.29%	
DRPT	Demand Response	90541	Victorville-Hesperia-Apple Valley	100%	July 1, 2024 to June 30, 2025
VPPT	Vanpool	90541	Victorville-Hesperia-Apple Valley	100%	July 1, 2024 to June 30, 2025

We obtained VVTA's service allocation worksheet and determined that the stated procedures were followed. We also recalculated the VRM per UZA and reconciled with the disclosed VRM per UZA in FFA-10. No exceptions were noted as a result of applying this procedure.

**Victor Valley Transit Authority
National Transit Database Report
Attachment I
Procedures and Results (Continued)
Year Ended June 30, 2025**

- z. Compare the data reported on FFA-10 to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT, or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Result: We obtained the data reported on the FFA-10 Form for the fiscal year ended June 30, 2025. Please see comparable data from the prior year below:

Mode	Data	Fiscal Year		Change	% Change	Note
		2025	2024			
MBPT	VRM	3,430,707	3,370,500	60,207	1.79%	
	PMT	7,675,077	6,947,606	727,471	10.47%	A
	OE	\$ 36,361,523	\$ 26,866,795	\$ 9,494,728	35.34%	B
CBPT	VRM	223,548	224,431	(883)	-0.39%	
	PMT	1,970,512	2,075,838	(105,326)	-5.07%	
	OE	\$ 1,206,861	\$ 1,148,279	\$ 58,582	5.10%	
DRPT	VRM	819,955	816,581	3,374	0.41%	
	PMT	1,101,772	1,436,223	(334,451)	-23.29%	C
	OE	\$ 11,486,302	\$ 7,672,706	\$ 3,813,596	49.70%	D
VPPT	VRM	5,863,974	5,586,875	277,099	4.96%	
	PMT	26,848,659	26,515,364	333,295	1.26%	
	OE	\$ 3,943,130	\$ 3,009,920	\$ 933,210	31.00%	E

- A) There has been a 10.47% increase in PMT due to continued trends in ridership growth and consistency in the average travel distances of MB passengers.
- B) The operating expenses increased 35.34% due to an increase in the operations and maintenance contractor rates and inflation impacting all operating supplies and services. Additionally, the movement in OE reflects route improvements recommended in the five-year Comprehensive and Operating Analysis (COA), which was implemented in October 2024.
- C) There has been a 23.29% decrease due to a slight reduction in annual ridership combined with improved efficiency from a change in dispatching software from Ecolane to RideCo in fiscal year 2025. The change resulted in the scheduling of shorter passenger travel times per passenger than in the prior fiscal year.
- D) The operating expenses increased 49.70% due to an increase in the operations and maintenance contractor rates and inflation impacting all operating supplies and services. Additionally, the movement in OE reflects route improvements recommended in the five-year Comprehensive and Operating Analysis (COA), which was implemented in October 2024.
- E) The operating expenses increased 31% due to an increase in the number of vanpool leases (VVTA subsidies) and an increase of client's out-of-pocket expenses in the current fiscal year.

- 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.

Result: We documented the procedures performed and the results of those procedures in our work papers. The work papers are available for FTA review for a minimum of three years following the NTD report year. No additional procedures were performed.



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**CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the Transportation Development Act (TDA) Article 3 Activity and Article 8 Activity (TDA Activity) as reported in the Transportation Tax Fund of the City of Victorville, California (City), as of and for the years ended June 30, 2025 and 2024, 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 Activity of the City, as of June 30, 2025 and 2024, and the changes in its financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Activity of the City, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinions on the financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2025, on our consideration of the City’s internal control over financial reporting of the TDA 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 Activity.


