

SANDAG Financial Audit Program

Transportation Development Act (TDA) and

State Transit Assistance Fund (STAF)

Financial Statements

Year Ended June 30, 2025

City of Coronado, California/TDA Article 4 and Article 8 Funds

City of El Cajon, California /TDA Article 3 and Article 4 Funds

City of Escondido, California TDA Article 3 Fund

City of La Mesa, California TDA Article 3 and Article 4 Funds

City of Lemon Grove, California TDA Article 4 Fund

City of Poway, California TDA Article 4 Fund

City of Santee, California TDA Article 3 and Article 4 Funds

SANDAG FACT TDA Article 4.5 Fund

SANDAG TDA AUP

County LTF

County STAF

MTS STAF

CITY OF CORONADO, CALIFORNIA

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

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF CORONADO, CALIFORNIA

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

Financial Statements

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025, 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

We have previously audited the TDA Funds for the year ended June 30, 2024, and we expressed an unmodified opinion on those financial statements in our report dated December 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 12, 2025 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 12, 2025

CITY OF CORONADO, CALIFORNIA

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

Balance Sheets

June 30, 2025

(with Comparative Information for the Prior Year)

	TDA Article 4		TDA Article 8	
	2025	2024	2025	2024
Assets:				
Cash and investments (Note 3)	\$ 114,300	\$ 112,175	\$ 627,579	\$ 615,909
Due from other governments (Note 4)	<u>31,071</u>	<u>30,423</u>	<u>43,110</u>	<u>9,313</u>
 Total assets	 <u>\$ 145,371</u>	 <u>\$ 142,598</u>	 <u>\$ 670,689</u>	 <u>\$ 625,222</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 57,970	\$ 26,350
Unearned revenue (Note 5)	<u>98,575</u>	<u>102,062</u>	<u>555,158</u>	<u>552,317</u>
 Total liabilities	 <u>98,575</u>	 <u>102,062</u>	 <u>613,128</u>	 <u>578,667</u>
 Deferred inflows of resources:				
Unavailable revenue (Note 6)	<u>31,071</u>	<u>30,423</u>	<u>-</u>	<u>-</u>
 Total deferred inflows of resources	 <u>31,071</u>	 <u>30,423</u>	 <u>-</u>	 <u>-</u>
 Fund balance:				
Restricted	<u>15,725</u>	<u>10,113</u>	<u>57,561</u>	<u>46,555</u>
 Total fund balance	 <u>15,725</u>	 <u>10,113</u>	 <u>57,561</u>	 <u>46,555</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 145,371</u>	 <u>\$ 142,598</u>	 <u>\$ 670,689</u>	 <u>\$ 625,222</u>

See notes to financial statements

CITY OF CORONADO, CALIFORNIA

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

Schedule of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2025
(with Comparative Information for the Prior Year)**

	<u>TDA Article 4</u>		<u>TDA Article 8</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues:				
TDA funds	\$ 31,069	\$ 30,459	\$ 320,110	\$ 312,656
Interest income	<u>5,612</u>	<u>4,371</u>	<u>30,811</u>	<u>24,002</u>
Total revenues	<u>36,681</u>	<u>34,830</u>	<u>350,921</u>	<u>336,658</u>
Expenditures:				
Construction and development	<u>31,069</u>	<u>30,459</u>	<u>339,915</u>	<u>312,656</u>
Total expenditures	<u>31,069</u>	<u>30,459</u>	<u>339,915</u>	<u>312,656</u>
Change in fund balance	5,612	4,371	11,006	24,002
Fund balance at beginning of year	<u>10,113</u>	<u>5,742</u>	<u>46,555</u>	<u>22,553</u>
Fund balance at end of year	<u>\$ 15,725</u>	<u>\$ 10,113</u>	<u>\$ 57,561</u>	<u>\$ 46,555</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, 2025

(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 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.

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.

CITY OF CORONADO, CALIFORNIA

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

Notes to Financial Statements

(Continued)

(4) Due from Other Governments

Due from other governments in the amount of \$31,071 as of June 30, 2025 represents a receivable from Metropolitan Transit System for reimbursement of eligible TDA Article 4 expenditures. Additionally, due from other governments in the amount of \$43,110 as of June 30, 2025 represents a receivable from Metropolitan Transit System for reimbursement of eligible TDA Article 8 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, 2025 was \$98,575 for Article 4 and \$555,158 for Article 8.

(6) Unavailable Revenue

Unavailable revenue in the amount of \$31,071 as of June 30, 2025 for TDA Article 4 represents a receivable from Metropolitan Transit System 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.

CITY OF CORONADO, CALIFORNIA

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

Notes to Financial Statements

(Continued)

(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.

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

(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 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, 2025

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	31,069	\$ 31,069
Interest income	<u>4,038</u>	<u>4,038</u>	<u>5,612</u>	<u>1,574</u>
Total revenues	<u>4,038</u>	<u>4,038</u>	<u>36,681</u>	<u>32,643</u>
Expenditures:				
Construction and development	<u>-</u>	<u>-</u>	<u>31,069</u>	<u>(31,069)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>31,069</u>	<u>(31,069)</u>
Change in fund balance	<u>\$ 4,038</u>	<u>\$ 4,038</u>	\$ 5,612	<u>\$ 1,574</u>
Fund balance at beginning of year			<u>10,113</u>	
Fund balance at end of year			<u>\$ 15,725</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, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 30,423	\$ 30,423	30,459	\$ 36
Interest income	<u>4,371</u>	<u>4,371</u>	<u>4,371</u>	<u>-</u>
Total revenues	<u>34,794</u>	<u>34,794</u>	<u>34,830</u>	<u>36</u>
Expenditures:				
Construction and development	<u>30,423</u>	<u>30,423</u>	<u>30,459</u>	<u>(36)</u>
Total expenditures	<u>30,423</u>	<u>30,423</u>	<u>30,459</u>	<u>(36)</u>
Change in fund balance	<u>\$ 4,371</u>	<u>\$ 4,371</u>	\$ 4,371	<u>\$ -</u>
Fund balance at beginning of year			<u>5,742</u>	
Fund balance at end of year			<u>\$ 10,113</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, 2025

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 200,000	\$ 200,000	320,110	\$ 120,110
Interest income	<u>22,165</u>	<u>22,165</u>	<u>30,811</u>	<u>8,646</u>
Total revenues	<u>222,165</u>	<u>222,165</u>	<u>350,921</u>	<u>128,756</u>
Expenditures:				
Construction and development	<u>305,000</u>	<u>305,000</u>	<u>339,915</u>	<u>(34,915)</u>
Total expenditures	<u>305,000</u>	<u>305,000</u>	<u>339,915</u>	<u>(34,915)</u>
Change in fund balance	<u>\$ (82,835)</u>	<u>\$ (82,835)</u>	\$ 11,006	<u>\$ 93,841</u>
Fund balance at beginning of year			<u>46,555</u>	
Fund balance at end of year			<u><u>\$ 57,561</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, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 200,000	\$ 200,000	312,656	\$ 112,656
Interest income	<u>10,880</u>	<u>10,880</u>	<u>24,002</u>	<u>13,122</u>
Total revenues	<u>210,880</u>	<u>210,880</u>	<u>336,658</u>	<u>125,778</u>
Expenditures:				
Construction and development	<u>305,000</u>	<u>305,000</u>	<u>312,656</u>	<u>(7,656)</u>
Total expenditures	<u>305,000</u>	<u>305,000</u>	<u>312,656</u>	<u>(7,656)</u>
Change in fund balance	<u>\$ (94,120)</u>	<u>\$ (94,120)</u>	\$ 24,002	<u>\$ 118,122</u>
Fund balance at beginning of year			<u>22,553</u>	
Fund balance at end of year			<u>\$ 46,555</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, 2025

