



AGENDA

Mountain/Desert Committee

September 13, 2013

9:30 a.m.

Location

**Town of Apple Valley
14975 Dale Evans Parkway
Apple Valley, CA**

Mountain/Desert Committee Membership

Chair

*Ed Paget, Mayor
City of Needles*

*Julie McIntyre, Mayor
City of Barstow*

*George Huntington, Council Member
Town of Yucca Valley*

Vice Chair

*Ryan McEachron, Mayor Pro Tem
City of Victorville*

*Bill Jahn, Council Member
City of Big Bear Lake*

*Robert Lovingood
Board of Supervisors*

*Cari Thomas, Mayor
City of Adelanto*

*Mike Leonard, Council Member
City of Hesperia*

*James Ramos
Board of Supervisors*

*Curt Emick, Mayor
Town of Apple Valley*

*Jim Harris, Council Member
City of Twentynine Palms*

*Janice Rutherford
Board of Supervisors*

San Bernardino Associated Governments (SANBAG) is a council of governments formed in 1973 by joint powers agreement of the cities and the County of San Bernardino. SANBAG is governed by a Board of Directors consisting of a mayor or designated council member from each of the twenty-four cities in San Bernardino County and the five members of the San Bernardino County Board of Supervisors

In addition to SANBAG, the composition of the SANBAG Board of Directors also serves as the governing board for several separate legal entities listed below:

***The San Bernardino County Transportation Commission**, which is responsible for short and long range transportation planning within San Bernardino County, including coordination and approval of all public mass transit service, approval of all capital development projects for public transit and highway projects, and determination of staging and scheduling of construction relative to all transportation improvement projects in the Transportation Improvement Program.*

***The San Bernardino County Transportation Authority**, which is responsible for administration of the voter-approved half-cent transportation transactions and use tax levied in the County of San Bernardino.*

***The Service Authority for Freeway Emergencies**, which is responsible for the administration and operation of a motorist aid system of call boxes on State freeways and highways within San Bernardino County.*

***The Congestion Management Agency**, which analyzes the performance level of the regional transportation system in a manner which ensures consideration of the impacts from new development and promotes air quality through implementation of strategies in the adopted air quality plans.*

*As a **Subregional Planning Agency**, SANBAG represents the San Bernardino County subregion and assists the Southern California Association of Governments in carrying out its functions as the metropolitan planning organization. SANBAG performs studies and develops consensus relative to regional growth forecasts, regional transportation plans, and mobile source components of the air quality plans.*

Items which appear on the monthly Board of Directors agenda are subjects of one or more of the listed legal authorities. For ease of understanding and timeliness, the agenda items for all of these entities are consolidated on one agenda. Documents contained in the agenda package are clearly marked with the appropriate legal entity.

**San Bernardino Associated Governments
County Transportation Commission
County Transportation Authority
Service Authority for Freeway Emergencies
County Congestion Management Agency**

AGENDA

Mountain/Desert Committee

September 13, 2013

9:30 a.m.

Location

**Town of Apple Valley
14975 Dale Evans Parkway
Apple Valley, CA**

CALL TO ORDER:

(Meeting Chaired by: Ed Paget)

- I. Pledge of Allegiance
- II. Attendance
- III. Announcements
- IV. Agenda Notices/Modifications – Diane Greve

Notes/Actions

- 1. **Possible Conflict of Interest Issues for the Mountain/Desert Committee Meeting of September 13, 2013.** Pg. 6

Note agenda item contractors, subcontractors and agents, which may require member abstentions due to conflict of interest and financial interests. Board Member abstentions shall be stated under this item for recordation on the appropriate item.

Consent Calendar

Consent Calendar items shall be adopted by a single vote unless removed by member request.

- 2. **Attendance Register** Pg. 7

A quorum shall consist of a majority of the membership of each SANBAG Policy Committee, except that all County Representatives shall be counted as one for the purpose of establishing a quorum.

