

Local Transportation Fund of the County of San Bernardino, as Administered by the San Bernardino Associated Governments

Financial and Compliance Report
Year Ended June 30, 2012

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Independent Auditor's Report on the Financial Statements and Supplementary Information

Board of Directors
San Bernardino Associated Governments
San Bernardino, CA

We have audited the accompanying financial statements of the Local Transportation Fund of the County of San Bernardino, as administered by the San Bernardino Associated Governments (SANBAG), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of SANBAG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Local Transportation Fund and do not purport to, and do not, present fairly the financial position of SANBAG or the County of San Bernardino, California, as of June 30, 2012, and the change in their financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of the County of San Bernardino, as administered by SANBAG, as of June 30, 2012, and the change in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4, the June 30, 2011 fund balance has been restated for the change in revenue recognition. The previously issued auditor's report, dated February 3, 2012, is not to be relied on. The previously issued auditor's report is replaced by the auditor's report dated February 5, 2013.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2013 on our consideration of SANBAG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Local Transportation Fund of the County of San Bernardino, as administered by SANBAG. The schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

Irvine, CA
February 5, 2013

**Local Transportation Fund of the County of San Bernardino,
as Administered by the San Bernardino Associated Governments**

**Balance Sheet
June 30, 2012**

Assets

Cash and investments in San Bernardino County Treasury Pool	\$ 82,570,828
Sales taxes receivable	13,701,949
Accrued interest receivable	100,480
Due from other funds	864,903
Total assets	<u>\$ 97,238,160</u>

Liabilities and Fund Balance

Liabilities:

Intergovernmental payable	\$ 2,519,925
Total liabilities	<u>2,519,925</u>

Restricted:

Unapportioned Local Transportation Funds	43,381,325
Rail and bus transit and local streets and roads apportionments	46,955,618
Bicycle and pedestrian projects	4,381,292
Total fund balance	<u>94,718,235</u>
Total liabilities and fund balance	<u>\$ 97,238,160</u>

See Notes to Financial Statements.

**Local Transportation Fund of the County of San Bernardino,
as Administered by the San Bernardino Associated Governments**

**Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2012**

Revenues:	
Sales taxes	\$ 71,168,436
Other reimbursements	864,903
Investment earnings	<u>338,733</u>
Total revenues	<u><u>72,372,072</u></u>
Expenditures:	
Bicycle and pedestrian projects	499,041
Transit	60,027,998
Planning and programming	<u>500,889</u>
Total expenditures	<u>61,027,928</u>
Excess of revenues over expenditures	<u><u>11,344,144</u></u>
Fund balance, beginning of year	81,211,844
Prior period adjustment	<u>2,162,247</u>
Fund balance, beginning of year, as restated	<u>83,374,091</u>
Fund balance, end of year	<u><u>\$ 94,718,235</u></u>

See Notes to Financial Statements.

**Local Transportation Fund of the County of San Bernardino,
as Administered by the San Bernardino Associated Governments**

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

The San Bernardino Associated Governments (SANBAG), in its capacity as the transportation planning agency for the County of San Bernardino, California (the County), is responsible for administering funds provided through the Local Transportation Fund (the Fund), which was created in accordance with the provisions of the Transportation Development Act of 1971. The Fund is a fund of the County. The significant revenue to the Fund is derived from 0.25 percent of the 7.75 percent statewide sales tax collected in the County by the State Board of Equalization (State).

The accounting policies of SANBAG conform to accounting principles generally accepted in the United States as applicable to governmental units.

Presentation: The accompanying financial statements of the Fund are intended to present the financial position and the change in financial position of only the governmental fund of SANBAG that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the County or SANBAG as of June 30, 2012 and the changes in their financial position, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States.

Basis of accounting: In accordance with the requirements for governmental funds, the modified accrual basis of accounting is followed in the Fund. Under the modified accrual basis of accounting, expenditures are recorded when they are expected to be liquidated with expendable available resources, and revenue is recorded when it becomes both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, SANBAG considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Those revenues susceptible to accrual include sales taxes collected and held by the State at year-end on behalf of SANBAG and interest revenue.

