

***HIGH DESERT CORRIDOR JOINT POWERS AGENCY  
INDEPENDENT AUDITORS' REPORT ON THE SCHEDULES  
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
METRO-FUNDED EXPENDITURES  
FOR THE PERIOD FROM FISCAL YEARS 2021 THROUGH 2025***



**Metro<sup>®</sup>**



Simpson & Simpson, LLP  
Certified Public Accountants

***HIGH DESERT CORRIDOR JOINT POWERS AGENCY***  
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## Independent Auditor's Report

To the Honorable Members of the Executive Board of  
High Desert Corridor Joint Powers Agency, and the  
Los Angeles County Metropolitan Transportation Authority

### *Opinion*

We have audited the accompanying Schedule of Yearly Expenditures, Schedule of Yearly Expenditures by Cost Element, and Schedule of Capital Assets (the Schedules) of the High Desert Corridor Joint Powers Agency (the Agency) for the period from fiscal years 2021 through 2025, and the related notes to the Schedules, which collectively comprise the Agency's Metro-funded expenditure schedules, as listed in the table of contents.

In our opinion, the Schedules referred to above present fairly, in all material respects, the expenditures funded by the Los Angeles County Metropolitan Transportation Authority (Metro) and capital assets, if applicable, in accordance with the basis of accounting described in Note 2.

### *Basis for Opinion*

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

### *Emphasis of Matter*

The Schedules were prepared at the request of the Los Angeles County Metropolitan Transportation Authority (Metro) for the purpose of presenting Metro-funded activity of the Agency. The schedules are not intended to present the financial position, results of operations, or cash flows of the Agency in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



### ***Responsibilities of Management for the Schedules***

Management is responsible for the preparation and fair presentation of the Schedules in accordance with the basis of accounting described in Note 2, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Schedules***

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

In performing an audit in accordance with GAAS 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 Schedules, 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 Schedules.
- 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 Schedules.

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.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of the Agency's internal control over financial reporting related to the Schedules 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 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control and compliance related to the Schedules.

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
January 15, 2026

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**  
**SCHEDULE OF YEARLY EXPENDITURES**  
**BUDGET AND ACTUAL**  
For the Period from Fiscal Years 2021 through 2025

| Period      | Budget              | Actual<br>Expenditure | Remaining<br>Budget Balance | Metro's<br>Payments |
|-------------|---------------------|-----------------------|-----------------------------|---------------------|
| FY2020 - 21 | \$ 400,000          | \$ 400,000            | \$ -                        | \$ 400,000          |
| FY2021 - 22 | -                   | *                     | -                           | -                   |
| FY2022 - 23 | 1,236,500           | 1,236,500             | -                           | 1,236,500           |
| FY2023 - 24 | 1,947,500           | 1,947,500             | -                           | 1,947,500           |
| FY2024 - 25 | 4,374,000           | 1,882,405             | 2,491,595                   | 4,374,000           |
|             | <u>\$ 7,958,000</u> | <u>\$ 5,466,405</u>   | <u>\$ 2,491,595</u>         | <u>\$ 7,958,000</u> |

Note\*: During fiscal year 2022, \$96,600 was budgeted for a Surface Transportation Board (STB) filing fee pursuant to an approved funding agreement between the Agency and Metro. In accordance with the terms of the funding agreement, Metro paid the \$96,600 filing fee directly to the Surface Transportation Board, and the funds were not received, held, or disbursed by the Agency.

As a result, the \$96,600 has been excluded from the Schedules, which presents only expenditures incurred and paid by the Agency.

The accompanying notes are an integral part of these schedules.

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**  
**SCHEDULE OF YEARLY EXPENDITURES BY COST ELEMENT**  
For the Period from Fiscal Years 2021 through 2025

| Cost<br>Element | FY2020 - 21       | FY2021 - 22 | FY2022 - 23         | FY2023 - 24         | FY2024 - 25         | Total               |
|-----------------|-------------------|-------------|---------------------|---------------------|---------------------|---------------------|
| STB Filing      | \$ -              | \$ -        | \$ -                | \$ -                | \$ -                | -                   |
| CEQA/NEPA       | 385,281           | -           | 1,164,881           | 1,738,075           | 1,522,456           | 4,810,693           |
| Admin           | 14,719            | -           | 71,619              | 209,425             | 359,949             | 655,712             |
|                 | <u>\$ 400,000</u> | <u>\$ -</u> | <u>\$ 1,236,500</u> | <u>\$ 1,947,500</u> | <u>\$ 1,882,405</u> | <u>\$ 5,466,405</u> |

The accompanying notes are an integral part of these schedules.