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/25
Article 4:						
	Capital Improvements on Trolley and Bus Facilities	\$ 108,405	\$ 31,352	\$ 5,612	\$ (31,069)	\$ 114,300
Article 8:						
16031003	Community Ferry Service	<u>595,213</u>	<u>283,500</u>	<u>30,811</u>	<u>(339,915)</u>	<u>569,609</u>
	Totals	<u>\$ 703,618</u>	<u>\$ 314,852</u>	<u>\$ 36,423</u>	<u>\$ (370,984)</u>	<u>\$ 683,909</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, 2025, 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 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (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. 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 a material misstatement in the financial statements. We recorded an adjusting journal entry to record unavailable revenue and reduce current year revenues. We recommend the City carefully review revenues to ensure funds are received within the availability period before recognizing revenue. We also recommend the City maintain a complete self-balancing set of records for the separate TDA activities for purposes of ensuring the activities of each TDA program is accounted for separately, including the allocation of investment income to each program.

Management's Response to Finding

Management agrees with the findings. The City invoiced and accrued revenue outside of the 60-day availability period, recording it as accounts receivable instead of as a deferred inflow/unavailable revenue. The City will ensure a more thorough review of revenue recognition at fiscal year-end and will continue to evaluate our internal controls in an efforts to request reimbursements from related agencies in a timely manner.

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.

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
December 12, 2025

CITY OF EL CAJON, CALIFORNIA

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

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF EL CAJON, CALIFORNIA

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

Financial Statements

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025, 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

We have previously audited the TDA Funds for the year ended June 30, 2024, and we expressed an unmodified opinion on those financial statements in our report dated December 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 December 12, 2025 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 12, 2025

CITY OF EL CAJON, CALIFORNIA

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

Balance Sheets

June 30, 2025

(with Comparative Information for the Prior Year)

	TDA Article 3		TDA Article 4	
	2025	2024	2025	2024
Assets:				
Cash and investments (Note 3)	\$ -	\$ -	\$ 604,528	\$ 614,379
Interest receivable	<u>-</u>	<u>-</u>	<u>4,135</u>	<u>3,550</u>
 Total assets	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 608,663</u>	 <u>\$ 617,929</u>
 Liabilities and fund balance:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 10,346	\$ 13,735
Unearned revenue (Note 4)	<u>-</u>	<u>-</u>	<u>598,317</u>	<u>604,194</u>
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>608,663</u>	 <u>617,929</u>
 Fund balance:				
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance (deficit)	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total liabilities and fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 608,663</u>	 <u>\$ 617,929</u>

See notes to financial statements

CITY OF EL CAJON, CALIFORNIA

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

Schedule of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2025
(with Comparative Information for the Prior Year)**

	TDA Article 3		TDA Article 4	
	2025	2024	2025	2024
Revenues:				
TDA funds	\$ -	\$ 67,740	\$ 102,573	\$ 72,729
Investment income	<u>-</u>	<u>-</u>	<u>36,794</u>	<u>21,947</u>
Total revenues	<u>-</u>	<u>67,740</u>	<u>139,367</u>	<u>94,676</u>
Expenditures:				
Construction and development	<u>-</u>	<u>-</u>	<u>139,367</u>	<u>94,676</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>139,367</u>	<u>94,676</u>
Change in fund balance	-	67,740	-	-
Fund balance (deficit) at beginning of year	<u>-</u>	<u>(67,740)</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2025

(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 60 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 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.

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.

CITY OF EL CAJON, CALIFORNIA

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

Notes to Financial Statements

(Continued)

(4) 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, 2025 was \$598,317.

(5) 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.

(6) 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.

(7) 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**

For the Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 105,000	\$ 105,000	\$ 139,367	\$ 34,367
Total revenues	105,000	105,000	139,367	34,367
Expenditures:				
Construction and development	177,398	177,398	139,367	38,031
Total expenditures	177,398	177,398	139,367	38,031
Change in fund balance	\$ (72,398)	\$ (72,398)	\$ -	\$ 72,398
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

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**

For the Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 138,518</u>	<u>\$ 138,518</u>	<u>\$ 162,416</u>	<u>\$ 23,898</u>
Total revenues	<u>138,518</u>	<u>138,518</u>	<u>162,416</u>	<u>23,898</u>
Expenditures:				
Construction and development	<u>124,931</u>	<u>124,931</u>	<u>94,676</u>	<u>30,255</u>
Total expenditures	<u>124,931</u>	<u>124,931</u>	<u>94,676</u>	<u>30,255</u>
Change in fund balance	<u>\$ 13,587</u>	<u>\$ 13,587</u>	<u>\$ 67,740</u>	<u>\$ 54,153</u>
Fund balance (deficit) at beginning of year			<u>(67,740)</u>	
Fund balance at end of year			<u>\$ -</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, 2025

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/25	Notes
Article 4:							
PW00000059	Bus Stop Maint & Repair; Intersection (PW3483)	\$ 597,566	-	36,794	-	634,360	
0000014906	Bus Stop Maint & repair	(94,676)	96,107	-	(1,431)	-	(a)
978	Bus Stop Maint & repair	101,893	-	-	(101,893)	-	(a)
2942	Bus Stop Maint & repair	-	-	-	(36,043)	(36,043)	(b)
	Totals	\$ 604,783	\$ 96,107	\$ 36,794	\$ (139,367)	\$ 598,317	

Notes

- (a) Project is complete.
- (b) The City plans to request reimbursement for the project deficit in FY26.

**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, 2025, 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 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (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 significant deficiencies or 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 Lane CP".

Irvine, California
December 12, 2025

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025, 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

We have previously audited the TDA Funds for the year ended June 30, 2024, and we expressed an unmodified opinion on those financial statements in our report dated December 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 opinion is 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 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 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 December 5, 2025 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 5, 2025

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Balance Sheets

**June 30, 2025
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2025	2024
Assets:		
Due from other governments	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Due to City of Escondido	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Deferred inflows of resources:		
Unavailable revenue	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Fund balance (deficit):		
Unassigned	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ -</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, 2025
(with Comparative Information for the Prior Year)**

	TDA Article 3	
	2025	2024
Revenues:		
TDA funds	\$ -	\$ 300,407
Total revenues	-	300,407
Expenditures:		
Construction and development	-	-
Total expenditures	-	-
Change in fund balance	-	300,407
Fund balance (deficit) at beginning of year	-	(300,407)
Fund balance (deficit) at end of year	\$ -	\$ -

See notes to financial statements

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Notes to Financial Statements

(Continued)

(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 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) 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

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.

