# HIGH DESERT CORRIDOR JOINT POWERS AGENCY

## Financial Statements
## With Independent Auditor's Report

## For the Fiscal Year Ended June 30, 2025

BCAWR
Certified Public Accountants & Advisors

2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**
**Basic Financial Statements**
**For the Fiscal Year Ended June 30, 2025**

## TABLE OF CONTENTS


**Page**

Independent Auditor's Report ..... 1

Management Discussion and Analysis (Unaudited) ..... 4

Basic Financial Statements

Statement of Net Position ..... 6

Statement of Revenues, Expenses, and Changes in Net Position ..... 7

Statement of Cash Flows ..... 8

Notes to the Basic Financial Statements ..... 9

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 14

BCAWR
Certified Public Accountants & Advisors

2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

# Independent Auditor's Report

The Board of Directors
High Desert Corridor Joint Powers Agency
Los Angeles, California

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the High Desert Corridor Joint Powers Agency (Agency), as of and for the year ended June 30, 2025, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2025, and the changes in the financial position, and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 on pages 4 and 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2026, on our consideration of the Agency's internal control over financial reporting and 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 the 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' internal control over financial reporting and compliance related to the financial statements.

BCA Watson Rice, LLP

Torrance, California
March 16, 2026

The Management's Discussion and Analysis (MD&A) of the financial activities of the High Desert Corridor Joint Powers Agency (Agency) provides a narrative overview of the Agency's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the accompanying financial statements and footnotes. Amounts contained in this discussion have been rounded to facilitate their readability.

**Financial Highlights**

- The Agency's total assets increased $2.14 million from $1.53 million as of June 30, 2024 to $3.67 million as of June 30, 2025.
- The Agency's cash deposited in the County Treasury Pool increased $2.13 million from $1.50 million as of June 30, 2024 to $3.63 million as of June 30, 2025.
- The total net position of the Agency increased $1.11 million from $1.35 million as of June 30, 2024 to $2.46 million as of June 30, 2025.
- The total operating revenues amounted to $4.37 million for the year ended June 30, 2025. Total revenue increased $2.42 million compared to $1.95 million for the year ended June 30, 2024.
- The Agency's total expenditures amounted to $3.35 million for the year ended June 30, 2025. Total expenditures increased $1.92 million compared to $1.43 million for the year ended June 30, 2024.
- The Agency has no capital assets.
- The Agency has no long-term debt.

**Overview of Financial Statements**

This MD&A serves as an introduction to the Agency's basic financial statements. The basic financial statements include four components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements.

- The Statement of Net Position presents all of the Agency's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Agency's net position changed during the fiscal year. All changes in net position (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., accrued but unpaid contract and professional service fees).

**Overview of Financial Statements (Continued)**

- The Statement of Cash Flows presents information regarding the Agency's use of cash during the fiscal year and is an indicator of whether or not sufficient cash flow is being generated during the fiscal year to meet the operating needs of the Agency.

- The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

**Financial Statement Analysis**

The Agency was established on September 22, 2022 between the County of Los Angeles (County), Los Angeles County Metropolitan Transportation Agency (Metro), the City of Lancaster, the City of Palmdale, the City of Victorville, and the City of Adelanto. It started operations in January 2023. Its purpose is to pursue funding and facilitate the planning, design, construction, financing, operation, and maintenance of the multi-modal project known as the High Desert Corridor between the County and San Bernardino County. Operating revenues consist primarily of contributions from member agencies. Operating expenses consist primarily of consultant services and other Agency costs.

As of June 30, 2025, the Agency's net position was $2.46 million. Assets consisted primarily of cash deposited in the County's Treasury Pool of $3.63 million. Liabilities as of June 30, 2025 of $1.21 million consisted of accounts payable.

**Capital Assets**

As of June 30, 2025, the Agency had no capital assets.

**Economic Factors**

The Agency is dedicated to securing critical funding for the continued planning, development, and construction of the Measure M High Desert Multipurpose Corridor Project linking the transportation route connecting Antelope Valley in the County with the Victor Valley in San Bernardino County. The project connects the areas through a new high-speed, intercity rail system – providing access to housing, jobs, entertainment, and cultural opportunities across Southern California while reducing freeway congestion. The Agency receives funding through several sources, including County Measure M sales tax measure of 2016, and state and federal grant funds.

**Contacting the Agency's Financial Management**

This financial report is designed to provide our citizens and other interested parties with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the County of Los Angeles, Department of Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012.

