



Audit Committee Agenda

**Friday, June 7, 2024
9 a.m.**

Welcome to SANDAG. The Audit Committee meeting scheduled for Friday, June 7, 2024, will be held in person in the SANDAG Board Room. While Audit Committee members will attend in person, members of the public will have the option of participating either in person or virtually.

For public participation via Zoom webinar, click the link to join the meeting: <https://us02web.zoom.us/j/87340106872>

Webinar ID: 873 4010 6872

To participate via phone, dial a number based on your current location in the US:

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Public Comments: Members of the public may speak to the Audit Committee on any item at the time the Audit Committee is considering the item. Public speakers are generally limited to three minutes or less per person.

Persons who wish to address the members on an item to be considered at this meeting, or on non-agendized issues, may email comments to the Clerk at clerkoftheboard@sandag.org (please reference Audit Committee meeting in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. the business day before the meeting will be provided to members prior to the meeting. All comments received prior to the close of the meeting will be made part of the meeting record.

If you desire to provide in-person verbal comment during the meeting, please fill out a speaker slip, which can be found in the lobby. If you have joined the Zoom meeting by computer or phone, please use the "Raise Hand" function to request to provide public comment. On a computer, the "Raise Hand" feature is on the Zoom toolbar. By phone, enter *9 to "Raise Hand" and *6 to unmute. Requests to provide live public comment must be made at the beginning of the relevant item, and no later than the end of any staff presentation on the item. The Clerk will call on members of the public who have timely requested to provide comment by name for those in person and joining via a computer, and by the last three digits of the phone number of those joining via telephone. Should you wish to display media in conjunction with your comments, please inform the Clerk when called upon. The Clerk will be prepared to have you promoted to a position where you will be able to share your media yourself during your allotted comment time. In-person media sharing must be conducted by joining the Zoom meeting on the personal device where the content resides. Please note that any available chat feature on the Zoom meeting platform should be used by panelists and attendees solely for procedural or other "housekeeping" matters as comments provided via the chat feature will not be retained as part of the meeting record. All comments to be provided for the record must be made in writing via email or speaker slip, or verbally per the instructions above.

In order to keep the public informed in an efficient manner and facilitate public participation, SANDAG provides access to all agenda and meeting materials online at sandag.org/meetings. Additionally, interested persons can sign up for email notifications at sandag.org/subscribe. A physical copy of this agenda may be viewed at the SANDAG Toll Operations Office, 1129 La Media Road, San Diego, CA 92154, at any time prior to the meeting.

To hear the verbatim discussion on any agenda item following the meeting, the [audio/video](#) recording of the meeting is accessible on the SANDAG website.

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This meeting will be conducted in English, and simultaneous interpretation will be provided in Spanish. Interpretation in additional languages will be provided upon request to ClerkoftheBoard@sandag.org at least 72 business hours before the meeting.

Esta reunión se llevará a cabo en inglés, y se ofrecerá interpretación simultánea en español. Se ofrecerá interpretación en otros idiomas previa solicitud a ClerkoftheBoard@sandag.org al menos 72 horas antes de la reunión.

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Vision Statement: *Pursuing a brighter future for all*

Mission Statement: *We are the regional agency that connects people, places, and innovative ideas by implementing solutions with our unique and diverse communities.*

Our Commitment to Equity: *We hold ourselves accountable to the communities we serve. We acknowledge we have much to learn and much to change; and we firmly uphold equity and inclusion for every person in the San Diego region. This includes historically underserved, systemically marginalized groups impacted by actions and inactions at all levels of our government and society.*

We have an obligation to eliminate disparities and ensure that safe, healthy, accessible, and inclusive opportunities are available to everyone. The SANDAG equity action plan will inform how we plan, prioritize, fund, and build projects and programs; frame how we work with our communities; define how we recruit and develop our employees; guide our efforts to conduct unbiased research and interpret data; and set expectations for companies and stakeholders that work with us.

We are committed to creating a San Diego region where every person who visits, works, and lives can thrive.

Audit Committee

Friday, June 7, 2024

Comments and Communications

1. Non-Agenda Public Comments/Member Comments

Members of the public shall have the opportunity to address the Audit Committee on any issue within the jurisdiction of the Audit Committee that is not on this agenda. Public speakers are limited to three minutes or less per person. Public comments under this agenda item will be limited to five public speakers. If the number of public comments under this agenda item exceeds five, additional public comments will be taken at the end of the agenda. Audit Committee members and SANDAG staff also may present brief updates and announcements under this agenda item.

2. Update - Office of the Independent Performance Auditor Activities

Courtney Ruby, Independent Performance Auditor

The Independent Performance Auditor will present an update on the Office of the Independent Auditor's activities and other sharing events.

Consent

+3. Approval of Meeting Minutes

Tessa Lero, Francesca Webb, SANDAG

Approve

The Audit Committee is asked to review and approve the minutes from its May 3, 2024, meeting.

[Meeting Minutes](#)

Reports

+4. FY 2023 Audited Annual Comprehensive Financial Report and Other Financial and Compliance Audits

Andre Douzdjian, Pascal Saghbini, SANDAG; Jennifer Farr, Davis Farr LLP

Information

Jennifer Farr of Davis Farr LLP will present an overview of the FY 2023 Annual Comprehensive Financial Report and other matters in compliance with the Statement of Auditing Standards 114.

[FY 2023 Annual CFR and Other FCAs.pdf](#)

[Att. 1 - FY23 SANDAG GAGAS Report.pdf](#)

[Att. 2 - FY23 SANDAG Single Audit Report.pdf](#)

[Att. 3 - FY23 NTD AUP Report.pdf](#)

[Att. 4 - FY23 SANDAG SAS 114 Letter.pdf](#)

[Att. 5 - FY23 Transportation Development Act \(TDA\) Reports.pdf](#)

[Att. 6 - FY23 Corrective Action Plan for Findings.pdf](#)

[Supporting Materials.pdf](#)

+5. Office of the Independent Performance Auditor's Preliminary FY 2025 Annual Audit Plan Process

Courtney Ruby, Independent Performance Auditor

Discussion
/ Possible
Action

The Independent Performance Auditor will present the Preliminary FY 2025 Annual Audit Plan.

[OIPA's Preliminary FY 2025 Annual Audit Plan Process.pdf](#)

[Att. 1 - OIPA Preliminary Annual Audit Plan Fiscal Year 2025.pdf](#)

6. Adjournment

The next Audit Committee meeting is scheduled for July 11, 2024, at 1 p.m.

+ next to an agenda item indicates an attachment

June 7, 2024

May 3, 2024, Special Meeting Minutes

[View Meeting Video](#)

Vice Chair Dave Druker (Board Member) called the meeting of the Audit Committee to order at 9:05 a.m.

1. Non-Agenda Public Comments/Member Comments

Public Comments: Truth and The Original Dra.

Member Comments: None.

2. Office of the Independent Performance Auditor (OIPA) Activities

Independent Performance Auditor (IPA) Courtney Ruby presented an update on the active audits and investigations of the Office of the Independent Auditor (OIPA).

Public Comments: The Original Dra.

Action: Information.

Consent

3. Approval of Meeting Minutes

The Audit Committee was asked to approve its March 26, 2024, meeting minutes.

Public Comments: The Original Dra.

Action: Upon a motion by Agnes Wong Nickerson (Public Member), and a second by Rowena Dorsey (Public Member), the Audit Committee voted to approve the minutes from its March 26, 2024, meeting.

The motion passed.

Yes: Chair David Zito (Board Member), Vice Chair Druker, Agnes Wong Nickerson, and Rowena Dorsey.

No: None.

Abstain: None.

Absent: Shawnee Pickney-Forrest (Public Member).

Reports

4. Contracts and Procurement Operational and System Control (Parts I and II) Audit Action Plan Progress Update

Director of Organization Effectiveness Melissa Coffelt and Director of Contracts and Procurement Kelly Mikhail presented an update on progress achieved to date regarding the Contracts and Procurement Operational and System Control (Parts I and II) Audit Action Plan.

Public Comments: The Original Dra.

Action: Information.

5. Update on the State Route 125 Toll Operations Investigation

IPA Ruby and Chair Zito presented an update on the SR 125 investigation for discussion and consideration of any actions to be taken by the Audit Committee.

Public Comments: The Original Dra and Blair Beekman.

Action: Upon a motion by Chair Zito and a second by Vice Chair Druker, the Audit Committee voted to recommend that OIPA audit the sole source contract process, including both the Deloitte A to B contract, and the HNTB contract as part of FY 2025 Audit Plan; to engage OIPA to make a targeted investigation into why the issues with the ETAN contract and the RFP were not reported to the Board sooner including a review of policies and procedures; and to recommend that any further investigation into the ETAN contract as well as all requests from the Board for additional investigations be directed to the IPA to provide a recommendation to the Audit Committee and Board regarding how best to accomplish any future investigations.

The motion passed.

Yes: Chair Zito, Vice Chair Druker, Agnes Wong Nickerson, and Rowena Dorsey.

No: None.

Abstain: None.

Absent: Shawnee Pickney-Forrest.

6. Adjournment

The next Audit Committee meeting is scheduled for Friday, June 7, 2024, at 9 a.m.

Vice Chair Druker adjourned the meeting at 10:40 a.m.

Confirmed Attendance at Audit Committee Meeting

Jurisdiction/Organization	Name	Member/ Alternate	Attended
Board Member	David Zito (Chair)	Primary	Yes
Board Member	David Druker (Vice Chair)	Primary	Yes
Public Member	Shawnee Pickney-Forrest	Primary	No
Public Member	Agnes Wong Nickerson	Primary	Yes
Public Member	Rowena Dorsey	Primary	Yes
Board Member	Ed Musgrove	Alternate	Yes

June 07, 2024

FY 2023 Annual Comprehensive Financial Report and Other Financial and Compliance Audits

Overview

The independent certified public accounting firm of Davis Farr LLP has concluded the annual financial audit of SANDAG for the fiscal year ended June 30, 2023. The Annual Comprehensive Financial Report (ACFR) can be downloaded at [sandag.org/FY23 ACFR](https://sandag.org/FY23ACFR).

In addition to the ACFR, Davis Farr LLP issued the reports of other annual financial audits of SANDAG for the fiscal year ended June 30, 2023. The Transportation Development Act audits, SANDAG Single Audit Report and the SANDAG Agreed-Upon Procedures Performed with Respect to the National Transit Database Report are provided as attachments to this report.

Key Considerations

Annual Comprehensive Financial Report

The ACFR presents the financial position and activity of SANDAG and the three component units, which include the San Diego County Regional Transportation Commission, SourcePoint, and the Automated Regional Justice Information System. The independent auditor expressed a qualified opinion on these basic financial statements. The basis for the qualified opinion relates to the Toll Road (SR125) fund due to the implementation of a new back-office system and an open investigation which resulted in difficulties in reconciling certain accounting records to the underlying customer accounts to obtain sufficient audit evidence to support the amounts reported for toll road revenue, accounts receivable, and unearned revenue amounts.

In compliance with Generally Accepted Government Auditing Standards, the independent auditor assessed SANDAG's internal control over financial reporting and performed tests of the agency's compliance with certain provisions of laws and regulations during the fiscal year 2023 audit. The 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 is included as Attachment 1.

SANDAG had three findings on the Annual Comprehensive Financial Report in FY 2023 and corrective action plans are in place to ensure the improvement of the controls in the future.

Action: Information

Jennifer Farr of Davis Farr LLP will present an overview of the FY 2023 Annual Comprehensive Financial Report and other matters in compliance with the Statement of Auditing Standards 114.

Fiscal Impact:

In FY 2023, approximately \$376.5 million was the balance of construction in progress for various regional transportation infrastructure improvement projects.

Schedule/Scope Impact:

The Annual Comprehensive Financial Report presents the financial position and activity of SANDAG and the three component units, which include the San Diego County Regional Transportation Commission, SourcePoint, and the Automated Regional Justice Information System. All other audit reports were issued, resulting in no delays of funding.

Transportation Development Act

The TDA audit includes recipients of TDA funds, State Transit Assistance (STA) funds, and the County of San Diego Local Transportation Fund (LTF), all of which are required to be submitted to the State Controller's Office within 180 days after fiscal year-end.

TDA fund audits are required under California Public Utilities Code Section 9924. An additional 90 days (or more given extenuating circumstances) may be approved by SANDAG for those TDA recipients that require more time to complete the audit.

A total of 12 audits were performed including a portion of claimants that requested an extension. At the January 12, 2024 Board meeting, extension requests were approved for the cities of El Cajon, Coronado, La Mesa, National City, Poway and Full Access & Coordinating Transportation (FACT) until March 26, 2024. All claimants were issued an unmodified (clean) opinion.

The STA audits are required under California Code of Regulations Section 6751. There were no exceptions to the County STAF or Metropolitan Transit System STAF reports.

The County LTF audit is required under California Code of Regulations Section 6661. There were no exceptions to this report.

SANDAG Single Audit

In accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, a Single Audit must be performed for any organization that expends \$750,000 or more of federal funds. The independent auditor expressed an unmodified opinion on compliance over major programs. Please reference the Schedule of Findings and Questioned Costs for the three findings mentioned above, two material weaknesses identified for internal control over financial reporting and one material weakness for internal control over major programs.

Next Steps

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to SANDAG for its ACFR for the fiscal year ended June 30, 2022. This was the sixteenth consecutive year that SANDAG has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement only is valid for a period of one year. The FY 2023 ACFR is expected to continue to meet the Certificate of Achievement Program requirements and has therefore been submitted to the GFOA to determine its eligibility for another certificate.

Since no modified opinions were issued for TDA, SANDAG will continue to administer TDA allocations to all claimants who participated in the audit.

Andre Douzdjian, Chief Financial Officer

- Attachments:
1. FY 2023 SANDAG Generally Accepted Government Auditing Standards Report
 2. FY 2023 SANDAG Single Audit Report
 3. FY 2023 SANDAG NTD AUP Report
 4. FY 2023 SAS 114 Letter
 5. FY 2023 Transportation Development Act (TDA) Reports
 6. Corrective Action Plan for the Findings of FY 2023 Single Audit



Davis Farr LLP
 18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
 Main: 949.474.2020 | Fax: 949.263.5520

**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***

Honorable Chair and Members of the Board of Directors
 San Diego Association of Governments
 San Diego, California

Independent Auditor's Report

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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SANDAG's basic financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the issues identified below as 2023-001, 2023-002 and 2023-003 to be material weaknesses.

(2023-001) Adjustments Detected During the Audit

During our audit, we identified material errors in the accounting records that required correcting and adjusting journal entries as follows:

- To record unavailable revenue of \$7M in the fund financial statements related to receivables not collected within the availability period,
- To increase interest payable by \$5.1M related to the 2021 TIFIA Loan, and
- To record assets of \$17.7M and liabilities of \$21.5M related to the interest rate swap termination activities.
- To correct escrow retention cash balance to account for the release of funds of \$6.4M in the capital projects fund.
- To correct negative receivables in the general fund for \$1.8M.
- To increase the allowance for doubtful accounts in toll penalties in the SR-125 fund for \$500K based on SANDAG staff calculations.

Potential Effect

The financial statements could be materially misstated if year-end adjustments are not recorded, and amounts are not reconciled to the subsidiary records.

Recommendation

Auditing standards indicate that material adjustments identified through the audit process are evidence of a weakness in SANDAG's internal control structure. Efforts should be made to enhance SANDAG's year-end closing procedures to include areas that resulted in audit adjustments.

Management's Comments Regarding Corrective Actions Planned

Due to staff turnover and the implementation of a new ERP system, the year-end close process was delayed, causing adjustments to the financials towards the end of the audit. However, management will have a more robust review process with the new ERP system for the upcoming audit years. SANDAG relies on third-party asset management services to provide derivative data that will make the year-end process efficient. However, there was extra discussion needed to reconcile the reports that were provided and how they should be reflected in the financial statements regarding swap terminations. Accounting for derivative transactions such as swap terminations are complex and unusual and require more time and resources. SANDAG will continue to promote continued educational opportunities to be better prepared in the future.

(2023-002) Toll Road Back-Office System Errors

SANDAG operates a Toll Road on State Route 125 (SR 125) and reports the activities in a major fund in SANDAG's financial statements. Due to the implementation of a new

back-office system, there were difficulties in reconciling certain accounting records to the underlying customer accounts. Additionally, due to SANDAG's ongoing efforts to further evaluate these accounts and the conclusions reported in the March 25, 2024 SANDAG Office of the Independent Performance Auditor's Report on SR 125 Toll Operations, we were unable to obtain sufficient appropriate audit evidence supporting the balances reported in the fund financial statements (\$38,768,057 of SR 125 Toll Road revenue, \$4,395,742 of accounts receivable, and \$2,138,678 of unearned revenue). Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Potential Effect

The financial statements and customer account balances could be misstated.

Recommendation

SANDAG should continue to evaluate the back-office system to verify the accuracy of toll transactions, billing to customer accounts, and related accounting transactions recorded in the SR 125 fund. SANDAG should develop additional controls to regularly monitor the transactions recorded by the back-office system for timely detection of errors.

Management's Comments Regarding Corrective Actions Planned

We continue to work with our back-office software provider and external consultants to build out reporting items and to troubleshoot and resolve issues timely. Our teams meet weekly to review toll transactions, billings to customers and resolve accounting related items. Additionally we have signed a new agreement with Deloitte to implement a new back-office software. Once implemented SANDAG believes that will resolve the difficulties in the SR125 financial reporting.

(2023-003) Preparation of the Schedule of Expenditures of Federal Awards

2 CFR 200.508 requires that proper internal controls are in place for the preparation of the Schedule of Expenditures of Federal Awards (SEFA) which must include the total federal awards expended and the Assistance Listing Number for each individual federal program. The auditors are required to determine whether the SEFA is stated fairly in all material respects in relation to the auditee's financial statements as a whole. The auditors also utilize the SEFA for the determination of the major federal programs that will be audited.

Condition During our audit, we became aware of a material misstatement in the SEFA due to an excluded federal program: the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program with federal expenditures of \$537,484,439 for the fiscal year ended June 30, 2023.

Effect As a result of correcting the error in the SEFA, the TIFIA program was assessed for testing as a major program and met the criteria to require the program to be tested. Additionally, another major program that had already been selected and tested no longer was required to be tested as a major program.

Cause The TIFIA program expenditures were new in the fiscal year ended June 30, 2023 and SANDAG's system of internal controls did not identify the program as federal expenditures subject to the single audit requirements.

Recommendation We recommend SANDAG enhance the system of internal controls for identification of federal awards subject to the single audit requirements and the preparation and review of the SEFA for accuracy and completeness.

Management's Comments Regarding Corrective Actions Planned

We concur with the issue, and accept the recommendation provided by the auditor. We will strengthen the system of internal controls for identifying federal awards and expenditures, including TIFIA funds and the associated reporting requirements which are subject to single audit inclusion.

The following matter is not considered material weakness or significant deficiency in internal controls. However, as a service to you, we offer the following best practice recommendation to enhance internal controls of SANDAG:

(1) Information Systems Enhancements and Controls

As part of the annual financial statement audit, a Certified Information Systems Auditor performed a risk assessment summary on the information technology environment and systems. As a result of the review, we have the following best practice recommendations:

a. Password management

SANDAG should implement stronger password controls for its users. Specifically, SANDAG's password current requires a minimum 8-character password and password changes are required every 180 days.

Recommendation

As a best practice, we recommend SANDAG implement an increase in the password length requirement to be greater than 8 alphanumeric characters and consider increasing the password change frequency to decrease the risk of an account being compromised.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SANDAG'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*.

SANDAG's Response to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
March 28, 2024

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
SAN DIEGO, CALIFORNIA**

**SINGLE AUDIT REPORT ON EXPENDITURES
OF FEDERAL AWARDS**

Year ended June 30, 2023

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SINGLE AUDIT REPORT ON EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

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**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Honorable Chair and Members of the Board of Directors
San Diego Association of Governments
San Diego, California

Independent Auditor's Report

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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SANDAG's basic financial statements, and have issued our report thereon dated March 28, 2024.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the Schedule of Findings and Questioned Costs (2023-001 and 2023-002) to be material weaknesses.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SANDAG'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*.