Supplementary Information

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

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

For the Fiscal Year Ended June 30, 2025

	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	\$ -	\$ -	\$ -	\$ -
Fund balance (deficit) at beginning of year			-	
Fund balance (deficit) at end of year			\$ -	

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

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

For the Fiscal Year Ended June 30, 2024

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

CITY OF ESCONDIDO, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2025

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/25	Notes
16011005	El Norte Pedestrian Signal	\$ -	\$ -	\$ -	\$ -	\$ -	(a)
	Totals	\$ -	\$ -	\$ -	\$ -	\$ -	

Notes

(a) The City of Escondido received their final reimbursement for the TDA Grant in FY 2024.

**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, 2025, 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 5, 2025.

Report on Internal Control Over Financial Reporting

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



Irvine, California
December 5, 2025

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

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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 La Mesa, California ("City") as of and for the year ended June 30, 2025, 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 Fund as of June 30, 2025, 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 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, 2025, 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.

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

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

We have previously audited the TDA Fund for the year ended June 30, 2024, and we expressed an unmodified opinion on those financial statements in our report dated December 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 opinion is 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 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 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 February 24, 2026 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
February 24, 2026

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Balance Sheet

June 30, 2025

(with Comparative Information for the Prior Year)

	<u>TDA Article 4</u>	
	<u>2025</u>	<u>2024</u>
Assets:		
Due from other governments (Note 4)	<u>\$ 80,160</u>	<u>\$ 78,500</u>
Total assets	<u>\$ 80,160</u>	<u>\$ 78,500</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Due to City of La Mesa (Note 5)	<u>\$ 76,424</u>	<u>\$ 77,741</u>
Total liabilities	<u>76,424</u>	<u>77,741</u>
Deferred inflows of resources:		
Unavailable revenue (Note 6)	<u>80,160</u>	<u>78,500</u>
Total deferred inflows of resources	<u>80,160</u>	<u>78,500</u>
Fund balance (deficit):		
Unassigned	<u>(76,424)</u>	<u>(77,741)</u>
Total fund balance (deficit) (Note 7)	<u>(76,424)</u>	<u>(77,741)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 80,160</u>	<u>\$ 78,500</u>

See notes to financial statements

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2025
(with Comparative Information for the Prior Year)**

	TDA Article 4	
	2025	2024
Revenues:		
TDA funds	\$ 78,488	\$ 21,267
Interest income, net	<u>2,989</u>	<u>1,407</u>
Total revenues	<u>81,477</u>	<u>22,674</u>
Expenditures:		
Construction and development	<u>80,160</u>	<u>78,488</u>
Total expenditures	<u>80,160</u>	<u>78,488</u>
Change in fund balance	1,317	(55,814)
Fund balance (deficit) at beginning of year	<u>(77,741)</u>	<u>(21,927)</u>
Fund balance (deficit) at end of year	<u>\$ (76,424)</u>	<u>\$ (77,741)</u>

See notes to financial statements

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

(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 La Mesa, 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.

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.

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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.
- *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.

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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, 2025 and 2024 were \$0 and \$0, 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.

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 \$80,160 represents a receivable from Metropolitan Transit System (MTS) for reimbursement of eligible TDA Article 4 expenditures as of June 30, 2025.

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(5) Due to City of La Mesa

Due to the City of La Mesa in the amount of \$76,424 represents funds owed to the City to cover negative cash at June 30, 2025 for reimbursement of eligible TDA Article 4 expenditures.

(6) Unavailable Revenue

Unavailable revenue in the amount of \$80,160 as of June 30, 2025 for TDA Article 4 represents a receivable from MTS for eligible TDA expenditures which were not received within the City's availability period.

(7) Deficit Fund Balance

The TDA 4 Fund reported a deficit fund balance of \$76,424 as of June 30, 2025. This deficit fund balance will be cured during the year ending June 30, 2026, with the receipt of TDA 4 funds as reimbursement for eligible expenditures.

(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 §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.

(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 LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

For the Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 78,488	\$ 78,488	\$ 78,488	\$ -
Interest income (loss)	4,559	4,559	2,989	(1,570)
Total revenues	83,047	83,047	81,477	(1,570)
Expenditures:				
Construction and development	80,160	80,160	80,160	-
Total expenditures	80,160	80,160	80,160	-
Change in fund balance	\$ 2,887	\$ 2,887	1,317	\$ (1,570)
Fund balance (deficit) at beginning of year			(77,741)	
Fund balance (deficit) at end of year			\$ (76,424)	

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

For the Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ 21,267	\$ 21,267	\$ 21,267	\$ -
Interest income	<u>1,407</u>	<u>1,407</u>	<u>1,407</u>	<u>-</u>
Total revenues	<u>22,674</u>	<u>22,674</u>	<u>22,674</u>	<u>-</u>
Expenditures:				
Construction and development	<u>78,480</u>	<u>78,480</u>	<u>78,488</u>	<u>(8)</u>
Total expenditures	<u>78,480</u>	<u>78,480</u>	<u>78,488</u>	<u>(8)</u>
Change in fund balance	<u><u>\$ (55,806)</u></u>	<u><u>\$ (55,806)</u></u>	(55,814)	<u><u>\$ (8)</u></u>
Fund balance (deficit) at beginning of year			<u>(21,927)</u>	
Fund balance (deficit) at end of year			<u><u>\$ (77,741)</u></u>	

CITY OF LA MESA, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Schedule of Status of Funds by Project

For the Fiscal Year Ended June 30, 2025

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Earned	Qualifying Project Expenditures	City Adjustments	Project Status at 6/30/25	Notes
	MTS Spring Street Maintenance - Tree Trimming	\$ (4,818)	\$ 4,830	\$ 1,494	\$ -	\$ (12)	\$ 1,494	(a)
	MTS Related Traffic Signal Maintenance	(72,923)	73,670	1,495	-	-	2,242	
	MTS Currux Detection Camera Spring St. & Lemon Ave.	-	-	-	(39,588)	-	(39,588)	(b)
	MTS Currux Detection Camera Spring St. & High St.	-	-	-	(40,572)	-	(40,572)	(b)
	Totals	\$ (77,741)	\$ 78,500	\$ 2,989	\$ (80,160)	\$ (12)	\$ (76,424)	

Notes

- (a) Adjustment of \$12 is for funding incorrectly applied to PY funding sources to TDA projects.
- (b) The deficit balance will be cured during the year ending June 30, 2026 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 Fund (TDA Fund) of the City of La Mesa, California (City), as of and for the year ended June 30, 2025, 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 February 24, 2026.

