

**COUNTY OF TULARE
TRANSPORTATION DEVELOPMENT ACT FUNDS AND
MEASURE R TRANSPORTATION FUNDS**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022
WITH COMPARATIVE TOTALS**

**COUNTY OF TULARE
TRANSPORTATION DEVELOPMENT ACT FUNDS AND
MEASURE R TRANSPORTATION FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tulare County Association of Governments
Visalia, California

To the Board of Supervisors
County of Tulare
Visalia, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act (TDA) funds and Measure R funds of the Roads Fund and the Transit Fund (collectively, the Measure R and TDA Funds) of the County of Tulare (the County), as of and for the fiscal year ended June 30, 2022, and the related notes to the fund financial statements, which collectively comprise the County's Measure R and TDA Funds' basic financial statements as listed in the table of contents. The June 30, 2021, summarized comparative information has been derived from the 2021 financial statements and is included for additional analysis only.

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

Basis for Opinions

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

As discussed in Note 1, these financial statements present only the Measure R and TDA Funds and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2022, 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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control relating to the Measure R and TDA Funds. 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 Measure R and TDA Funds' ability to continue as a going concern for a reasonable period of time.

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

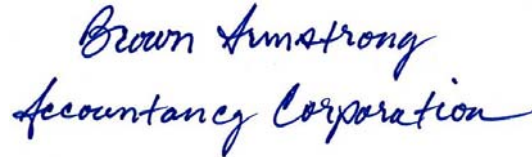
Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2023, on our consideration of the County's internal control over financial reporting relating to the Measure R and TDA Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance relating to the Measure R and TDA Funds and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance relating to the Measure R and TDA Funds. 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 relating to the Measure R and TDA Funds.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
May 10, 2023

**COUNTY OF TULARE
TRANSPORTATION DEVELOPMENT ACT FUNDS
AND MEASURE R FUNDS OF THE
ROADS FUND
BALANCE SHEET
JUNE 30, 2022
WITH COMPARATIVE TOTALS**

	Transportation Development Act	Measure R	<u>Totals</u>	
			2022	2021 (Restated)
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governmental agencies	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES				
Due to governmental agencies	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCE				
Restricted	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF TULARE
TRANSPORTATION DEVELOPMENT ACT FUNDS
AND MEASURE R FUNDS OF THE
ROADS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS**

	Transportation Development		Totals	
	Act	Measure R	2022	2021 (Restated)
REVENUES				
Local Transportation Fund allocation				
Streets and roads	\$ 7,745,551	\$ -	\$ 7,745,551	\$ 8,387,571
Pedestrian and bicycle	-	-	-	-
Measure R funds				
Local Measure R	-	9,123,116	9,123,116	12,716,522
Regional Measure R	-	3,546,474	3,546,474	1,567,698
Other sales tax	-	-	-	-
Total revenues	<u>7,745,551</u>	<u>12,669,590</u>	<u>20,415,141</u>	<u>22,671,791</u>
EXPENDITURES				
Capital projects - local street repair	7,745,551	4,203,903	11,949,454	9,885,120
Other expenses		8,465,687		
Total expenditures	<u>7,745,551</u>	<u>12,669,590</u>	<u>20,415,141</u>	<u>9,885,120</u>
Net change in fund balance	-	-	-	12,786,671
Fund balance, beginning	-	-	-	16,777,149
Prior period adjustment	-	-	-	(29,563,820)
Fund balance, beginning, restated	-	-	-	(12,786,671)
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF TULARE
TRANSIT FUND
BALANCE SHEET
JUNE 30, 2022
WITH COMPARATIVE TOTALS**

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 5,557,087	\$ 7,852,769
Accounts receivable	9,112	3,632
Due from other governments	1,558,390	450,810
Capital assets, net of accumulated depreciation	14,291,859	12,736,262
TOTAL ASSETS	\$ 21,416,448	\$ 21,043,473
LIABILITIES		
Accounts payable and accrued liabilities	\$ 915,681	\$ 610,015
Grant advances	1,353,589	2,848,336
Deferred pensions	158,495	119,098
Deferred OPEB	17,901	9,089
TOTAL LIABILITIES	2,445,666	3,586,538
FUND BALANCE		
Restricted	18,970,782	17,456,935
FUND BALANCE	18,970,782	17,456,935
TOTAL LIABILITIES AND FUND BALANCE	\$ 21,416,448	\$ 21,043,473