Discussion Items

Transportation Fund Administration

3. Major Local Highway Program Allocation and Funding Agreement for the City of Needles Pg. 9

That the Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

1. Approve allocation of \$140,290 in Measure I Colorado River Subarea - Major Local Highway Program funds to the City of Needles for the I-40 Needles Connector Project.
2. Approve Funding Agreement C14021 in the amount of \$140,290 with the City of Needles for the I-40 Needles Connector Project, to be funded with Measure I Colorado River Subarea - Major Local Highway Program funds. **Ellen Pollema**

This item is not scheduled for review by any other policy committee or technical advisory committee. SANBAG General Counsel and Contract Administrator have reviewed this item and a draft of the Contract.

4. Major Local Highway Program Funding Agreement for San Bernardino County Pg. 21

That the Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

Approve Funding Agreement C14033 in the amount of \$1,006,393.00 with the County of San Bernardino for the Ranchero Road at Escondido Avenue Project, funded by Victor Valley Subarea – Major Local Highway Program funds. **Ellen Pollema**

This item is not scheduled for review by any other policy committee or technical advisory committee. SANBAG General Counsel and Contract Administrator have reviewed this item and a draft of the Contract.

5. Fund Estimate for the 2014 State Transportation Improvement Program Pg. 31

That the Committee recommend the Board, acting as the San Bernardino County Transportation Commission:

1. Receive report on the 2014 State Transportation Improvement Program Fund Estimate and adoption schedule.
2. Direct staff to compile the 2014 Regional Transportation Improvement Program for Board approval in November, and submit to the California Transportation Commission by December 15, 2013. **Andrea Zureick**

This item is scheduled for review by the Transportation Technical Advisory Committee on September 9, 2013, and by the Board Metro Valley Study Session on September 12, 2013.

Transit/Commuter Rail

6. Review Financial Audits for Transit Operators

Pg. 34

That the Committee recommend the Board receive:

1. Morongo Basin Transit Authority (MBTA) Annual Financial Statements for Fiscal Year 2011/2012
2. Victor Valley Transit Authority (VVTA) Annual Financial Statements for Fiscal Year 2011/2012. **Monica Morales**

This item is not scheduled for review by any other policy committee or technical advisory committee. The finance department has reviewed and approved this item.

Comments from Committee Members

Brief Comments from Committee Members

Public Comment

Brief Comments by the General Public

Additional Information

Pg. 122

Acronym List

Complete packages of this agenda are available for public review at the SANBAG offices. Staff reports for items may be made available upon request. For additional information call (909) 884-8276.

ADJOURNMENT:

Next Mountain/Desert Committee Meeting – Friday, October 18, 2013

Meeting Procedures and Rules of Conduct

Meeting Procedures

The Ralph M. Brown Act is the state law which guarantees the public's right to attend and participate in meetings of local legislative bodies. These rules have been adopted by the Board of Directors in accordance with the Brown Act, Government Code 54950 et seq., and shall apply at all meetings of the Board of Directors and Policy Committees.

Accessibility

The SANBAG meeting facility is accessible to persons with disabilities. If assistive listening devices or other auxiliary aids or services are needed in order to participate in the public meeting, requests should be made through the Clerk of the Board at least three (3) business days prior to the Board meeting. The Clerk's telephone number is (909) 884-8276 and office is located at 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Agendas – All agendas are posted at 1170 W. 3rd Street, 2nd Floor, San Bernardino at least 72 hours in advance of the meeting. Staff reports related to agenda items may be reviewed at the SANBAG offices located at 1170 W. 3rd Street, 2nd Floor, San Bernardino and our website: www.sanbag.ca.gov.

Agenda Actions – Items listed on both the "Consent Calendar" and "Items for Discussion" contain suggested actions. The Board of Directors will generally consider items in the order listed on the agenda. However, items may be considered in any order. New agenda items can be added and action taken by two-thirds vote of the Board of Directors.

Closed Session Agenda Items – Consideration of closed session items *excludes* members of the public. These items include issues related to personnel, pending litigation, labor negotiations and real estate negotiations. Prior to each closed session, the Chair will announce the subject matter of the closed session. If action is taken in closed session, the Chair may report the action to the public at the conclusion of the closed session.