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**  
**SCHEDULE OF CAPITAL ASSETS**  
For the Period from Fiscal Years 2021 through 2025

| Period      | Description | Beginning<br>Balance | Additions | Deletions | Ending<br>Balance |
|-------------|-------------|----------------------|-----------|-----------|-------------------|
| FY2020 - 21 | None        | \$ -                 | \$ -      | \$ -      | \$ -              |
| FY2021 - 22 | None        | -                    | -         | -         | -                 |
| FY2022 - 23 | None        | -                    | -         | -         | -                 |
| FY2023 - 24 | None        | -                    | -         | -         | -                 |
| FY2024 - 25 | None        | -                    | -         | -         | -                 |
|             | Total       | \$ -                 | \$ -      | \$ -      | \$ -              |

The accompanying notes are an integral part of these schedules.

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**

**NOTES TO THE SCHEDULES**

For the Period from Fiscal Years 2021 through 2025

**NOTE 1 – HIGH DESERT CORRIDOR JOINT POWERS AGENCY**

***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, with the dissolution process finalized on January 3, 2023, and was superseded by a new joint powers agreement between the County, Los Angeles County Metropolitan Transportation Authority, City of Lancaster, City of Palmdale, City of Victorville, and City of Adelanto, forming 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 Los Angeles 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, 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, initially focusing on the high-speed rail component, which 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, the Los Angeles County Metropolitan Transportation Authority sitting Metro Board Director, and one representative from each of the Cities of Lancaster, Palmdale, Victorville, and Adelanto. The County's Auditor-Controller (A-C), Treasurer and Tax Collector (Treasurer), and the Office of County Counsel (County Counsel) serve as the A-C, Treasurer, and County Counsel of the Agency, respectively. 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**

***Basis of Presentation***

The accompanying schedules include the Schedule of Yearly Expenditures, Schedule of Yearly Expenditures by Cost Element, and Schedule of Capital Assets (the Schedules), together with the related note disclosures. The Schedules were prepared for the purpose of presenting expenditures funded by the Los Angeles County Metropolitan Transportation Authority (Metro) for the period from fiscal years 2021 through 2025, in accordance with the scope of the audit engagement with Metro.

The Schedules are not intended to present the financial position or results of operations of the High Desert Corridor Joint Powers Agency in conformity with accounting principles generally accepted in the United States of America (GAAP).

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**

**NOTES TO THE SCHEDULES**

For the Period from Fiscal Years 2021 through 2025

(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Accounting***

The Schedules were prepared using the modified accrual basis of accounting, consistent with the accounting basis used for governmental funds. Under this basis, expenditures are recognized when the related liability is incurred.

***Metro-Funded Expenditures***

The Schedules present expenditures funded by the Los Angeles County Metropolitan Transportation Authority (Metro) through Proposition C (25%) and Measure M funding sources during the audit period. Expenditures included in the Schedules consist solely of costs funded by Metro and related revenues, including interest income, as applicable. Expenditures funded by sources other than Metro are excluded from the Schedules.

***Capital Assets***

The Schedule of Capital Assets, if applicable, presents assets acquired using Metro funding during the audit period. If no assets were acquired or capitalized in accordance with applicable capitalization thresholds, no assets are reported.

***Use of Estimates***

The preparation of the Schedules requires management to make estimates and assumptions that affect the reported amounts of expenditures and assets, if applicable. Actual results could differ from those estimates.