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**
Statement of Net Position
June 30, 2025

| | | |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents (Note 3) | $ | 3,625,483 |
| Interest Receivable | | 33,154 |
| Prepaid Expenses | | 15,706 |
| **Total Assets** | | 3,674,343 |
| **Liabilities** | | |
| Accounts Payable (Note 4) | | 1,211,673 |
| **Total Liabilities** | | 1,211,673 |
| **Net Position** | | |
| Unrestricted (Note 2) | | 2,462,670 |
| **Total Net Position** | $ | 2,462,670 |

See notes to the financial statements.

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

| | |
|---|---|
| **Operating Revenues** | |
| Other Governmental Agencies | $ 4,374,000 |
| **Total Operating Revenues** | 4,374,000 |
| | |
| **Operating Expenses** | |
| Consultant Services | 3,039,247 |
| Other Charges | 100,000 |
| Public Works Department | 82,312 |
| Auditor-Controller Services | 81,513 |
| County Counsel | 22,910 |
| Audit Fees | 11,561 |
| Memberships | 9,897 |
| Info Tech-Application Maintenance | 3,489 |
| Building Construction Services | 405 |
| **Total Expenditures** | 3,351,334 |
| | |
| **Operating Income** | 1,022,666 |
| | |
| **Nonoperating Revenues** | |
| Interest Income | 87,741 |
| **Total Nonoperating Revenues** | 87,741 |
| | |
| **Change in Net Position** | 1,110,407 |
| | |
| **Net Position, Beginning of Year** | 1,352,263 |
| | |
| **Net Position, End of Year** | $ 2,462,670 |

See notes to the financial statements.

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

| | | |
|---|---|---|
| **Cash Provided by (Used in) Operating Activities:** | | |
| Cash received from member agencies | $ | 4,374,000 |
| Cash paid to agencies to reimburse goods and services | | (114,076) |
| Cash paid to suppliers for goods and services | | (2,206,060) |
| **Net Cash Provided by Operating Activities** | | 2,053,864 |
| | | |
| **Cash Provided by Investing Activities:** | | |
| Interest received | | 73,623 |
| **Net Cash Provided by Investing Activities** | | 73,623 |
| | | |
| **Net Increase in Cash and Cash Equivalents** | | 2,127,487 |
| | | |
| **Cash and Cash Equivalents, Beginning of Year** | | 1,497,996 |
| | | |
| **Cash and Cash Equivalents, End of Year** | $ | 3,625,483 |
| | | |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities:** | | |
| Operating Income | $ | 1,022,666 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Increase in Prepaid Expenses | | (6,503) |
| Increase in Accounts Payable | | 1,037,701 |
| **Net Cash Provided by Operating Activities** | $ | 2,053,864 |

See notes to the financial statements.

## Note 1 – Organization

### *The Reporting Entity*

In November 2006, the High Desert Corridor Joint Powers Authority (Predecessor JPA) was created between the County of Los Angeles (County) and the County of San Bernardino. It was dissolved effective July 1, 2022 and was superseded by a new joint powers agreement between the County, Los Angeles County Metropolitan Transportation Authority (Metro), City of Lancaster, City of Palmdale, City of Victorville, and City of Adelanto, to create the High Desert Corridor Joint Powers Agency (Agency). The Agency's purpose is to pursue funding and facilitate the planning, design, construction, financing, operation, and maintenance of the multimodal project known as the High Desert Corridor between the County (in the vicinity of the Cities of Lancaster and Palmdale) and San Bernardino County (in the vicinity of the Cities of Victorville, Apple Valley, and Adelanto). The Agency evolved into a multi-modal corridor and in 2016, the California Department of Transportation certified the final Environmental Impact Report and Environmental Impact Statement, ultimately approving a multi-modal project that includes a new freeway/expressway, high-speed rail line, bikeway, and green energy corridor. The Predecessor JPA elected to move the project forward in phases, focusing on the high-speed rail component first and the Agency is currently in the formal record of decision with the Federal Railroad Administration. The Agency is governed by a Board of Directors made up of six (6) members, including the Supervisor from the County Board of Supervisor's Fifth District, a sitting Board Member of the Metro, and one member from each of the Cities of Lancaster, Palmdale, Victorville, and Adelanto. The Auditor-Controller (A-C), Treasurer and Tax Collector (Treasurer), and the Office of County Counsel (County Counsel) of the County serve as the A-C, Treasurer, and County Counsel of the Agency respectively, and the A-C is responsible for the accountability of all funds and for reporting all receipts and disbursements.

## Note 2 – Summary of Significant Accounting Policies

### *Financial statement presentation*

The Agency's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Agency is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Agency utilizes the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Agency is contributions from member agencies.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Financial statement presentation (Continued)***

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

***Cash and cash equivalents***

Cash and cash equivalents represent funds held in the County Treasury Pool. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity of three months or less. For purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty.