SANDAG's Response to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
March 28, 2024

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

Independent Auditor's Report

Honorable Chair and Members of the Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the San Diego Association of Governments (SANDAG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on SANDAG's major federal programs for the year ended June 30, 2023. The SANDAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 SANDAG 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 the SANDAG'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 SANDAG'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 SANDAG'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 the SANDAG'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 SANDAG'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 the SANDAG'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 SANDAG'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 item (2023-003). Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance


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 the governmental activities, the business-type activities, each major fund, discretely presented component unit, and the aggregate remaining fund information of SANDAG as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SANDAG's basic financial statements. We issued our report thereon, dated March 28, 2024, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Irvine, California
March 28, 2024

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Passed Through to Subrecipients
Department of Transportation				
Federal Highway Administration				
Passed through California Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	74A0817	\$ 5,210,370	\$ 44,265
Highway Planning and Construction	20.205	STPL-6066(162)	263,927	-
Highway Planning and Construction	20.205	STPL-6066(168)	265,999	-
Highway Planning and Construction	20.205	STPL-6066(172)	317,503	-
Highway Planning and Construction	20.205	STPL-6066(173)	49,905	-
Highway Planning and Construction	20.205	STPL-6066(174)	579,218	-
Highway Planning and Construction	20.205	STPL-6066(175)	86,990	-
Highway Planning and Construction	20.205	STPL-6066(190)	956,757	-
Highway Planning and Construction	20.205	STPL-6066(198)	118,770	-
Highway Planning and Construction	20.205	CMLG-6066(156)	328,939	-
Highway Planning and Construction	20.205	CMLG-6066(180)	12,262,589	6,368,016
Highway Planning and Construction	20.205	CMLG-6066(164)	1,352,087	-
Highway Planning and Construction	20.205	ATPL-6066(129)	4,627,285	-
Highway Planning and Construction	20.205	ATPL-6066(130)	1,196,127	-
Highway Planning and Construction	20.205	ATPL-6066(159)	141,009	-
Highway Planning and Construction	20.205	RSTPL-6066(158)	1,168,526	-
Highway Planning and Construction	20.205	RSTPL-6066(161)	200,023	-
Highway Planning and Construction	20.205	RSTPL-6066(163)	430,943	-
Highway Planning and Construction	20.205	STPBIPL-6066(154)	338,508	-
Highway Planning and Construction	20.205	STPBIPL-6066(170)	5,828,885	-
COVID-19 - Highway Planning and Construction	20.205	ATPL-6066(129)	3,358,456	-
COVID-19 - Highway Planning and Construction	20.205	ATPL-6066(130)	169,985	-
Total Highway Planning and Construction Cluster			39,252,799	6,412,281
Direct Programs:				
Highway Research and Development Program	20.200	N/A	1,065,695	-
Total Highway Research and Development Program Cluster			1,065,695	-
Motor Carrier Safety Administration				
Passed through Federal Highway Administration:				
Border Enforcement Grants	20.233	N/A	678,264	-
Total Border Enforcement Grants Cluster			678,264	-
Federal Transit Administration				
Passed through California Department of Transportation:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A0817	3,175,185	183,694
Direct Programs:				
Federal Transit Cluster:				
Federal Transit - Capital Investment Grants	20.500	N/A	174,372,251	-
Federal Transit - Formula Grants	20.507	N/A	24,523,731	16,000
Total Federal Transit Cluster			198,895,982	16,000
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	2,041,911	1,685,713
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	77,015	30,623
Community Project Funding Congressionally Directed Spending	20.534	N/A	1,000,000	-
Total Transit Services Programs Cluster			3,118,926	1,716,336
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	TIFIA-20211003A	537,484,439	-
			537,484,439	-
Total Department of Transportation			783,671,290	8,328,311

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Passed Through to Subrecipients
Department of Justice				
Passed through North County Lifeline:				
Services for Trafficking Victims	16.320	2017-VT-BX-K016	16,013	-
Services for Trafficking Victims	16.320	2019-VT-BX-0070	<u>23,570</u>	<u>-</u>
Total Services for Trafficking Victims			39,582	-
Passed through from the San Diego Children's Initiative:				
Project Safe Neighborhoods (PSN)	16.609	2020-GP-BX-0078	18,594	-
Direct Programs:				
Project Safe Neighborhoods (PSN)	16.609	N/A	238,887	130,746
Edward Byrne Memorial Assistance Grant Program (JAG)	16.738	N/A	<u>122,866</u>	<u>-</u>
Total Direct Programs			361,753	130,746
Total Department of Justice			419,930	130,746
Department of Education				
Passed through South Bay Community Services:				
Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods	84.215	U215N180049	<u>183,244</u>	<u>-</u>
Total Department of Education			183,244	-
Department of Defense				
Direct Programs:				
Military Installation Sustainability	12.003	N/A	<u>535,824</u>	<u>-</u>
Total Department of Defense			535,824	-
Total Federal Expenditures			<u>\$ 784,810,288</u>	<u>\$ 8,459,058</u>

SAN DIEGO ASSOCIATION OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a) Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of SANDAG under federal government programs for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of SANDAG, it is not intended to and does not present the financial position, changes in net position or cash flows of SANDAG.

SANDAG did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

b) Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement.

SANDAG utilizes local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, SANDAG reimburses local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred before a federal grant is executed are included on the Schedule in the year the grant was executed.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

- | | |
|---|----------------------|
| 1. Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | 2023-001
2023-002 |
| b. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weakness(es) identified? | 2023-003 |
| b. Significant deficiency(ies) identified? | None reported |
| 2. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

4. Identification of major programs:

<u>Assistance Listing</u>	<u>Name of Federal Programs or Clusters</u>
20.205	Highway Planning and Construction
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research

- | | |
|---|-------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$3,000,000 |
| 6. Auditee qualified as a low-risk auditee? | No |

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

Section II - Financial Statement Findings

(2023-001) Adjustments Detected During the Audit

During our audit, we identified material errors in the accounting records that required correcting and adjusting journal entries as follows:

- To record unavailable revenue of \$7M in the fund financial statements related to receivables not collected within the availability period,
- To increase interest payable by \$5.1M related to the 2021 TIFIA Loan, and
- To record assets of \$17.7M and liabilities of \$21.5M related to the interest rate swap termination activities.
- To correct escrow retention cash balance to account for the release of funds of \$6.4M in the capital projects fund.
- To correct negative receivables in the general fund for \$1.8M.
- To increase the allowance for doubtful accounts in toll penalties in the SR-125 fund for \$500K based on SANDAG staff calculations.

Potential Effect

The financial statements could be materially misstated if year-end adjustments are not recorded, and amounts are not reconciled to the subsidiary records.

Recommendation

Auditing standards indicate that material adjustments identified through the audit process are evidence of a weakness in SANDAG's internal control structure. Efforts should be made to enhance SANDAG's year-end closing procedures to include areas that resulted in audit adjustments.

Management's Comments Regarding Corrective Actions Planned

Due to staff turnover and the implementation of a new ERP system, the year-end close process was delayed, causing adjustments to the financials towards the end of the audit. However, management will have a more robust review process with the new ERP system for the upcoming audit years. SANDAG relies on third-party asset management services to provide derivative data that will make the year-end process efficient. However, there was extra discussion needed to reconcile the reports that were provided and how they should be reflected in the financial statements regarding swap terminations. Accounting for derivative transactions such as swap terminations are complex and unusual and require more time and resources. SANDAG will continue to promote continued educational opportunities to be better prepared in the future.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023

Section II - Financial Statement Findings

(2023-002) Toll Road Back-Office System Errors

SANDAG operates a Toll Road on State Route 125 (SR 125) and reports the activities in a major fund in SANDAG's financial statements. Due to the implementation of a new back-office system, there were difficulties in reconciling certain accounting records to the underlying customer accounts. Additionally, due to SANDAG's ongoing efforts to further evaluate these accounts and the conclusions reported in the March 25, 2024 SANDAG Office of the Independent Performance Auditor's Report on SR 125 Toll Operations, we were unable to obtain sufficient appropriate audit evidence supporting the balances reported in the fund financial statements (\$38,768,057 of SR 125 Toll Road revenue, \$4,395,742 of accounts receivable, and \$2,138,678 of unearned revenue). Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Potential Effect

The financial statements and customer account balances could be misstated.

Recommendation

SANDAG should continue to evaluate the back-office system to verify the accuracy of toll transactions, billing to customer accounts, and related accounting transactions recorded in the SR 125 fund. SANDAG should develop additional controls to regularly monitor the transactions recorded by the back-office system for timely detection of errors.

Management's Comments Regarding Corrective Actions Planned

We continue to work with our back-office software provider and external consultants to build out reporting items and to troubleshoot and resolve issues timely. Our teams meet weekly to review toll transactions and billings to customers and resolve accounting-related items. Additionally, we have signed a new agreement with Deloitte to implement a new back-office software. Once implemented SANDAG believes that will resolve the difficulties in the SR125 financial reporting.

SAN DIEGO ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023

Section III - Federal Award Findings and Questioned Costs

(2023-003) Preparation of the Schedule of Expenditures of Federal Awards

2 CFR 200.508 requires that proper internal controls are in place for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), which must include the total federal awards expended and the Assistance Listing Number for each individual federal program. The auditors are required to determine whether the SEFA is stated fairly in all material respects in relation to the auditee's financial statements as a whole. The auditors also utilize the SEFA for the determination of the major federal programs that will be audited.

Condition During our audit, we became aware of a material misstatement in the SEFA due to an excluded federal program: the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program with federal expenditures of \$537,484,439 for the fiscal year ended June 30, 2023.

Effect As a result of correcting the error in the SEFA, the TIFIA program was assessed for testing as a major program and met the criteria to require the program to be tested. Additionally, another major program that had already been selected and tested no longer was required to be tested as a major program.

Cause The TIFIA program expenditures were new in the fiscal year ended June 30, 2023 and SANDAG's system of internal controls did not identify the program as federal expenditures subject to the single audit requirements.

Recommendation We recommend SANDAG enhance the system of internal controls for identification of federal awards subject to the single audit requirements and the preparation and review of the SEFA for accuracy and completeness.

Management's Comments Regarding Corrective Actions Planned

We concur with the issue, and accept the recommendation provided by the auditor. We will strengthen the system of internal controls for identifying federal awards and expenditures, including TIFIA funds and the associated reporting requirements which are subject to single audit inclusion.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

STATUS OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2023

(2022-001) – Identification of Major Funds (Material Weakness)

GASB Codification 2200 paragraph 102 requires that a government's fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Paragraph 159 states that individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria. The general services fund of SANDAG was reported as a nonmajor governmental fund in the financial statements. However, the totals of its liabilities and deferred inflows and expenditures exceeded the 10 percent and 5 percent criteria described above to be reported as a major governmental fund.

Recommendation

We recommend that management add recalculation of major funds to their procedures for preparation of the initial and final draft financial statements to ensure that any changes to major funds are evaluated and incorporated in the financial statements on a timely basis.

Status of Prior Year Auditing Finding

There were no errors identified with the calculation of major funds for the year ended June 30, 2023. As such, this finding is considered resolved.

(2022-002) – ARJIS Expense Recognition (Material Weakness)

Expenses for SANDAG's discretely presented component unit ARJIS were overstated by \$708,527 relating to two invoices:

1. One invoice totaling \$135,110 for a software subscription pertaining to fiscal year 2023 was improperly accrued in accounts payable as of June 30, 2022.
2. One invoice totaling \$573,417 for IT hardware, installation, and related subscriptions was improperly expensed. \$396,157 of the total related to hardware and ancillary charges and \$177,260 of the total related to maintenance subscriptions pertaining to fiscal year 2023 through 2026.

Recommendation

We recommend that management strengthen controls around the processing of accounts payable to ensure that invoices are accrued in the period in which the related services are performed. Accounts payable staff should also examine invoices for capitalizable tangible or intangible assets. If the invoice received does not have sufficient detail to determine the service period or good received, additional information should be requested from the vendor. We also recommend additional layers of review over material transactions for proper financial reporting. Management should consider whether additional training for staff involved in processing and reviewing invoices is necessary.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

STATUS OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2023

Status of Prior Year Auditing Finding

We did not identify any material errors with ARJIS expense recognition for the year ended June 30, 2023. As such, this finding is considered resolved.

Independent Accountant's Report

Board of Directors
San Diego Association of Governments
San Diego, California

We have performed the procedures enumerated below on the Federal Funding Allocation Statistics Form (Form FFA-10) for the San Diego Association of Governments (SANDAG) for the fiscal year ended June 30, 2023, solely to assist the management of SANDAG in the evaluation of whether SANDAG complied with the standards described below, and that the information included in the Form FFA-10 of SANDAG's National Transit Database (NTD) Report is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting System, Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993, and as presented in the 2022 Policy Manual (Policy Manual). SANDAG's management is responsible for the data presented in Form FFA-10. SANDAG's management is responsible for the data presented in Form FFA-10.

SANDAG's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether SANDAG complied with the standards described below, and that the information included in the Form FFA-10 of SANDAG's National Transit Database (NTD) Report is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting System, Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993, and as presented in the 2022 Policy Manual (Policy Manual). This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed, and the results of those procedures were as follows:

1. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1993, and as presented in the Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

Results: No exceptions were noted as a result of the procedures performed.

2. Discuss the procedures (written or informal) with personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
 - The extent to which SANDAG 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 49 CFR Part 630, Federal Register, January 15, 1993, and as presented in the Policy Manual.

Results: No exceptions were noted as a result of the procedures performed.

3. Inquire with personnel concerning the retention policy that is followed by SANDAG with respect to source documents supporting the NTD data, Total Modal Operating Expenses data (F-30, line 15, column e), Actual Vehicle Revenue Mile and Passenger Miles Traveled (S-10, lines 12 and 20, column d).

Results: No exceptions were noted as a result of the procedures performed.

4. Based on the description of SANDAG's procedures obtained in items "a" and "b" above, identify all the source documents that must be retained by SANDAG for a minimum of three years. For each type of source document, select three months of the fiscal year and determine whether the documents exist for each of these periods.

Results: No exceptions were noted as a result of the procedures performed.

5. Discuss the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire whether 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 such reviews are performed.

Results: No exceptions were noted as a result of the procedures performed.

6. 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.

Results: No exceptions were noted as a result of the procedures performed.

7. Obtain the worksheets utilized by SANDAG to prepare the final data that is transcribed onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by SANDAG. Test the mathematical accuracy of the summarizations.

Results: No exceptions were noted as a result of the procedures performed.

8. Discuss with SANDAG staff the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements. Inquire whether the procedure used is: (1) a 100% count of actual PMT; or (2) an estimate of PMT based on statistical sampling meeting FTA's 95% confidence and + 10% precision requirements. If SANDAG conducts a statistical sample for estimating PMT, inquire whether the sampling procedure is: (1) one of the two procedures suggested by the FTA and described in FTA Circulars 2710.1A or 2710.2A; or (2) an alternative sampling procedure. If SANDAG uses an alternative sampling procedure inquire whether the procedure has been approved by the FTA or whether a qualified statistician has determined that the procedure meets the FTA's statistical requirements.

Results: No exceptions were noted as a result of the procedures performed.

9. Discuss with SANDAG staff SANDAG's ability to conduct statistical sampling for PMT data every third year. Determine whether SANDAG meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. The criteria are as follows:

- According to the 2020 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population;
- The public transit agency directly operates fewer than 100 revenue Vehicles Operated in Annual Maximum Service (VOMS) (in any size UZA).
- The service is purchased from a seller operating fewer than 100 revenue vehicles in VOMS and is included in the transit agency's NTD report.

Results: SANDAG did not meet the criteria established by the FTA to conduct statistical sampling for passenger mile data every third year. Therefore, this procedure was not applicable.

10. For 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% confidence and $\pm 10\%$ precision requirements. Determine how SANDAG estimated annual PMT for the current report year.

Results: SANDAG did not meet the criteria established by the FTA to conduct statistical sampling for passenger mile data every third year. Therefore, this procedure was not applicable.

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

Results: No exceptions were noted as a result of the procedures performed.

12. Select a random sample of source documents for accumulating PMT data and determine that they are complete (all required data is 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 mathematical accuracy of the summarization.

Results: No exceptions were noted as a result of the procedures performed.

13. Discuss with SANDAG staff the procedures for systematic exclusion of charter, school bus and other ineligible vehicle miles from the calculation of actual VRM and determine that stated procedures are followed. Select a random sample of the source documents used to record charter and school bus mileage and test the mathematical accuracy of the computations.

Results: SANDAG does not provide charter or school bus services. Therefore, this procedure was not applicable.

14. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation.

- If actual VRM is 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 VRM. Test the mathematical accuracy of the summarization.
- If actual VRM is 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 mathematical accuracy of the summarization of intermediate accumulations.
- If actual VRM is 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.

Results: Per inquiry, with Michelle Porter, Administrative Analyst, there were no deadhead miles as of June 30, 2023. Therefore, this procedure was not applicable.

15. For rail modes, review the recording and accumulation sheets for actual VRM and determine that locomotive miles are not included in the computation.

Results: SANDAG does not provide rail service. Therefore, this procedure was not applicable.

16. If fixed guideway (FG) or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data and determine whether the operations meet FTA's definition of FG or 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:
 1. access is restricted;
 2. legitimate need for restricted access is demonstrated by peak period level of Service D or worse on parallel adjacent highway;
 3. restricted access is enforced for freeways;
 4. priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation; and
 5. High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the U.S. Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

Results: SANDAG did not report FG/HIB DRM on its NTD report for the fiscal year ended June 30, 2023. Therefore, this procedure was not applicable.

17. Discuss the measurement of FG and HIB DRM with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG/HIB and DRM. Inquire whether there were service changes during the fiscal year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRM, recompute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on Form FFA-10.

Results: SANDAG did not report FG/HIB DRM on its NTD report for the fiscal year ended June 30, 2023. Therefore, this procedure was not applicable.

18. 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 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.
- If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, SANDAG should contact its NTD validation analyst to discuss. The FTA will make a determination on how to report the DRMs.

Results: SANDAG did not report FG/HIB DRM on its NTD report for the fiscal year ended June 30, 2023. Therefore, this procedure was not applicable.

19. Measure FG/HIB DRM from maps or by retracing route.

Results: SANDAG did not report FG/HIB DRM on its NTD report for the fiscal year ended June 30, 2023. Therefore, this procedure was not applicable.

20. Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same FG as SANDAG. If yes, determine that SANDAG coordinated with the other transit agency (or agencies) such that the DRM for the segment of the FG/HIB are reported only once to the NTD on Form FFA-10. Each transit agency should report the actual VRM, PM and operating expense for the service operated over the same FG.

Results: SANDAG did not report FG/HIB DRM on its NTD report for the fiscal year ended June 30, 2023. Therefore, this procedure was not applicable.

21. Review the FG/HIB Segments Form (S-20). Discuss with the persons reporting NTD data the Agency Revenue Service Start Date for any segments added in the 2017 report year. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date is reported as when the agency began revenue service. This may be later than the Original Date of Revenue Service if SANDAG is not the original operator. If a segment was added for the 2017 report year, the Agency Revenue Service Date must occur within SANDAG's 2017 fiscal year. Segments are grouped by like characteristics. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document a revenue service start date prior to the current NTD report year, FTA will only consider segments continuously reported to NTD.

Results: SANDAG did not report FG/HIB DRM on its NTD report for the fiscal year ended June 30, 2023. Therefore, this procedure was not applicable.

22. Compare operating expenses with audited financial data, after reconciling items are removed.

Results: No exceptions were noted as a result of the procedures performed.

23. If SANDAG purchases transportation services, interview personnel reporting the NTD data regarding the amount of purchased transportation (PT) generated fare revenue. The PT fare revenues should equal the amount reported on the Contractual Relationship Form (B-30).

Results: No exceptions were noted as a result of the procedures performed.

24. If SANDAG's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation data of the PT service.

Results: PT services are included as part of SANDAG's NTD report. Therefore, this procedure was not applicable.

25. If SANDAG's purchases transportation services, obtain a copy of the PT contract and determine that the contract: (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by SANDAG; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by SANDAG's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible for maintaining the NTD data regarding the retention of the executed contract and determine that copies of the contracts are retained for three years.

Results: No exceptions were noted as a result of the procedures performed.

26. If SANDAG provides services in more than one UZA, or between an UZA and a non-UZA, inquire of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and UZA boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Results: No exceptions were noted as a result of the procedures performed.

27. Compare the data reported on Total Modal Operating Expenses data (F-30, line 15, column e), Actual Vehicle Revenue Mile and Passenger Miles Traveled (S-10, lines 12 and 20, column d) to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or operating expense data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased, interview SANDAG management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Results: No exceptions were noted as a result of the procedures performed.

We were engaged by SANDAG to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the 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 noted above. 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 SANDAG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.



Irvine, California
March 1, 2024



September 11, 2023

Audit Committee
San Diego Association of Governments
San Diego, California

This letter is provided in connection with our engagement to audit the financial statements of the San Diego Association of Governments ("SANDAG") as of and for the year ended June 30, 2023. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit, including significant risks we have identified.

