

TULARE COUNTY REGIONAL TRANSIT AGENCY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022

**TULARE COUNTY REGIONAL TRANSIT AGENCY
BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tulare County Regional Transit Agency
Visalia, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Tulare County Regional Transit Agency (the Agency) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency, as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility

of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2023, on our consideration of the Agency'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 the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
July 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TULARE COUNTY REGIONAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022**

This section of the Tulare County Regional Transit Agency's (Agency) annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended June 30, 2022. It should be read in conjunction with the basic financial statements contained in the independent auditor's report.

The Agency serves as the countywide transportation planning agency for the incorporated and unincorporated areas within Tulare County (the County) and is responsible for programming State and Federal funding for transportation projects within the County. The Agency is responsible for coordinating short and long-term planning and funding within an intermodal policy framework including highways, streets and roads, transit and paratransit, bicycle and pedestrian network improvements. The Agency also provides fixed route and on-demand transit services in the County.

The Agency was established on August 11, 2020, as the County's regional transit agency, under a joint exercise of power. The Agency is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state and local governments. The Agency is not subject to income tax.

Financial Highlights

- This is the first year of operations of the Agency, as such there were no values to report in the 2020-2021 fiscal year financial statements.
- At the close of the fiscal year 2021-2022, total assets exceeded total liabilities of the Agency by \$202,687. Of this amount, \$1,893,232 is the net investment in capital assets. The remaining \$(1,690,545) represents unrestricted Net Position.
- Capital contributions in the form of grants from the Federal and State governments were \$81,040. Capital purchases for the year were for construction in progress expenses, bus shelters, and transit related equipment.
- The Agency continues to improve operation performance, compliance, and accountability during fiscal year 2021-2022 by making investments in professional management, fiscal controls, and accounting.

Overview of the Basic Financial Statements

- This analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency accounts for expenses in only one fund (Enterprise Fund); therefore, the basic financial statements do not reflect the activities of multiple funds.
- The Agency's basic financial statements consist of the Statement of Net Position, Statement of Activities and Changes in Net Position, and Statement of Cash Flows.
- The Statements of Net Position present complete information on the Agency's assets, liabilities, and the difference reported as net position. Changes in net position that occur over time may serve as an indicator of the Agency's financial position.
- Accompanying the financial statements are the Notes to the Basic Financial Statements. These notes provide information on significant accounting policies, cash and investments, capital assets, advances, and other significant events in other areas which resulted in the financial performance reflected in those statements.

Financial Analysis of the Agency

Net Position

In the current fiscal year, the business-type activities Net Position increased by \$202,687 due to a transfer in operations.

The following schedule is a summary of the Agency's Statements of Net Position.

	June 30, 2022	June 30, 2021
	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 1,694,274	\$ -
Capital assets, net of depreciation	1,970,630	-
Total assets	3,664,904	-
Current liabilities	3,407,186	-
Noncurrent liabilities	55,031	-
Total liabilities	3,462,217	-
Net position:		
Net investment in capital assets	1,893,232	-
Unrestricted net position	(1,690,545)	-
Total net position	\$ 202,687	\$ -

Changes in Net Position

A summary of the Agency's Statements of Activities and Changes in Net Position recapping the Agency's revenues earned during the years ended June 30, 2022 and 2021, and the expenses incurred is as follows:

	June 30, 2022	June 30, 2021
	Business-Type Activities	Business-Type Activities
Operating revenues	\$ 103,949	\$ -
Operating expenses	4,267,687	-
Operating loss	(4,163,738)	-
Nonoperating revenues	3,479,755	-
Transfers in	886,670	-
Change in net position	202,687	-
Net position, beginning	-	-
Net position, ending	\$ 202,687	\$ -

Transit operating expenses are supported by a variety of funding sources which include:

- Transportation Development Act (TDA) funds
- Federal Transit Administration (FTA) funds
- Fare revenues collected
- Measure R funds
- Various grants and contributions

Budgetary Highlights

The Agency adopts a biannual operating budget that includes proposed expenditures and the means of financing them. The Agency's budget is adopted by the Board before June 30th of each even-numbered fiscal year. Subsequent increases to the original budget must be approved by the Board.