Public Testimony on an Item – Members of the public are afforded an opportunity to speak on any listed item. Individuals wishing to address the Board of Directors or Policy Committee Members should complete a "Request to Speak" form, provided at the rear of the meeting room, and present it to the Clerk prior to the Board's consideration of the item. A "Request to Speak" form must be completed for *each* item an individual wishes to speak on. When recognized by the Chair, speakers should be prepared to step forward and announce their name and address for the record. In the interest of facilitating the business of the Board, speakers are limited to three (3) minutes on each item. Additionally, a twelve (12) minute limitation is established for the total amount of time any one individual may address the Board at any one meeting. The Chair or a majority of the Board may establish a different time limit as appropriate, and parties to agenda items shall not be subject to the time limitations.

The Consent Calendar is considered a single item, thus the three (3) minute rule applies. Consent Calendar items can be pulled at Board member request and will be brought up individually at the specified time in the agenda allowing further public comment on those items.

Agenda Times – The Board is concerned that discussion take place in a timely and efficient manner. Agendas may be prepared with estimated times for categorical areas and certain topics to be discussed. These times may vary according to the length of presentation and amount of resulting discussion on agenda items.

Public Comment – At the end of the agenda, an opportunity is also provided for members of the public to speak on any subject within the Board's authority: *Matters raised under "Public Comment" may not be acted upon at that meeting. "Public Testimony on any Item" still apply.*

Disruptive Conduct – If any meeting of the Board is willfully disrupted by a person or by a group of persons so as to render the orderly conduct of the meeting impossible, the Chair may recess the meeting or order the person, group or groups of person willfully disrupting the meeting to leave the meeting or to be removed from the meeting. Disruptive conduct includes addressing the Board without first being recognized, not addressing the subject before the Board, repetitiously addressing the same subject, failing to relinquish the podium when requested to do so, or otherwise preventing the Board from conducting its meeting in an orderly manner. *Please be aware that a NO SMOKING policy has been established for meetings. Your cooperation is appreciated!*

**SANBAG General Practices for Conducting Meetings
of
Board of Directors and Policy Committees**

Basic Agenda Item Discussion.

- The Chair announces the agenda item number and states the subject.
- The Chair calls upon the appropriate staff member or Board Member to report on the item.
- The Chair asks members of the Board/Committee if they have any questions or comments on the item. General discussion ensues.
- The Chair calls for public comment based on “Request to Speak” forms which may be submitted.
- Following public comment, the Chair announces that public comment is closed and asks if there is any further discussion by members of the Board/Committee.
- The Chair calls for a motion from members of the Board/Committee.
- Upon a motion, the Chair announces the name of the member who makes the motion. Motions require a second by a member of the Board/Committee. Upon a second, the Chair announces the name of the Member who made the second, and the vote is taken.

The Vote as specified in the SANBAG Bylaws.

- Each member of the Board of Directors shall have one vote. In the absence of the official representative, the alternate shall be entitled to vote. (Board of Directors only.)
- Voting may be either by voice or roll call vote. A roll call vote shall be conducted upon the demand of five official representatives present, or at the discretion of the presiding officer.

Amendment or Substitute Motion.

- Occasionally a Board Member offers a substitute motion before the vote on a previous motion. In instances where there is a motion and a second, the maker of the original motion is asked if he would like to amend his motion to include the substitution or withdraw the motion on the floor. If the maker of the original motion does not want to amend or withdraw, the substitute motion is not addressed until after a vote on the first motion.
- Occasionally, a motion dies for lack of a second.

Call for the Question.

- At times, a member of the Board/Committee may “Call for the Question.”
- Upon a “Call for the Question,” the Chair may order that the debate stop or may allow for limited further comment to provide clarity on the proceedings.
- Alternatively and at the Chair’s discretion, the Chair may call for a vote of the Board/Committee to determine whether or not debate is stopped.
- The Chair re-states the motion before the Board/Committee and calls for the vote on the item.