Funding for recipients: There is a three-step process for obtaining funds from the Fund: apportionment, allocation and payment. Annually, SANBAG determines the share of the anticipated Fund for each geographical area within the County. This share is the area apportionment. Once funds are apportioned to a given area, they are typically available only for allocation to claimants in that area. Allocation is the discretionary action by SANBAG, which designates funds for a specific claimant for a specific purpose. Payment is authorized by disbursement instructions issued by SANBAG.

Expenditures: Expenditures represent disbursements to SANBAG, the Southern California Association of Governments, cities, the County and transit operators that have met the claimant eligibility requirements to receive Fund allocations that are approved by SANBAG per various Public Utilities Code Sections. All disbursements are to be used for transportation purposes.

Sales taxes receivable: Sales taxes receivable consists primarily of the Fund sales tax revenues from the State on all taxable sales within the County through June 30, 2012.

Intergovernmental payable: Intergovernmental payable consist primarily of claims approved by SANBAG, but not paid by SANBAG, to the appropriate transit operators by June 30, 2012.

**Local Transportation Fund of the County of San Bernardino,
as Administered by the San Bernardino Associated Governments**

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Fund balance restrictions: The Fund reports restricted fund balances to show the level of constraint governing the use of the funds. Restricted fund balances are restricted for specific purposes by enabling legislation.

Note 2. Pooled Cash and Investments

The funds in the San Bernardino County Treasury Pool are pooled with those of other entities in the County and invested in accordance with the County's investment policy. These pooled funds are carried at fair value. Fair value is based on quoted market prices and/or direct bids, when needed, from government dealers on some variable or floating rate items. Monies in the Fund are legally required to be deposited in the San Bernardino County Treasury Pool. An Investment Oversight Committee has been established by the County, which acts as a regulator of the pool. The San Bernardino County Treasury Pool is rated AAA by national rating services. The weighted-average maturity of the pool is one year or less as of June 30, 2012.

Other investment policies and related credit, concentration of credit, interest rate and foreign currency risks applicable to the Fund's cash and investments are those of the County and are disclosed in the County's fiscal year 2011-2012 Comprehensive Annual Financial Report (CAFR). A copy of the report can be obtained from the San Bernardino County Auditor-Controller Office at 222 West Hospitality Lane, San Bernardino, CA 92415; or online at www.sbcounty.gov.

Note 3. Fund Balance

The restricted Fund balance represents the apportionments related to transit programs by geographic area, bicycle and pedestrian projects, planning and programming, and unapportioned Local Transportation Funds. For Western County transit programs, commuter rail and bus allocations are in accordance with SANBAG's policy.

**Local Transportation Fund of the County of San Bernardino,
as Administered by the San Bernardino Associated Governments**

Notes to Financial Statements

Note 3. Fund Balance (Continued)

At June 30, 2012, amounts in the Fund balance are restricted as follows:

Rail and bus transit and local street and road apportionments:

City of Adelanto:		
Apportioned and unallocated	\$	137,512
City of Barstow:		
Allocated and unclaimed		34,750
Apportioned and unallocated		18,139
City of Big Bear Lake:		
Apportioned and unallocated		48
City of Victorville:		
Apportioned and unallocated		978,549
Morongo Basin Transit Authority:		
Allocated and unclaimed		160,714
OMNITRANS:		
Allocated and unclaimed		7,806,937
San Bernardino Associated Governments—Rail:		
Allocated and unclaimed		14,287,019
Town of Apple Valley:		
Apportioned and unallocated		664,988
Town of Yucca Valley:		
Apportioned and unallocated		272,647
Valley:		
Apportioned and unallocated		21,938,811
Victor Valley Transit Authority:		
Allocated and unclaimed		655,504
Total for rail and bus transit and local street and road apportionments	\$	<u>46,955,618</u>

Bicycle and pedestrian projects:

Allocated and unclaimed	\$	3,870,472
Unallocated		510,820
Total for bicycle and pedestrian projects	\$	<u>4,381,292</u>

Planning and programming, allocated and unclaimed

\$ -

Unapportioned Local Transportation Funds

\$ 43,381,325

Note 4. Restatement of Fund Balance

The Fund balance as of June 30, 2011, as previously reported, was restated to include \$2,162,247 for deferred revenues that were recognized as revenues due to a change in the revenue recognition policy.