Our Responsibilities

As stated in our engagement letter dated June 12, 2023, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards for the purpose of forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit does not relieve you or management of your respective responsibilities.

Our responsibility relating to other information, whether financial or nonfinancial information (other than financial statements and the auditor's report thereon), included in the entity's Annual Comprehensive Financial Report ("ACFR") includes only the information identified in our report. We have no responsibility for determining whether the Introductory Information, the Statistical Information, and the Continuing Disclosure Section of the ACFR is properly stated. We require that we receive the final version of the ACFR in a timely manner prior to the date of the auditor's report, or if that is not possible, as soon as practicable and, in any case, prior to the entity's issuance of such information.

Planned Scope of the Audit

Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, but not absolute, assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

Our audit will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and as a basis for designing the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. However, we will communicate to you at the conclusion of our audit any material weaknesses or significant deficiencies identified. We will also communicate to you:

- Any violation of laws or regulations that come to our attention;
- Our views relating to qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Disagreements with management, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

Timing of Audit

We begin the interim audit procedures in June 2023 and will begin our final audit examination in October 2023. We will present the audit reports and results of the audit to the Audit Committee at the completion of the audit.

Audit Risk Areas

In addition to our standard audit approach, our engagement team plans to expand our testing in the following areas:

- Risk of errors implementing new subscription-based IT arrangement standard: We will review SANDAG's inventory of IT arrangements, review a sample of agreements, and test the calculations of the transactions. We will ensure SANDAG's disclosure footnotes are accurate and complete in accordance with the new standard.
- Risk of noncompliance with purchasing policies: We plan to utilize our data mining software to perform data analytics on expenses, including performing a Benford's Law analysis to identify potential anomalies in transactions. We will use this transactional analysis to select a sample of disbursements for compliance with SANDAG's policies.
- Internal controls over information systems: This year we plan to perform an analysis of SANDAG's information systems using a Certified Information Systems Auditor. We will evaluate the current system of controls over the overall network and the accounting systems as well as identify key internal controls to determine if they are operating effectively.

September 11, 2023
Audit Committee

- Risk of federal grant noncompliance: We will evaluate SANDAG's federal grants to determine which grants are required to be audited under the Federal Uniform Guidance. We will test those grants for compliance with the Uniform Guidance and the applicable grant agreements.

Fraud Inquiries

Professional auditing standards require that, as a part of our audit, we inquire of those in governance to ascertain whether or not the Audit Committee (the "Committee") has knowledge of matters that might have a bearing on the auditor's risk assessment for the annual audit of SANDAG's financial statements.

Examples of these matters are:

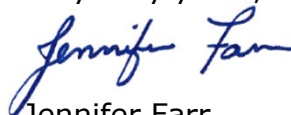
- Known or suspected instances of employee fraud
- Areas in which the internal controls of SANDAG are thought by the Committee to be weak
- Known or suspected misstatements in the accounting records of SANDAG
- Known or suspected use of improper accounting practices by SANDAG
- Any awareness of pressure upon SANDAG or Authority management with respect to achieving certain financial results
- Matters that warrant particular attention during the audit
- Information about unusual transactions or other matters relevant to the audit

Generally, the scope of the audit is limited to *matters involving amounts that would be significant to the financial statements of SANDAG taken as a whole*. If additional time is required to respond to the concerns of the Committee, we will estimate for SANDAG the costs involved.

This information is intended solely for the information and use of the Audit Committee and Management of the San Diego Association of Governments and is not intended to be and should not be used by anyone other than these specified parties.

If any member of the committee has information relevant to our audit (matters involving amounts that would be significant to the financial statements of SANDAG taken as a whole), please contact the undersigned at (949) 783-1740 or JFarr@davisfarr.com.

Very truly yours,

A handwritten signature in blue ink that reads "Jennifer Farr". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Jennifer Farr
Davis Farr LLP

SANDAG Financial Audit Program

Transportation Development Act (TDA) and

State Transit Assistance Fund (STAF)

Financial Statements

Year Ended June 30, 2023

<u>City of Coronado, California</u>	/TDA Article 4 and Article 8 Funds
<u>City of El Cajon, California</u>	/TDA Article 3 and Article 4 Funds
<u>City of Escondido, California</u>	TDA Article 3 Fund
<u>City of La Mesa, California</u>	TDA Article 3 and Article 4 Funds
<u>City of Lemon Grove, California</u>	TDA Article 4 Fund
<u>City of National City, California</u>	TDA Article 3 Fund
<u>City of Poway, California</u>	TDA Article 4 Fund
<u>City of San Diego, California</u>	TDA Article 3 Fund
<u>City of Santee, California</u>	TDA Article 3 and Article 4 Funds
<u>City of Solana Beach, California</u>	TDA Article 3 Fund
<u>SANDAG FACT</u>	TDA Article 4.5 Fund
<u>SANDAG TDA AUP</u>	
<u>County LTF</u>	
<u>County STAF</u>	
<u>MTS STAF</u>	

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2023

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 4 and Article 8 Funds ("TDA Funds") of the City of Coronado, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, and the respective changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated April 18, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplementary Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are 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 25, 2024 on our consideration of the City'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 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.



Irvine, California
March 25, 2024

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Balance Sheets

June 30, 2023

(with Comparative Information for the Prior Year)

	<u>TDA Article 4</u>		<u>TDA Article 8</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets:				
Cash and investments (Note 3)	\$ 104,034	\$ 128,715	\$ 607,832	\$ 522,701
Due from other governments (Note 4)	<u>30,423</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 134,457</u>	<u>\$ 128,715</u>	<u>\$ 607,832</u>	<u>\$ 522,701</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 50,337	\$ 17,173
Unearned revenue (Note 5)	<u>128,715</u>	<u>128,715</u>	<u>534,942</u>	<u>505,528</u>
Total liabilities	<u>128,715</u>	<u>128,715</u>	<u>585,279</u>	<u>522,701</u>
Fund balance (deficit):				
Unassigned	<u>5,742</u>	<u>-</u>	<u>22,553</u>	<u>-</u>
Total fund balance (deficit)	<u>5,742</u>	<u>-</u>	<u>22,553</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 134,457</u>	<u>\$ 128,715</u>	<u>\$ 607,832</u>	<u>\$ 522,701</u>

See notes to financial statements

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 4		TDA Article 8	
	2023	2022	2023	2022
Revenues:				
TDA funds	\$ 30,423	\$ 22,619	\$ 293,852	\$ 202,304
Interest income	<u>5,742</u>	<u>928</u>	<u>22,553</u>	<u>3,771</u>
Total revenues	<u>36,165</u>	<u>23,547</u>	<u>316,405</u>	<u>206,075</u>
Expenditures:				
Construction and development	<u>30,423</u>	<u>23,547</u>	<u>293,852</u>	<u>206,075</u>
Total expenditures	<u>30,423</u>	<u>23,547</u>	<u>293,852</u>	<u>206,075</u>
Change in fund balance	5,742	-	22,553	-
Fund balance (deficit) at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 5,742</u>	<u>\$ -</u>	<u>\$ 22,553</u>	<u>\$ -</u>

See notes to financial statements

CITY OF CORONADO, CALIFORNIA

Transportation Development Act Article 4 and Article 8 Funds

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 4 and Article 8 Funds Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Coronado, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99260 of the California Public Utilities Code, Article 4 monies may be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

Pursuant to Section 99400.7 of the California Public Utilities Code, Article 8 monies may be used to provide commuter ferry service on San Diego Bay for the purpose of serving peak period commute trips for pedestrians and bicycles. The commuter ferry service may be located anywhere on San Diego Bay, but shall be consistent with the regional transportation plan, shall serve employment centers and high-volume activity centers, and may be provided by contract with operators, private entities operating under a franchise or license, or nonprofit corporations organized pursuant to Division 2 (commencing with Section 5000) of Title 1 of the Corporations Code. Funding for this program was authorized by SANDAG.

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 4 and 8 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 4 and 8 are recognized in the period when all eligibility requirements have been met.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(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 Article 4 and Article 8 Fund's cash and investments as of June 30, 2023 and 2022 were \$711,866 and \$651,416, respectively.

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

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Notes to Financial Statements

(Continued)

(3) Cash and Investments (Continued)

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

(4) Due from Other Governments

Due from other governments in the amount of \$30,423 and \$0 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA Article 4 expenditures.

(5) Unearned Revenue

TDA Article 4 and Article 8 monies allocated to the City by MTS for specific capital improvements of trolley and bus facilities and community ferry services are considered earned when they are properly spent for the specific projects authorized. Allocations received but not used are reported as unearned revenue. The balance of unearned revenue as of June 30, 2023 and 2022 was \$663,657 and \$634,243, respectively.

(6) Budgetary Data

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

(7) Restrictions

Funds received pursuant to the California Public Utilities Code §99260 (TDA Article 4) may only be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects.

Funds received pursuant to California Public Utilities Code Section §99400 (TDA Article 8) may only be used for:

- (a) Local streets and roads, and projects, which are provided for use by pedestrians and bicycles;
- (b) Passenger rail service operations and capital improvements;
- (c) Payment to any entity, which is under contract with a county, city, or transit district for public transportation or for transportation services for any group, as determined by the transportation planning agency, requiring special transportation assistance; or

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Notes to Financial Statements

(Continued)

(7) Restrictions (Continued)

(d) Administrative and planning costs with respect to transportation services.

(8) Contingencies

Disclosures related to contingencies, including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplementary Information

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 200,000	\$ 200,000	30,423	\$ (169,577)
Interest income	<u>1,870</u>	<u>1,870</u>	<u>5,742</u>	<u>3,872</u>
Total revenues	<u>201,870</u>	<u>201,870</u>	<u>36,165</u>	<u>(165,705)</u>
Expenditures:				
Construction and development	<u>233,547</u>	<u>233,547</u>	<u>30,423</u>	<u>203,124</u>
Total expenditures	<u>233,547</u>	<u>233,547</u>	<u>30,423</u>	<u>203,124</u>
Change in fund balance	<u>\$ (31,677)</u>	<u>\$ (31,677)</u>	\$ 5,742	<u>\$ 37,419</u>
Fund balance (deficit) at beginning of year			<u>-</u>	
Fund balance (deficit) at end of year			<u>\$ 5,742</u>	

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 235,000	\$ 235,000	22,619	\$ (212,381)
Interest income	<u>1,530</u>	<u>1,530</u>	<u>928</u>	<u>(602)</u>
Total revenues	<u>236,530</u>	<u>236,530</u>	<u>23,547</u>	<u>(212,983)</u>
Expenditures:				
Construction and development	<u>210,000</u>	<u>210,000</u>	<u>23,547</u>	<u>186,453</u>
Total expenditures	<u>210,000</u>	<u>210,000</u>	<u>23,547</u>	<u>186,453</u>
Change in fund balance	<u>\$ 26,530</u>	<u>\$ 26,530</u>	-	<u>\$ (26,530)</u>
Fund balance (deficit) at beginning of year			<u>-</u>	
Fund balance (deficit) at end of year			<u>\$ -</u>	

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 8 Fund**

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

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 200,000	\$ 200,000	293,852	\$ 93,852
Interest income	<u>1,870</u>	<u>1,870</u>	<u>22,553</u>	<u>20,683</u>
Total revenues	<u>201,870</u>	<u>201,870</u>	<u>316,405</u>	<u>114,535</u>
Expenditures:				
Construction and development	<u>233,547</u>	<u>233,547</u>	<u>293,852</u>	<u>(60,305)</u>
Total expenditures	<u>233,547</u>	<u>233,547</u>	<u>293,852</u>	<u>(60,305)</u>
Change in fund balance	<u>\$ (31,677)</u>	<u>\$ (31,677)</u>	\$ 22,553	<u>\$ 54,230</u>
Fund balance (deficit) at beginning of year			<u>-</u>	
Fund balance (deficit) at end of year			<u>\$ 22,553</u>	

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 8 Fund**

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

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 235,000	\$ 235,000	202,304	\$ (32,696)
Interest income	<u>1,530</u>	<u>1,530</u>	<u>3,771</u>	<u>2,241</u>
Total revenues	<u>236,530</u>	<u>236,530</u>	<u>206,075</u>	<u>(30,455)</u>
Expenditures:				
Construction and development	<u>210,000</u>	<u>210,000</u>	<u>206,075</u>	<u>3,925</u>
Total expenditures	<u>210,000</u>	<u>210,000</u>	<u>206,075</u>	<u>3,925</u>
Change in fund balance	<u>\$ 26,530</u>	<u>\$ 26,530</u>	\$ -	<u>\$ (26,530)</u>
Fund balance (deficit) at beginning of year			<u>-</u>	
Fund balance (deficit) at end of year			<u>\$ -</u>	

CITY OF CORONADO, CALIFORNIA

**Transportation Development Act
Article 4 and Article 8 Funds**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	City Adjustments	Project Status at 6/30/23
Article 4:							
	Capital Improvements on Trolley and Bus Facilities	\$ 128,715	\$ -	\$ 5,742	\$ (30,423)	\$ -	\$ 104,034
Article 8:							
16031003	Community Ferry Service	<u>505,528</u>	<u>336,982</u>	<u>22,553</u>	<u>(293,852)</u>	<u>-</u>	<u>571,211</u>
	Totals	<u>\$ 634,243</u>	<u>\$ 336,982</u>	<u>\$ 28,295</u>	<u>\$ (324,275)</u>	<u>\$ -</u>	<u>\$ 675,245</u>

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 4 and Article 8 Funds (TDA Funds) of the City of Coronado, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
March 25, 2024

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2023

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 and Article 4 Funds ("TDA Funds") of the City of El Cajon, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, and the respective changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated April 26, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplementary Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are 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 25, 2024 on our consideration of the City'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 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.



Irvine, California
March 25, 2024

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Balance Sheets

June 30, 2023

(with Comparative Information for the Prior Year)

	<u>TDA Article 3</u>		<u>TDA Article 4</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets:				
Cash and investments (Note 3)	\$ -	\$ -	\$ 502,074	\$ 591,920
Due from other governments (Note 4)	<u>67,740</u>	<u>67,740</u>	<u>83,552</u>	<u>-</u>
Total assets	<u>\$ 67,740</u>	<u>\$ 67,740</u>	<u>\$ 585,626</u>	<u>\$ 591,920</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 7,212	\$ 6,719
Payroll payable	-	-	-	131
Due to City of El Cajon (Note 5)	67,740	67,740	-	-
Unearned revenue (Note 6)	<u>-</u>	<u>-</u>	<u>578,414</u>	<u>585,070</u>
Total liabilities	<u>67,740</u>	<u>67,740</u>	<u>585,626</u>	<u>591,920</u>
Deferred inflows of resources:				
Unavailable revenue (Note 7)	<u>67,740</u>	<u>67,740</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>67,740</u>	<u>67,740</u>	<u>-</u>	<u>-</u>
Fund balance (deficit):				
Unassigned	<u>(67,740)</u>	<u>(67,740)</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit) (Note 8)	<u>(67,740)</u>	<u>(67,740)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 67,740</u>	<u>\$ 67,740</u>	<u>\$ 585,626</u>	<u>\$ 591,920</u>

See notes to financial statements

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3		TDA Article 4	
	2023	2022	2023	2022
Revenues:				
TDA funds	\$ -	\$ 77,358	\$ 71,492	\$ 83,552
Investment income	-	-	8,806	-
Total revenues	-	77,358	80,298	83,552
Expenditures:				
Construction and development	-	106,252	80,298	-
Salaries and Benefits	-	-	-	3,866
Services	-	-	-	79,686
Total expenditures	-	106,252	80,298	83,552
Change in fund balance	-	(28,894)	-	-
Fund balance (deficit) at beginning of year	(67,740)	(38,846)	-	-
Fund balance (deficit) at end of year	<u>\$ (67,740)</u>	<u>\$ (67,740)</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 3 and Article 4 Funds Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of El Cajon, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99234 of the California Public Utilities Code, Article 3 monies may be used only 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 (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include 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 unavailable. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

Pursuant to §99260 of the California Public Utilities Code, Article 4 monies may be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 and 4 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 and 4 are recognized in the period when all eligibility requirements have been met.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(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 Article 4 Fund's cash and investments as of June 30, 2023 and 2022 were \$502,074 and \$591,920, respectively.

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

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(3) Cash and Investments (Continued)

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

(4) Due from Other Governments

Due from other governments in the amount of \$67,740 and \$67,740 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA Article 3 expenditures. Additionally, due from other governments in the amount of \$83,552 and \$0 as of June 30, 2023 and 2022, respectively, represents a receivable from MTS for reimbursement of eligible TDA Article 4 expenditures.

(5) Due to City of El Cajon

Due to The City of El Cajon in the amount of \$67,740 and \$67,740 as of June 30, 2023 and 2022, respectively, represents cash advanced from other funds of the City to pay for eligible TDA 3 expenditures.

(6) Unearned Revenue

TDA Article 4 monies allocated to the City by SANDAG for specific capital improvements of trolley and bus facilities are considered earned when they are properly spent for the specific projects authorized. Allocations received but not used are reported as unearned revenue. The balance of unearned revenue as of June 30, 2023 and 2022 was \$578,414 and \$585,070, respectively.

(7) Unavailable Revenue

Unavailable revenue in the amount of \$67,740 and \$67,740 as of June 30, 2023 and 2022, respectively, for TDA Article 3 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

(8) Deficit Fund Balance

The TDA Article 3 Fund reported a deficit fund balance of \$67,740 and \$67,740 as of June 30, 2023 and 2022, respectively. This deficit fund balance will be cured during the year ending June 30, 2024, with the receipt of TDA 3 funds as reimbursement for eligible expenditures.

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(9) Budgetary Data

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

(10) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety programs. Funds received pursuant to the California Public Utilities Code §99260 (TDA Article 4) may only be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects.

(11) Contingencies

Disclosures related to contingencies, including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplementary Information

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 & 4 Fund**

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

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 80,298</u>	<u>\$ (4,702)</u>
Total revenues	<u>85,000</u>	<u>85,000</u>	<u>80,298</u>	<u>(4,702)</u>
Expenditures:				
Construction and development	<u>117,506</u>	<u>117,506</u>	<u>80,298</u>	<u>37,208</u>
Total expenditures	<u>117,506</u>	<u>117,506</u>	<u>80,298</u>	<u>37,208</u>
Change in fund balance	<u><u>\$ (32,506)</u></u>	<u><u>\$ (32,506)</u></u>	<u>\$ -</u>	<u><u>\$ 32,506</u></u>
Fund balance (deficit) at beginning of year			<u>(67,740)</u>	
Fund balance (deficit) at end of year			<u><u>\$ (67,740)</u></u>	

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 & 4 Fund**

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

Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
TDA funds	<u>\$ 248,421</u>	<u>\$ 248,421</u>	<u>\$ 160,910</u>	<u>\$ (87,511)</u>
Total revenues	<u>248,421</u>	<u>248,421</u>	<u>160,910</u>	<u>(87,511)</u>
Expenditures:				
Construction and development	106,252	106,252	106,252	-
Salaries and Benefits	3,874	3,874	3,866	8
Services	<u>100,750</u>	<u>100,750</u>	<u>79,686</u>	<u>21,064</u>
Total expenditures	<u>210,876</u>	<u>210,876</u>	<u>189,804</u>	<u>21,072</u>
Change in fund balance	<u>\$ 37,545</u>	<u>\$ 37,545</u>	<u>\$ (28,894)</u>	<u>\$ (66,439)</u>
Fund balance (deficit) at beginning of year			<u>(38,846)</u>	
Fund balance (deficit) at end of year			<u>\$ (67,740)</u>	

CITY OF EL CAJON, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/23	Notes
Article 3:							
19011001	Active Transportation Plan	\$ (67,740)	\$ -	\$ -	\$ -	\$ (67,740)	(a)
Article 4:							
PW00000059	Bus Stop Maint & Repair; Intersection (PW3483)	568,308	-	8,806	(1,495)	575,619	
0000014906	Bus Stop Maint & repair	16,762	-	-	(16,762)	-	
978	Bus Stop Maint & repair	-	83,552	-	(83,552)	-	
Totals		<u>\$ 517,330</u>	<u>\$ 83,552</u>	<u>\$ 8,806</u>	<u>\$ (101,809)</u>	<u>\$ 507,879</u>	

Notes

(a) The City has requested the final grant billing which is expected to be received in FY24.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 3 and Article 4 Funds (TDA Funds) of the City of El Cajon, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
March 25, 2024

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of Escondido, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TDA Fund as of June 30, 2023, and the change in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Fund for the year ended June 30, 2022 were audited by other auditors whose report dated December 15, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplemental 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual and Schedule of Status of Fund by Project*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the City'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 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.