Report on Internal Control Over Financial Reporting

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

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 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 interest income, unavailable revenues, and beginning fund balance. We recommend the City carefully review revenues to ensure they are accurately recorded and recognized. 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

The City of La Mesa acknowledges the material weakness identified and accepts the auditor's proposed journal entries for the FY 2025 TDA audit. The deficiencies noted stemmed from significant staff turnover, which contributed to delays in completing critical accounting reconciliations, as well as the incomplete implementation of the OpenGov accounting system. Additionally, the departure of the City's Finance Director in February 2025 left the FY24 audit unfinished. As a result, staff were required to reconstruct portions of the City's accounting records to prepare the books for audit, which contributed to additional reporting delays and procedural gaps.

The City remains committed to strengthening its accounting and financial reporting practices. This material weakness will be fully addressed as part of the preparation of the FY26 trial balance, which will be completed and submitted on schedule by June 30, 2026.

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.

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.

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

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 Lam" followed by a stylized flourish.

Irvine, California
February 24, 2026

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025, 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

We have previously audited the TDA Fund for the year ended June 30, 2024, and we expressed an unmodified opinion on those financial statements in our report dated December 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion 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 12, 2025 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 12, 2025

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Balance Sheets

**June 30, 2025
(with Comparative Information for the Prior Year)**

	<u>TDA Article 4</u>	
	<u>2025</u>	<u>2024</u>
Assets:		
Due from other governments (Note 3)	\$ 106,643	\$ 158,990
Total assets	<u>\$ 106,643</u>	<u>\$ 158,990</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Due to City of Lemon Grove (Note 4)	\$ 101,236	\$ 143,510
Accounts payable	<u>5,433</u>	<u>15,480</u>
Total liabilities	<u>106,669</u>	<u>158,990</u>
Deferred inflows of resources:		
Unavailable revenue (Note 5)	<u>106,643</u>	<u>101,493</u>
Total deferred inflows of resources	<u>106,643</u>	<u>101,493</u>
Fund balance (deficit):		
Unassigned	<u>(106,669)</u>	<u>(101,493)</u>
Total fund balance (deficit) (Note 6)	<u>(106,669)</u>	<u>(101,493)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 106,643</u>	<u>\$ 158,990</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, 2025
(with Comparative Information for the Prior Year)**

	<u>TDA Article 4</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
TDA funds	<u>\$ 101,561</u>	<u>\$ 57,497</u>
Total revenues	<u>101,561</u>	<u>57,497</u>
Expenditures:		
Construction and development	<u>106,737</u>	<u>101,740</u>
Total expenditures	<u>106,737</u>	<u>101,740</u>
Change in fund balance	(5,176)	(44,243)
Fund balance (deficit) at beginning of year	<u>(101,493)</u>	<u>(57,250)</u>
Fund balance (deficit) at end of year	<u>\$ (106,669)</u>	<u>\$ (101,493)</u>

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, 2025

(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 \$106,643 as of June 30, 2025 represents a receivable from Metropolitan Transit System for reimbursement of eligible TDA expenditures.

(4) Due to City of Lemon Grove

Due to City of Lemon Grove in the amount of \$101,236 as of June 30, 2025 represents cash advanced from other funds of the City to pay for eligible TDA expenditures.

(5) Unavailable Revenue

Unavailable revenue in the amount of \$106,643 as of June 30, 2025 for TDA Article 4 represents a receivable from Metropolitan Transit System 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 \$106,669 as of June 30, 2025. This deficit fund balance will be resolved during the next fiscal year when unavailable revenue is recorded as revenue.

(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.

Supplementary Information

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

Year Ended June 30, 2025

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 100,100</u>	<u>\$ 100,100</u>	<u>\$ 101,561</u>	<u>\$ 1,461</u>
Total revenues	<u>100,100</u>	<u>100,100</u>	<u>101,561</u>	<u>1,461</u>
Expenditures:				
Construction and development	<u>109,950</u>	<u>109,950</u>	<u>106,737</u>	<u>3,213</u>
Total expenditures	<u>109,950</u>	<u>109,950</u>	<u>106,737</u>	<u>3,213</u>
Change in fund balance	<u>\$ (9,850)</u>	<u>\$ (9,850)</u>	<u>\$ (5,176)</u>	<u>\$ 4,674</u>
Fund balance (deficit) at beginning of year			<u>(101,493)</u>	
Fund balance (deficit) at end of year			<u>\$ (106,669)</u>	

CITY OF LEMON GROVE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

Year Ended June 30, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 100,196</u>	<u>\$ 100,196</u>	<u>\$ 57,497</u>	<u>\$ (42,699)</u>
Total revenues	<u>100,196</u>	<u>100,196</u>	<u>57,497</u>	<u>(42,699)</u>
Expenditures:				
Construction and development	<u>121,170</u>	<u>121,170</u>	<u>101,740</u>	<u>19,430</u>
Total expenditures	<u>121,170</u>	<u>121,170</u>	<u>101,740</u>	<u>19,430</u>
Change in fund balance	<u>\$ (20,974)</u>	<u>\$ (20,974)</u>	<u>\$ (44,243)</u>	<u>\$ (23,269)</u>
Fund balance (deficit) at beginning of year			<u>(57,250)</u>	
Fund balance (deficit) at end of year			<u>\$ (101,493)</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, 2025

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Earned	Qualifying Project Expenditures	City Adjustments	Project Status at 6/30/25	Notes
6260	Trolley Corridor Maintenance - Bus Shelters	\$ (28,391)	\$ 28,437	\$ -	\$ (38,667)	\$ (68)	\$ (38,689)	(a)(b)
6530	Trolley Corridor Landscape Maintenance	<u>(73,102)</u>	<u>73,124</u>	<u>-</u>	<u>(67,976)</u>	<u>-</u>	<u>(67,954)</u>	(b)
	Totals	<u>\$ (101,493)</u>	<u>\$ 101,561</u>	<u>\$ -</u>	<u>\$ (106,643)</u>	<u>\$ (68)</u>	<u>\$ (106,643)</u>	

Notes

- (a) An adjustment was made by the City to reflect previously unreported FY24 payroll expenditures in FY25.
- (b) The City has requested a reimbursement from MTS for the remaining project balance in FY26.

**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, 2025, 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 12, 2025.

Report on Internal Control Over Financial Reporting

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



Irvine, California
December 12, 2025

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF POWAY CALIFORNIA
Transportation Development Act
Article 4 Fund

Financial Statements

For the Fiscal Year Ended June 30, 2025

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

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

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

We have previously audited the TDA Funds for the year ended June 30, 2024, and we expressed an unmodified opinion on those financial statements in our report dated December 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion 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 December 5, 2025 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 5, 2025

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Balance Sheet

June 30, 2025

(with Comparative Information for the Prior Year)

	<u>TDA Article 4</u>	
	<u>2025</u>	<u>2024</u>
Assets:		
Cash and investments (Note 3)	\$ 353,330	\$ 368,196
Due from other governments (Note 4)	<u>49,275</u>	<u>29,633</u>
Total assets	<u>\$ 402,605</u>	<u>\$ 397,829</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts payable	\$ -	\$ 4,272
Unearned revenue (Note 5)	<u>402,605</u>	<u>393,557</u>
Total liabilities	<u>402,605</u>	<u>397,829</u>
Fund balance:		
Unassigned	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 402,605</u>	<u>\$ 397,829</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, 2025
(with Comparative Information for the Prior Year)**

	TDA Article 4	
	2025	2024
Revenues:		
TDA funds	\$ 40,228	\$ 24,398
Investment income	<u>9,047</u>	<u>7,370</u>
Total revenues	<u>49,275</u>	<u>31,768</u>
Expenditures:		
Salaries and benefits	2,319	3,775
Construction and development	<u>46,956</u>	<u>27,993</u>
Total expenditures	<u>49,275</u>	<u>31,768</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, 2025

(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 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.