Capital Assets

The business-type activity financial statements include capital assets of \$1,970,630 in the fiscal year 2021-2022. Capital assets in total are predominantly made up of fareboxes, buses, and other transit related equipment. Major additions during the year included purchases of transit related equipment in fiscal year 2021-22.

For additional information on the Agency's capital assets and capital asset activity, please refer to Note 3 in the notes to the basic financial statements.

Debt Administration

As of June 30, 2022, the Agency recorded long-term obligations for compensated absences in the amount of \$8,545 and leases in the amount of \$77,398. For additional information on the Agency's lease liability activity, please refer to Note 5 in the notes to the basic financial statements.

Contacting The Agency

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. For questions about this report or any additional information needed, contact the Agency's administrative office at 210 N. Church Street, Suite B, Visalia, California 93291.

BASIC FINANCIAL STATEMENTS

TULARE COUNTY REGIONAL TRANSIT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>2022</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,131,158
Due from Other Governments	<u>563,116</u>
Total Current Assets	<u>1,694,274</u>
Noncurrent Assets	
Capital Assets Not Being Depreciated	1,336,339
Capital Assets, Net of Accumulated Depreciation/Amortization	<u>634,291</u>
Total Noncurrent Assets	<u>1,970,630</u>
Total Assets	<u>3,664,904</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	1,559,127
Advances from Other Governments	1,500,000
Unearned Revenue	317,147
Lease Liability	<u>30,912</u>
Total Current Liabilities	3,407,186
Noncurrent Liabilities	
Compensated absences	8,545
Lease Liability	<u>46,486</u>
Total Noncurrent Liabilities	55,031
Total Liabilities	<u>3,462,217</u>
NET POSITION	
Net Investment in Capital Assets	1,893,232
Unrestricted	<u>(1,690,545)</u>
Total Net Position	<u><u>\$ 202,687</u></u>

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

**TULARE COUNTY REGIONAL TRANSIT AGENCY
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>
OPERATING REVENUES	
Passenger Fares	\$ 69,124
Auxiliary Transportation Revenue	<u>34,825</u>
Total Operating Revenues	<u>103,949</u>
OPERATING EXPENSES	
Communications	658,294
Professional and Specialized Expense	3,402,753
Special Departmental Expense	46,644
Depreciation/Amortization	76,155
Rent and Leases	38,490
Maintenance	42,318
Utilities	2,242
Publications and Legal Notices	650
Office Expense	<u>141</u>
Total Operating Expenses	<u>4,267,687</u>
Operating Loss	(4,163,738)
NONOPERATING REVENUES	
Federal Transit Administration - Section 5307	836,168
Measure R	2,287,500
State Transit Assistance (STA)	200,754
Low Carbon Transit Operations Program (LCTOP)	148,090
Investment Earnings	<u>7,243</u>
Total Nonoperating Revenues	<u>3,479,755</u>
Loss Before Transfers	<u>(683,983)</u>
Transfers in	<u>886,670</u>
Change in Net Position	202,687
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ 202,687</u></u>

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

**TULARE COUNTY REGIONAL TRANSIT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 103,949
Payments for operating goods and services	<u>(2,623,860)</u>
Net cash used in operating activities	<u>(2,519,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	<u>7,243</u>
Net cash provided by investing activities	<u>7,243</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other governments	1,500,000
Intergovernmental	3,145,503
Transfers In	<u>250,568</u>
Net cash provided by noncapital financing activities	<u>4,896,071</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	(1,410,683)
Intergovernmental	81,040
Proceeds on leases	106,388
Payments made on leases	<u>(28,990)</u>
Net cash used in capital and related financing activities	<u>(1,252,245)</u>
Net Increase in Cash and Cash Equivalents	1,131,158
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,131,158</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (4,163,738)
Adjustments to reconcile to net cash used in operating activities:	
Depreciation/Amortization	76,155
Increase in accounts payable	1,559,127
Increase in compensated absences	<u>8,545</u>
Net cash used in operating activities	<u><u>\$ (2,519,911)</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Assets transferred in from other governments, net	<u><u>\$ 636,102</u></u>