Irvine, California
December 20, 2023

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Balance Sheets

**June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Assets:		
Due from other governments (Note 3)	\$ 300,407	\$ 300,407
Total assets	<u>\$ 300,407</u>	<u>\$ 300,407</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Due to City of Escondido (Note 4)	\$ 300,407	\$ 300,407
Total liabilities	<u>300,407</u>	<u>300,407</u>
Deferred inflows of resources:		
Unavailable revenue (Note 5)	<u>300,407</u>	<u>300,407</u>
Total deferred inflows of resources	<u>300,407</u>	<u>300,407</u>
Fund balance (deficit):		
Unassigned	<u>(300,407)</u>	<u>(300,407)</u>
Total fund balance (deficit)	<u>(300,407)</u>	<u>(300,407)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 300,407</u>	<u>\$ 300,407</u>

See notes to financial statements

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Revenues:		
TDA funds	\$ -	\$ -
Total revenues	-	-
Expenditures:		
Construction and development	-	-
Total expenditures	-	-
Change in fund balance	-	-
Fund balance (deficit) at beginning of year	(300,407)	(300,407)
Fund balance (deficit) at end of year	<u>\$ (300,407)</u>	<u>\$ (300,407)</u>

See notes to financial statements

CITY OF ESCONDIDO, CALIFORNIA

Transportation Development Act Article 3 Fund

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 3 Fund Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Fund administered and disbursed by the City of Escondido, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99234 of the California Public Utilities Code, Article 3 monies may be used only 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 (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include 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 unavailable. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Fund is accounted for as Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF ESCONDIDO, CALIFORNIA

Transportation Development Act Article 3 Fund

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 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 Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(3) Due from Other Governments

Due from other governments in the amount of \$300,407 as of June 30, 2023 and 2022, represents a receivable from SANDAG for reimbursement of eligible TDA expenditures.

(4) Due to City of Escondido

Due to City of Escondido in the amount of \$300,407 as of June 30, 2023 and 2022, represents cash advanced from other Fund of the City to pay for eligible TDA expenditures.

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(5) Unavailable Revenue

Unavailable revenue in the amount of \$300,407 as of June 30, 2023 and 2022 for TDA Article 3 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

(6) Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$300,407 as of June 30, 2023 and 2022. This deficit fund balance will be cured with the receipt of TDA funds as reimbursement for eligible expenditure.

(7) 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 year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(8) Restrictions

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

(9) Contingencies

Disclosures related to contingencies including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplemental Information

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Construction and development	-	-	-	-
Total expenditures	-	-	-	-
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund balance (deficit) at beginning of year			<u>(300,407)</u>	
Fund balance (deficit) at end of year			<u>\$ (300,407)</u>	

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Construction and development	-	-	-	-
Total expenditures	-	-	-	-
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund balance (deficit) at beginning of year			<u>(300,407)</u>	
Fund balance (deficit) at end of year			<u>\$ (300,407)</u>	

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/23	Notes
16011005	El Norte Pedestrian Signal	\$ (300,407)	\$ -	\$ -	\$ -	\$ (300,407)	(a)
	Totals	\$ (300,407)	\$ -	\$ -	\$ -	\$ (300,407)	

Notes

- (a) The deficit project status will be cured during the year ending June 30, 2024, with the receipt of TDA funds as reimbursement for eligible expenditures.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 3 (TDA Fund) of the City of Escondido, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
December 20, 2023

CITY OF LA MESA, CALIFORNIA
Transportation Development Act
Article 3 and Article 4 Funds
Financial Statements
For the Fiscal Year Ended June 30, 2023

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 and Article 4 Funds ("TDA Funds") of the City of La Mesa, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, and the respective changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated March 24, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are 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 25, 2024 on our consideration of the City'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 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.



Irvine, California
March 25, 2024

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Balance Sheets

June 30, 2023

(with Comparative Information for the Prior Year)

	TDA Article 3		TDA Article 4	
	2023	2022	2023	2022
Assets:				
Cash and investments (Note 3)	\$ -	\$ -	\$ 6,020	\$ 7,196
Interest receivable	-	-	11	11
Due from other governments (Note 4)	-	27,004	21,267	-
	<u>-</u>	<u>27,004</u>	<u>21,267</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 27,004</u>	<u>\$ 27,298</u>	<u>\$ 7,207</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Due to City of La Mesa (Note 5)	\$ -	\$ 27,004	\$ 21,267	\$ -
Unearned revenue (Note 6)	-	-	6,691	7,207
	<u>-</u>	<u>-</u>	<u>6,691</u>	<u>7,207</u>
Total liabilities	<u>-</u>	<u>27,004</u>	<u>27,958</u>	<u>7,207</u>
Deferred inflows of resources:				
Unavailable revenue (Note 7)	-	27,004	21,267	-
	<u>-</u>	<u>27,004</u>	<u>21,267</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>27,004</u>	<u>21,267</u>	<u>-</u>
Fund balance (deficit):				
Unassigned	-	(27,004)	(21,927)	-
	<u>-</u>	<u>(27,004)</u>	<u>(21,927)</u>	<u>-</u>
Total fund balance (deficit) (Note 8)	<u>-</u>	<u>(27,004)</u>	<u>(21,927)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ 27,004</u>	<u>\$ 27,298</u>	<u>\$ 7,207</u>

See notes to financial statements

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3		TDA Article 4	
	2023	2022	2023	2022
Revenues:				
TDA funds	\$ 27,004	\$ 523,251	\$ -	\$ -
Interest income (loss)	<u>-</u>	<u>-</u>	<u>(660)</u>	<u>-</u>
Total revenues	<u>27,004</u>	<u>523,251</u>	<u>(660)</u>	<u>-</u>
Expenditures:				
Construction and development	<u>-</u>	<u>171,263</u>	<u>21,267</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>171,263</u>	<u>21,267</u>	<u>-</u>
Change in fund balance	27,004	351,988	(21,927)	-
Fund balance (deficit) at beginning of year	<u>(27,004)</u>	<u>(378,992)</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ -</u></u>	<u><u>\$ (27,004)</u></u>	<u><u>\$ (21,927)</u></u>	<u><u>\$ -</u></u>

See notes to financial statements

CITY OF LA MESA, CALIFORNIA

Transportation Development Act Article 3 and Article 4 Funds

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 3 and Article 4 Funds Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Santee, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99234 of the California Public Utilities Code, Article 3 monies may be used only 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 (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include 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 unavailable. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

Pursuant to §99260 of the California Public Utilities Code, Article 4 monies may be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF LA MESA, CALIFORNIA

Transportation Development Act Article 3 and Article 4 Funds

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 and 4 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 and 4 are recognized in the period when all eligibility requirements have been met.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(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 Article 3 and Article 4 Fund's cash and investments as of June 30, 2023 and 2022 were \$6,020 and \$7,196, respectively.

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

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(3) Cash and Investments (Continued)

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

(4) Due from Other Governments

Due from other governments in the amount of \$0 and \$27,004 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA Article 3 expenditures. Additionally, due from other governments in the amount of \$21,267 and \$0 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA Article 4 expenditures.

(5) Due to City of La Mesa

Due to the City of La Mesa in the amount of \$0 and \$27,004 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA Article 3 expenditures. Additionally, due to the City of La Mesa in the amount of \$21,267 and \$0 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA Article 4 expenditures.

(6) Unearned Revenue

TDA Article 4 monies allocated to the City by SANDAG for specific capital improvements of trolley and bus facilities are considered earned when they are properly spent for the specific projects authorized. Allocations and any interest received but not used are reported as unearned revenue. The balance of unearned revenue as of June 30, 2023 and 2022 was \$6,691 and \$7,207, respectively.

(7) Unavailable Revenue

Unavailable revenue in the amount of \$0 and \$27,004 as of June 30, 2023 and 2022, respectively, for TDA Article 3 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period. Additionally, Unavailable revenue in the amount of \$21,267 and \$0 as of June 30, 2023 and 2022, respectively, for TDA Article 4 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

(8) Deficit Fund Balance

The TDA 3 Fund reported a deficit fund balance of \$0 and \$27,004 as of June 30, 2023 and 2022, respectively. This deficit fund balance was cured during the year ending June 30, 2023, with the receipt of TDA 3 funds as reimbursement for eligible expenditures.

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(8) Deficit Fund Balance (Continued)

Additionally, The TDA 4 Fund reported a deficit fund balance of \$21,927 and \$0 as of June 30, 2023 and 2022, respectively. This deficit fund balance will be cured during the year ending June 30, 2024, with the receipt of TDA 4 funds as reimbursement for eligible expenditures.

(9) Budgetary Data

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

(10) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety programs. Funds received pursuant to the California Public Utilities Code §99260 (TDA Article 4) may only be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects.

(11) Contingencies

Disclosures related to contingencies, including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplementary Information

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 & 4 Funds**

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

For the Fiscal Year Ended June 30, 2023

	Budget			Variance From Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
TDA funds	\$ 21,267	\$ 21,267	\$ 27,004	\$ 5,737
Interest income (loss)	-	-	(660)	(660)
Total revenues	<u>21,267</u>	<u>21,267</u>	<u>26,344</u>	<u>5,077</u>
Expenditures:				
Construction and development	<u>21,267</u>	<u>21,267</u>	<u>21,267</u>	-
Total expenditures	<u>21,267</u>	<u>21,267</u>	<u>21,267</u>	-
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	5,077	<u>\$ 5,077</u>
Fund balance (deficit) at beginning of year			<u>(27,004)</u>	
Fund balance (deficit) at end of year			<u>\$ (21,927)</u>	

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 & 4 Funds**

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

For the Fiscal Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
TDA funds	<u>\$ 479,445</u>	<u>\$ 479,445</u>	<u>\$ 523,251</u>	<u>\$ 43,806</u>
Total revenues	<u>479,445</u>	<u>479,445</u>	<u>523,251</u>	<u>43,806</u>
Expenditures:				
Construction and development	<u>96,720</u>	<u>96,720</u>	<u>171,263</u>	<u>(74,543)</u>
Total expenditures	<u>96,720</u>	<u>96,720</u>	<u>171,263</u>	<u>(74,543)</u>
Change in fund balance	<u>\$ 382,725</u>	<u>\$ 382,725</u>	351,988	<u>\$ (30,737)</u>
Fund balance (deficit) at beginning of year			<u>(378,992)</u>	
Fund balance (deficit) at end of year			<u>\$ (27,004)</u>	

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	City Adjustments	Project Status at 6/30/23	Notes
Article 3:								
19011003	University Avenue Corridor	\$ -	\$ 427,255	\$ -	\$ -	\$ (427,255)	\$ -	(a)
19011004	Massachusetts Ave. & Blackton Dr.	(27,004)	27,004	-	-	-	-	
Article 4:								
	MTS Spring Street Maintenance - Tree Trimming	-	-	-	(6,040)	-	(6,040)	(b)
	MTS Related Traffic Signal Maintenance	-	-	(660)	(12,409)	-	(13,069)	(b)
	MTS Plan Review Fees - Grossmont Bridge	-	-	-	(2,818)	-	(2,818)	(b)
	Totals	\$ (27,004)	\$ 454,259	\$ (660)	\$ (21,267)	\$ (427,255)	\$ (21,927)	

Notes

- (a) Adjustments are for funds incorrectly recorded as being received in FY2022 when they were received in FY2023.
- (b) The deficit balance will be cured during the year ending June 30, 2024 with the receipt of TDA funds as reimbursement for eligible expenditures.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 3 and Article 4 Funds (TDA Funds) of the City of La Mesa, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

(1) Material Misstatements Detected in Financial Statements

As a result of our audit procedures, we detected material misstatements in the financial statements. We recorded adjusting journal entries to correct beginning fund balance, revenues, expenses, and receivables. We recommend the City carefully review expenses to ensure they are recorded in the period incurred. We also recommend the City maintain a complete self-balancing set of records for the TDA activities for purposes of ensuring the assets and liabilities are correctly recorded.

Management's Response to Finding

City staff involved with the administration of TDA will be incorporating a collective administration of reconciling revenue and expenditures and will meet with the City on a frequent basis to ensure we collectively review and are in line and agreement in the recordation of fiscal revenue, expenditures, and ending balances resulting in accurately prepared schedules. In addition, the City is in the process of implementing a new and robust ERP system that will be replacing the current antiquated platform that will certainly aid in providing additional reporting resources and best practice recordation in the future.

Report on Compliance and Other Matters

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

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 engagement and described in the accompanying financial statements. The City's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Irvine, California
March 25, 2024

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 4 Fund ("TDA Fund") of the City of Lemon Grove, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TDA Fund as of June 30, 2023, and the changes in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated December 15, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

Required Supplemental 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the City'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 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.



Irvine, California
December 20, 2023

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Balance Sheets

**June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 4	
	2023	2022
Assets:		
Due from other governments (Note 3)	\$ 57,250	\$ 99,499
Total assets	<u>\$ 57,250</u>	<u>\$ 99,499</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Due to City of Lemon Grove (Note 4)	\$ 56,040	\$ 90,715
Accounts payable	<u>1,210</u>	<u>8,784</u>
Total liabilities	<u>57,250</u>	<u>99,499</u>
Deferred inflows of resources:		
Unavailable revenue (Note 5)	<u>57,250</u>	<u>99,499</u>
Total deferred inflows of resources	<u>57,250</u>	<u>99,499</u>
Fund balance (deficit):		
Unassigned	<u>(57,250)</u>	<u>(99,499)</u>
Total fund balance (deficit) (Note 6)	<u>(57,250)</u>	<u>(99,499)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 57,250</u>	<u>\$ 99,499</u>

See notes to financial statements

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 4	
	2023	2022
Revenues:		
TDA funds	\$ 95,085	\$ 109,768
Total revenues	95,085	109,768
Expenditures:		
Construction and development	52,836	95,020
Total expenditures	52,836	95,020
Change in fund balance	42,249	14,748
Fund balance (deficit) at beginning of year	(99,499)	(114,247)
Fund balance (deficit) at end of year	\$ (57,250)	\$ (99,499)

See notes to financial statements

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 4 Fund Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Lemon Grove, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99260 of the California Public Utilities Code, Article 4 monies may be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 4 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 4 are recognized in the period when all eligibility requirements have been met.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(3) Due from Other Governments

Due from other governments in the amount of \$57,250 and \$99,499 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA expenditures.

(4) Due to City of Lemon Grove

Due to City of Lemon Grove in the amount of \$56,040 and \$90,715 as of June 30, 2023 and 2022, respectively, represents cash advanced from other funds of the City to pay for eligible TDA expenditures.

(5) Unavailable Revenue

Unavailable revenue in the amount of \$57,250 and \$99,499 as of June 30, 2023 and 2022, respectively, for TDA Article 4 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(6) Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$57,250 and \$99,499 as of June 30, 2023 and 2022, respectively. This deficit fund balance will be cured during the year ending June 30, 2024, with the receipt of TDA funds as reimbursement for eligible expenditure.

(7) 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 year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(8) Restrictions

Funds received pursuant to the California Public Utilities Code §99260 (TDA Article 4) may only be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects.

(9) Contingencies

Disclosures related to contingencies including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplemental Information

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 121,170</u>	<u>\$ 121,170</u>	<u>\$ 95,085</u>	<u>\$ (26,085)</u>
Total revenues	<u>121,170</u>	<u>121,170</u>	<u>95,085</u>	<u>(26,085)</u>
Expenditures:				
Construction and development	<u>121,170</u>	<u>121,170</u>	<u>52,836</u>	<u>68,334</u>
Total expenditures	<u>121,170</u>	<u>121,170</u>	<u>52,836</u>	<u>68,334</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,249</u>	<u>\$ 42,249</u>
Fund balance (deficit) at beginning of year			<u>(99,499)</u>	
Fund balance (deficit) at end of year			<u>\$ (57,250)</u>	

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 39,165	\$ 39,165	\$ 109,768	\$ 70,603
Interest	200	200	-	(200)
Total revenues	<u>39,365</u>	<u>39,365</u>	<u>109,768</u>	<u>70,403</u>
Expenditures:				
Construction and development	<u>121,371</u>	<u>121,371</u>	<u>95,020</u>	<u>26,351</u>
Total expenditures	<u>121,371</u>	<u>121,371</u>	<u>95,020</u>	<u>26,351</u>
Change in fund balance	<u>\$ (82,006)</u>	<u>\$ (82,006)</u>	\$ 14,748	<u>\$ 44,052</u>
Fund balance (deficit) at beginning of year			<u>(114,247)</u>	
Fund balance (deficit) at end of year			<u>\$ (99,499)</u>	

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/23	Notes
6260	Trolley Corridor Maintenance - Bus Shelters	\$ (69,654)	\$ 66,830	\$ -	\$ (14,794)	\$ (17,618)	(a)
6530	Trolley Corridor Landscape Maintenance	(29,845)	28,255	-	(38,042)	(39,632)	(a)
Totals		\$ (99,499)	\$ 95,085	\$ -	\$ (52,836)	\$ (57,250)	

Notes

- (a) The deficit project status will be cured during the year ending June 30, 2024, with the receipt of TDA funds as reimbursement for eligible expenditures.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 4 Funds (TDA Funds) of the City of Lemon Grove, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 20, 2023

CITY OF NATIONAL CITY, CALIFORNIA
Transportation Development Act
Article 3 Fund
Financial Statements
For the Fiscal Year Ended June 30, 2023

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of National City, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America. Additionally, the financial statements for the fiscal year ended June 30, 2023 reflect a certain prior period adjustment as described further in note 7 to the financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant

to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated March 22, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived with the exception of the prior period adjustment as described further in note 7 to the financial statements.

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplementary Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are 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 25, 2024 on our consideration of the City'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 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.



Irvine, California
March 25, 2024

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Balance Sheet

**June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Assets:		
Due from other governments (Note 3)	\$ -	342,352
Total assets	<u>\$ -</u>	<u>\$ 342,352</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Due to City of National City (Note 4)	\$ -	\$ 342,352
Total liabilities	<u>-</u>	<u>342,352</u>
Deferred inflows of resources:		
Unavailable revenue (Note 5)	<u>-</u>	<u>340,338</u>
Total deferred inflows of resources	<u>-</u>	<u>340,338</u>
Fund balance (deficit):		
Unassigned	<u>-</u>	<u>(340,338)</u>
Total fund balance (deficit) (Note 6)	<u>-</u>	<u>(340,338)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ 342,352</u>

See notes to financial statements

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Revenues:		
TDA funds	\$ 340,336	\$ -
Total revenues	340,336	-
Expenditures:		
Construction and development	21,407	334,369
Total expenditures	21,407	334,369
Change in fund balance	318,929	(334,369)
Fund balance (deficit) at beginning of year, as restated (Note 7)	(318,929)	(5,969)
Fund balance (deficit) at end of year	\$ -	\$ (340,338)

See notes to financial statements

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 3 Fund Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of National City, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99234 of the California Public Utilities Code, Article 3 monies may be used only 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 (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include 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 unavailable. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 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 Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(3) Due from Other Governments

Due from other governments in the amount of \$0 and \$342,352 as of June 30, 2023 and 2022, respectively, represent receivables from SANDAG for reimbursement of eligible TDA expenditures.

(4) Due to City of National City

Due to City of National City in the amount of \$0 and \$342,352 as of June 30, 2023 and 2022, respectively, represents cash advanced from other funds of the City to pay for eligible TDA expenditures.

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(5) Unavailable Revenue

Unavailable revenue in the amount of \$0 and \$340,338 as of June 30, 2023 and 2022, respectively, for TDA Article 3 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

(6) Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$0 and \$340,338 as of June 30, 2023 and 2022. This deficit fund balance was cured during the year ending June 30, 2023, with the receipt of TDA funds as reimbursement for eligible expenditures.