Crowe LLP

Los Angeles, California
November 6, 2025

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
BALANCE SHEETS
June 30, 2025 and 2024

	2025		2024	
	<u>TDA 3</u>	<u>TDA 8</u>	<u>TDA 3</u>	<u>TDA 8</u>
ASSETS				
Cash and investments	\$ -	\$ 383,952	\$ -	\$ 666,312
Accounts receivable	<u>93,402</u>	<u>100</u>	<u>-</u>	<u>1,450</u>
Total assets	<u>\$ 93,402</u>	<u>\$ 384,052</u>	<u>\$ -</u>	<u>\$ 667,762</u>
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 83,940	\$ 3,102	\$ -	\$ 3,283
Retention payable	4,900	-	482	-
Due to other City funds	427,702	25	391,255	25
Deposit trust	<u>-</u>	<u>4,597</u>	<u>-</u>	<u>5,828</u>
Total liabilities	<u>516,542</u>	<u>7,724</u>	<u>391,737</u>	<u>9,136</u>
Fund (deficit) balance				
Restricted for transportation	-	376,328	-	658,626
Unassigned	<u>(423,140)</u>	<u>-</u>	<u>(391,737)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 93,402</u>	<u>\$ 384,052</u>	<u>\$ -</u>	<u>\$ 667,762</u>

See notes to financial statements.

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

	2025		2024	
	<u>TDA 3</u>	<u>TDA 8</u>	<u>TDA 3</u>	<u>TDA 8</u>
Revenues				
TDA allocation	\$ -	\$ -	\$ 244,000	\$ -
Other income	<u>93,402</u>	<u>18,676</u>	<u>-</u>	<u>64,439</u>
Total revenues	93,402	18,676	244,000	64,439
Expenditures				
TDA expenditures	<u>124,805</u>	<u>300,974</u>	<u>-</u>	<u>607,844</u>
Total expenditures	<u>124,805</u>	<u>300,974</u>	<u>-</u>	<u>607,844</u>
Net change in fund balance	(31,403)	(282,298)	244,000	(543,405)
Fund (deficit) balance at beginning of year	<u>(391,737)</u>	<u>658,626</u>	<u>(635,737)</u>	<u>1,202,031</u>
Fund (deficit) balance at end of year	<u>\$ (423,140)</u>	<u>\$ 376,328</u>	<u>\$ (391,737)</u>	<u>\$ 658,626</u>

See notes to financial statements.

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 Activity and Article 8 Activity (TDA Activity) as reported in the Transportation Tax Fund 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, 2025 and 2024, and changes in 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.

Article 3

San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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 Activity 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 Activity. 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 local matching funds.

Article 8

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

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

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

(Continued)

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the TDA Activity 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 8 in its Transportation Tax 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.

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 includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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: 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 Activity's cash and investments as of June 30, 2025 and 2024 were \$0. The Article 8 Activity's cash and investments as of June 30, 2025 and 2024 were \$383,952 and \$666,312, respectively.

The TDA Activity'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 Activity 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.

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.

(Continued)

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable of \$93,402 for Article 3 as of June 30, 2025 represent revenues which had not been received from other governments as of June 30, 2025. There were no receivables for Article 3 as of June 30, 2024.

The City recorded accounts receivable of \$100 and \$1,450 for Article 8 as of June 30, 2025 and 2024, respectively. The balances represent multiple invoices and credit memos from multiple vendors and other City funds.

NOTE 4 – DUE TO OTHER CITY FUNDS

Due to other City funds of \$427,702 and \$391,255 for Article 3 and \$25 and \$25 for Article 8 represent the amounts paid by other City funds on behalf of the TDA Activity for expenditures incurred for which reimbursements had not yet been received as of June 30, 2025 and 2024, respectively. The amounts will be repaid by the TDA Activity as reimbursements are received from SBCTA.

NOTE 5 – DEFICIT FUND BALANCE

The Article 3 Activity reported a deficit fund balance of \$423,140 and \$391,737 as of June 30, 2025 and 2024, respectively. The deficits represent expenditures that exceeded the amounts received for TDA Article 3 projects. The City plans to record additional funding from other City funds for the equivalent amount in the next fiscal year to eliminate the deficit.