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.

CITY OF POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

Notes to Financial Statements

(Continued)

(4) Due from Other Governments

Due from other governments in the amount of \$49,275 represents a receivable from Metropolitan Transit System 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 City applies restricted investment income to eligible expenditures prior to applying TDA funds. The balance of unearned revenue as of June 30, 2025 was \$402,605.

(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.

(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 POWAY, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

For the Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ 40,228	\$ 40,228
Interest income	<u>2,000</u>	<u>2,000</u>	<u>9,047</u>	<u>7,047</u>
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>49,275</u>	<u>47,275</u>
Expenditures:				
Salaries and benefits	4,000	4,000	2,319	1,681
Construction and development	<u>-</u>	<u>195,679</u>	<u>46,956</u>	<u>148,723</u>
Total expenditures	<u>4,000</u>	<u>199,679</u>	<u>49,275</u>	<u>150,404</u>
Change in fund balance	<u>\$ (2,000)</u>	<u>\$ (197,679)</u>	-	<u>\$ 197,679</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**

For the Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ 24,398	\$ 24,398
Interest income	<u>1,500</u>	<u>1,500</u>	<u>7,370</u>	<u>5,870</u>
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>31,768</u>	<u>30,268</u>
Expenditures:				
Salaries and benefits	4,000	4,000	3,775	225
Construction and development	<u>-</u>	<u>27,994</u>	<u>27,993</u>	<u>1</u>
Total expenditures	<u>4,000</u>	<u>31,994</u>	<u>31,768</u>	<u>226</u>
Change in fund balance	<u>\$ (2,500)</u>	<u>\$ (30,494)</u>	-	<u>\$ 30,494</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, 2025

<u>Claim Number</u>	<u>Project Description</u>	<u>Project Status at 6/30/24</u>	<u>Allocations Received</u>	<u>Interest Earned</u>	<u>Qualifying Project Expenditures</u>	<u>City Adjustments</u>	<u>Project Status at 6/30/25</u>
MNT0018	Bus Stop Improvements	\$ 355,382	\$ 38,176	\$ 9,047	\$ (49,275)	\$ -	\$ 353,330
	Totals	\$ 355,382	\$ 38,176	\$ 9,047	\$ (49,275)	\$ -	\$ 353,330

**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, 2025, 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 5, 2025.

Report on Internal Control Over Financial Reporting

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



Irvine, California
December 5, 2025

CITY OF SANTEE, CALIFORNIA

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

Financial Statements

For the Fiscal Year Ended June 30, 2025

CITY OF SANTEE, CALIFORNIA

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

Financial Statements

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025, 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

We have previously audited the TDA Fund's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 24, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 *Schedules 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 5, 2025 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 5, 2025

CITY OF SANTEE, CALIFORNIA

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

Balance Sheets

**June 30, 2025
(with Comparative Information for the Prior Year)**

	TDA Article 3		TDA Article 4	
	2025	2024	2025	2024
Assets:				
Cash and investments (Note 3)	\$ -	\$ -	\$ -	\$ 47
Due from other governments	-	-	-	-
Interest receivable	-	-	-	14
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:				
Liabilities:				
Due to City of Santee	-	-	-	-
Unearned revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance:				
Restricted	-	-	-	61
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>

See notes to financial statements

CITY OF SANTEE, CALIFORNIA

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

Statements of Revenues, Expenditures and Changes in Fund Balances

**For the Fiscal Year Ended June 30, 2025
(with Comparative Information for the Prior Year)**

	<u>TDA Article 3</u>		<u>TDA Article 4</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues:				
TDA funds	<u>\$ -</u>	<u>\$ 211,493</u>	<u>\$ -</u>	<u>\$ 4,379</u>
Total revenues	<u>-</u>	<u>211,493</u>	<u>-</u>	<u>4,379</u>
Expenditures:				
Construction and development	<u>-</u>	<u>198,792</u>	<u>61</u>	<u>5,193</u>
Total expenditures	<u>-</u>	<u>198,792</u>	<u>61</u>	<u>5,193</u>
Change in fund balance	-	12,701	(61)	(814)
Fund balance (deficit) at beginning of year	<u>-</u>	<u>(12,701)</u>	<u>61</u>	<u>875</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</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, 2025

(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 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.

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.

CITY OF SANTEE, CALIFORNIA

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

Notes to Financial Statements

(Continued)

(4) 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.

(5) 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.

(6) 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**

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

For the Fiscal Year Ended June 30, 2025

	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 at beginning of year			-	
Fund balance at end of year			<u>\$ -</u>	

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 3 Fund**

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

For the Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 198,790</u>	<u>\$ 198,790</u>	<u>\$ 211,493</u>	<u>\$ 12,703</u>
Total revenues	<u>198,790</u>	<u>198,790</u>	<u>211,493</u>	<u>12,703</u>
Expenditures:				
Construction and development	<u>198,790</u>	<u>198,790</u>	<u>198,792</u>	<u>(2)</u>
Total expenditures	<u>198,790</u>	<u>198,790</u>	<u>198,792</u>	<u>(2)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	12,701	<u>\$ 12,701</u>
Fund balance (deficit) at beginning of year			<u>(12,701)</u>	
Fund balance at end of year			<u>\$ -</u>	

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

For the Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Construction and development	<u>-</u>	<u>-</u>	<u>61</u>	<u>(61)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>61</u>	<u>(61)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(61)	<u>\$ (61)</u>
Fund balance at beginning of year			<u>61</u>	
Fund balance at end of year			<u>\$ -</u>	

CITY OF SANTEE, CALIFORNIA

**Transportation Development Act
Article 4 Fund**

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

For the Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA funds	<u>\$ 4,240</u>	<u>\$ 4,240</u>	<u>\$ 4,379</u>	<u>\$ 139</u>
Total revenues	<u>4,240</u>	<u>4,240</u>	<u>4,379</u>	<u>139</u>
Expenditures:				
Construction and development	<u>5,193</u>	<u>5,193</u>	<u>5,193</u>	<u>-</u>
Total expenditures	<u>5,193</u>	<u>5,193</u>	<u>5,193</u>	<u>-</u>
Change in fund balance	<u>\$ (953)</u>	<u>\$ (953)</u>	<u>(814)</u>	<u>\$ 139</u>
Fund balance at beginning of year			<u>875</u>	
Fund balance at end of year			<u>\$ 61</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, 2025

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Earned	Qualifying Project Expenditures	Project Status at 6/30/25	Notes
Article 3:							
19011009	Prospect Ave & Mesa Rd Intersection Imp	\$ -	\$ -	\$ -	\$ -	\$ -	(a)
Article 4:							
2012-40	Clock Tower Upgrades	-	-	-	-	-	(a)
Totals		\$ -	\$ -	\$ -	\$ -	\$ -	

Notes

(a) The City of Santee received their final reimbursements for the TDA Grants in FY 2024.