Supplementary Information

**Local Transportation Fund of the County of San Bernardino,
as Administered by the San Bernardino Associated Governments**

**Schedule of Allocations and Disbursements
Year Ended June 30, 2012**

	SB 821 Article 3		Article 4		Article 8		Planning, Programming, Administrative and Rail		Totals		Unclaimed Amount
	Allocations	Disbursements	Allocations	Disbursements	Allocations	Disbursements	Allocations	Disbursements	Allocations	Disbursements	
City of Adelanto	\$ -	\$ -	\$ -	\$ -	\$ 65,978	\$ 65,978	\$ -	\$ -	\$ 65,978	\$ 65,978	\$ -
Town of Apple Valley	386,370	-	-	-	435,557	435,557	-	-	821,927	435,557	386,370
City of Barstow	-	-	-	-	1,741,572	1,706,822	-	-	1,741,572	1,706,822	34,750
City of Big Bear Lake	353,280	-	-	-	-	-	-	-	353,280	-	353,280
City of Chino	71,368	-	-	-	-	-	-	-	71,368	-	71,368
City of Chino Hills	57,591	-	-	-	-	-	-	-	57,591	-	57,591
City of Colton	-	-	-	-	-	-	-	-	-	-	-
City of Fontana	750,000	307,641	-	-	-	-	-	-	750,000	307,641	442,359
City of Grand Terrace	-	-	-	-	-	-	-	-	-	-	-
City of Hesperia	441,945	-	-	-	1,070,925	1,070,925	-	-	1,512,870	1,070,925	441,945
City of Highland	274,700	-	-	-	-	-	-	-	274,700	-	274,700
City of Loma Linda	-	-	-	-	-	-	-	-	-	-	-
City of Needles	131,400	-	-	-	166,753	166,753	-	-	298,153	166,753	131,400
City of Redlands	785,945	-	-	-	-	-	-	-	785,945	-	785,945
City of Rialto	330,000	-	-	-	-	-	-	-	330,000	-	330,000
City of San Bernardino	51,000	-	-	-	-	-	-	-	51,000	-	51,000
City of Twentynine Palms	-	-	-	-	582,499	582,499	-	-	582,499	582,499	-
City of Victorville	75,000	-	-	-	392,163	392,163	-	-	467,163	392,163	75,000
City of Yucaipa	325,174	-	-	-	-	-	-	-	325,174	-	325,174
Town of Yucca Valley	91,000	-	-	-	112,723	112,723	-	-	203,723	112,723	91,000
County Auditor/Controller	-	-	-	-	-	-	24,000	24,000	24,000	24,000	-
County of San Bernardino	63,000	34,200	-	-	2,810,155	2,810,155	-	-	2,873,155	2,844,355	28,800
Morongo Basin Transit Authority	-	-	986,342	766,528	-	-	-	-	986,342	766,528	219,814
Mountain Area Reg. Transit Authority	-	-	1,729,269	1,750,264	-	-	-	-	1,729,269	1,750,264	(20,995)
OMNITRANS	78,369	-	38,546,340	32,733,595	-	-	-	-	38,624,709	32,733,595	5,891,114
San Bernardino Associated Gvts.	-	-	-	-	-	-	25,061,677	10,944,658	25,061,677	10,944,658	14,117,019
So. Cal. Association of Governments	-	-	-	-	-	-	476,889	476,889	476,889	476,889	-
Victor Valley Transit Authority	92,166	157,200	-	-	6,738,155	6,489,378	-	-	6,830,321	6,646,578	183,743
	<u>\$ 4,574,186</u>	<u>\$ 499,041</u>	<u>\$ 41,261,951</u>	<u>\$ 35,250,387</u>	<u>\$ 14,116,480</u>	<u>\$ 13,832,953</u>	<u>\$ 25,562,566</u>	<u>\$ 11,445,547</u>	<u>\$ 85,515,183</u>	<u>\$ 61,027,928</u>	<u>\$ 24,487,255</u>