(7) Prior Period Adjustment

The financial statements include a correction to the year ended June 30, 2022 fund balance as follows:

Fund Balance (deficit) at June 30, 2022, as previously reported	\$(340,338)
Revenues received in Fiscal Years 2021 and 2020 not previously reported	<u>21,409</u>
Fund Balance (deficit) at June 30, 2022, as restated	<u>\$(318,929)</u>

(8) 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 year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(9) Restrictions

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

(10) Contingencies

Disclosures related to contingencies including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplementary Information

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

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

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ 340,336	\$ 340,336
Total revenues	-	-	340,336	340,336
Expenditures:				
Construction and development	316,625	316,625	21,407	295,218
Total expenditures	316,625	316,625	21,407	295,218
Change in fund balance	<u>\$ (316,625)</u>	<u>\$ (316,625)</u>	\$ 318,929	<u>\$ 635,554</u>
Fund balance (deficit) at beginning of year, as restated			<u>(318,929)</u>	
Fund balance (deficit) at end of year			<u>\$ -</u>	

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

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

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 277,836</u>	<u>\$ 277,836</u>	<u>-</u>	<u>\$ (277,836)</u>
Total revenues	<u>277,836</u>	<u>277,836</u>	<u>-</u>	<u>(277,836)</u>
Expenditures:				
Construction and development	<u>334,367</u>	<u>334,367</u>	<u>334,369</u>	<u>(2)</u>
Total expenditures	<u>334,367</u>	<u>334,367</u>	<u>334,369</u>	<u>(2)</u>
Change in fund balance	<u>\$ (56,531)</u>	<u>\$ (56,531)</u>	<u>\$ (334,369)</u>	<u>\$ (277,838)</u>
Fund balance (deficit) at beginning of year			<u>(5,969)</u>	
Fund balance (deficit) at end of year			<u><u>\$ (340,338)</u></u>	

CITY OF NATIONAL CITY, CALIFORNIA

**Transportation Development Act
Article 3 Funds**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/23	Notes
19011006	National City Blvd. Intercity Bike Connections	\$ (318,929)	\$ 340,336	\$ -	\$ (21,407)	\$ -	(a)
	Totals	\$ (318,929)	\$ 340,336	\$ -	\$ (21,407)	\$ -	

Notes

- (a) The Project Status at June 30, 2022 has been restated to reflect the prior period adjustment described in footnote 7 of the Notes to Financial Statements.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of National City, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weaknesses.

(1) Material Misstatements Detected in Financial Statements

As a result of our audit procedures, we detected material misstatements in the financial statements. We recorded adjusting journal entries to correct beginning fund balance, expenses, and revenues previously collected. We recommend the City carefully review expenses to ensure they are recorded in the period incurred. We also recommend the City maintain a complete self-balancing set of records for the TDA activities for purposes of ensuring the assets and liabilities are correctly recorded.

Management's Respond to Finding

City staff involved with the administration of TDA will be incorporating a collective administration of reconciling revenue and expenditures and will meet with the on a frequent basis to ensure we collectively review and are in line and agreement in the recordation of fiscal revenue, expenditures, and ending balances resulting in accurately prepared schedules. In addition, the City is in the process of implementing a new and robust ERP system that will be replacing the current antiquated platform that will certainly aid in providing additional reporting resources and best practice recordation in the future.

Report on Compliance and Other Matters

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

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 engagement and described in the accompanying financial statements. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Irvine, California
March 25, 2024

CITY OF POWAY, CALIFORNIA
Transportation Development Act
Article 4 Fund
Financial Statements
For the Fiscal Year Ended June 30, 2023

CITY OF POWAY CALIFORNIA

Transportation Development Act
Article 4 Fund

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 4 Fund ("TDA Fund") of the City of Poway, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TDA Fund as of June 30, 2023, and the changes in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated December 15, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedules of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplementary Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are 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 25, 2024 on our consideration of the City'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 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.



Irvine, California
March 25, 2024

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Balance Sheets

**June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 4	
	2023	2022
Assets:		
Cash and investments (Note 3)	\$ 364,536	\$ 364,182
Due from other governments (Note 4)	<u>30,194</u>	<u>-</u>
Total assets	<u>\$ 394,730</u>	<u>\$ 364,182</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Accounts payable	\$ 8,543	\$ -
Unearned revenue (Note 5)	<u>355,993</u>	<u>364,182</u>
Total liabilities	<u>364,536</u>	<u>364,182</u>
Deferred inflows of resources:		
Unavailable revenue (Note 6)	<u>30,194</u>	<u>-</u>
Total deferred inflows of resources	<u>30,194</u>	<u>-</u>
Fund balance:		
Unassigned	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 394,730</u>	<u>\$ 364,182</u>

See notes to financial statements

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 4	
	2023	2022
Revenues:		
TDA funds	\$ 36,191	\$ 36,075
Miscellaneous revenue	8,731	-
Investment income	<u>3,624</u>	<u>-</u>
Total revenues	<u>48,546</u>	<u>36,075</u>
Expenditures:		
Salaries and benefits	4,123	3,744
Construction and development	<u>44,423</u>	<u>32,331</u>
Total expenditures	<u>48,546</u>	<u>36,075</u>
Change in fund balance	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 4 Fund Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Poway, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99260 of the California Public Utilities Code, Article 4 monies may be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 4 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 4 are recognized in the period when all eligibility requirements have been met.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Balance

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(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 Article 4 Fund's cash and investments as of June 30, 2023 and 2022, respectively, was \$364,536 and \$364,182.

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 Program are those of the City and are included in the City's basic financial statements.

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(3) Cash and Investments (Continued)

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

(4) Due from Other Governments

Due from other governments in the amount of \$30,194 and \$0 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA expenditures.

(5) Unearned Revenue

TDA Article 4 monies allocated to the City by SANDAG for specific capital improvements of trolley and bus facilities are considered earned when they are properly spent for the specific projects authorized. Allocations received but not used are reported as unearned revenue. The balance of unearned revenue as of June 30, 2023 and 2022, was \$355,993 and \$364,182, respectively.

(6) Unavailable Revenue

Unavailable revenue in the amount of \$30,194 and \$0 as of June 30, 2023 and 2022, respectively, for TDA Article 4 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

(7) 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 year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(8) Restrictions

Funds received pursuant to the California Public Utilities Code §99260 (TDA Article 4) may only be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects.

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(9) Contingencies

Disclosures related to contingencies including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplementary Information

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ 36,191	\$ 36,191
Miscellaneous revenue	-	-	8,731	8,731
Interest income	<u>5,150</u>	<u>5,150</u>	<u>3,624</u>	<u>(1,526)</u>
Total revenues	<u>5,150</u>	<u>5,150</u>	<u>48,546</u>	<u>43,396</u>
Expenditures:				
Salaries and benefits	4,000	4,000	4,123	(123)
Construction and development	<u>-</u>	<u>265,960</u>	<u>44,423</u>	<u>221,537</u>
Total expenditures	<u>4,000</u>	<u>269,960</u>	<u>48,546</u>	<u>221,414</u>
Change in fund balance	<u>\$ 1,150</u>	<u>\$ (264,810)</u>	-	<u>\$ 264,810</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ 36,075	\$ 36,075
Interest income	<u>7,860</u>	<u>7,860</u>	<u>-</u>	<u>(7,860)</u>
Total revenues	<u>7,860</u>	<u>7,860</u>	<u>36,075</u>	<u>28,215</u>
Expenditures:				
Salaries and benefits	-	-	3,744	(3,744)
Construction and development	<u>-</u>	<u>298,292</u>	<u>32,331</u>	<u>265,961</u>
Total expenditures	<u>-</u>	<u>298,292</u>	<u>36,075</u>	<u>262,217</u>
Change in fund balance	<u>\$ 7,860</u>	<u>\$ (290,432)</u>	-	<u>\$ 290,432</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	City Adjustments	Project Status at 6/30/23
MNT0018	Bus Stop Improvements	\$ 313,399	\$ 36,733	\$ 3,624	\$ (48,546)	\$ -	\$ 305,210
MSC0008	Bus Shelter Construction	50,783	-	-	-	-	50,783
	Totals	<u>\$ 364,182</u>	<u>\$ 36,733</u>	<u>\$ 3,624</u>	<u>\$ (48,546)</u>	<u>\$ -</u>	<u>\$ 355,993</u>

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 4 Fund (TDA Fund) of the City of Poway, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
March 25, 2024

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of San Diego, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TDA Funds as of June 30, 2023, and the change in 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. 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 of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated April 7, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplemental 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the City'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 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.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 20, 2023

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Balance Sheets

**June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Assets:		
Due from other governments (Note 3)	\$ -	\$ 97,533
Total assets	<u>\$ -</u>	<u>\$ 97,533</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Due to City of San Diego (Note 4)	\$ -	\$ 97,533
Total liabilities	<u>-</u>	<u>97,533</u>
Deferred inflows of resources:		
Unavailable revenue (Note 5)	<u>-</u>	<u>97,533</u>
Total deferred inflows of resources	<u>-</u>	<u>97,533</u>
Fund balance (deficit):		
Unassigned (Note 6)	<u>-</u>	<u>(97,533)</u>
Total fund balance (deficit)	<u>-</u>	<u>(97,533)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ 97,533</u>

See notes to financial statements

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Revenues:		
TDA funds	\$ 97,534	\$ 151,010
Total revenues	97,534	151,010
Expenditures:		
Construction and development	1	191,636
Total expenditures	1	191,636
Change in fund balance	97,533	(40,626)
Fund balance (deficit) at beginning of year	(97,533)	(56,907)
Fund balance (deficit) at end of year	\$ -	\$ (97,533)

See notes to financial statements

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 3 Fund Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of San Diego, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99234 of the California Public Utilities Code, Article 3 monies may be used only 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 (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include 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 unavailable. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF SAN DIEGO, CALIFORNIA

Transportation Development Act Article 3 Fund

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 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 Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(3) Due from Other Governments

Due from other governments in the amount of \$0 and \$97,533 as of June 30, 2023 and 2022, respectively, represents a receivable from SANDAG for reimbursement of eligible TDA expenditures.

(4) Due to City of San Diego

Due from other governments in the amount of \$0 and \$97,533 as of June 30, 2023 and 2022, respectively, represents cash advanced from other funds of the City to pay for eligible TDA expenditures.

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(5) Unavailable Revenue

Unavailable revenue in the amount of \$0 and \$97,533 as of June 30, 2023 and 2022, respectively for TDA Article 3 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

(6) Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$0 and \$97,533 as of June 30, 2023 and 2022, respectively. This deficit fund balance was cured during the year ending June 30, 2023, with the receipt of TDA funds as reimbursement for eligible expenditure.

(7) 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 year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(8) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety programs. Funds received pursuant to the California Public Utilities Code §99260.

(9) Contingencies

Disclosures related to contingencies, including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplemental Information

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 206,333</u>	<u>\$ 97,534</u>	<u>\$ 97,534</u>	<u>\$ -</u>
Total revenues	<u>206,333</u>	<u>97,534</u>	<u>97,534</u>	<u>-</u>
Expenditures:				
Construction and development	<u>108,800</u>	<u>1</u>	<u>1</u>	<u>-</u>
Total expenditures	<u>108,800</u>	<u>1</u>	<u>1</u>	<u>-</u>
Change in fund balance	<u>\$ 97,533</u>	<u>\$ 97,533</u>	<u>\$ 97,533</u>	<u>\$ -</u>
Fund balance (deficit) at beginning of year			<u>(97,533)</u>	
Fund balance (deficit) at end of year			<u>\$ -</u>	

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 357,343</u>	<u>\$ 357,343</u>	<u>\$ 151,010</u>	<u>\$ (206,333)</u>
Total revenues	<u>357,343</u>	<u>357,343</u>	<u>151,010</u>	<u>(206,333)</u>
Expenditures:				
Construction and development	<u>300,436</u>	<u>300,436</u>	<u>191,636</u>	<u>108,800</u>
Total expenditures	<u>300,436</u>	<u>300,436</u>	<u>191,636</u>	<u>108,800</u>
Change in fund balance	<u>\$ 56,907</u>	<u>\$ 56,907</u>	<u>\$ (40,626)</u>	<u>\$ (97,533)</u>
Fund balance (deficit) at beginning of year			<u>(56,907)</u>	
Fund balance (deficit) at end of year			<u>\$ (97,533)</u>	

CITY OF SAN DIEGO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/23	Notes
19011008	TDA-Streamview Dr. Phase 2	<u>\$ (97,533)</u>	<u>\$ 97,534</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	(a)

Notes:

(a) Adjustment is for rounding of funds to close out the project.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of San Diego, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 20, 2023

CITY OF SANTEE, CALIFORNIA
Transportation Development Act
Article 3 and Article 4 Funds
Financial Statements
For the Fiscal Year Ended June 30, 2023

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 and Article 4 Funds ("TDA Funds") of the City of Santee, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

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

Basis for Opinions

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

Emphasis of Matter

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated March 22, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

Required Supplemental 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the City'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 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.

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
December 20, 2023

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Balance Sheets

**June 30, 2023
(with Comparative Information for the Prior Year)**

	<u>TDA Article 3</u>		<u>TDA Article 4</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets:				
Cash and investments (Note 3)	\$ -	\$ -	\$ 5,010	\$ 4,947
Due from other governments (Note 4)	12,701	10,397	-	-
Interest receivable	<u>-</u>	<u>-</u>	<u>32</u>	<u>11</u>
Total assets	<u>\$ 12,701</u>	<u>\$ 10,397</u>	<u>\$ 5,042</u>	<u>\$ 4,958</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Due to City of Santee (Note 5)	\$ 12,701	\$ 10,397	\$ -	\$ -
Unearned revenue (Note 6)	<u>-</u>	<u>-</u>	<u>4,167</u>	<u>4,083</u>
Total liabilities	<u>12,701</u>	<u>10,397</u>	<u>4,167</u>	<u>4,083</u>
Deferred inflows of resources:				
Unavailable revenue (Note 7)	<u>12,701</u>	<u>10,397</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>12,701</u>	<u>10,397</u>	<u>-</u>	<u>-</u>
Fund balance (deficit):				
Restricted	-	-	875	875
Unassigned	<u>(12,701)</u>	<u>(10,397)</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit) (Note 8)	<u>(12,701)</u>	<u>(10,397)</u>	<u>875</u>	<u>875</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 12,701</u>	<u>\$ 10,397</u>	<u>\$ 5,042</u>	<u>\$ 4,958</u>

See notes to financial statements

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3		TDA Article 4	
	2023	2022	2023	2022
Revenues:				
TDA funds	\$ 5,788	\$ 2,230	\$ -	\$ -
Total revenues	<u>5,788</u>	<u>2,230</u>	<u>-</u>	<u>-</u>
Expenditures:				
Construction and development	<u>8,092</u>	<u>2,905</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>8,092</u>	<u>2,905</u>	<u>-</u>	<u>-</u>
Change in fund balance	(2,304)	(675)	-	-
Fund balance (deficit) at beginning of year	<u>(10,397)</u>	<u>(9,722)</u>	<u>875</u>	<u>875</u>
Fund balance (deficit) at end of year	<u>\$ (12,701)</u>	<u>\$ (10,397)</u>	<u>\$ 875</u>	<u>\$ 875</u>

See notes to financial statements

CITY OF SANTEE, CALIFORNIA

Transportation Development Act Article 3 and Article 4 Funds

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 3 and Article 4 Funds Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Santee, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99234 of the California Public Utilities Code, Article 3 monies may be used only 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 (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include 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 unavailable. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

Pursuant to §99260 of the California Public Utilities Code, Article 4 monies may be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Funds are accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 and 4 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 and 4 are recognized in the period when all eligibility requirements have been met.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until that time. The TDA Fund currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The TDA Fund has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, and is reported as unavailable revenue. The unavailable revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Fund Equity

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

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes the remaining spendable amounts which are not included in one of the other classifications, plus any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Prior Year Data

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

(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 Article 4 Fund's cash and investments as of June 30, 2023 and 2022 were \$5,010 and \$4,947, respectively.

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

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(3) Cash and Investments (Continued)

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

(4) Due from Other Governments

Due from other governments in the amount of \$12,701 and \$10,397 as of June 30, 2023 and 2022, respectively, for TDA Article 3 represent receivables from SANDAG for reimbursement of eligible TDA expenditures.

(5) Due to City of Santee

Due to City of Santee in the amount of \$12,701 and \$10,397 as of June 30, 2023 and 2022, respectively, represents cash advanced from other funds of the City to pay for eligible TDA 3 expenditures.

(6) Unearned Revenue

TDA Article 4 monies allocated to the City by SANDAG for specific capital improvements of trolley and bus facilities are considered earned when they are properly spent for the specific projects authorized. Allocations received but not used are reported as unearned revenue. The balance of unearned revenue as of June 30, 2023 and 2022 was \$4,167 and \$4,083, respectively.

(7) Unavailable Revenue

Unavailable revenue in the amount of \$12,701 and \$10,397 as of June 30, 2023 and 2022, respectively, for TDA Article 3 represents a receivable from SANDAG for eligible TDA expenditures which were not received within the City's availability period.

(8) Deficit Fund Balance

The TDA 3 Fund reported a deficit fund balance of \$12,701 and \$10,397 as of June 30, 2023 and 2022, respectively. This deficit fund balance will be cured during the year ending June 30, 2024, with the receipt of TDA 3 funds as reimbursement for eligible expenditures.

(9) Budgetary Data

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

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Notes to Financial Statements

(Continued)

(10) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety programs. Funds received pursuant to the California Public Utilities Code §99260 (TDA Article 4) may only be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects.

(11) Contingencies

Disclosures related to contingencies including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplemental Information

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2023

	Budget			Variance From Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
TDA funds	\$ 225,661	\$ 225,661	\$ 5,788	\$ (219,873)
Total revenues	<u>225,661</u>	<u>225,661</u>	<u>5,788</u>	<u>(219,873)</u>
Expenditures:				
Construction and development	<u>214,805</u>	<u>214,805</u>	<u>8,092</u>	<u>206,713</u>
Total expenditures	<u>214,805</u>	<u>214,805</u>	<u>8,092</u>	<u>206,713</u>
Change in fund balance	<u>\$ 10,856</u>	<u>\$ 10,856</u>	\$ (2,304)	<u>\$ (13,160)</u>
Fund balance (deficit) at beginning of year			<u>(10,397)</u>	
Fund balance (deficit) at end of year			<u>\$ (12,701)</u>	

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 4,240	\$ 4,240	\$ -	\$ (4,240)
Total revenues	4,240	4,240	-	(4,240)
Expenditures:				
Construction and development	4,240	4,240	-	4,240
Total expenditures	4,240	4,240	-	4,240
Change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance (deficit) at beginning of year			875	
Fund balance (deficit) at end of year			\$ 875	

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 227,891</u>	<u>\$ 227,891</u>	<u>\$ 2,230</u>	<u>\$ (225,661)</u>
Total revenues	<u>227,891</u>	<u>227,891</u>	<u>2,230</u>	<u>(225,661)</u>
Expenditures:				
Construction and development	<u>227,891</u>	<u>227,891</u>	<u>2,905</u>	<u>224,986</u>
Total expenditures	<u>227,891</u>	<u>227,891</u>	<u>2,905</u>	<u>224,986</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (675)</u>	<u>\$ (675)</u>
Fund balance (deficit) at beginning of year			<u>(9,722)</u>	
Fund balance (deficit) at end of year			<u>\$ (10,397)</u>	

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
TDA funds	\$ -	\$ 2,998	\$ -	\$ (2,998)
Total revenues	-	2,998	-	(2,998)
Expenditures:				
Construction and development	-	-	-	-
Total expenditures	-	-	-	-
Change in fund balance	<u>\$ -</u>	<u>\$ 2,998</u>	\$ -	<u>\$ (2,998)</u>
Fund balance (deficit) at beginning of year			<u>875</u>	
Fund balance (deficit) at end of year			<u>\$ 875</u>	

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 and Article 4 Funds**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

<u>Claim Number</u>	<u>Project Description</u>	<u>Project Status at 6/30/22</u>	<u>Allocations Received</u>	<u>Interest Earned</u>	<u>Qualifying Project Expenditures</u>	<u>Project Status at 6/30/23</u>	<u>Notes</u>
Article 3:							
19011009	Prospect Ave & Mesa Rd Intersection Imp	\$ (10,397)	\$ 5,788	\$ -	\$ (8,092)	\$ (12,701)	(a)
Article 4:							
2012-40	Clock Tower Upgrades	<u>4,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,240</u>	(b)
	Totals	<u>\$ (6,157)</u>	<u>\$ 5,788</u>	<u>\$ -</u>	<u>\$ (8,092)</u>	<u>\$ (8,461)</u>	

Notes

- (a) The deficit project status will be cured during the year ending June 30, 2024, with the receipt of TDA funds as reimbursement for eligible expenditures.
- (b) The City is using funds for ongoing maintenance of the Trolley Clock Tower

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 3 and Article 4 Funds (TDA Funds) of the City of Santee, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

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


Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 20, 2023

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the Solana Beach, California ("City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TDA Fund as of June 30, 2023, and the change in 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. 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 of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of the TDA Funds for the year ended June 30, 2022 were audited by other auditors whose report dated December 15, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

Required Supplemental 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions are not modified with respect to this matter.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund of the City. The *Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual* and *Schedule of Status of Funds by Project*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the City'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 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.