**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, 2025, 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 5, 2025.

Report on Internal Control Over Financial Reporting

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



Irvine, California
December 5, 2025

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

**Transportation Development Act
Article 4.5 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

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

**Transportation Development Act
Article 4.5 Fund**

Financial Statements

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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 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 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, 2025, 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

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

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

We have previously audited the TDA Fund's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 13, 2026 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" followed by a stylized flourish.

Irvine, California
March 13, 2026

FULL ACCESS & COORDINATED TRANSPORTATION, INC.

**Transportation Development Act
Article 4.5 Fund**

Statement of Financial Position

**June 30, 2025
(with Comparative Information for the Prior Year)**

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and cash equivalents (Note 3)	\$ 149,257	\$ 263,253
Total assets	<u>\$ 149,257</u>	<u>\$ 263,253</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,329	\$ 23,893
Net assets:		
With donor restrictions	<u>144,928</u>	<u>239,360</u>
Total liabilities and net assets	<u>\$ 149,257</u>	<u>\$ 263,253</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, 2025
(with Comparative Information for the Prior Year)**

	<u>2025</u>	<u>2024</u>
Changes in Net Assets without Donor Restrictions		
Net assets released from donor restriction	\$ 293,724	\$ 220,432
Expenses		
Program expenses (Note 5)	<u>293,724</u>	<u>220,432</u>
Change in Unrestricted Net Assets	<u>-</u>	<u>-</u>
Changes in Net Assets with Donor Restrictions		
TDA Article 4.5 allocation	199,292	195,019
Restrictions satisfied by payments	<u>(293,724)</u>	<u>(220,432)</u>
Change in Net Assets with donor restrictions	<u>(94,432)</u>	<u>(25,413)</u>
Change in Net Assets	<u>(94,432)</u>	<u>(25,413)</u>
Net Assets at beginning of year	<u>239,360</u>	<u>264,773</u>
Net Assets at end of year	<u>\$ 144,928</u>	<u>\$ 239,360</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, 2025
(with Comparative Information for the Prior Year)**

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (94,432)	\$ (25,413)
Adjustments to reconcile change in net assets to net cash from operating activities		
Accounts payable	<u>(19,564)</u>	<u>15,673</u>
Net cash used in operating activities	(113,996)	(9,740)
Cash at beginning of year	<u>263,253</u>	<u>272,993</u>
Cash at end of year	<u>\$ 149,257</u>	<u>\$ 263,253</u>

There were no noncash capital, investing and financing activities for fiscal years ending June 30, 2025 and 2024.

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, 2025

(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, 2025, the CTSA Program's total cash balance was \$149,257. 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 as of June 30, 2025:

Cash and cash equivalents	<u>\$149,257</u>
Total assets available	<u>\$149,257</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 year ended June 30, 2025 is as follows:

Payroll and related expenses	\$162,477
Contracted services	4,740
Operations	79,427
Travel and meetings	20,466
Other	<u>26,614</u>
Total program expenses	<u>\$293,724</u>

(6) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2025 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements. Management has performed their analysis through March 13, 2026, 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, 2025, 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 13, 2026.

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 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 §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 13, 2026

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

**Report on Agreed Upon Procedures
Applied to the Transportation Development Act
Year Ended June 30, 2025**

**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, 2025. 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, 2025. 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

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

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, 2025, and a listing of underlying transactions, and agreed the listing of transactions 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, 2025.

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 6, 2026

SAN DIEGO ASSOCIATION OF GOVERNMENTS

TRANSPORTATION DEVELOPMENT ACT

Schedule of Findings and Recommendations

Year Ended June 30, 2025

A. Current Year Findings and Recommendations

No findings or recommendations were noted for the year ended June 30, 2025.

B. Prior Year Findings and Recommendations

No findings or recommendations were noted for the year ended June 30, 2024.

SCHEDULE A

SAN DIEGO ASSOCIATION OF GOVERNMENTS
 Transportation Development Act
 Schedule of Status of Funds by Project
 Fiscal Year Ended June 30, 2025

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Received	Qualifying Project Expenditures	Agency Adjustments	Project Status at 6/30/25	Notes
Transportation Development Act:								
Administration:								
25051000	Administration	\$ -	\$ 563,777	\$ -	\$ (563,777)	\$ -	\$ -	
25051002	Administration	-	12,411	-	-	-	12,411	
	Total Administration	-	576,188	-	(563,777)	-	12,411	
Article 3:								
16011000	North Park/Mid-City Bikeways:Robinson Bikeway	91,436	-	-	-	-	91,436	
25011000	Pershing Drive Bikeway	-	2,979,384	-	(2,618,793)	-	360,591	
25011001	Pershing Drive Bikeway	-	87,802	-	-	-	87,802	
	Total Article 3	91,436	3,067,186	-	(2,618,793)	-	539,829	
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	
17031004	Article 4 (Transfer from MTS)	92,948	-	-	(92,668)	-	280	
18031004	Article 4 (Transfer from MTS)	130,091	-	-	(130,091)	-	-	
21031004	Article 4 (Transfer from MTS)	176,024	-	-	(176,024)	-	-	
22031004	Article 4 (Transfer from MTS)	287,638	-	-	(287,638)	-	-	
25031004	Article 4 (Transfer from MTS)	-	284,392	-	(284,392)	-	-	
	Total Capital Transfer from MTS	1,085,117	284,392	-	(970,813)	-	398,696	
	Subtotal Article 4	1,085,117	284,392	-	(970,813)	-	398,696	

(Continued)

SCHEDULE A

SAN DIEGO ASSOCIATION OF GOVERNMENTS
 Transportation Development Act
 Schedule of Status of Funds by Project
 Fiscal Year Ended June 30, 2025
 (Continued)