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

**TULARE COUNTY REGIONAL TRANSIT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Tulare County Regional Transit Agency (the Agency) was formed on August 11, 2020, under a Joint Powers Agreement, by and among the County of Tulare and the Cities of Exeter, Farmersville, Lindsay, Porterville, Tulare, and Woodlake to own, operate, and administer a public transportation system within the jurisdiction of the Member Agencies pursuant to Section 6500 *et seq.* of the Government Code of the State of California.

The Board of Directors (the Board) is made up of elected officials from the respective member agencies. Each member agency has one regular Director and one alternate Director to the Board, Tulare County Association of Governments Board members sitting as the Public Transit Representative, and Calvans Executive Director or his/her designee shall sit as a non-voting, ex-officio member of the Board.

The Agency was formed to serve as the countywide transit agency to set levels of service based on appropriate criteria, Title VI compliance, and any other criteria deemed appropriate by the Transit Agency and/or required by law. Unmet transit needs found reasonable to meet will also be implemented as required.

B. Basis of Presentation

The basic financial statements of the Agency are prepared in accordance with accounting principles generally accepted in the United States of America.

The Agency accounts for transactions in only one fund, an Enterprise Fund. The Statement of Net Position, Statement of Activities and Changes in Net Position, and Statement of Cash Flows display the financial activities of the Agency.

Enterprise funds are categorized as proprietary funds, which distinguish operating revenues and expenses from nonoperating items. Proprietary fund *operating* revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues generally result from charges to passengers for public transit services. Operating expenses include the cost of transit service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating.

The Statement of Activities and Changes in Net Position demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and unrestricted interest earnings, are presented instead as general revenues.

When both restricted and unrestricted net position are available, resources restricted for the purpose intended are used first then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

D. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Receivables

The Agency's receivables are mostly related to amounts due from other governments. Management has determined the Agency's receivables to be fully collectable. Accordingly, no allowance for doubtful accounts has been made.

F. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The Agency defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives.

The estimated useful lives are as follows:

Software	3 years
Machinery and Equipment	5-7 years
Buildings and Structures	20 years
Furniture and Fixtures	7 years

G. Leases

The Agency is a lessee for a noncancellable building lease. The Agency recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the business-type financial statements. The Agency recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Association determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Leases (Continued)

- The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Association is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

H. Advances

Advances arise when resources are received by the Agency before it has a legal claim to them, e.g., when grant monies are received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Agency has a legal claim to the resources, the liability is removed from the Statement of Net Position and revenue is recognized.

I. Use of Estimates

The preparation of the basic 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 at the date of the basic financial statements and the reported amount of revenue and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

J. Net Position

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the asset.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments, of which the Agency has none.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

K. Implemented Accounting Pronouncements

GASB Statement No. 87 – Leases. The requirements of this statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The Agency has implemented this standard.

L. Future Accounting Pronouncements

GASB Statement No. 91 – Conduit Debt Obligations. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Future Accounting Pronouncements (Continued)

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective as follows:

- The requirements related to extension of the use of the London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

GASB Statement No. 100 – *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*. For fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

NOTE 2 – CASH AND INVESTMENTS IN COUNTY TREASURY

As of June 30, 2022, cash totaling \$1,131,158 is included within the Tulare County Treasurer's cash and investment pool, which is recorded at cost, which approximates fair value. Interest earnings from this pool are allocated to the Agency on the basis of monthly cash balances and are transferred to the Agency quarterly.