Irvine, California
December 20, 2023

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Balance Sheets

**June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Assets:		
Total assets	\$ -	\$ -
Liabilities and Fund Balance:		
Liabilities:		
Total Liabilities	-	-
Fund Balance:		
Total Fund Balance	-	-
Total Liabilities and Fund Balance	\$ -	\$ -

See notes to financial statements

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2023	2022
Revenues:		
TDA funds	\$ -	\$ 128,191
Total revenues	-	128,191
Expenditures:		
Construction and development	-	54,822
Total expenditures	-	54,822
Change in fund balance	-	73,369
Fund balance (deficit) at beginning of year	-	(73,369)
Fund balance (deficit) at end of year	\$ -	\$ -

See notes to financial statements

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements of the Transportation Development Act Article 3 Fund Activity are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Solana Beach, California and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

Pursuant to §99234 of the California Public Utilities Code, Article 3 monies may be used only 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 (which are closed to motorized traffic) and bicycle safety education programs. Facilities that provide for the use of bicycles may include 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 unavailable. Funding for this program was authorized by the San Diego Association of Governments (SANDAG).

(2) 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 TDA Fund is accounted for as Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 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.

Fund Equity

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

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

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed. City Council Policy establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Prior Year Data

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

(3) 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 year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(4) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety programs. Funds received pursuant to the California Public Utilities Code §99260 (TDA Article 4) may only be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects.

(5) Contingencies

Disclosures related to contingencies including those related to various legal actions, administrative proceedings, or claims in the ordinary course of operations, can be found in the audited financial statements of the City.

Supplemental Information

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2023

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Construction and development	-	-	-	-
Total expenditures	-	-	-	-
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund balance (deficit) at beginning of year			-	
Fund balance (deficit) at end of year			<u>\$ -</u>	

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

**Statement of Revenues, Expenditures and
and Change in Fund Balance - Budget and Actual**

Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ 73,369	\$ 128,191	\$ 54,822
Total revenues	-	73,369	128,191	54,822
Expenditures:				
Construction and development	-	73,369	54,822	18,547
Total expenditures	-	73,369	54,822	18,547
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ 73,369	<u>\$ 73,369</u>
Fund balance (deficit) at beginning of year			<u>(73,369)</u>	
Fund balance (deficit) at end of year			<u>\$ -</u>	

CITY OF SOLANA BEACH, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/23
19011010	Lomas Santa Fe Corridor	\$ -	\$ -	\$ -	\$ -	\$ -
	Totals	\$ -	\$ -	\$ -	\$ -	\$ -

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of Solana Beach, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 20, 2023

**FULL ACCESS & COORDINATED
TRANSPORTATION, INC.**

**Transportation Development Act
Article 4.5 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

**FULL ACCESS & COORDINATED
TRANSPORTATION, INC.**

**Transportation Development Act
Article 4.5 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 4.5 Funds ("TDA Fund") of the Consolidated Transportation Services Agency ("CTSA") Program of Full Access & Coordinated Transportation, Inc. ("FACT"), which comprise the statements of financial position as of and for the year ended June 30, 2023, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise FACT's TDA Fund financial statements as listed in the Table of Contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 FACT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund of FACT and do not purport to, and do not, present fairly the financial position of FACT, as of June 30, 2023, the changes in its financial position, or its cash flows for the fiscal 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

FACT's 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 FACT's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FACT'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 FACT'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.

Report on Summarized Comparative Information

The financial statements of the TDA Fund for the year ended June 30, 2022 were audited by other auditors whose report dated April 26, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024 on our consideration of FACT'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 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 FACT's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Lane".

Irvine, California
March 25, 2024

FULL ACCESS & COORDINATED TRANSPORTATION, INC.

**Transportation Development Act
Article 4.5 Fund**

Statement of Financial Position

**June 30, 2023
(with Comparative Information for the Prior Year)**

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and Cash Equivalents (Note 3)	\$ 272,993	\$ 160,877
Due from other governments	<u>-</u>	<u>51,015</u>
Total assets	<u>\$ 272,993</u>	<u>\$ 211,892</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 8,220	\$ 9,354
Net assets:		
With donor restrictions	<u>264,773</u>	<u>202,538</u>
Total liabilities and net assets	<u>\$ 272,993</u>	<u>\$ 211,892</u>

See accompanying notes to financial statements

FULL ACCESS & COORDINATED TRANSPORTATION, INC.

**Transportation Development Act
Article 4.5 Fund**

Statements of Activities and Changes in Net Assets

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	<u>2023</u>	<u>2022</u>
Changes in Net Assets without Donor Restrictions		
Net assets released from donor restriction	\$ 126,563	\$ 217,564
Expenses		
Program expenses (Note 5)	<u>126,563</u>	<u>217,564</u>
Change in Unrestricted Net Assets	<u>-</u>	<u>-</u>
Changes in Net Assets with Donor Restrictions		
TDA Article 4.5 allocation	188,798	179,519
Restrictions satisfied by payments	<u>(126,563)</u>	<u>(217,564)</u>
Change in Net Assets with donor restrictions	<u>62,235</u>	<u>(38,045)</u>
Change in Net Assets	<u>62,235</u>	<u>(38,045)</u>
Net Assets at beginning of year	<u>202,538</u>	<u>240,583</u>
Net Assets at end of year	<u>\$ 264,773</u>	<u>\$ 202,538</u>

See accompanying notes to financial statements

FULL ACCESS & COORDINATED TRANSPORTATION, INC.

**Transportation Development Act
Article 4.5 Fund**

Statement of Cash Flows

**For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	<u>\$ 62,235</u>	<u>\$ (38,045)</u>
Adjustments to reconcile change in net assets to net cash from operating activities		
Due from other government	51,015	59,231
Accounts payable	<u>(1,134)</u>	<u>4,568</u>
Net cash used in operating activities	112,116	25,754
Cash at beginning of year	<u>160,877</u>	<u>135,123</u>
Cash at end of year	<u>\$ 272,993</u>	<u>\$ 160,877</u>

There were no noncash capital, investing and financing activities for fiscal year ending June 30, 2023 and 2022.

See accompanying notes to financial statements

**FULL ACCESS & COORDINATED
TRANSPORTATION, INC.**

**Transportation Development Act
Article 4.5 Fund**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The financial statements are intended to present the financial position and changes in financial position for the Transportation Development Act ("TDA") Article 4.5 Fund ("TDA Fund") of the Consolidated Transportation Services Agency ("CTSA") program of Full Access & Coordinated Transportation, Inc. ("FACT") only. The financial statements do not purport to, and do not, present fairly the financial position of FACT, the changes in its financial position in accordance with accounting principles generally accepted in the United States of America.

FACT, a California not-for-profit organization, was organized and incorporated in February 2006 under the Nonprofit Public Benefit Corporation Law, for the purpose of coordinating transportation services in the North San Diego County area. FACT is recognized by both the Internal Revenue Service (IRS) and the California Franchise Tax Board as an organization exempt from income taxes. FACT is governed by a Board of Directors of nine members.

Pursuant to §99275 of the California Public Utilities Code, Article 4.5 monies may be used only for community transit services, including such services for those, such as the disabled, who cannot use conventional transit services. Community transit services is defined as transportation services which link intracommunity origins and destinations.

(2) Summary of Significant Accounting Policies

Fund Accounting

CTSA is a state-mandated program to coordinate social service agency transportation programs and is funded by Article 4.5 of the TDA. The financial statements of the TDA Article 4.5 funding for the CTSA Program of FACT are intended to present the financial position and changes in financial position of only those transactions attributable to TDA funds distributed by the San Diego Association of Governments (SANDAG). The financial statements of the CTSA Program are included in the financial statements of FACT.

The financial statements of the CTSA Program have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standards setting body for establishing accounting and financial reporting principles.

Measurement Focus and Basis of Accounting

The financial activities of the CTSA Program are maintained on the accrual basis of accounting. Revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

**FULL ACCESS & COORDINATED
TRANSPORTATION, INC.**

**Transportation Development Act
Article 4.5 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The timing of revenue recognition for grants received from governments by not-for-profit organizations is dependent upon whether the grant is received in the form of an exchange transaction or a contribution. TDA funds received from SANDAG are classified as contributions. TDA funds represent contributions if the resource provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential benefit to be provided by using the assets. Contributions are recognized as revenues once they are available and unconditional.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets with donor restrictions consist of funds received pursuant to the provisions of TDA Article 4.5, which may only be used for technical assistance for coordination of transportation services for health and human services.

Income Taxes

FACT has been recognized by the IRS as a not-for-profit corporation as described in §501(c)(3) of the IRC and is exempt from federal and state income taxes on related income pursuant to §501(a) of the IRC and California Revenue and Taxation Code §23701d.

**FULL ACCESS & COORDINATED
TRANSPORTATION, INC.**

**Transportation Development Act
Article 4.5 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of 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.

Prior Year Data

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

(3) Cash and Cash Equivalents

The CTSA Program's cash is pooled with FACT and is accounted for in a business checking account which is Federal Depository Insurance Commission (FDIC) insured. As of June 30, 2023 and 2022, the CTSA Program's total cash balance was \$272,993 and \$160,877, respectively. For the purpose of the Statement of Cash Flows, FACT considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(4) Liquidity and Availability of Funds

Financial assets available for expenditure within one year of the balance sheet date, are estimated to be the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$272,993	\$160,877
Due from other governments	-	<u>51,015</u>
Total	<u>\$272,993</u>	<u>\$211,892</u>

FACT does not have a formal liquidity management policy in place.

(5) Functional Expenses

Functional expenses for FACT include only program expenses of the TDA fund, as included on the Statement of Activities and Changes in Net Assets.

**FULL ACCESS & COORDINATED
TRANSPORTATION, INC.**

**Transportation Development Act
Article 4.5 Fund**

Notes to Financial Statements

(Continued)

(5) Functional Expenses (Continued)

Natural expense classification for the years ended June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Payroll services	\$6,555	\$1,119
Contracted services	8,226	4,031
Operations	85,126	181,596
Travel and meetings	20,444	17,017
Other	<u>6,212</u>	<u>13,801</u>
 Total program expenses	 <u>\$126,563</u>	 <u>\$ 217,564</u>

(6) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements. Management has performed their analysis through March 25, 2024, the date the financial statements were available to be issued.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Transportation Development Act ("TDA") Article 4.5 Fund ("TDA Fund") of Full Access & Coordinated Transportation, Inc. ("FACT"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise FACT's TDA Fund financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
March 25, 2024

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
SAN DIEGO, CALIFORNIA**

**Report on Agreed Upon Procedures
Applied to the Transportation Development Act
Year Ended June 30, 2023**

**INDEPENDENT AUDITOR'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors
San Diego Association of Governments
San Diego, California

We have performed the procedures enumerated below, in reviewing the San Diego Association of Governments' (SANDAG's) compliance with applicable laws, rules, and regulations pursuant to Articles 3 and 4 of the Transportation Development Act (TDA), and California Government Code §8879.50 for the year ended June 30, 2023. SANDAG's management is responsible for maintenance of the accounting records and for the compliance with the applicable laws, rules, and regulations pursuant to Articles 3 and 4 of the TDA and California Government Code §8879.50.

SANDAG has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating compliance with applicable laws, rules, and regulations pursuant to Articles 3 and 4 of the Transportation Development Act (TDA), and California Government Code §8879.50 for the year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and the results of those procedures were as follows:

1. We read Article 3, §99233.2 and §99233.5, Article 4 §99262 and Senate Bill (SB) 1703 to determine whether, as the Regional Transportation Planning Agency (RTPA) and the Consolidated Agency for planning and programming functions of the San Diego Metropolitan Transit System (MTS) and the North County Transit District (NCTD), SANDAG's functions are consistent with functions required for funding eligibility. Specifically, we determined that SANDAG's organizational structure meets the following criteria:
 - a. Article 3- 29532 – SANDAG is a council of governments, and an election has not been made pursuant to Section 29536 to form a local transportation commission.
 - b. PUC Section 99233.5 – SANDAG carries out administrative and planning powers, duties, and functions and construction and acquisition programs in accordance with Article 4 (commencing with Section 132353) of Chapter 3 of Division 12.7.
 - c. PUC Section 99262 - Claims for public transportation systems may include claims for money for all purposes necessary and convenient to the development and operation of the system, including planning and contributions to the transportation planning process, acquisition of real property, construction of facilities and buildings, purchase and replacement of vehicles (including those usable by disabled persons), and system operation, maintenance, and repair, payment for any of which purposes may take the form of direct expenditures or payment of principal and interest on equipment trust certificates, bonded or

other indebtedness, or any amounts in accomplishment of a defeasance of any outstanding revenue bond indenture.

Results: No exceptions were noted as a result of our procedures.

2. We obtained from SANDAG the Schedule of Status of Funds by Project ("Schedule") for the TDA program for the year ended June 30, 2023, and a listing of underlying invoices, and agreed the listing of invoices to the Schedule.

Results: No exceptions were noted as a result of our procedures. See Schedule A for the Schedule of Status of Funds by Project.

3. We judgmentally selected a sample of expenditures representing at least 25% of funds spent from the listing of expenditures provided and determined whether the expenditures per the selected invoices were eligible costs as per Article 3 (§99233.2 and §99233.5), Article 4 (§99262), and California Government Code §8879.50 for the year ended June 30, 2023.

Results: No exceptions were noted as a result of our procedures.

4. We determined that SANDAG, as a TDA claimant, submitted a fiscal and compliance audit report within 180 days after the end of the fiscal year or within the extension period (if applicable) of up to an additional 90 days, per §6664 of part 21 of the California Code of Regulations.

Results: No exceptions were noted as a result of our procedures.

We were engaged by SANDAG to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on SANDAG's accounting records. 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.

This report is intended solely for the information and use of management of SANDAG and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
March 25, 2024

SAN DIEGO ASSOCIATION OF GOVERNMENTS

TRANSPORTATION DEVELOPMENT ACT

Schedule of Findings and Recommendations

Year Ended June 30, 2023

A. Current Year Findings and Recommendations

No findings or recommendations were noted for the year ended June 30, 2023.

B. Prior Year Findings and Recommendations

There was one finding in the prior year report related to invoices found within the ledger detail provided for catering and refreshments which are not eligible costs per TDA 3 and TDA 4 guidelines. Management indicated within the report that the expenses were coded to the incorrect project, and they planned to make a correcting entry in fiscal year 2023.

Based on Journal entry support provided, we were able to confirm the ineligible expenditures from fiscal year 2022 were reversed in fiscal year 2023. As such, this finding has been considered resolved.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

Transportation Development Act
Schedule of Status of Funds by Project
Fiscal Year Ended June 30, 2023

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Received	Qualifying Project Expenditures	Agency Adjustments	Project Status at 6/30/23	Notes
Transportation Development Act:								
Administration:								
23051000	Administration	\$ -	560,963	-	(560,963)	-	-	
	Total Administration	-	560,963	-	(560,963)	-	-	
Article 3:								
16011000	North Park/Mid-City Bikeways: Robinson Bikeway	487,558	-	-	(35,277)	-	452,281	
21011000	Bayshore Bikeway- Barrio Logan	-	2,663,644	-	(2,663,644)	-	-	
23011000	Pershing Drive Bikeway	-	2,853,016	-	(2,853,016)	-	-	
	Total Article 3	487,558	5,516,660	-	(5,551,937)	-	452,281	
Article 4:								
Capital Transfer from MTS:								
250/2002	Article 4 (Transfer from MTS)	258,439	-	-	-	-	258,439	
253/2003	Article 4 (Transfer from MTS)	11,993	-	-	-	-	11,993	
256/2004	Article 4 (Transfer from MTS)	52,509	-	-	-	-	52,509	
06031005	Article 4 (Transfer from MTS)	50,503	-	-	-	-	50,503	
08031005	Article 4 (Transfer from MTS)	5,000	-	-	-	-	5,000	
09031004	Article 4 (Transfer from MTS)	19,972	-	-	-	-	19,972	
10031004	Article 4 (Transfer from MTS)	18,126	-	-	(7,578)	-	10,548	
17031004	Article 4 (Transfer from MTS)	92,948	-	-	-	-	92,948	
18031004	Article 4 (Transfer from MTS)	170,080	-	-	(36,716)	-	133,364	
21031004	Article 4 (Transfer from MTS)	264,600	-	-	(28,124)	-	236,476	
22031004	Article 4 (Transfer from MTS)	357,000	-	-	(1,547)	-	355,453	
23031004	Article 4 (Transfer from MTS)	-	212,957	-	(212,957)	-	-	
	Total Capital Transfer from MTS	1,301,170	212,957	-	(286,922)	-	1,227,205	
	Subtotal Article 4	1,301,170	212,957	-	(286,922)	-	1,227,205	

SAN DIEGO ASSOCIATION OF GOVERNMENTS

Transportation Development Act
Schedule of Status of Funds by Project
Fiscal Year Ended June 30, 2023
(Continued)

Claim Number	Project Description	Project Status at 6/30/22	Allocations Received	Interest Received	Qualifying Project Expenditures	Agency Adjustments	Project Status at 6/30/23	Notes
	Balance carried forward	<u>1,301,170</u>	<u>212,957</u>	<u>-</u>	<u>(286,922)</u>	<u>-</u>	<u>1,227,205</u>	
	Transfer from MTS/NCTD:							
261/2005	Article 4 (Transfer from MTS/NCTD)	<u>105,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,661</u>	
	Total Transfer from MTS/NCTD	<u>105,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,661</u>	
	Capital Transfer from NCTD:							
14041002	Article 4 (Transfer from NCTD)	<u>176,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,872</u>	
15041002	Article 4 (Transfer from NCTD)	<u>25,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,773</u>	
19041002	Article 4 (Transfer from NCTD)	<u>336,730</u>	<u>-</u>	<u>-</u>	<u>(48,302)</u>	<u>-</u>	<u>288,428</u>	
	Total Capital Transfer from NCTD	<u>539,375</u>	<u>-</u>	<u>-</u>	<u>(48,302)</u>	<u>-</u>	<u>491,073</u>	
	Administrative/Planning Transfers:							
23031004	Article 4 (Transfer from MTS)	<u>-</u>	<u>2,570,203</u>	<u>-</u>	<u>(2,570,203)</u>	<u>-</u>	<u>-</u>	
23041002	Article 4 (Transfer from NCTD)	<u>-</u>	<u>866,423</u>	<u>-</u>	<u>(866,423)</u>	<u>-</u>	<u>-</u>	
	Total Administrative/Planning Transfers	<u>-</u>	<u>3,436,626</u>	<u>-</u>	<u>(3,436,626)</u>	<u>-</u>	<u>-</u>	
	Total Article 4	<u>1,946,206</u>	<u>3,649,583</u>	<u>-</u>	<u>(3,771,850)</u>	<u>-</u>	<u>1,823,939</u>	
	SANDAG 3% Planning:							
19051001	SANDAG 3% Planning	<u>2,391,104</u>	<u>-</u>	<u>-</u>	<u>(2,391,104)</u>	<u>-</u>	<u>-</u>	
20051001	SANDAG 3% Planning	<u>4,566,760</u>	<u>-</u>	<u>-</u>	<u>(2,716,967)</u>	<u>-</u>	<u>1,849,793</u>	
21051001	SANDAG 3% Planning	<u>4,456,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,456,514</u>	
22051001	SANDAG 3% Planning	<u>5,665,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,665,429</u>	
23051001	SANDAG 3% Planning	<u>-</u>	<u>5,958,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,958,273</u>	
	Total SANDAG 3% Planning	<u>17,079,807</u>	<u>5,958,273</u>	<u>-</u>	<u>(5,108,071)</u>	<u>-</u>	<u>17,930,009</u>	
	Total Transportation Development Act	<u>\$ 19,513,571</u>	<u>\$ 15,685,479</u>	<u>\$ -</u>	<u>\$ (14,992,821)</u>	<u>\$ -</u>	<u>\$ 20,206,229</u>	

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego
Financial Statements
For the Fiscal Year Ended June 30, 2023

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Local Transportation Fund (LTF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego ("County") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the LTF financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LTF of the County, as of June 30, 2023, and the changes in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the LTF of the County and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2023, the changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of LTF for the year ended June 30, 2022 were audited by other auditors whose report dated December 19, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements of LTF of the County. The *Schedule of Disbursements by Purpose* and *Schedule of Claims and Disbursements by Purpose*, listed as Supplemental Information in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 21, 2023

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego

Statement of Fiduciary Net Position

June 30, 2023
(with Comparative Information for the Prior Year)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and investments	\$ 24,991,012	\$ 23,727,942
Sales tax receivable	35,008,349	35,269,334
Interest receivable	<u>118,369</u>	<u>95,936</u>
Total assets	<u>\$ 60,117,730</u>	<u>\$ 59,093,212</u>
<u>Net Position</u>		
Held in trust for Local Transportation Fund claimants	<u>\$ 60,117,730</u>	<u>\$ 59,093,212</u>
Total net position	<u>\$ 60,117,730</u>	<u>\$ 59,093,212</u>

Local Transportation Fund

A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)

	2023	2022
<u>Additions</u>		
Sales tax	\$ 202,421,834	\$ 195,465,535
Interest	<u>384,300</u>	<u>213,911</u>
Total Additions	<u>202,806,134</u>	<u>195,679,446</u>
<u>Deductions</u>		
Administration and planning	6,569,236	6,548,034
Pedestrian and bicycle	6,414,578	487,393
Public transportation	178,145,163	170,459,790
Community transit service	9,439,890	7,822,581
Multi-modal	<u>1,212,749</u>	<u>1,236,200</u>
Total Deductions	<u>201,781,616</u>	<u>186,553,998</u>
Change in net position	1,024,518	9,125,448
Net position at the beginning of the year	<u>59,093,212</u>	<u>49,967,764</u>
Net position at the end of the year	<u>\$ 60,117,730</u>	<u>\$ 59,093,212</u>

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The Local Transportation Fund (LTF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego (County) was created pursuant to §29530, Article 11 of Chapter 2 of Division 3 of Title 3 of the Government Code. As such, the LTF receives monies allocated pursuant to the Transportation Development Act (TDA). The funds are disbursed in accordance with allocation instructions received from the San Diego Association of Governments (SANDAG). The County acts as the trustee of the LTF.