NOTE 6 – OTHER INCOME

During the year ended June 30, 2025, the City received \$93,402 in Article 3 funds from Victor Valley Transit Authority related to costs reimbursed for a bus stop access improvement project. Other income reported under Article 8 in 2025 and 2024 consists primarily of interest income on cash and investments, along with miscellaneous advertising income.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3
Years ended June 30, 2025 and 2024

Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ 597,907	\$ 597,907	\$ -	\$ (597,907)
Other income	-	-	93,402	93,402
Total revenues	<u>597,907</u>	<u>597,907</u>	<u>93,402</u>	<u>(504,505)</u>
Expenditures				
TDA Expenditures	<u>98,267</u>	<u>347,907</u>	<u>124,805</u>	<u>223,102</u>
Total expenditures	<u>98,267</u>	<u>347,907</u>	<u>124,805</u>	<u>223,102</u>
Net change in fund balance	499,640	250,000	(31,403)	(281,403)
Fund (deficit) balance at beginning of year	<u>(391,737)</u>	<u>(391,737)</u>	<u>(391,737)</u>	<u>-</u>
Fund (deficit) balance at end of year	<u>\$ 107,903</u>	<u>\$ (141,737)</u>	<u>\$ (423,140)</u>	<u>\$ (281,403)</u>

Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ -	\$ -	\$ 244,000	\$ 244,000
Total revenues	<u>-</u>	<u>-</u>	<u>244,000</u>	<u>244,000</u>
Expenditures				
TDA Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	244,000	244,000
Fund balance (deficit) at beginning of year	<u>(635,737)</u>	<u>(635,737)</u>	<u>(635,737)</u>	<u>-</u>
Fund (deficit) balance at end of year	<u>\$ (635,737)</u>	<u>\$ (635,737)</u>	<u>\$ (391,737)</u>	<u>\$ 244,000</u>

See note to required supplementary information.

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 8
Years ended June 30, 2025 and 2024

Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA allocation	\$ -	\$ -	\$ -	\$ -
Other income	-	-	18,676	18,676
Total revenues	-	-	18,676	18,676
Expenditures				
TDA Expenditures	612,768	866,368	300,974	565,394
Total expenditures	612,768	866,368	300,974	565,394
Net change in fund balance	(612,768)	(866,368)	(282,298)	584,070
Fund (deficit) balance at beginning of year	658,626	658,626	658,626	-
Fund (deficit) balance at end of year	<u>\$ 45,858</u>	<u>\$ (207,742)</u>	<u>\$ 376,328</u>	<u>\$ 584,070</u>

Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA allocation	\$ -	\$ 250,000	\$ -	\$ (250,000)
Other income	20,000	20,000	64,439	44,439
Total revenues	20,000	270,000	64,439	(205,561)
Expenditures				
TDA Expenditures	951,174	1,201,284	607,844	593,440
Total expenditures	951,174	1,201,284	607,844	593,440
Net change in fund balance	(931,174)	(931,284)	(543,405)	387,879
Fund balance (deficit) at beginning of year	1,202,031	1,202,031	1,202,031	-
Fund (deficit) balance at end of year	<u>\$ 270,857</u>	<u>\$ 270,747</u>	<u>\$ 658,626</u>	<u>\$ 387,879</u>

See note to required supplementary information.

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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 level of budgetary control for the City is the fund level.

ADDITIONAL INFORMATION

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Old Town Sidewalk Connectivity Ph 2	2020-21	249,640	249,640	124,805	124,835
Article 3	Village Drive Sidewalk	2022-23	250,000	250,000	-	250,000
	Total current year article 3 allocations		<u>\$ 499,640</u>	<u>\$ 499,640</u>	<u>\$ 124,805</u>	<u>\$ 374,835</u>
Article 8	Streets & Road Maintenance	2021-22	<u>\$ 1,135,102</u>	<u>\$ 658,626</u>	<u>\$ 300,974</u>	<u>\$ 357,652</u>
	Total current year article 8 allocations		<u>\$ 1,135,102</u>	<u>\$ 658,626</u>	<u>\$ 300,974</u>	<u>\$ 357,652</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Activity and Article 8 Activity (TDA Activity) as reported in the Transportation Tax Fund of the City of Victorville, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the TDA Activity's basic financial statements and have issued our report thereon dated November 6, 2025.