Cash and investments as of June 30, 2022, are reported in the accompanying basic financial statements as follows:

Deposits in County of Tulare Treasury Pool	<u>\$ 1,131,158</u>
Total	<u><u>\$ 1,131,158</u></u>

Cash with the County of Tulare is deposited with the County of Tulare Treasury Investment Pool, an external investment pool investing in savings accounts and short-term investments. The County of Tulare Board of Supervisors has established a Tulare County Treasury Investment Policy and an Oversight Committee to monitor the investment policy.

The Agency operates under the County of Tulare's formal investment policy, which allows the Agency funds to be invested in various items, including banks and savings and loan associations fully insured by the Federal Deposit Insurance Corporation and the County of Tulare Investment Pool. The investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration risk.

NOTE 2 – CASH AND INVESTMENTS IN COUNTY TREASURY (Continued)**Disclosures Relating to Investment Risk**

The Agency has investment agreements for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures, which are prepared in accordance with numerous safeguards to reduce the risk associated with the provider's ability to meet its contractual obligations.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County of Tulare Investment Pool	\$ 1,131,158	\$ 1,131,158	\$ -	\$ -	\$ -
Total Investments	\$ 1,131,158	\$ 1,131,158	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the Agency's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
County of Tulare Investment Pool	\$ 1,131,158	N/A	\$ -	\$ -	\$ -	\$ 1,131,158
Total Investments	\$ 1,131,158	N/A	\$ -	\$ -	\$ -	\$ 1,131,158

Additional information regarding deposit custodial credit, interest and credit risks of the County of Tulare Treasurer's cash and investment pool can be found in the notes to Tulare County's Annual Comprehensive Financial Report (ACFR). The ACFR may be obtained by contacting the County of Tulare Auditor-Controller's office at 221 S Mooney Blvd #104E, Visalia, California 93291 or <https://tularecounty.ca.gov/auditorcontroller/auditor-controller/financial-reports1/annual-comprehensive-financial-report/>.

NOTE 2 – CASH AND INVESTMENTS IN COUNTY TREASURY (Continued)**Fair Value Measurements**

The Agency categorizes its fair value measurements within the framework established by GASB Statement No. 72, *Fair Value Measurement and Application*. That framework provides a three-tiered fair value hierarchy as follows:

- Level 1 – reflect unadjusted quoted prices in active markets for identical assets.
- Level 2 – reflect inputs that are based on a similar observable asset either directly or indirectly.
- Level 3 – reflect unobservable inputs.

The following is a summary of the fair value of the Agency's investments using the hierarchy:

<u>Investments Not Subject to the Fair Value Hierarchy</u>	
Investments Measured at Amortized Cost:	
County of Tulare Investment Pool	<u>\$ 1,131,158</u>
Grand Total Investments	<u><u>\$ 1,131,158</u></u>

County of Tulare Treasury Pool Income and Participant Withdrawals

County of Tulare Treasury Pool investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and the statement of net position and recognize the corresponding change in value of investments in the year in which the change occurred. The value of the participant's shares in the County of Tulare Treasury Pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the participant's position in the County of Tulare Treasury Pool. The fair value fluctuates with interest rates, and increasing rates could cause the value to decline below original cost; however, County of Tulare management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County of Tulare from having to sell investments below original cost for that purpose.