Reporting Entity

Only the accounts of the LTF are included in these financial statements. Consequently, these financial statements do not represent the financial position, change in financial position or cash flows of the County. The accounts of the LTF have been presented in the County's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position within the Investment Trust Funds.

(2) Summary of Significant Accounting Policies

The accounting policies of the LTF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The LTF financial statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and are reported using the economic resources measurement focus and the accrual basis of accounting.

Use of Estimates

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

Prior Year Data

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

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(Continued)

(3) Cash and Investments

The County has pooled its cash and investments. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The LTF's cash and investments as of June 30, 2023 was \$24,991,012.

The LTF's cash is held in the County's external investment pool, which is reported at fair value. Interest income is allocated on the basis of average daily cash balances. Investment policies and associated risk factors applicable to the LTF are those of the County and are included in the County's basic financial statements.

Governmental Accounting Standards Board Statement No. 72 (GASB 72) Fair Value Measurement and Application establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

Investments not measured at fair value continue to include, for example, money market mutual funds which are valued at net asset value - \$1 dollar per share (amortized cost).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

The LTF categorizes its fair value measurements within the fair value hierarchy established by GASB 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

Deposits and withdrawals in the County's cash and investment pool are made on the basis of \$1 and not fair value. Accordingly, the LTF's proportionate share of investments in the pool at June 30, 2023, of \$24,991,012 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input on the GASB Statement No. 72 fair value hierarchy.

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(Continued)

(4) Policy

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

SUPPLEMENTAL INFORMATION

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego

Schedule of Disbursements by Purpose

For the Fiscal Year Ended June 30, 2023

Agency	Administration and Planning	Article 3 Pedestrian and Bicycle	Article 4 Public Transportation	Article 4.5 Community Transit Services	Article 8 Multi-Modal	Total
City of Carlsbad	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Chula Vista	-	-	-	-	-	-
City of Coronado	-	-	-	-	-	-
City of Del Mar	-	-	-	-	-	-
City of El Cajon	-	-	-	-	-	-
City of Encinitas	-	-	-	-	-	-
City of Escondido	-	-	-	-	-	-
City of Imperial Beach	-	-	-	-	-	-
City of La Mesa	-	454,259	-	-	-	454,259
City of Lemon Grove	-	-	-	-	-	-
City of National City	-	340,336	-	-	-	340,336
City of Oceanside	-	-	-	-	-	-
City of Poway	-	-	-	-	-	-
City of San Diego	-	97,534	-	-	-	97,534
City of San Marcos	-	-	-	-	-	-
City of Santee	-	5,788	-	-	-	5,788
City of Solana Beach	-	-	-	-	-	-
City of Vista	-	-	-	-	-	-
Consolidated Transportation Service Agency (CTSA)	-	-	-	188,798	-	188,798
County of San Diego (COSD)	50,000	-	-	-	-	50,000
Metropolitan Transit System (MTS)	-	-	123,635,281	6,583,082	1,212,749	131,431,112
North County Transit District (NCTD)	-	-	50,860,299	2,668,010	-	53,528,309
San Diego Association of Governments (SANDAG)	6,519,236	5,516,661	3,649,583	-	-	15,685,480
Total Disbursements	\$ 6,569,236	\$ 6,414,578	\$ 178,145,163	\$ 9,439,890	\$ 1,212,749	\$ 201,781,616

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego

Schedule of Claims and Disbursements by Purpose

For the Fiscal Year Ended June 30, 2023

Claimant	Claim Year	Claim No.	Allocation Balance 6/30/2022	Current Year Claims	Adjustments Authorized	Disbursements	Allocation Balance 6/30/2023
Administration:							
County of San Diego	2023	23021000	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
San Diego Association of Governments	2023	23051000	-	560,963	-	560,963	-
San Diego Association of Governments	2023	23051001	-	5,958,273	-	5,958,273	-
Total Administration			<u>\$ -</u>	<u>\$ 6,569,236</u>	<u>\$ -</u>	<u>\$ 6,569,236</u>	<u>\$ -</u>
Article 3:							
Various	2008	8011012	\$ 151,221	\$ -	\$ -	\$ -	\$ 151,221
San Diego Association Of Governments	2010	10011012	50,000	-	-	-	50,000
City Of Escondido	2016	16011005	300,408	-	-	-	300,408
City Of Santee	2016	16011007	43	-	-	-	43
City Of Chula Vista	2017	17011001	36,383	-	-	-	36,383
City Of Lemon Grove	2017	17011002	20,744	-	-	-	20,744
City Of El Cajon	2019	19011001	67,740	-	-	-	67,740
City Of El Cajon	2019	19011002	33,796	-	-	-	33,796
City Of La Mesa	2019	19011003	467,717	-	-	427,255	40,462
City Of La Mesa	2019	19011004	27,004	-	-	27,004	-
City Of National City	2019	19011005	1	-	-	1	-
City Of National City	2019	19011006	340,335	-	-	340,335	-
City Of Oceanside	2019	19011007	892	-	-	-	892
City Of San Diego	2019	19011008	206,333	-	-	97,534	108,799
City Of Santee	2019	19011009	217,281	-	-	5,788	211,493
City Of Solana Beach	2019	19011010	18,944	-	-	-	18,944
San Diego Association Of Governments	2022	22011000	2,663,644	-	-	2,663,644	-
SANDAG -- (Pershing Drive Bikeway)	2023	23011000	-	2,853,017	-	2,853,017	-
Total Article 3			<u>\$ 4,602,486</u>	<u>\$ 2,853,017</u>	<u>\$ -</u>	<u>\$ 6,414,578</u>	<u>\$ 1,040,925</u>

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego

Schedule of Claims and Disbursements by Purpose

For the Fiscal Year Ended June 30, 2023

(Continued)

Claimant	Claim Year	Claim No.	Allocation Balance 6/30/2022	Current Year Claims	Adjustments Authorized	Disbursements	Allocation Balance 6/30/2023
Article 4:							
Metropolitan Transit System	2003	253	\$ 36,639	\$ -	\$ -	\$ -	\$ 36,639
Metropolitan Transit System	2023	23031000	-	123,635,281	-	123,635,281	-
North County Transit District	2023	23041000	-	50,860,299	-	50,860,299	-
San Diego Association of Governments	2023	23031004	-	2,783,160	-	2,783,160	-
San Diego Association of Governments	2023	23041002	-	866,423	-	866,423	-
San Diego Association of Governments	2023	22041002	-	-	-	-	-
Total Article 4			<u>\$ 36,639</u>	<u>\$ 178,145,163</u>	<u>\$ -</u>	<u>\$ 178,145,163</u>	<u>\$ 36,639</u>
Article 4.5:							
Metropolitan Transit System	2023	23031001	\$ -	\$ 6,583,082	\$ -	\$ 6,583,082	\$ -
North County Transit District	2023	23041001	-	2,668,010	-	2,668,010	-
Consolidated Transportation Service Agency	2023	23061000	-	188,798	-	188,798	-
Total Article 4.5			<u>\$ -</u>	<u>\$ 9,439,890</u>	<u>\$ -</u>	<u>\$ 9,439,890</u>	<u>\$ -</u>
Article 8:							
Metropolitan Transit System	2023	23031002	\$ -	\$ 899,314	\$ -	\$ 899,314	\$ -
Metropolitan Transit System	2023	23031003	-	313,435	-	313,435	-
Total Article 8			<u>\$ -</u>	<u>\$ 1,212,749</u>	<u>\$ -</u>	<u>\$ 1,212,749</u>	<u>\$ -</u>
Total Local Transportation Fund			<u>\$ 4,639,125</u>	<u>\$ 198,220,055</u>	<u>\$ -</u>	<u>\$ 201,781,616</u>	<u>\$ 1,077,564</u>

Local Transportation Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Note to Supplemental Information

For the Fiscal Year Ended June 30, 2023

(1) Supplemental Information

The balance of net position at June 30, 2023, in the amount of \$60,117,730 as indicated in the Statement of Fiduciary Net Position differs from the allocation balance at June 30, 2023, in the amount of \$1,077,564 as indicated in the Schedule of Claims and Disbursements by Purpose (Schedule) by \$59,040,166. Annual "Current Year Claims" reflected in the Schedule are derived based on the previous year's unallocated net position and the proposed use of estimated sales tax revenues to be derived for that fiscal year. The balance of any remaining "Current Year Claims" (plus or minus authorized adjustments and actual disbursements) plus any remaining allocation balances are carried forward to become the next fiscal year's beginning allocation balance on the Schedule. However, in the Statement of Changes in Fiduciary Net Position, the Net Position balance is only affected by actual additions (sales tax derived and interest earned) and deductions (disbursements) incurred by the fund during the year.

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 Local Transportation Fund (LTF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego ("County") for Transportation Development Act (TDA) funds maintained and disbursed by the County as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's LTF financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the County's LTF are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including §6661 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6661 of Part 21 of the California Code of Regulations.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 21, 2023

State Transit Assistance Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego
Financial Statements
For the Fiscal Year Ended June 30, 2023

State Transit Assistance Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the State Transit Assistance Fund (STAF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego ("County") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the STAF financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the STAF of the County, as of June 30, 2023, and the changes in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the STAF of the County and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2023, the changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of STAF for the year ended June 30, 2022 were audited by other auditors whose report dated December 19, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 21, 2023

State Transit Assistance Fund

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego**

Statement of Fiduciary Net Position

June 30, 2023
(with Comparative Information for the Prior Year)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and Investments	\$ 72,920	\$ 51,007
Interest Receivable	6,211	777
Sales Tax Receivable	<u>4,342,085</u>	<u>3,349,345</u>
Total Assets	<u>4,421,216</u>	<u>3,401,129</u>
<u>Liabilities</u>		
Accounts Payable - North County Transit District	<u>4,342,085</u>	<u>3,349,345</u>
Total Liabilities	<u>4,342,085</u>	<u>3,349,345</u>
<u>Net Position</u>		
Held in Trust for State Transit Assistance Claimants	<u>79,131</u>	<u>51,784</u>
Total Net Position	<u>\$ 79,131</u>	<u>\$ 51,784</u>

State Transit Assistance Fund

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego**

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)

	<u>2023</u>	<u>2022</u>
<u>Additions:</u>		
Sales Tax	\$ 17,344,635	\$ 12,508,047
Interest	<u>27,347</u>	<u>3,282</u>
Total Additions	<u>17,371,982</u>	<u>12,511,329</u>
 <u>Deductions</u>		
Operating Costs	<u>17,344,635</u>	<u>12,508,047</u>
Total Deductions	<u>17,344,635</u>	<u>12,508,047</u>
 Change in Net Position	27,347	3,282
Net Position at the Beginning of the Year	<u>51,784</u>	<u>48,502</u>
 Net Position at the End of the Year	<u>\$ 79,131</u>	<u>\$ 51,784</u>

State Transit Assistance Fund

A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund By the County of San Diego

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The State Transit Assistance Fund (STAF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego (County) was created pursuant to §99313.6, Article 6.5 of the Public Utilities Code. This fund receives monies allocated for the purposes of state transit assistance and are disbursed in accordance with allocation instructions received from the San Diego Association of Governments (SANDAG). The County acts as the trustee of the STAF.

Reporting Entity

Only the accounts of the STAF are included in these financial statements. Consequently, these financial statements do not represent the financial position, change in financial position or cash flows of the County. The accounts of the STAF have been presented in the County's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position within the Investment Trust Funds.

(2) Summary of Significant Accounting Policies

The accounting policies of the STAF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The STAF financial statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and are reported using the economic resources measurement focus and the accrual basis of accounting.

Use of Estimates

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

Prior Year Data

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

State Transit Assistance Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(Continued)

(3) Cash and Investments

The County has pooled its cash and investments. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The STAF's cash and investments as of June 30, 2023 was \$72,920.

The STAF's cash is held in the County's external investment pool, which is reported at fair value. Interest income is allocated on the basis of average daily cash balances. Investment policies and associated risk factors applicable to the STAF are those of the County and are included in the County's basic financial statements.

Governmental Accounting Standards Board Statement No. 72 (GASB 72) Fair Value Measurement and Application establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

Investments not measured at fair value continue to include, for example, money market mutual funds which are valued at net asset value - \$1 dollar per share (amortized cost).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

The STAF categorizes its fair value measurements within the fair value hierarchy established by GASB 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

Deposits and withdrawals in the County's cash and investment pool are made on the basis of \$1 and not fair value. Accordingly, the STAF's proportionate share of investments in the pool at June 30, 2023, of \$72,920 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input on the GASB Statement No. 72 fair value hierarchy.

State Transit Assistance Fund
A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(Continued)

(4) State of Good Repair

Total State of Good Repair (SGR) funds received for the year totals \$1,819,764 consisting of \$1,459,102 for PUC Section 99313 and \$360,662 for PUC Section 99314. Total expenditures and transfers out are \$1,459,102 and \$360,662 for PUC Sections 99313 and 99314 respectively.

(5) Policy

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

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 State Transit Assistance Fund (STAF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego ("County"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's STAF financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the County's STAF are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including §6750 and §6751 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6750 and §6751 of Part 21 of the California Code of Regulations.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
December 21, 2023

**San Diego Metropolitan Transit System
State Transit Assistance Fund**

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego**

Financial Statements

For the Fiscal Year Ended June 30, 2023

**San Diego Metropolitan Transit System
State Transit Assistance Fund**

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego**

Financial Statements

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the San Diego Metropolitan Transit System (MTS) State Transit Assistance Fund (STAF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego ("County") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the MTS STAF financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the MTS STAF of the County, as of June 30, 2023, and the changes in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the MTS STAF of the County and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2023, the changes in its financial position, for the fiscal 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

The financial statements of MTS STAF for the year ended June 30, 2022 were audited by other auditors whose report dated December 19, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
San Diego Association of Governments
San Diego, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
December 21, 2023

**San Diego Metropolitan Transit System
State Transit Assistance Fund**

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego**

Statement of Fiduciary Net Position

June 30, 2023
(with Comparative Information for the Prior Year)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and Investments	\$ 91,244	\$ 6,512
Interest Receivable	16,383	3,484
Sales Tax Receivable	<u>12,128,897</u>	<u>9,354,685</u>
Total Assets	<u>12,236,524</u>	<u>9,364,681</u>
<u>Liabilities</u>		
Accounts Payable - Metropolitan Transit System	<u>12,128,898</u>	<u>9,354,685</u>
Total Liabilities	<u>12,128,898</u>	<u>9,354,685</u>
<u>Net Position</u>		
Held in Trust for State Transit Assistance Claimants	<u>107,626</u>	<u>9,996</u>
Total Net Position	<u>\$ 107,626</u>	<u>\$ 9,996</u>

**San Diego Metropolitan Transit System
State Transit Assistance Fund**

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
by the County of San Diego**

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2023
(with Comparative Information for the Prior Year)

	<u>2023</u>	<u>2022</u>
<u>Additions:</u>		
Sales Tax	\$ 48,449,974	\$ 34,935,476
Interest	<u>97,630</u>	<u>9,996</u>
 Total Additions	 <u>48,547,604</u>	 <u>34,945,472</u>
 <u>Deductions:</u>		
Operating Costs	<u>48,449,974</u>	<u>34,987,424</u>
 Total Deductions	 <u>48,449,974</u>	 <u>34,987,424</u>
 Change in Net Position	 97,630	 (41,952)
Net Position at the Beginning of the Year	<u>9,996</u>	<u>51,948</u>
 Net Position at the End of the Year	 <u>\$ 107,626</u>	 <u>\$ 9,996</u>

**San Diego Metropolitan Transit System
State Transit Assistance Fund**

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(1) General Information

The San Diego Metropolitan Transit System (MTS) State Transit Assistance Fund (STAF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego (County) was created pursuant to §99313.6, Article 6.5 of the Public Utilities Code. This fund receives monies allocated for the purposes of state transit assistance and are disbursed in accordance with allocation instructions MTS. The County acts as the trustee of the MTS STAF.

Reporting Entity

Only the accounts of the MTS STAF are included in these financial statements. Consequently, these financial statements do not represent the financial position, change in financial position or cash flows of the County. The accounts of the MTS STAF have been presented in the County's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position within the Investment Trust Funds.

(2) Summary of Significant Accounting Policies

The accounting policies of the MTS STAF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The MTS STAF financial statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and are reported using the economic resources measurement focus and the accrual basis of accounting.

Use of Estimates

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

Prior Year Data

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

**San Diego Metropolitan Transit System
State Transit Assistance Fund**

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(Continued)

(3) Cash and Investments

The County has pooled its cash and investments. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The MTS STAF's cash and investments as of June 30, 2023 was \$91,244.

The MTS STAF's cash is held in the County's external investment pool, which is reported at fair value. Interest income is allocated on the basis of average daily cash balances. Investment policies and associated risk factors applicable to the MTS STAF are those of the County and are included in the County's basic financial statements.

Governmental Accounting Standards Board Statement No. 72 (GASB 72) Fair Value Measurement and Application establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

Investments not measured at fair value continue to include, for example, money market mutual funds which are valued at net asset value - \$1 dollar per share (amortized cost).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

The MTS STAF categorizes its fair value measurements within the fair value hierarchy established by GASB 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

Deposits and withdrawals in the County's cash and investment pool are made on the basis of \$1 and not fair value. Accordingly, the MTS STAF's proportionate share of investments in the pool at June 30, 2023, of \$91,244 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input on the GASB Statement No. 72 fair value hierarchy.

**San Diego Metropolitan Transit System
State Transit Assistance Fund**

**A Fiduciary Fund Held in a Trustee
Capacity as an Investment Trust Fund
By the County of San Diego**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(Continued)

(4) State of Good Repair

Total State of Good Repair (SGR) funds received for the year totals \$ 5,084,971 consisting of \$3,600,059 for PUC Section 99313 and \$1,484,912 for PUC Section 99314. Total expenditures and transfers out are \$3,600,059 and \$1,484,912 for PUC Sections 99313 and 99314 respectively.

(5) Policy

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

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, 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 San Diego Metropolitan Transit System (MTS) State Transit Assistance Fund (STAF) – A Fiduciary Fund Held in a Trustee Capacity as an Investment Trust Fund by the County of San Diego ("County"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's MTS STAF financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Directors
San Diego Association of Governments
San Diego, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the County's MTS STAF are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including §6750 and §6751 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6750 and §6751 of Part 21 of the California Code of Regulations.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
December 21, 2023



401 B Street, Suite 800
San Diego, CA 921014231

(619) 699-1900
Fax (619) 699-1905

sandag.org

MEMBER AGENCIES

Cities of
Carlsbad
Chula Vista
Coronado
Del Mar
El Cajon
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Escondido
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La Mesa
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Oceanside
Poway
San Diego
San Marcos
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Solana Beach
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County of San Diego

ADVISORY MEMBERS

Imperial County
San Diego County
Regional Airport Authority
California Department of Transportation
Metropolitan Transit System
North County
Transit District
United States
Department of Defense
Port of San Diego
San Diego County
Water Authority
Southern California
Tribal Chairmen's Association
Mexico

Corrective Action Plan

Finding: 2023-003

Agency: San Diego Association of Governments

Classification of Finding: Internal control over major programs (Material Weakness)

Criteria

2 CFR 200.508 requires that proper internal controls are in place for the preparation of the Schedule of Expenditures of Federal Awards (SEFA) which must include the total federal awards expended and the Assistance Listing Number for each individual federal program. The auditors are required to determine whether the SEFA is stated fairly in all material respects in relation to the auditee's financial statements as a whole. The auditors also utilize the SEFA for the determination of the major federal programs that will be audited.