**COUNTY OF TULARE
TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS**

	2022	2021
REVENUES		
Fares	\$ 124,781	\$ 183,844
Other revenues	135,042	62,741
	259,823	246,585
EXPENDITURES		
Salaries and benefits	287,996	243,999
Services and supplies	4,052,546	3,576,993
Depreciation expense	449,350	249,177
	4,789,892	4,070,169
Deficiency of revenues under expenditures	(4,530,069)	(3,823,584)
OTHER FINANCING SOURCES (USES)		
Federal CARES Funding	282,177	1,654,568
Federal other	856,488	494,764
State of Good Repair (SGR) grant	320,408	116,976
Measure R	1,215,339	-
Local Transportation Fund allocation	1,203,198	1,322,696
State Transit Assistance funds	1,988,400	268,312
Other state grants	364,655	88,366
Private grants/donations	-	16,750
Interest	(191,786)	(42,534)
ARPA	5,037	-
	1,513,847	96,314
Net change in fund balance	1,513,847	96,314
Fund Balance, beginning	17,456,935	17,360,621
Fund Balance, ending	\$ 18,970,782	\$ 17,456,935

**COUNTY OF TULARE
TRANSPORTATION DEVELOPMENT ACT FUNDS AND
MEASURE R TRANSPORTATION FUNDS
NOTES TO THE FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Transportation Development Act (TDA) funds and Measure R funds of the Roads Revenue Fund and the Transit Fund (collectively, the Measure R and TDA Funds) of the County of Tulare (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the County are described below.

Measure R

The Tulare County Transportation Authority (the Authority), a component unit of the Tulare County Association of Governments, California, was established on August 7, 2006. The primary purpose of the Authority is to impose within the incorporated and unincorporated territory of Tulare County a retail transaction and use tax for transportation purposes in accordance with the provisions as provided in Division 19 (commencing with Section 180000) of the California Public Utilities Code and Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code.

The tax rate shall be one-half of one percent (0.5%) per dollar for a period of thirty (30) years commencing on the operative date of this ordinance (Measure R). This tax shall be in addition to any other taxes authorized by law, including any existing or future state or local sales tax or transactions and use taxes.

The revenue derived from the tax shall be used for transportation purposes only and may include, but is not limited to, the administration of the Measure R Expenditure Plan. These purposes include expenditures for planning, environmental review, engineering and design costs, related special and expert consulting costs, and related right-of-way acquisition and associated administrative and legal costs. The County's Measure R funds are recorded in the Roads Revenue Fund and Transit Fund.

A. Reporting Entity

The financial statements are intended to reflect the financial position, results of operation, and compliance of the Measure R and TDA Funds allocated for non-transit and transit purposes with the laws, rules, and regulations of the TDA, Measure R, certain bond act requirements, and the Tulare County Association of Governments. They do not present fairly the financial position and results of operations of the County in conformity with accounting principles generally accepted in the United States of America.

B. Fund Accounting

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Measure R and TDA Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The Measure R and TDA Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available, and expenditures are recognized when the fund liabilities are incurred. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. The County uses an availability period of 60 days. Revenues that are susceptible to accrual include Local Transportation Fund (LTF) allocations and interest income.

The Measure R and TDA Funds report unearned revenue on their balance sheets. Unearned revenue for these funds arises when potential revenue does not meet the “measurable” and “available” criteria for recognition in the current period or when resources are received in advance of meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the County has legal claim to resources, the liability for unearned revenue is removed from the balance sheets and revenue is recognized.

No new accounting policies were adopted and the application of existing policies was not changed during the year.

D. Cash and Cash Equivalents

All County monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty.

E. Fund Balance

The Measure R and TDA Funds financial statements utilize a fund balance representation. Fund balance is categorized as follows:

Restricted Fund Balance – This category represents amounts with constraints placed on the use of the resource that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

F. Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 for equipment and vehicles, and \$100,000 for land improvements, building improvements, and infrastructure.

As the County acquires additional capital assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts essentially spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimates. In the case of donations, capital assets are valued at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	50 years
Building improvements	20 to 50 years
Machinery, equipment, and vehicles	3 to 16 years

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Grants

Grant revenues and receivables are recorded when earned (when eligible costs are incurred) on grants, which have been approved and funded by the grantor. Grant sources include the Federal Transit Administration (FTA), State Transit Assistance (STA), and Local Transportation Fund (LTF). The LTF and STA were created by the State Legislature under the TDA.

I. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the County's Measure R and TDA Funds.

J. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

K. Contingencies

The County receives funding for specific purposes that are subject to review and audit by the granting agencies funding source. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The County is party to claims and lawsuits arising in the ordinary course of business. The County's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the County's Measure R and TDA Funds.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash balances of the County's Measure R and TDA Funds are pooled with those of other funds and invested by the County to maximize investment opportunities and yields. Investment income resulting from this pooling is allocated among the funds based upon each respective fund's average cash balances. Investments held in the County's cash and investment pool are available on demand to the Roads Revenue Fund and Transit Fund and are stated at fair value. Further information regarding the County's cash and cash equivalents pool may be found in the County's financial statements by going to: <https://tularecounty.ca.gov/auditorcontroller/auditor-controller/financial-reports1/annual-comprehensive-financial-report/fiscal-year-ended-june-30-2022> or the Auditor-Controller/Treasurer Tax Collector office at 221 S. Mooney Blvd., Rm. 101-E, Visalia, California 93291.