***Interest receivable***

Interest receivable comprises of undistributed interest earnings on the Agency's Cash and Cash Equivalents held in the County Treasury Pool.

***Prepaid expenses***

Prepaid expenses are primarily composed of unamortized annual membership dues paid in advance to the U.S. High Speed Rail Association and the California Transit Association.

***Operating revenues and operating expenses***

Operating revenues primarily consist of membership contributions from the member agencies. Member agencies are responsible for the annual payment of dues for each fiscal year in the amounts budgeted and adopted by the Governing Board for the operating costs of the Agency. An annual dues assessment is issued to member agencies and is due and payable in July of each calendar year. Operating expenses represent the costs of the operations of the Agency during the fiscal year. Revenues outside the normal course of operations are recorded as nonoperating revenues in the statement of revenues, expenses, and changes in net position. Nonoperating revenues consist primarily of interest income.

***Taxation***

As a Joint Powers Authority (JPA), the Agency is not subject to income or franchise taxation by federal or state authorities.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Net position***

The Agency's financial statements are presented in accordance with the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities and Statement No. 63 established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted.

These classifications are defined as follows:

*Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2025, the Agency has no capital assets and no net investment in capital assets net position.

*Restricted net position* – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources. As of June 30, 2025, the Agency had no restricted net position.

*Unrestricted net position* – This component of net position represents the net position of the Agency that does not meet the definition of "restricted" or "net investment in capital assets". When an expenditure is incurred for which both restricted and unrestricted net positions are available, the Agency considers restricted funds to have been spent first. As of June 30, 2025, the Agency had $2,462,670 in unrestricted net position.

***New Accounting Pronouncements Issued and Implemented***

The following GASB Statements have been implemented in the current basic financial statements.

GASB Statement No. 101 – Statement No. 101, "Compensated Absences", provides an updated framework to meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for reporting periods beginning after December 15, 2023. This statement did not have an impact on the Agency's financial statements.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***New Accounting Pronouncements Issued and Implemented (Continued)***

GASB Statement No. 102 – Statement No. 102, "Certain Risk Disclosures" enhances financial reporting by requiring state and local governments to disclose risks stemming from certain concentrations and constraints that may make them vulnerable to substantial financial impacts. This statement is effective for reporting periods beginning after June 15, 2024. This statement did not have an impact on the Agency's financial statements.

**Note 3 – Cash and Cash Equivalents**

In accordance with the California Government Code, cash balances of the Agency are deposited with and pooled and invested by the Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based on each fund's average daily balance during the allocation period.

California Government Code Sections 53601 and 53635 authorize the Treasurer to invest the External Investment Pool (Pool) and Specific Purpose Investment funds in obligations of the United States Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, forwards, futures, options, shares of beneficial interest of a JPA that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds registered with the Securities and Exchange Commission, securities lending agreements, the State of California's Local Agency Investment Fund, and supranational institutions. California Government Code Section 53534 authorizes the Treasurer to enter into interest rate swap agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the County Board of Supervisors (Board). As permitted by the California Government Code, the Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the Treasurer may invest. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, the Treasurer's investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting.

The Treasurer also maintains Other Specific Investments, which are invested pursuant to Section 1300.76.1, Title 28, California Code of Regulations. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2025, to support the value of shares in the Pool.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investments in an external government investment pool are not subject to reporting within the level hierarchy.

**Note 3 – Cash and Cash Equivalents (Continued)**

See the County's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025, for the disclosures related to cash and investments and the related interest rate risk, credit rate risk, custodial risk, and concentration risk.

Funds deposited in the County Treasury Pool amounted to $3,625,483 as of June 30, 2025.

**Note 4 – Accounts Payable**

Accounts payable as of June 30, 2025 in the amount of $1,211,673, represent accruals of vendors' invoices not yet paid as of that date.

**Note 5 – Related Party Transactions**

The Agency's cash and investments are pooled and invested by the County Treasurer. For the fiscal year ended June 30, 2025, interest income amounted to $87,741 and interest receivable amounted to $33,154. The County maintains the books and records of the Agency and provides other administrative and support services such as legal counsel. Total fees charged by the County during the fiscal year ended June 30, 2025, totaled $104,423.

**Note 6 – Subsequent Events**

In preparing the financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through March 16, 2026, the date the financial statements were available to be issued. No subsequent events occurred that require recognition or additional disclosure in the financial statements.

BCAWR
Certified Public Accountants & Advisors

2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

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

The Board of Directors
High Desert Corridor Joint Powers Agency
Los Angeles, 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 High Desert Corridor Joint Powers Agency (Agency), as of June 30, 2025 and for the year then ended, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated March 16, 2026.

## 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 opinion 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

BCA Watson Rice, LLP

Torrance, CA
March 16, 2026