Claim Number	Project Description	Project Status at 6/30/24	Allocations Received	Interest Received	Qualifying Project Expenditures	Agency Adjustments	Project Status at 6/30/25	Notes
	Balance carried forward	\$ 1,085,117	\$ 284,392	\$ -	\$ (970,813)	\$ -	\$ 398,696	
	Transfer from MTS/NCTD:							
261/2005	Article 4 (Transfer from MTS/NCTD)	105,661	-	-	-	-	105,661	
	Total Transfer from MTS/NCTD	105,661	-	-	-	-	105,661	
	Capital Transfer from NCTD:							
14041002	Article 4 (Transfer from NCTD)	176,872	-	-	-	-	176,872	
15041002	Article 4 (Transfer from NCTD)	25,773	-	-	-	-	25,773	
19041002	Article 4 (Transfer from NCTD)	172,779	-	-	(43,008)	-	129,771	
	Total Capital Transfer from NCTD	375,424	-	-	(43,008)	-	332,416	
	Administrative/Planning Transfers:							
25031004	Article 4 (Transfer from MTS)	-	2,647,252	-	(2,647,252)	-	-	
25031007	Article 4 (Transfer from MTS)	-	58,409	-	-	-	58,409	
25041002	Article 4 (Transfer from NCTD)	-	900,866	-	(900,866)	-	-	
25041007	Article 4 (Transfer from NCTD)	-	19,877	-	-	-	19,877	
	Total Administrative/Planning Transfers	-	3,626,404	-	(3,548,118)	-	78,286	
	Total Article 4	1,566,202	3,910,796	-	(4,561,939)	-	915,059	
	SANDAG 3% Planning:							
20051001	SANDAG 3% Planning	1,270,809	-	-	(1,270,809)	-	-	
21051001	SANDAG 3% Planning	4,456,514	-	-	(1,031,219)	-	3,425,295	
22051001	SANDAG 3% Planning	5,665,429	-	-	-	-	5,665,429	
23051001	SANDAG 3% Planning	5,958,273	-	-	-	-	5,958,273	
24051001	SANDAG 3% Planning	6,154,596	-	-	-	-	6,154,596	
25051001	SANDAG 3% Planning	-	6,153,687	-	-	-	6,153,687	
25051003	SANDAG 3% Planning	-	135,776	-	-	-	135,776	
	Total SANDAG 3% Planning	23,505,621	6,289,463	-	(2,302,028)	-	27,493,056	
	Total Transportation Development Act	\$ 25,163,259	\$ 13,843,633	\$ -	\$ (10,046,537)	\$ -	\$ 28,960,355	

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, 2025

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, 2025

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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, 2025, 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, 2025, 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, 2025, 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.

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

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

We have previously audited the LTF 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 23, 2025 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.



Irvine, California
December 23, 2025

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, 2025
(with Comparative Information for the Prior Year)

	2025	2024
<u>Assets</u>		
Cash and investments	\$ 19,021,021	\$ 21,632,931
Sales tax receivable	35,148,606	35,639,279
Interest receivable	223,124	159,383
Total assets	\$ 54,392,751	\$ 57,431,593
<u>Net Position</u>		
Held in trust for Local Transportation Fund claimants	\$ 54,392,751	\$ 57,431,593
Total net position	\$ 54,392,751	\$ 57,431,593

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, 2025
(with Comparative Information for the Prior Year)

	2025	2024
<u>Additions</u>		
Sales tax	\$ 205,246,894	\$ 202,412,486
Interest	989,215	250,713
Total Additions	206,236,109	202,663,199
 <u>Deductions</u>		
Administration and planning	6,915,651	6,771,079
Pedestrian and bicycle	3,067,186	3,559,613
Public transportation	188,111,549	183,836,477
Community transit service	9,964,606	9,750,932
Multi-modal	1,215,959	1,431,235
Total Deductions	209,274,951	205,349,336
Change in net position	(3,038,842)	(2,686,137)
Net position at the beginning of the year	57,431,593	60,117,730
Net position at the end of the year	\$ 54,392,751	\$ 57,431,593

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, 2025

(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.

Net Position 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.

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.

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, 2025

(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 County's prior year LTF financial statements from which this selected data was derived.

(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, 2025 were \$19,021,021.

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 indicated on the following page:

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, 2025

(Continued)

(3) Cash and Investments (Continued)

- 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, 2025, of \$19,021,021 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.

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, 2025

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	-	-	-	-	-	-
City of Lemon Grove	-	-	-	-	-	-
City of National City	-	-	-	-	-	-
City of Oceanside	-	-	-	-	-	-
City of Poway	-	-	-	-	-	-
City of San Diego	-	-	-	-	-	-
City of San Marcos	-	-	-	-	-	-
City of Santee	-	-	-	-	-	-
City of Solana Beach	-	-	-	-	-	-
City of Vista	-	-	-	-	-	-
Consolidated Transportation Service Agency (CTSA)	-	-	-	199,292	-	199,292
County of San Diego (COSD)	-	-	-	-	-	-
Metropolitan Transit System (MTS)	-	-	130,151,769	6,930,033	1,215,959	138,297,761
North County Transit District (NCTD)	-	-	54,048,984	2,835,281	-	56,884,265
San Diego Association of Governments (SANDAG)	<u>6,915,651</u>	<u>3,067,186</u>	<u>3,910,796</u>	<u>-</u>	<u>-</u>	<u>13,893,633</u>
Total Disbursements	<u>\$ 6,915,651</u>	<u>\$ 3,067,186</u>	<u>\$ 188,111,549</u>	<u>\$ 9,964,606</u>	<u>\$ 1,215,959</u>	<u>\$ 209,274,951</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, 2025

Claimant	Claim Year	Claim No.	Allocation Balance 6/30/2024	Current Year Claims	Adjustments Authorized	Disbursements	Allocation Balance 6/30/2025
Administration:							
County of San Diego	2025	25021000	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
San Diego Association of Governments	2025	25051000	-	563,777	-	563,777	-
San Diego Association of Governments	2025	25051001	-	6,153,687	-	6,153,687	-
San Diego Association of Governments	2025	25051002	-	12,411	-	12,411	-
San Diego Association of Governments	2025	25051003	-	135,776	-	135,776	-
Total Administration			<u>\$ -</u>	<u>\$ 6,915,651</u>	<u>\$ -</u>	<u>\$ 6,915,651</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	-	-	-	-	-
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	-	-	-	-	-
City Of El Cajon	2019	19011002	33,796	-	-	-	33,796
City Of La Mesa	2019	19011003	40,462	-	-	-	40,462
City Of La Mesa	2019	19011004	-	-	-	-	-
City Of National City	2019	19011005	-	-	-	-	-
City Of National City	2019	19011006	-	-	-	-	-
City Of Oceanside	2019	19011007	892	-	-	-	892
City Of San Diego	2019	19011008	108,799	-	-	-	108,799
City Of Santee	2019	19011009	-	-	-	-	-
City Of Solana Beach	2019	19011010	18,944	-	-	-	18,944
San Diego Association Of Governments	2025	25011000	-	2,979,384	-	2,979,384	-
SANDAG -- (Pershing Drive Bikeway)	2025	25011001	-	87,802	-	87,802	-
Total Article 3			<u>\$ 461,284</u>	<u>\$ 3,067,186</u>	<u>\$ -</u>	<u>\$ 3,067,186</u>	<u>\$ 461,284</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, 2025

(Continued)