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

To the Honorable Members of the Executive Board of  
High Desert Corridor Joint Powers Agency, and the  
Los Angeles County Metropolitan Transportation Authority

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 Schedule of Yearly Expenditures, Schedule of Yearly Expenditures by Cost Element, and Schedule of Capital Assets (the Schedules) of the High Desert Corridor Joint Powers Agency (the Agency) for the period from fiscal years 2021 through 2025, and the related notes to the Schedule, and have issued our report thereon dated January 15, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the Schedules, we considered the Agency's internal control over financial reporting related to the preparation of the Schedules (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, 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 of the Schedules 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 Schedules 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 Schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of the Measure M Ordinance and applicable funding agreements, noncompliance with which could have a direct and material effect on the Schedules. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
January 15, 2026

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
For the Period from Fiscal Years 2021 through 2025

**Finding No. 2025-001**

|                             |   |
|-----------------------------|---|
| <b>Compliance Reference</b> | <p>The U.S. Government Accountability Office’s <i>Standards for Internal Control in the Federal Government</i> (Green Book) states that segregation of duties helps prevent fraud, waste, and abuse in the internal control system and mitigates the risk of management override (Section 10.22). When segregation of duties is not practical, management is responsible for designing alternative control activities to mitigate such risks (Section 10.23).</p> <p><b>Green Book §10.22 – Segregation of Duties</b><br/> Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, operations, custody, and accounting to achieve adequate segregation of duties within the entity’s business processes. Segregation of duties can mitigate the risk of management override. Management override circumvents existing control activities and increases the risk of fraud, waste, and abuse.</p> <p><b>Green Book §10.23 - Alternative Control Activities</b><br/> If segregation of duties is not practical within a business process because of limited personnel or other factors, management designs alternative control activities to mitigate the risk of fraud, waste, or abuse.</p> |
| <b>Condition</b>            | <p>During non-payroll testing, we noted two (2) samples related to AVS Consulting, Inc. in which services were provided by an individual who serves as the Executive Director of the High Desert Corridor Joint Powers Agency (the Agency) and is the owner of AVS Consulting, Inc. The two (2) invoices included timecards prepared by the Executive Director. However, the timecards did not include evidence of independent review or approval by an individual other than the person performing the services.</p>   |
| <b>Cause</b>                | <p>The condition arose due to limited staffing within the Agency, leaving no independent individual with sufficient knowledge of the Executive Director’s activities to perform timely review and approval of the related timecards. Although the Agency raised this matter with the Board, the Board meets only quarterly and does not have sufficient personnel available to perform routine and timely review and approval of timecards.</p>   |
| <b>Effect</b>               | <p>The lack of independent review increases the risk that labor costs charged may not be fully supported, reasonable, or appropriately validated.</p>   |
| <b>Recommendation</b>       | <p>We recommend the Agency strengthen controls over the review and approval of timecards by implementing procedures to ensure that all services performed by management are reviewed and approved by an independent individual on a timely basis, preferably at least monthly. If the Board is unable to perform such reviews due to limited personnel and quarterly meeting schedules, the Agency should designate an appropriate staff member, external party, or committee to perform interim reviews to provide independent oversight and ensure the accuracy and reasonableness of hours worked on Agency projects.</p>  |

**HIGH DESERT CORRIDOR JOINT POWERS AGENCY**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
 For the Period from Fiscal Years 2021 through 2025  
 (Continued)

**Finding No. 2025-001**

|                              |  |
|------------------------------|--|
| <b>Management's Response</b> | <p>The Agency agrees in principle with the recommendation.</p> <p>The JPA Management contractor has over 35 years in and around public transportation in the Los Angeles area and is a Metro small business contractor. As a current Metro SBE contractor as a prime and a sub, the JPA management seeks to mirror the Metro Form60 rate process. The JPA management rates at the HDC JPA are below the Form60 rates approved by Metro for the contractor.</p> <p>The JPA management includes a monthly Executive Management and Administrative Support Summary of Activities, which provides the Board with specific information about management activities, both direct and in oversight of other staff and consultants. The Board can seek clarification or additional information about any item in the progress report to ensure that it accurately reflects the previous month's activities and payment for those activities. As recommended by this audit, the Board may consider assignment of invoice reviews and oversight to Agency members.</p> <p>Over the last several years, JPA management has considered invoice approval, above and beyond the review of the monthly Progress Report, from the Chairs' office, from LA County Public Works, Metro Planning and Regional Rail and by other HDC Members and all have declined for various legitimate reasons related to their primary job roles and functions within their respective agencies.</p> |
|------------------------------|--|