**Local Transportation Fund of the County of San Bernardino,
as Administered by the San Bernardino Associated Governments**

**Schedule of Unclaimed Apportionments (Articles 4 and 8)
Year Ended June 30, 2012**

	Fiscal Year 2011/2012		Prior Fiscal Year			Allocation Returned	Unallocated Apportionment	Total Unclaimed Apportionment June 30, 2012
	Apportionment	Assigned or Allocated	Unallocated Apportionment	Unallocated Apportionment	Assigned or Allocated			
Administration and planning:								
Auditor/Controller	\$ 24,000	\$ 24,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission administration	450,000	450,000	-	-	-	-	-	-
Commission planning	1,907,555	1,907,555	-	-	-	-	-	-
SCAG Planning	476,889	476,889	-	-	-	-	-	-
Total administration and planning	2,858,444	2,858,444	-	-	-	-	-	-
Bicycle and pedestrian program SB 821	1,214,534	4,574,186	(3,359,652)	3,387,971	-	482,501	3,870,472	510,820
Transportation:								
Valley	43,216,195	43,216,195	-	31,970,099	10,031,288	-	21,938,811	21,938,811
Adelanto	819,274	747,740	71,534	65,978	-	-	65,978	137,512
Apple Valley	2,010,580	1,781,150	229,430	435,557	-	-	435,557	664,988
Barstow	715,154	697,146	18,008	131	-	-	131	18,139
Big Bear Lake	180,217	180,203	14	34	-	-	34	48
Hesperia	2,539,893	2,539,893	-	-	-	-	-	-
Needles	166,754	-	166,754	-	-	-	-	-
Twentynine Palms	879,815	879,815	-	-	-	-	-	-
Victorville	3,217,876	2,631,489	586,387	392,163	-	-	392,163	978,549
Yucca Valley	611,212	451,288	159,924	112,723	-	-	112,723	272,647
County—unincorporated	5,173,340	6,383,374	(1,210,034)	1,210,034	-	-	1,210,034	-
Total transportation	59,530,311	59,508,293	22,017	34,186,719	10,031,288	-	24,155,431	24,010,695
Total apportionments	\$ 63,603,290	\$ 66,940,923	\$ (3,337,634)	\$ 37,574,691	\$ 10,031,288	\$ 482,501	\$ 28,025,904	\$ 24,521,515



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
San Bernardino Associated Governments
San Bernardino, CA

We have audited the financial statements of the Local Transportation Fund of the County of San Bernardino, as administered by the San Bernardino Associated Governments (SANBAG), as of and for the year ended June 30, 2012, and have issued our report thereon dated February 5, 2013. 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.

Internal Control Over Financial Reporting

Management of SANBAG is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered SANBAG's internal control over financial reporting as it relates to the Local Transportation Fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Local Transportation Fund's financial statements, but not for the purpose of expressing an opinion on the effectiveness of SANBAG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SANBAG's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Local Transportation Fund's financial statements, as administered by SANBAG, are free of 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. This included those provisions of laws and regulations identified in the Transportation Development Act of

1971, as amended, and corresponding regulations of the California Government Code. 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*.

This report is intended solely for the information and use of management of SANBAG, the Audit Sub-Committee, the Board of Directors, and the State of California's Department of Transportation and State Controller's Office, and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey LLP

Irvine, CA
February 5, 2013