For the fiscal year ended June 30, 2022, the County of Tulare Treasury Pool investment income was comprised of the following (in thousands):

Investment Income	<u>Amount</u>
Interest and Dividends	\$ 20,785
Net Decrease in the Fair Value of Investments	(95,988)
Less: Investment Expenses	<u>(1,662)</u>
Total County of Tulare Treasury Pool Income	<u><u>\$ (76,865)</u></u>

The net decrease in the fair value of investments during fiscal year 2021-2022 was \$95,988. This amount takes into account all changes in fair value (including sales resulting in a net gain of \$2,584) that occurred during the year. In accordance with GASB Statement No. 31, the net fair value adjustment on investments held as of June 30, 2022, was a decrease of \$98,572.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Capital Assets Not Being Depreciated/Amortized					
Land	\$ -	\$ -	\$ -	\$ 75,000	\$ 75,000
Construction in Progress	-	1,261,339	-	-	1,261,339
Total Capital Assets Not Being Depreciated/Amortized	-	1,261,339	-	75,000	1,336,339
Capital Assets Being Depreciated/Amortized					
Software License	-	36,552	-	-	36,552
Machinery and Equipment	-	-	-	247,050	247,050
Buildings and Structures	-	-	-	861,469	861,469
Furniture and Fixtures	-	6,404	-	-	6,404
Right-to-Use Leased Assets	-	106,388	-	-	106,388
Total Capital Assets Being Depreciated/Amortized	-	149,344	-	1,108,519	1,257,863
Less Accumulated Depreciation/Amortization for:					
Software License	-	(12,184)	-	-	(12,184)
Machinery and Equipment	-	-	-	(247,050)	(247,050)
Buildings and Structures	-	(43,073)	-	(300,367)	(343,440)
Furniture and Fixtures	-	(915)	-	-	(915)
Right-to-Use Leased Assets	-	(19,983)	-	-	(19,983)
Total Accumulated Depreciation/Amortization	-	(76,155)	-	(547,417)	(623,572)
Total Capital Assets Being Depreciated/Amortized, Net	-	73,189	-	561,102	634,291
Total Capital Assets, Net	\$ -	\$ 1,334,528	\$ -	\$ 636,102	\$ 1,970,630

Depreciation/Amortization expense for the year ended June 30, 2022, was \$76,155.

NOTE 4 – UNEARNED REVENUE

STA and SGR Funds are administered by the Tulare County Association of Governments, which allocates funds to the Agency to fund transit 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 unearned revenue. Unearned revenue for the Transit Fund for the fiscal year ended June 30, 2022, are summarized as follows:

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.

	Operating State Transit Assistance	Capital State of Good Repair	Total
Capital and Operating Assistance			
Excess funds at June 30, 2021	\$ -	\$ -	\$ -
Allocations received	436,861	81,040	517,901
Funds available	436,861	81,040	517,901
Less: eligible costs	(200,754)	-	(200,754)
Excess funds at June 30, 2022	\$ 236,107	\$ 81,040	\$ 317,147

NOTE 5 – LEASES

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On October 4, 2021, the Agency entered into a 50-month lease. The lease is for use of office space at 210 North Church Street, Suite B in the City of Visalia. An initial lease liability was recorded in the amount of \$45,908. As of June 30, 2022, the value of the lease liability is \$37,078. The Agency is required to make monthly fixed payments of \$883. The value of the right-to-use asset net of accumulated amortization as of June 30, 2022, is \$39,619.

On July 1, 2021, the Agency entered into a 24-month building lease as Lessee with an option to renew an additional 12 months for a total lease term of 36 months. The lease is for use of office space at 360 North K Street in the City of Tulare. An initial lease liability was recorded in the amount of \$58,800. As of June 30, 2022, the value of the lease liability is \$40,320. The Agency is required to make monthly fixed payments of \$1,680. The value of the right-to-use asset net of accumulated amortization as of June 30, 2022, is \$46,786.

<u>Fiscal Year</u>	<u>Principal Payments</u>
2023	\$ 30,912
2024	31,230
2025	11,400
2026	3,856
	<u>\$ 77,398</u>

NOTE 6 – ADVANCES FROM OTHER GOVERNMENT AGENCIES

The Agency received an advance of \$1,500,000 from the City of Tulare based on a fiscal year 2021-2022 audit which would determine how much should be disbursed to the Agency as a cash balance belonging to transit operations. The City of Tulare and the Agency are still in the process of finalizing the cash balance; until this amount is determined, management found it prudent to classify this amount as a liability to the City of Tulare until it is determined otherwise.