The Chair.

- At all times, meetings are conducted in accordance with the Chair’s direction.
- These general practices provide guidelines for orderly conduct.
- From time-to-time circumstances require deviation from general practice.
- Deviation from general practice is at the discretion of the Board/Committee Chair.

Courtesy and Decorum.

- These general practices provide for business of the Board/Committee to be conducted efficiently, fairly and with full participation.
- It is the responsibility of the Chair and Members to maintain common courtesy and decorum.

Adopted By SANBAG Board of Directors January 2008



- San Bernardino County Transportation Commission
- San Bernardino County Transportation Authority
- San Bernardino County Congestion Management Agency
- Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 1

Date: September 13, 2013

Subject: Information Relative to Possible Conflict of Interest

Recommendation*: Note agenda items and contractors/subcontractors which may require member abstentions due to possible conflicts of interest.

Background: In accordance with California Government Code 84308, members of the Board may not participate in any action concerning a contract where they have received a campaign contribution of more than \$250 in the prior twelve months from an entity or individual. This agenda contains recommendations for action relative to the following contractors:

Item No.	Contract No.	Contractor/Agents	Subcontractors
		NONE	

Financial Impact: This item has no direct impact on the budget.

Reviewed By: This item is prepared monthly for review by the Board of Directors and Policy Committee members.

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	<p><i>Approved</i> Mountain/Desert Committee</p> <p>Date: _____</p> <p>Moved: _____ Second: _____</p> <p>In Favor: _____ Opposed: _____ Abstained: _____</p> <p>Witnessed: _____</p>
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COG	X	CTC	X	CTA	X	SAFE	X	CMA	X
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Check all that apply.

MDC1309z-az

AGENDA ITEM #2

MOUNTAIN/DESERT POLICY COMMITTEE ATTENDANCE RECORD – 2013

Name	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Cari Thomas + City of Adelanto	**	X	X	X	X	X	**	X				
Curt Emick Town of Apple Valley	**	X	X	X	X	X	**	X*				
Julie McIntyre City of Barstow	**	X	X	X	X	X	**	X				
Bill Jahn City of Big Bear Lake	**	X		X	X	X	**	X				
Mike Leonard City of Hesperia	**	X	X	X		X	**					
Ed Paget City of Needles	**	X	X	X	X	X	**	X				
Jim Harris City of Twentynine Palms	**	X	X	X	X	X	**	X				
Ryan McEachron City of Victorville	**	X	X	X			**	X				
George Huntington Town of Yucca Valley	**	X	X	X	X*	X	**	X				
Robert Lovingood County of San Bernardino	**	X			X	X	**	X				
Janice Rutherford County of San Bernardino	**						**					
James Ramos County of San Bernardino	**						**					

*Non-voting City Representative attended
+ Measure I Committee representative

**The Mountain/Desert Committee did not meet
x*Alternate Attended

*** New SANBAG Board Member

X = Member attended meeting.
MDCatt12.doc

Empty box = Member did not attend meeting

Crossed out box = Not a Board Member at the time.

AGENDA ITEM #2
MOUNTAIN/DESERT POLICY COMMITTEE ATTENDANCE RECORD – 2012

Name	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Cari Thomas + City of Adelanto	X	X	X	X	X	X	X		X	X	**	X
Rick Roelle Town of Apple Valley		X			X			X		X*	**	
Julie McIntyre City of Barstow	X	X			X	X	X		X	X	**	X
Bill Jahn City of Big Bear Lake	X	X	X	X		X	X	X	X	X	**	
Mike Leonard City of Hesperia	X	X	X	X		X	X	X	X	X*	**	X
Ed Paget City of Needles	X	X	X	X	X	X	X	X	X		**	X
Jim Harris City of Twentynine Palms	X	X	X	X	X	X	X	X	X	X	**	
Ryan McEachron City of Victorville	X	X	X	X	X		X	X	X	X	**	X
George Huntington Town of Yucca Valley	X		X	X	X	X	X	X	X		**	X
Brad Mitzelfelt County of San Bernardino		X				X		X	X	X	**	N/A
Janice Rutherford County of San Bernardino		X					X			X	**	
Neil Derry County of San Bernardino	X	X	X	X				X	X	X	**	N/A
Robert Lovingood*** County of San Bernardino												X
James Ramos*** County of San Bernardino												X