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.

Report on Compliance and Other Matters

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

Los Angeles, California
November 6, 2025

CITY OF VICTORVILLE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT ACTIVITY
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2025

2024-01 – Bank Reconciliations (Significant Deficiency)

The City's bank reconciliation for June 2024 was not completed until October 2024.

Status: Corrected. Beginning in fiscal year 2025, bank reconciliations are completed monthly within 30 days of month-end, and review procedures have been implemented. No delays were noted during the year ended June 30, 2025.

2024-02 – Fund Balance Restatement (Material Weakness)

The City's beginning fund balance for the Article 3 and Article 8 activity for fiscal year 2024 was required to be restated.

Status: Corrected. The beginning fund balance restatement noted in the prior year did not recur. No further restatements were necessary for the year ended June 30, 2025.

**CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

June 30, 2025 and 2024

CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Yucaipa, California (City), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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 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, 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, 2025 and 2024 or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

(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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2025, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California
December 22, 2025

CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 3	
	<u>2025</u>	<u>2024</u>
ASSETS		
Due from other governments	\$ -	\$ 80,099
Total assets	<u>\$ -</u>	<u>\$ 80,099</u>
LIABILITIES AND FUND BALANCE		
Due to other City funds	\$ 13,200	\$ 80,099
Fund (deficit) balance		
Unassigned	<u>(13,200)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 80,099</u>

See notes to financial statements.

CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2025 and 2024

	<u>Article 3</u>	
	<u>2025</u>	<u>2024</u>
Revenues		
TDA allocation	\$ -	\$ 80,099
Expenditures		
TDA expenditures	<u>-</u>	<u>-</u>
Revenues over expenditures	-	80,099
Other financing sources (uses)		
Transfers in from (out to) other City funds	<u>(13,200)</u>	<u>9,629</u>
Net change in fund balance	(13,200)	89,728
Fund (deficit) balance at beginning of year	<u>-</u>	<u>(89,728)</u>
Fund (deficit) balance at end of year	<u><u>\$ (13,200)</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 Yucaipa, California (City), as of June 30, 2025, 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

San Bernardino County Transportation Authority (SBCTA) has awarded TDA Article 3 funding for the City 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.

NOTE 2 - 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 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.

(Continued)

CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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 in accordance with 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 for year ended June 30, 2024 was \$80,099. This amount represents amounts that have been incurred by the City and expected to be reimbursed from SBCTA in the subsequent year. There was no due from other governments for the year ended June 30, 2025.

NOTE 4 – DUE TO OTHER CITY FUNDS

Due to other City funds of \$13,200 and \$80,099 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 as of June 30, 2025 and June 30, 2024, respectively.

NOTE 5 – DEFICIT FUND BALANCE

The TDA Fund reported a deficit fund balance of \$13,200 as of June 30, 2025. The deficit represent expenditures that exceeded the amounts due from SBCTA for TDA Article 3 projects. The deficit will be eliminated when reimbursement claim is submitted to SBCTA.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YUCAIPA, 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, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ -	\$ -	\$ -	\$ -
Expenditures				
TDA expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfers out to other City funds	<u>(13,200)</u>	<u>(13,200)</u>	<u>(13,200)</u>	<u>-</u>
Net change in fund balance	(13,200)	(13,200)	(13,200)	-
Fund (deficit) balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund (deficit) balance at end of year	<u><u>\$ (13,200)</u></u>	<u><u>\$ (13,200)</u></u>	<u><u>\$ (13,200)</u></u>	<u><u>\$ -</u></u>

(Continued)

CITY OF YUCAIPA, 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, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ -	\$ -	\$ 80,099	\$ 80,099
Expenditures				
TDA expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	-	-	80,099	80,099
Other financing sources (uses)				
Transfers in from other City funds	<u>-</u>	<u>-</u>	<u>9,629</u>	<u>9,629</u>
Net change in fund balance	-	-	89,728	89,728
Fund (deficit) balance at beginning of year	<u>(89,728)</u>	<u>(89,728)</u>	<u>(89,728)</u>	<u>-</u>
Fund (deficit) balance at end of year	<u><u>\$ (89,728)</u></u>	<u><u>\$ (89,728)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 89,728</u></u>

See note to required supplementary information.

CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2025

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 YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 3	Yucaipa City Wide Bus Stop Enhancements	2021-2022	\$ 13,200	\$ 13,200	\$ 13,200	\$ -

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 Yucaipa, California (City), as of and for the year ended June 30, 2025, 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 22, 2025.

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.

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

Costa Mesa, California
December 22, 2025

CITY OF YUCAIPA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2025

2024-001 - REVENUE RECOGNITION – (Material Weakness)

Status: Corrected. We noted no issues with revenue recognition.

**TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS
June 30, 2025 and 2024

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2025 and 2024

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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 Town of Yucca Valley, California (Town), as of and for the years ended June 30, 2025 and 2024, 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 Town, as of June 30, 2025 and 2024, 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 Town, 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.

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 Town as of June 30, 2025 and 2024, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025, on our consideration of the Town’s internal control over financial reporting of the TDA Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of the TDA Fund.



Crowe LLP

Los Angeles, California
November 13, 2025

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2025 and 2024

	Article 8	
	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and investments	\$ <u>256,256</u>	\$ <u>254,476</u>
FUND BALANCE		
Restricted for transportation	\$ <u>256,256</u>	\$ <u>254,476</u>

See notes to financial statements.

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years ended June 30, 2025 and 2024

	Article 8	
	<u>2025</u>	<u>2024</u>
Revenues		
Interest income	\$ <u>1,780</u>	\$ <u>1,251</u>
Net change in fund balance	1,780	1,251
Fund balance, beginning of year	<u>254,476</u>	<u>253,225</u>
Fund balance, end of year	<u><u>\$ 256,256</u></u>	<u><u>\$ 254,476</u></u>

See notes to financial statements.

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 – GENERAL INFORMATION

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 8 Fund (TDA Fund). 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, 2025 and 2024, 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 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 Town accounts for the activity of the Article 8 TDA Fund in its Local Transportation Act Fund, which is a special revenue fund.

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 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 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 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 Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town Hall.

(Continued)

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 8 FUND
Years ended June 30, 2025 and 2024

	Budget		Actual	Variance from Final Budget Positive (Negative)
	Original	Final		
June 30, 2025				
Revenues				
Interest income	\$ 500	\$ 500	\$ 1,780	\$ 1,280
Expenditures				
TDA expenditures	254,000	254,000	-	254,000
Net change in fund balance	(253,500)	(253,500)	1,780	255,280
Fund balance, beginning of year	254,476	254,476	254,476	-
Fund balance, end of year	<u>\$ 976</u>	<u>\$ 976</u>	<u>\$ 256,256</u>	<u>\$ 255,280</u>

	Budget		Actual	Variance from Final Budget Positive (Negative)
	Original	Final		
June 30, 2024				
Revenues				
Interest income	\$ 450	\$ 450	\$ 1,251	\$ 801
Expenditures				
TDA expenditures	25,000	86,430	-	86,430
Net change in fund balance	(24,550)	(85,980)	1,251	87,231
Fund balance, beginning of year	253,225	253,225	253,225	-
Fund balance, end of year	<u>\$ 228,675</u>	<u>\$ 167,245</u>	<u>\$ 254,476</u>	<u>\$ 87,231</u>

See note to required supplementary information.

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2025 and 2024

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 FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2025

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2024</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2025</u>
Article 8	Street & Roadside Maintenance	2019-20	<u>\$ 152,352</u>	<u>\$ 137,319</u>	<u>\$ -</u>	<u>\$ 137,319</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2025, 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 13, 2025.

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 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 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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



Crowe LLP

Los Angeles, California
November 13, 2025