Condition

During our audit, we became aware of a material misstatement in the SEFA due to an excluded federal program: the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program with federal expenditures of \$537,484,439 for the fiscal year ended June 30, 2023.

Cause

The TIFIA program expenditures were new in the fiscal year ended June 30, 2023, and SANDAG's system of internal controls did not identify the program as federal expenditures subject to the single audit requirements.

Effect

As a result of correcting the error in the SEFA, the TIFIA program was assessed for testing as a major program and met the criteria to require the program to be tested. Additionally, another major program that had already been selected and tested no longer was required to be tested as a major program.

Recommendation

We recommend SANDAG enhance the system of internal controls for identification of federal awards subject to the single audit requirements and the preparation and review of the SEFA for accuracy and completeness.

Corrective Action Plan:

Finding: 2023-003

Agency: San Diego Association of Governments

Name of contact person and title: S. Craig, Finance Manager

Anticipated completion date: 6/30/2024

Agency's response: Concur

The Agency agrees with this finding and will implement the following:

We concur with the issue, and accept the recommendation provided by the auditor. We will strengthen the system of internal controls for identifying federal awards and expenditures, including TIFIA funds and the associated reporting requirements which are subject to single audit inclusion.



Scope of the Audit

2

Audit of Financial Statements:

- SANDAG
- Regional Transportation Commission
- South Bay Expressway
- SourcePoint
- ARJIS

Compliance and Agreed Upon Procedures:

- TDA
- TransNet
- Single Audit of Federal Awards
- FTA National Transit Database AUP
- Coronado Bridge AUP



Timing of the Audit

3

- ❑ Began interim audit procedures in June 2023
- ❑ Received trial balance to start final audit on October 30, 2023
- ❑ Audit was delayed due to the following:
 1. Audit request items were not provided by the agreed upon deadlines
 2. Errors in the accounting records resulted in 26 correcting journal entries
 3. Pending investigations of SR-125 toll system issues



Impact of SR 125 issues on Audit Opinion

4

- ❑ Issued a qualified audit opinion
 - ❑ Unable to determine whether or not there was a material misstatement in toll revenues and customer account balances
 - ❑ Qualification includes \$38,768,057 of SR 125 toll road revenue, \$4,395,752 of accounts receivable, and \$2,138,678 of unearned revenue (customer account balance)



Future Impact of Qualified Opinion

5

- ❑ To remove qualified opinion in the future
 - ❑ All internal and external investigations need to be concluded with identified issues resolved
 - ❑ No reconciliation errors between tolling system reports and accounting system reports
 - ❑ System of internal controls to ensure errors are detected timely and reconciliations are performed regularly
 - ❑ Ongoing testing of tolling system reveals no system errors (system is accurately recording transactions)



Audit Risk Assessment

6

- ❑ Communicated audit risk areas to audit committee in a letter dated Sept 11, 2023
 1. Implementation of new subscription based IT arrangement standard (GASB 96)
 2. Compliance with purchasing policies
 3. Controls over information systems
 4. Federal grant noncompliance
- ❑ Additional audit risk area added during audit
 5. SR 125 toll revenues



GASB 96: SBITA Implementation

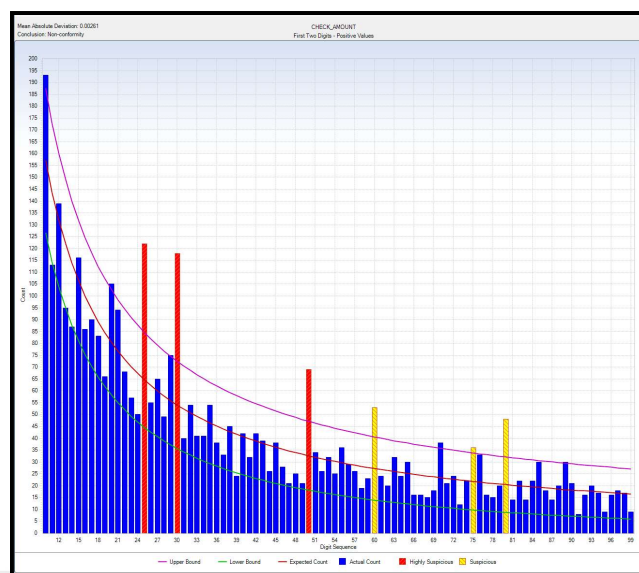
7

- ❑ Requires recording a capital asset and long-term liability for certain subscription based IT arrangements
- ❑ 12 subscription based IT arrangements were subject to accounting under the new standard

L. Subscription-Based Information Technology Arrangements (SBITA)

SANDAG entered noncancellable SBITAs with various vendors for the intangible right-to-use SBITA assets. The SBITA terms include the noncancellable period per the contract plus/minus any extension options or termination options SANDAG is reasonably certain to exercise. Please refer to the table in note II.J for the SBITA increases and decreases during the fiscal year. SANDAG recognized an initial right-to-use SBITA assets of \$909,149, less accumulated amortization of \$195,006, for a right-to-use assets of \$714,143 for governmental activities at June 30, 2023. SANDAG recognized an initial right-to-use SBITA assets of \$43,350, less accumulated amortization of \$8,712, for a right-to-use assets of \$34,638 for business-type activities at June 30, 2023. The discount rate applied to SBITAs is 4% to 5% during the fiscal year. Using this discount rate, SANDAG recognized an initial SBITA liability of \$909,149 and \$43,350, and principal SBITA payments of \$176,963 and \$7,974, for governmental and business-type activities respectively. The principal SBITA payments reduced the SBITA liability to \$732,186 and \$35,376 for governmental and business-type activities respectively at June 30, 2023.

Purchasing Compliance: Benford's Law Testing



Purchasing Compliance Testing

9

- ❑ 30 Transactions selected through Benford's Law Analysis
- ❑ 10 Transactions selected based on total paid to each vendor during the year (excluding utilities, debt payments, payments to other government agencies)
- ❑ Obtained invoices and contracts, evidence of approval in accordance with policies, bidding, and sole source justification if applicable
- ❑ No exceptions noted



Controls over Information Systems

10

- ❑ Certified Information Systems Auditor worked with SANDAG IT team to evaluate controls over Information Systems
 - ❑ SunGard One Solution
 - ❑ Quickbooks for SR 125
 - ❑ Automated toll payment machines
- ❑ Best practice recommendation to implement stronger password controls for users
 - ❑ Increase length of password (more than 8 characters)
 - ❑ Require change more frequently (currently 180 days)



Single Audit of Federal Awards

11

- ❑ Total Federal Awards of \$784,810,290
- ❑ Three major programs were tested:
 - ❑ Highway Planning & Construction - \$39.3M
 - ❑ Metropolitan Transportation Planning & State and Non-Metropolitan Planning & Research - \$3.2M
 - ❑ Transportation Infrastructure Finance and Innovation Act Program (TIFIA) - \$537M
- ❑ Single Audit Finding:
 - ❑ TIFIA was not originally identified as a federal program subject to single audit on the Schedule of Expenditures of Federal Awards



Summary of Internal Control Weaknesses

12

- ❑ Two material weaknesses in internal controls over financial reporting
 - ❑ 2023-001 Adjustments detected during the audit
 - ❑ 2023-002 Toll Road back-office system errors
- ❑ One material weakness in internal controls over federal awards
 - ❑ 2023-003 Preparation of Schedule of Expenditures of Federal Awards





Questions and Comments

Jennifer Farr, CPA | Partner

Davis Farr LLP | 18201 Von Karman Ave, Suite 1100 | Irvine, CA 92612
Phone: 949.474.2020 | Email: jfarr@davisfarr.com



June 7, 2024

Office of the Independent Performance Auditor's Preliminary FY 2025 Annual Audit Plan Process

Overview

The Independent Performance Auditor (IPA) has prepared a preliminary annual audit plan for Fiscal Year 2024-25 (FY 2025) for discussion purposes. The plan includes the annual risk assessment process. In accordance with Assembly Bill 805 (Gonzalez, 2017) and Board Policy No. 039: Audit Policy and Advisory Committee and Audit Activities (Board Policy No. 039), Section 3.1.7, the IPA will prepare a final audit plan for discussion and approval in July 2024.

Action: Discussion / Possible Action

The Independent Performance Auditor will present the Preliminary FY 2025 Annual Audit Plan.

Fiscal Impact:

Potential Fund Recovery

Schedule/Scope Impact:

None

Key Considerations

To fulfil this mandate, OIPA conducts an annual risk assessment to inform the areas to be audited in the coming year. This process includes identifying, evaluating, and prioritizing key risks to develop an effective and impactful audit work plan. The preliminary annual audit plan for FY 2025 goes through the steps involved in the risk assessment process. This process produces the proposed annual audit plan. The proposed FY 2025 Audit Plan will be presented to the Audit Committee in July 2024. In preparation, the Audit Committee is asked to review and discuss the preliminary audit plan and risk assessment process.

Next Steps

The Audit Committee's comments and feedback will inform the final proposed Annual Audit Plan to be presented to the Audit Committee on July 11, 2024, for consideration and recommendation.

Courtney Ruby, Independent Performance Auditor

Attachment: 1. OIPA Preliminary Annual Audit Plan Fiscal Year 2025

Message from the Independent Auditor

I am pleased to present the Office of the Independent Performance Auditor's (OIPA) Audit Plan for Fiscal Year 2024-25 (FY25) in accordance with California Assembly Bill 805 (AB 805) and SANDAG Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities. Board Policy No. 039, Section 6.4, states the independent performance auditor shall annually prepare an audit plan, based upon the results of the risk assessment, and conduct audits in accordance therewith.

To fulfill this mandate, OIPA conducts an annual risk assessment to inform the areas to be audited in the coming year. This process includes identifying, evaluating, and prioritizing key risks to develop an effective and impactful audit plan. The following pages go through the steps involved in the risk assessment process and conclude with the proposed Audit Plan for FY25.

Next year, the annual risk assessment process will be expanded to include an opportunity for all SANDAG project managers to have a risk interview with OIPA, surveys for broader staff and public involvement, and guiding the Executive Team and Directors through a focused risk assessment process to assist in identifying department-specific risks.

I want to thank the Board of Directors and Audit Committee members who participated, and SANDAG's Executive Team and Department Directors for entrusting me with your concerns and sharing your ideas during this year's annual risk assessment process. The effectiveness of this process is dependent upon open, honest communication with key stakeholders in addition to the OIPA's analysis of the risks surrounding SANDAG.

Sincerely,

Courtney Ruby CPA, CFE
Independent Performance Auditor

Office of the Independent Performance Auditor

California Assembly Bill 805 (AB 805) enacted in January 2018 created the Office of the Independent Auditor (OIPA) and the Audit Committee that appoints the Independent Performance Auditor (IPA), and to whom the IPA reports. SANDAG Board Policy No. 039 - Audit Policy Advisory Committee and Audit Activities specifies the functions of the Independent Performance Auditor and the SANDAG Audit Committee, which assists the Board in fulfilling its oversight responsibilities.

The OIPA serves as the SANDAG Board of Directors' oversight function that objectively evaluates and recommends improvements to SANDAG operations. OIPA prioritizes its efforts through an annual objective risk assessment and by continually monitoring concerns and trends from the Whistleblower Hotline Program.

Per AB 805, the OIPA has the authority to conduct performance audits of all departments, offices, boards, activities, and programs of the consolidated agency.

The OIPA is also the official body of SANDAG to investigate allegations of potential fraud, waste, abuse, and gross mismanagement identified by SANDAG staff or other stakeholders.

The OIPA conducts performance audits in accordance with [Government Auditing Standards](#) (GAGAS) set by the Government Accountability Office under the U.S. Comptroller General.

What the OIPA Produces

Most OIPA resources are dedicated to conducting performance audits to assess the economy, efficiency, effectiveness, equity and compliance of programs and activities. Performance audits provide independent and objective analysis to SANDAG's leadership and the public and make recommendations to management, and those charged with governance and oversight, on how to improve services, reduce costs, and increase public accountability.

In addition to performance audits, the OIPA conducts:

- **Annual reports.** The OIPA prepares and issues annual reports to summarize audit and investigative activities performed by the OIPA. Additionally, an annual Correction Action Plan is produced to track the implementation status of all OIPA recommendations.
- **Investigations.** The OIPA operates a Whistleblower Hotline Program (WHP) to receive and investigate allegations of fraud, waste, abuse, and gross mismanagement, affecting or involving SANDAG resources, employees, officials, or contractors. Stand-alone investigation reports are issued for significant substantiated investigations and WHP activities are captured in the annual WHP report.
- **Corrective Action Plan follow-up reports.** The OIPA regularly reports on the status of recommendations from previous audits.
- **Special requests.** The OIPA, based upon available resources, may conduct special analyses and reviews requested from the SANDAG Board of Directors, Audit Committee or Management.

Strategic Goals for Fiscal Year 2025

The strategic goals for the OIPA include those actions which will directly contribute to improving SANDAG by promoting efficiency and accountability throughout the Agency. These clearly defined goals incorporate planned audits, targeted risk management, timely recommendation follow-up, and the identification, reduction, and deterrence of waste, fraud, and abuse.

Goal #1 – Policy, Process Improvements, and System Controls

- Conducts performance audits focused on high-risk areas where improvements will create needed organizational change and address systemic issues impacting operations.

Goal #2 – Detection and Deterrence of Waste, Fraud and Abuse

- Perform timely investigations in the areas of fraud, waste, abuse, and gross mismanagement. Prioritize resources based upon potential impact to the organization, public and stakeholders.

Goal #3 – Enhancement of the Whistleblower Hotline Program

- Educate all SANDAG employees and governing body on the OIPA's Whistleblower Hotline Program including Whistleblower protection from retaliation.
- Develop contractor outreach campaign.

Goal #4 – Development and Monitoring of Corrective Action Plans

- Ensure OIPA's recommendations are clear, timely, and responsive, and implemented by management expeditiously.

Performance Measures

These performance measures are designed to evaluate the IPA in their effectiveness to meet the OIPA's legislated mandate, including producing quality impactful work; maintaining and developing a professional audit team; and conducting its work independently while maintaining professional and respectful working relationships with auditees, management and the governing body.

IPA Performance Measure	Target
PRODUCTIVITY / INCREASED WHISTLEBLOWER HOTLINE PROGRAM AWARENESS	
Audits per auditor	1.5
Budgeted vs. Actual audit hours per engagement	70%
Increase Whistleblower Hotline reporting (cases received) over prior year	50%
Employee Whistleblower Hotline Program education and outreach events	3
TRANSPARENCY AND ACCOUNTABILITY	
The status of Corrective Action Plans (CAP)s in response to the OIPA's audit findings and recommendations will be verified and reported on to the Audit Committee on an annual basis. Periodic verbal updates will occur at the Audit Committee.	100%
The IPA will work with Management to maintain a summary of all SANDAG internal and external audit recommendations to be included in the annual CAP report.	100%
LEADERSHIP	
Percentage of strategic goals achieved	90%
Foster collaborative, respectful, and productive working relationships with auditee, SANDAG Board, Audit Committee, management, and staff. <i>A 360-type performance review/survey will be conducted to include, at a minimum, auditees, management, governing body and staff of SANDAG, and may include external stakeholders. Survey tool will calculate % score.</i>	75%
STAFF DEVELOPMENT	
Auditors will adhere to professional certification and licensing requirements, completing no less than 40 annual hours of continuing education.	100%
Increase specialized audit and investigations expertise within the OIPA. 50% of audit team to participate in specialized training in contracting and investigations.	50%

Risk Assessment Process

The risk assessment process is used to detect, evaluate, and prioritize prospective audits based on the level of risk presented to the organization. Identifying risks as potential barriers to achieving SANDAG's strategic goals and objectives will aid in narrowing the target of audits. Risk-based audit plans serve to direct limited auditing resources to perform evaluations of controls, ensure risks are managed to acceptable levels, and evaluate the success of individual departments, programs, and initiatives in meeting their goals and mandates.

Prioritizing Performance Audits

The OIPA must carefully consider many factors when deciding what audits to prioritize, and how to best use limited agency resources. To do this, the OIPA must consider:

- **Board of Directors, Audit Committee Members, Department Directors, public, employee, and other stakeholder concerns.** The OIPA prioritizes concerns raised by key stakeholders.
- **Existing or Emerging Risks.** The OIPA plays a critical role in identifying ways SANDAG can effectively meet its mission and knowing the risks that impede success are critical. These include:

External Risks

- *Political* - Alterations to financial projections due to unanticipated budgetary changes at the federal/state level.
- *Economic* – Impacts to budgets or services due to inflation, high interest rates, or increases in service demand.
- *Social* – Population trends (age distribution, income disparities) that may impact service demand and delivery.
- *Technological* – Ability to keep up with costs and security risks associated with rapidly changing adopted technology.
- *Legal/Compliance* – Changes to regulations via federal/state legislation, pending litigation, or accepted best practices.
- *Environmental* – Climate change, natural disasters, changes in resource consumption.

Internal Risks

- *Capital* – Errors or malfeasance resulting in loss or theft of funds, equipment, property, or other assets.

- *People* – Inability to quickly hire qualified staff, poor management of existing personnel, high turnover.
- *Process* – Lack of adequate policies/procedures; resource inefficiency.
- *Technology* – Aging systems, lack of interfaces, etc.
- **Fiscal Impact.** SANDAG cannot deliver its multitude of regional programs and initiatives without sufficient financial resources. Accordingly, the OIPA prioritizes audits which may identify ways to improve the agency's financial and/or budgetary position.
- **SANDAG Program and Resource Delivery.** The OIPA prioritizes audits pertaining to core SANDAG responsibilities as a metropolitan planning organization, regional transportation and fund allocation agency, TransNet administrator, and regional toll authority. Factors that weigh heavily in the consideration of an audit may include:
 - Recent departmental changes, number of budgeted full-time equivalent employees, and/or high employee turnover.
 - Number and/or technological complexity of mission critical information system functions within a given department.
 - Past audit findings and recommendations.

In addition to the factors above, the IPA must consider:

- **Urgency.** Prioritize proposed audits that involve urgent matters over those that are less time sensitive.
- **Available Resources.** Consider the availability of OIPA resources, including staff capacity, qualifications, skills, and time needed to conduct proposed audits.
- **Duplication of Efforts.** Coordinate audit functions such that there is no duplication of effort between the audits undertaken by the OIPA and audits/assessments undertaken by other parties.

Lastly, the IPA is responsible for reviewing the annual audit plan each quarter to ensure performance measures, goals, and auditing/investigative activities are on track to meet the approved plan. When necessary, the IPA will propose audit plan revisions to the Audit Committee.

The flexibility of the audit planning process as designed also allows for unplanned engagements at the request of the IPA, Board of Directors, Audit Committee, and CEO, and in response to fraud, waste, abuse, and mismanagement complaints.

Fiscal Year 2025 Audit Plan

The Audit Plan includes projects already in process, and those that will begin in FY25, based on the above framework described in the “Prioritizing Performance Audits” section.

The number of planned audits is based on an assumed rate of 1.52 audits per auditor¹ per year, with an average of two auditors assigned to each audit.

Audits Currently in Process and Anticipated to Be Completed in FY25

- 5 audits focused on contracting and procurement policies and procedures.

OIPA’s Required Annual Work to be Completed in FY25

- *To be populated prior to July 2024 Audit Committee meeting.*

Priority Audits to Launch in FY25

- *To be determined prior to July 2024 Audit Committee meeting: annual risk assessment process is currently in progress.*

There are more audit topics considered for the upcoming fiscal year than resources available. For a list of all audit topics considered see Appendix C: Potential Audits Topics Considered.

¹ The FTE count included the following adjustments, both the IPA and Deputy IPA are counted as .5 due to supervisory and administrative responsibilities. In addition, the OIPA is recruiting for 2 new auditor positions and these will be included as .5 FTE for this calculation to account for hiring lead time and productivity ramping up time.

Appendix A: About OIPA

To be added

DRAFT

Appendix B: FY 2024 Accomplishments

To be added

DRAFT

Appendix C: Potential Audit Topics Considered

As noted above, the OIPA identifies more high-risk audit areas than we can conduct given limited resources. The following is the potential audit topics considered for the upcoming fiscal year from all sources, including those from internal reviews, risk assessment discussions, board requests, staff requests/concerns, continuing audits, and operational concerns submitted via the Whistleblower Hotline Program.