*Non-voting City Representative attended
+ Measure I Committee representative

**The Mountain/Desert Committee did not meet
x*Alternate Attended

*** New SANBAG Board Member

X = Member attended meeting.
MDCatt12.doc

Empty box = Member did not attend meeting

Crossed out box = Not a Board Member at the time.



- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
- San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 3

Date: September 13, 2013

Subject: Major Local Highway Program Allocation and Funding Agreement for the City of Needles

Recommendation:* That the Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

1. Approve allocation of \$140,290 in Measure I Colorado River Subarea - Major Local Highway Program funds to the City of Needles for the I-40 Needles Connector Project.
2. Approve Funding Agreement C14021 in the amount of \$140,290 with the City of Needles for the I-40 Needles Connector Project, to be funded with Measure I Colorado River Subarea - Major Local Highway Program funds.

Background: On May 14, 2013 representatives of all agencies in the Colorado River subarea met and determined projects that were eligible for regional funds. The City of Needles nominated the I-40 Needles Connector Project (formerly known as the I-40/AZ95 Connector Project).

The Project was originally to connect I-40 and AZ-95 along J Street and a bridge over the Colorado River. The Project was down-scoped due to the prohibitively high cost of cantilevering the Colorado River Bridge and the work that would be necessary on the railroad bridge adjacent to the roadway and is currently in the final design and right-of-way phases. SANBAG has also allocated Surface

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COG	CTC	CTA	X	SAFE	CMA		
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Approved
 Mountain/Desert Policy Committee

Date: _____

Moved: _____ Second: _____

In Favor: _____ Opposed: _____ Abstained: _____

Witnessed: _____

Check all that apply.
 MDC1309a-ep
<http://portal.sanbag.ca.gov/mgmt/APOR-Mgmt/Shared%20Documents/C14021.doc>

Transportation Program funds to the project as a swap of funds with the I-215 Barton Interchange when federal earmarks designated for Needles were subject to rescission. Other federal earmarks and funds from the City of Needles and the County of San Bernardino are contributing to the cost of the project. Construction is expected to begin in March 2015.

Financial Impact: This item is consistent with the adopted Fiscal Year 2013/2014 budget.

Reviewed By: This item is not scheduled for review by any other policy committee or technical advisory committee. SANBAG General Counsel and Contract Administrator have reviewed this item and a draft of the Contract.

Responsible Staff: Ellen Pollema, Transportation Planning Analyst

CONTRACT SUMMARY SHEET

Contract No. C C14021 Amendment No. _____

By and Between

San Bernardino County Transportation Authority and City of Needles

Contract Description Project Funding Agreement for I-40 Needles Connector Project

Board of Director's Meeting Date: 10/2/13
Overview of BOD Action: (1) to approve allocation of \$140,290 in MI Colorado River MLHP; and (2) to approve funding agreement C14021.

Is this a Sole-Source procurement? Yes No

CONTRACT OVERVIEW

Original Contract Amount	\$	140,290.00	Original Contingency Amount	\$	0
Revised Contract Amount <i>Inclusive of prior amendments</i>	\$		Revised Contingency Amount <i>Inclusive of prior amendments</i>	\$	
Current Amendment Amount	\$		Contingency Amendment	\$	
TOTAL CONTRACT VALUE	\$		TOTAL CONTINGENCY VALUE	\$	
TOTAL BUDGET AUTHORITY (contract value + contingency)					\$ 140,290.00

Contract Start Date 10/2/13	Current Contract Expiration Date 7/1/18	Revised Contract Expiration Date
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Has the contract term been amended? No Yes - please explain.