Claimant	Claim Year	Claim No.	Allocation Balance 6/30/2024	Current Year Claims	Adjustments Authorized	Disbursements	Allocation Balance 6/30/2025
Article 4:							
Metropolitan Transit System	2003	253	\$ 36,639	\$ -	\$ -	\$ -	\$ 36,639
Metropolitan Transit System	2025	25031000	-	127,309,679	-	127,309,679	-
Metropolitan Transit System	2025	25031005	-	2,842,090	-	2,842,090	-
North County Transit District	2025	25041000	-	52,882,182	-	52,882,182	-
North County Transit District	2025	25041005	-	1,166,802	-	1,166,802	-
San Diego Association of Governments	2025	25031004	-	2,931,644	-	2,931,644	-
San Diego Association of Governments	2025	25041002	-	900,866	-	900,866	-
San Diego Association of Governments	2025	25031007	-	58,409	-	58,409	-
San Diego Association of Governments	2025	25041007	-	19,877	-	19,877	-
Total Article 4			<u>\$ 36,639</u>	<u>\$ 188,111,549</u>	<u>\$ -</u>	<u>\$ 188,111,549</u>	<u>\$ 36,639</u>
Article 4.5:							
Metropolitan Transit System	2025	25031001	\$ -	\$ 6,780,428	\$ -	\$ 6,780,428	\$ -
Metropolitan Transit System	2025	25031006	-	149,605	-	149,605	-
North County Transit District	2025	25041001	-	2,774,073	-	2,774,073	-
North County Transit District	2025	25041006	-	61,208	-	61,208	-
Consolidated Transportation Service Agency	2025	25061000	-	194,990	-	194,990	-
Consolidated Transportation Service Agency	2025	25061001	-	4,302	-	4,302	-
Total Article 4.5			<u>\$ -</u>	<u>\$ 9,964,606</u>	<u>\$ -</u>	<u>\$ 9,964,606</u>	<u>\$ -</u>
Article 8:							
Metropolitan Transit System	2025	25031002	\$ -	\$ 895,849	\$ -	\$ 895,849	\$ -
Metropolitan Transit System	2025	25031003	-	320,110	-	320,110	-
Total Article 8			<u>\$ -</u>	<u>\$ 1,215,959</u>	<u>\$ -</u>	<u>\$ 1,215,959</u>	<u>\$ -</u>
Total Local Transportation Fund			<u>\$ 497,923</u>	<u>\$ 209,274,951</u>	<u>\$ -</u>	<u>\$ 209,274,951</u>	<u>\$ 497,923</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, 2025

(1) Supplemental Information

The balance of net position at June 30, 2025, in the amount of \$54,392,751 as indicated in the Statement of Fiduciary Net Position differs from the allocation balance at June 30, 2025, in the amount of \$497,923 as indicated in the Schedule of Claims and Disbursements by Purpose (Schedule) by \$53,894,828. 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, 2024, 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 23, 2025.

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.



Irvine, California
December 23, 2025

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, 2025

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, 2025

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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, 2025, 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, 2025, 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, 2025, 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.

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

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

We have previously audited the financial statements for STAF for the year ended June 30, 2024, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 23, 2025 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 23, 2025

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, 2025
(with Comparative Information for the Prior Year)

	2025	2024
<u>Assets</u>		
Cash and Investments	\$ 173,717	\$ 116,906
Interest Receivable	12,555	6,663
Sales Tax Receivable	3,390,904	4,266,481
 Total Assets	 3,577,176	 4,390,050
<u>Liabilities</u>		
Accounts Payable - North County Transit District	3,390,904	4,266,481
 Total Liabilities	 3,390,904	 4,266,481
<u>Net Position</u>		
Held in Trust for State Transit Assistance Claimants	186,272	123,569
 Total Net Position	 \$ 186,272	 \$ 123,569

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, 2025
(with Comparative Information for the Prior Year)

	2025	2024
<u>Additions</u>		
Sales Tax	\$ 14,148,039	\$ 15,857,426
Interest	62,703	44,438
Total Additions	14,210,742	15,901,864
 <u>Deductions</u>		
Operating Costs	14,148,039	15,857,426
Total Deductions	14,148,039	15,857,426
 Change in Net Position	62,703	44,438
Net Position at the Beginning of the Year	123,569	79,131
 Net Position at the End of the Year	\$ 186,272	\$ 123,569

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, 2025

(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.

Net Position 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.

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.

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, 2025

(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 County's prior year STAF financial statements from which this selected data was derived.

(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, 2025 was \$173,717.

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.

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, 2025

(Continued)

(3) Cash and Investments (Continued)

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, 2025, of \$173,717 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.

(4) State of Good Repair

Total State of Good Repair (SGR) funds received for the year totals \$2,059,258 consisting of \$1,652,947 for PUC Section 99313, and \$406,311 for PUC Section 99314. Total expenditures and transfers out are \$1,652,947 and \$406,311 for PUC Sections 99313 and 99314, respectively.

**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, 2025, 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 23, 2025.

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 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.



Irvine, California
December 23, 2025

**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, 2025

**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, 2025

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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, 2025, 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, 2025, 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, 2025, 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.

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

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

We have previously audited the financial statements of MTS STAF for the year ended June 30, 2024, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 23, 2025, 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 23, 2025

**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, 2025
(with Comparative Information for the Prior Year)

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Cash and Investments	\$ 394,149	\$ 263,776
Interest Receivable	44,323	17,022
Sales Tax Receivable	<u>9,442,409</u>	<u>11,736,753</u>
Total Assets	<u>9,880,881</u>	<u>12,017,551</u>
<u>Liabilities</u>		
Accounts Payable - Metropolitan Transit System	<u>9,442,409</u>	<u>11,736,753</u>
Total Liabilities	<u>9,442,409</u>	<u>11,736,753</u>
<u>Net Position</u>		
Held in Trust for State Transit Assistance Claimants	<u>438,472</u>	<u>280,798</u>
Total Net Position	<u>\$ 438,472</u>	<u>\$ 280,798</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, 2025
(with Comparative Information for the Prior Year)

	<u>2025</u>	<u>2024</u>
<u>Additions</u>		
Sales Tax	\$ 39,396,957	\$ 43,622,586
Interest	<u>157,674</u>	<u>173,172</u>
 Total Additions	 <u>39,554,631</u>	 <u>43,795,758</u>
 <u>Deductions</u>		
Operating Costs	<u>39,396,957</u>	<u>43,622,586</u>
 Total Deductions	 <u>39,396,957</u>	 <u>43,622,586</u>
 Change in Net Position	 157,674	 173,172
Net Position at the Beginning of the Year	<u>280,798</u>	<u>107,626</u>
 Net Position at the End of the Year	 <u>\$ 438,472</u>	 <u>\$ 280,798</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, 2025

(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.

Net Position 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.

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.

**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, 2025

(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 County's prior year MTS STAF financial statements from which this selected data was derived.

(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, 2025 was \$394,149.

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.

**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, 2025

(Continued)

(3) Cash and Investments (Continued)

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, 2025, of \$394,149 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.

(4) State of Good Repair

Total State of Good Repair (SGR) funds received for the year totals \$ 5,735,969 consisting of \$4,063,109 for PUC Section 99313, and \$1,672,860 for PUC Section 99314. Total expenditures and transfers out are \$4,063,109 and \$1,672,860 for PUC Sections 99313 and 99314, respectively.

**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, 2025, 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 23, 2025.

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.

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

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 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.



Irvine, California
December 23, 2025