NOTE 3 – CAPITAL ASSETS

The changes in capital assets and the related accumulated depreciation for the fiscal year ended June 30, 2022, are as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>June 30, 2022</u>
Nondepreciable assets:				
Construction in progress	\$ 12,129,496	\$ 228,775	\$(12,358,271)	\$ -
Total nondepreciable assets	<u>12,129,496</u>	<u>228,775</u>	<u>(12,358,271)</u>	<u>-</u>
Depreciable assets:				
Buildings and improvements	197,865	12,358,271	-	12,556,136
Vehicles	3,929,192	1,677,836	-	5,607,028
Equipment	464,088	98,335	-	562,423
Total depreciable assets	<u>4,591,145</u>	<u>14,134,442</u>	<u>-</u>	<u>18,725,587</u>
Less accumulated depreciation	<u>(3,984,379)</u>	<u>(449,350)</u>	<u>-</u>	<u>(4,433,729)</u>
Total depreciable assets, net	<u>606,766</u>	<u>13,685,092</u>	<u>-</u>	<u>14,291,858</u>
Total capital assets	<u>\$ 12,736,262</u>	<u>\$ 13,913,867</u>	<u>\$(12,358,271)</u>	<u>\$ 14,291,858</u>

Depreciation expense for the fiscal year ended June 30, 2022, was \$449,350.

NOTE 4 – FARE REVENUE RATIO/COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The TDA is defined in Chapter 4 of the California Public Utilities Code commencing with Section 99200. Funds received pursuant to Section 99260 of the TDA (Article 4) may only be used for specific purposes, including the support of public transportation purposes. Article 4 funds are the primary funding source for the County's Transit Fund. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Tulare County Association of Governments for specific transportation purposes.

The Transit Fund is subject to the provisions of Section 6633.2 of Title 21, Chapter 3, Subchapter 2 of the California Code of Regulations requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the County's Transit Fund must maintain a ratio equaling or exceeding 20%, except for fiscal years 2020 and 2021. Assembly Bill No. 90, which was approved by the Governor on June 29, 2020, prohibits the imposition of a penalty on an operator that does not maintain the required ratio of fare revenues to operating costs during the fiscal years 2022 and 2021. The ratio is determined by comparing the fund's operating revenues to operating Expenditures as defined by the TDA. In accordance with the TDA, depreciation of capital assets is excluded from operating Expenditures for purposes of this ratio.

NOTE 4 – FARE REVENUE RATIO/COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS (Continued)

Historically, the County has been held to the 10% rural recovery ratio requirement under Section 99247. The County’s transportation commission, Tulare County Association of Governments, developed a methodology for calculating a blended ratio that takes into account both the urban and rural ratios; this methodology resulted in a blended fare revenue ratio of 12%, which was in effect during the fiscal year. However, in fiscal year 2020, Assembly Bill No. 90, which was approved by the Governor on June 29, 2020, prohibits the imposition of a penalty on an operator that does not maintain the required ratio of fare revenues to operating costs during fiscal years 2022 and 2021. During the fiscal year ended June 30, 2022, the County’s TDA farebox ratio of operating revenues to operating expenditures calculation is shown below:

	<u>2022</u>
Fares	\$ 124,781
Auxiliary transportation revenues	<u>62,231</u>
Total fare revenue	<u>\$ 187,012</u>
Operating expenses	\$ 4,789,892
Less: depreciation	<u>(449,350)</u>
Net operating expenses	<u>\$ 4,340,542</u>
Fare revenue ratio	<u>4.31%</u>

NOTE 5 – GRANT ADVANCES

The LTF and STA Fund are administered by the Tulare County Association of Governments, which allocates funds to the County to fund its TDA operations. The TDA requires that any funds not used be returned to their source. Allocations are considered earned when they are properly spent for eligible projects. Allocations received but not earned are recorded as grant advances. Changes in grant advances for the Transit Fund for the fiscal years ended June 30, 2022 and 2021, are summarized as follows:

	<u>Local Transportation</u>	<u>State Transit Assistance</u>	<u>State of Good Repair (SGR)</u>	<u>Other State Grants</u>	<u>Total</u>
Capital and Operating Assistance					
Excess funds at June 30, 2021	\$ 1,756,574	\$ -	\$ 319,656	\$ 772,106	\$ 2,848,336
Allocations received	-	-	-	360,482	360,482
Interest accrued	-	-	651	-	651
Funds available	1,756,574	-	320,307	1,132,588	3,209,469
Less: eligible costs	<u>(1,025,002)</u>	<u>-</u>	<u>(320,307)</u>	<u>(510,571)</u>	<u>(1,855,880)</u>
Excess funds at June 30, 2022	<u>\$ 731,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,017</u>	<u>\$ 1,353,589</u>
	<u>Local Transportation</u>	<u>State Transit Assistance</u>	<u>State of Good Repair (SGR)</u>	<u>Other State Grants</u>	<u>Total</u>
Capital and Operating Assistance					
Excess funds at June 30, 2020	\$ 3,079,270	\$ -	\$ 264,214	\$ 473,827	\$ 3,817,311
Allocations received	8,723,552	268,312	168,816	383,271	9,543,951
Interest accrued	-	-	3,602	12,245	15,847
Funds available	11,802,822	268,312	436,632	869,343	13,377,109
Less: eligible costs	<u>(10,046,248)</u>	<u>(268,312)</u>	<u>(116,976)</u>	<u>(97,237)</u>	<u>(10,528,773)</u>
Excess funds at June 30, 2021	<u>\$ 1,756,574</u>	<u>\$ -</u>	<u>\$ 319,656</u>	<u>\$ 772,106</u>	<u>\$ 2,848,336</u>

NOTE 5 – GRANT ADVANCES (Continued)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

During the fiscal year ended June 30, 2022, the County did not receive PTMISEA funds.

On April 28, 2017, the Governor signed the Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), which includes a program that will provide additional revenues for transit infrastructure repair and service improvements, known as the State of Good Repair (SGR) Program. This program receives funding of approximately \$105 million annually. SGR funds are to be made available for eligible transit maintenance, rehabilitation, and capital projects.

During the fiscal year ended June 30, 2022, the County did not receive SGR funds but received interest of \$752 on deposits of SGR funds. During the fiscal year ended June 30, 2022, \$320,408 was disbursed on SGR related expenses.

SB1 - State of Good Repair (SGR) For the Fiscal Year Ended June 30, 2022	
Description	SGR
Balance - beginning of year	\$ 319,656
Receipts:	
Interest accrued 7/1/21 through 6/30/22	752
Allocations received	
Expenses:	
Related expenses	(320,408)
Balance - end of year	<u>\$ -</u>

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments at June 30, 2021, were:

Measure R Fund

Fund balance at June 30, 2021, as previously stated	\$ 29,563,820
Prior period adjustment:	
Measure R Expenses *	<u>29,563,820</u>
Fund balance at June 30, 2021, as restated	<u>\$ -</u>

* The County identified \$29,563,820 in additional expenses that should have been attributed to Measure R in the year ended June 30, 2021.

NOTE 7 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustments to the financial statements or disclosures is May 10, 2023, which is the date that the financial statements were available to be issued. There were no events brought to our attention that were deemed to be reportable at that time.

OTHER REPORT

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

To the Board of Directors
Tulare County Association of Governments
Visalia, California

To the Board of Supervisors
County of Tulare
Visalia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act (TDA) funds and Measure R funds of the Roads Fund and the Transit Fund (collectively, the Measure R and TDA Funds) of the County of Tulare (the County), as of and for the fiscal year ended June 30, 2022, and the related notes to the fund financial statements, which collectively comprise the County's Measure R and TDA Funds' basic financial statements, and have issued our report thereon dated May 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) relating to the Measure R and TDA Funds 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 relating to the Measure R and TDA Funds. Accordingly, we do not express an opinion on the effectiveness of the County's internal control relating to the Measure R and TDA Funds.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure R and TDA Funds' financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Our audit was further made to determine that Measure R and TDA funds allocated to and received by the County were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of Tulare County Association of Governments as required by Sections 6666 and 6667 of Title 21 of the California Code of Regulations. 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*, the TDA, or Measure R.

As part of the audit, we performed testing of the following program:

Senate Bill (SB) 1 – State of Good Repair (SGR)

On April 28, 2017, the Governor signed the Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), which includes a program that will provide additional revenues for transit infrastructure repair and service improvements, known as the SGR Program. This program receives funding of approximately \$105 million annually. SGR funds are to be made available for eligible transit maintenance, rehabilitation, and capital projects.

As of June 30, 2022, all SGR funds received and expended were verified in the course of our current audit as follows:

During the fiscal year ended June 30, 2022, the County did not receive SGR funds but received interest of \$752 on deposits of SGR funds. During the fiscal year ended June 30, 2022, \$320,408 was disbursed on SGR related expenses.

SB1 - State of Good Repair (SGR)	
For the Fiscal Year Ended June 30, 2022	
Description	SGR
Balance - beginning of year	\$ 319,656
Receipts:	
Interest accrued 7/1/21 through 6/30/22	752
Allocations received	
Expenses:	
Related expenses	(320,408)
Balance - end of year	<u>\$ -</u>

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
May 10, 2023