

**State Transit Assistance 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 State Transit Assistance Fund (the 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 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 changes 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 Fund of the County of San Bernardino, as administered by SANBAG, as of June 30, 2012, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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, which 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 Fund of the County of San Bernardino, as administered by SANBAG. The schedule listed in the table of contents as supplementary information is presented for purposes of additional analysis and is 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

**State Transit Assistance Fund of the County of San Bernardino,  
as Administered by the San Bernardino Associated Governments**

**Balance Sheet  
June 30, 2012**

**Assets**

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Cash and investments in San Bernardino County Treasury Pool	\$ 49,078,111
Intergovernmental receivable	3,215,554
Accrued interest receivable	64,390
<b>Total assets</b>	<b><u>\$ 52,358,055</u></b>

**Liabilities and Fund Balance**

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Liabilities	
Intergovernmental payable	\$ 436,456
<b>Total liabilities</b>	<b><u>436,456</u></b>
Fund Balance	
Restricted for unclaimed allocations	20,391,204
Restricted allocations available for operators	4,672,224
Unallocated restricted balance	26,858,171
<b>Total fund balance</b>	<b><u>51,921,599</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 52,358,055</u></b>

See Notes to Financial Statements.

**State Transit Assistance 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**

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Revenues:	
Sales taxes	\$ 13,210,148
Investment earnings	192,187
Miscellaneous	<u>17,762</u>
<b>Total revenues</b>	<u>13,420,097</u>
Expenditures:	
Transit	<u>4,858,073</u>
<b>Net change in fund balance</b>	<u>8,562,024</u>
Fund balance, beginning of year	<u>43,359,575</u>
Fund balance, end of year	<u><u>\$ 51,921,599</u></u>

See Notes to Financial Statements.

**State Transit Assistance Fund of the County of San Bernardino,  
as Administered by the San Bernardino Associated Governments**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Summary of Significant Accounting Policies**

The San Bernardino Associated Governments (SANBAG), in its capacity as the San Bernardino County Transportation Commission (the Commission), is the transportation planning agency for the County of San Bernardino, California (the County). The State Transit Assistance Fund (the Fund) is a fund of the County. SANBAG is responsible for administering funds provided through the State Transit Assistance Program, which was created in 1979 under Chapter 161 (SB 620) of the California statutes to provide a second source of Transportation Development Act funding for the development of transit systems. The funds are derived from a statewide sales tax on gasoline and diesel fuel and are budgeted through legislation and appropriated to the State Controller's Office for allocation to local agencies.

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

**A summary of SANBAG's significant accounting policies is as follows:**

**Presentation:** The accompanying financial statements of the Fund are intended to present the financial position and the changes 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 and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**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 fiscal year. Those revenues susceptible to accrual include fuel sales tax revenue and interest revenue.

**Allocations to local agencies:** State transit assistance funds are allocated to the public operators and public transit providers within the County. Public Utilities Code (PUC) Section 99313 allocates funds to regional transportation planning agencies based on the ratio of area population to state population. PUC Section 99314 allocates funds to public transit operators based on their share of fares and local support to other public transit operators in the state. The allocations must be made in a resolution adopted by SANBAG's Board of Directors.

**Cash and investments:** It is SANBAG's policy to deposit all funds received with the San Bernardino County Treasury Pool for investment until the funds are required for disbursement. Interest income is earned while these funds are deposited.

**Intergovernmental receivable:** Accounts receivable consist primarily of Fund sales tax revenues from the State on gasoline and diesel fuel 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.

**State Transit Assistance Fund of the County of San Bernardino,  
as Administered by the San Bernardino Associated Governments**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Summary of 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. The restricted fund balance for allocations available for operators represents amounts apportioned by SANBAG but not allocated to claimants. The restricted fund balance for unclaimed allocations represents amounts allocated by SANBAG and due to claimants but not yet paid, as claimants have not yet provided the appropriate claim documentation to SANBAG as of June 30, 2012.

**Expenditures to claimants:** Disbursements to claimants represent funds disbursed to transit operators that have met the eligibility requirements to receive State Transit Assistance Program funds per PUC Sections 99313 and 99314. All disbursements are to be used for transit purposes.

**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. As of June 30, 2012, SANBAG had \$49,078,111 invested in the pool with a weighted-average maturity of one year or less.

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](http://www.sbcounty.gov).

**State Transit Assistance Fund of the County of San Bernardino,  
as Administered by the San Bernardino Associated Governments**

**Notes to Financial Statements**

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**Note 3. Fund Balance**

At June 30, 2012, amounts are restricted for apportioned and unallocated amounts and for unpaid allocations by claimants.

Restricted allocations available for operators:

Commuter rail	\$ 3,588,835
Mountain Area Regional Transit Authority	34,820
Morongo Basin Transit Authority	29,732
Omnitrans	902,423
Victor Valley Transit Authority	116,414
	<u>4,672,224</u>

Restricted for unclaimed allocations:

Commuter rail	1,941,521
City of Barstow	210,527
Mountain Area Regional Transit Authority	116,374
Morongo Basin Transit Authority	516,728
Omnitrans	15,830,060
Victor Valley Transit Authority	1,775,994
	<u>20,391,204</u>

Unallocated restricted balance	<u>26,858,171</u>
Total restricted fund balance	<u>\$ 51,921,599</u>

## **Supplementary Information**

**State Transit Assistance Fund of the County of San Bernardino,  
as Administered by the San Bernardino Associated Governments**

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

Recipient	Current Year Allocation	Amount Disbursed
City of Barstow	\$ 291,643	\$ 97,603
Mountain Area Regional Transit Authority	175,628	83,892
Morongo Basin Transit Authority	247,382	211,327
City of Needles	122,600	186,280
Omnitrans	4,680,067	808,171
Victor Valley Transit Authority	2,118,483	1,893,700
SANBAG Commuter Rail Program	1,941,521	1,577,100
	\$ 9,577,324	\$ 4,858,073



**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 State Transit Assistance Fund (the 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 Fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on the 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 Fund's financial statements are free of material misstatement, as administered by SANBAG, 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.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

Irvine, CA  
February 5, 2013