NOTE 7 – RELATED PARTY TRANSACTIONS

Tulare County Association of Governments provided administrative services at a cost of \$539,439 and revenues of \$539,439.

County of Tulare Legal Counsel provided services at a cost of \$15,062 and Tulare County Association of Governments provided revenues in the amount of \$15,062.

NOTE 8 – FAREBOX RATIO

Article 4

Article 4 transit operations include Transit. The farebox ratio requirement is 20%. The farebox ratio for the year ended June 30, 2022, was 9.34% as follows:

	June 30, 2022
<u>Article 4</u>	<u>Total Article 4 Services</u>
Fares	\$ 69,124
Auxiliary transportation revenues	34,825
Local funds used for transit	<u>287,500</u>
	<u>\$ 391,449</u>
Operating Cost, Net of Depreciation	<u>\$ 4,191,532</u>
Farebox Ratio	<u>9.34% *</u>

*Penalty is not imposed for the fiscal year 2021-2022 due to the amendment to Section 99268.9(c)(1) of the Public Utilities Code due to COVID-19.

Farebox revenue and operating cost used for farebox ratio calculation will not agree to the Statement of Revenues, Expenses, and Changes in Net Position (see page 8). Local funds revenue used to assist in paying the cost of operating transit services is eligible as farebox revenue. Measure R revenue is included in the calculation above as local funds revenue.

Recent changes to the Transportation Development Act (TDA) statutes allow for the inclusion of local funds to calculate statutory farebox ratio. California Public Utilities Code (PUC) Section 99268.19 states that: "If fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost required by this article, an operator may satisfy that requirement by supplementing its fare revenues with local funds. As used in this section, "local funds" means any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator."

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 28, 2023, which is the date the basic financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**TULARE COUNTY REGIONAL TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Formula Grant	20.507	CA-2020-113	\$ -	\$ 244,715
Federal Transit Formula Grant	20.507	CA-2021-057	-	591,453
Subtotal Federal Transit Formula Grants			-	836,168
Total U.S. Department of Transportation			-	836,168
Total Expenditures of Federal Awards			\$ -	\$ 836,168

See notes to the schedule of expenditures of federal awards.

**TULARE COUNTY REGIONAL TRANSIT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Tulare County Regional Transit Agency (the Agency) under programs of the federal government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Agency.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, *Cost Principles*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

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

OTHER REPORTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND
REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT
ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF
THE TRANSPORTATION COMMISSION**

Board of Directors
Tulare County Regional Transit Agency
Visalia, California

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) *Compliance Supplement*; the statutes, rules, and regulations of the California Transportation Development Act (TDA); and the allocation instructions and resolutions of the Transportation Commission, the basic financial statements of the Tulare County Regional Transit Agency (the Agency) as of and for the year ended June 30, 2022, and have issued our report thereon dated July 28, 2023.

Compliance

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Agency were made in accordance with the allocation instructions and resolutions of the Transportation Commission and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Section 6667 that are applicable to the Agency. Based on our procedures, no instances of noncompliance with applicable statutes, rules, and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission were noted. 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.

Also as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Board of Directors, the California Department of Transportation, the State Controller's Office, and officials of applicable grantor agencies. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
July 28, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Tulare County Regional Transit Agency
Visalia, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Tulare County Regional Transit Agency's (the Agency) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the fiscal year ended June 30, 2022. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
July 28, 2023

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

Board of Directors
Tulare County Regional Transit Agency
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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tulare County Regional Transit Agency's (the Agency), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
July 28, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**TULARE COUNTY REGIONAL TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major programs:

Assistance Listing Number 20.507 Federal Transit Formula Grant

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

Auditee qualified as low-risk auditee? No

2. Financial Statement Findings

None noted.

3. Federal Award Findings and Questioned Costs

None noted.