FINANCIAL INFORMATION

Budget authority for this contract currently exists in Task No. 0516.

A Budget Amendment is required.

How are we funding current FY? \$140,290 MI CR MLHP funds

Federal Funds
 State Funds
 Local Funds
 TDA Funds
 Measure I Funds

Provide Brief Overview of the Overall Funding for the duration of the Contract:

\$140,290 MSI Colorado River MLHP Funds

Payable Receivable

CONTRACT MANAGEMENT INFORMATION

Check all applicable boxes:

Retention? If yes, indicate % _____.

Disadvantaged Business Enterprise (DBE) Goal _____ %

<u>Elen Polkema</u>	<u>Elen Polkema</u>	8/28/13
Project Manager (Print Name)	Signature	Date
<u>Andrea Zureick</u>	<u>Andrea Zureick</u>	8/28/13
Task Manager (Print Name)	Signature	Date
<u>Andrea Zureick</u>	<u>Andrea Zureick</u>	8/28/13
Dir. of Fund Admin. & Programming (Print Name)	Signature	Date
<u>Jeffery Hill</u>	<u>Jeffery Hill</u>	8/28/13
Contract Administrator (Print Name)	Signature	Date
Chief Financial Officer (Print Name)	Signature	Date

PROJECT FUNDING AGREEMENT C14021

BETWEEN

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

AND

CITY OF NEEDLES

FOR

**I40 NEEDLES CONNECTOR PROJECT
CITY OF NEEDLES**

THIS Project Funding Agreement (“AGREEMENT”) is made and entered into this _____ day of _____ by and between the San Bernardino County Transportation Authority (hereinafter referred to as “AUTHORITY”) and the CITY OF NEEDLES (hereinafter referred to as “CITY”). AUTHORITY and CITY shall be individually or collectively, as applicable, known as “PARTY” or “PARTIES.”

RECITALS

A. The Measure I 2010-2040 Expenditure Plan and the Colorado River Subarea transportation planning partners have identified projects eligible for partial funding from Measure I 2010-2040 Rural Mountain/Desert Subarea Major Local Highway Program (“MLHP”) funds;

B. The I40 Needles Connector Project in the CITY (“PROJECT”) is one of the projects identified as eligible for such funding and is described more fully in Attachment A;

C. AUTHORITY has determined that the PROJECT is eligible to receive the Rural Mountains/Desert Subarea MLHP funds;

D. On October 2, 2013, AUTHORITY’s Board of Directors approved allocation of \$140,290 in Rural Mountains/Desert Subarea MLHP funds to CITY for the PROJECT;

E. This Agreement is to be carried out in accordance with the policies in the Measure I 2010-2040 Strategic Plan;

F. Parties desire to proceed with the PROJECT in a timely manner;

G. This Agreement is intended to delineate the duties and funding responsibilities of the Parties for the PROJECT; and

H. AUTHORITY and CITY are entering into this Agreement with the understanding that AUTHORITY will reimburse CITY for eligible PROJECT expenditures with MLHP funds.

NOW, THEREFORE, AUTHORITY and CITY agree to the following:

SECTION I

AUTHORITY AGREES:

1. To reimburse CITY for the actual cost of the PROJECT up to a maximum of \$140,290 in MLHP Funds. An estimate of costs for the PROJECT is provided in Attachment B. AUTHORITY shall have no further responsibilities to provide MLHP funds for PROJECT exceeding this amount.
2. To reimburse CITY within 30 days after CITY submits an original and two copies of the signed invoices in the proper form covering those actual allowable PROJECT expenditures that were incurred by CITY up to a maximum of \$140,290, consistent with the invoicing requirements of the Measure I 2010-2040 Strategic Plan, including backup information. Invoices may be submitted to AUTHORITY as frequently as monthly.
3. When conducting an audit of the costs claimed under the provisions of this Agreement, to rely to the maximum extent possible on any prior audit of CITY performed pursuant to the provisions of State and Federal laws. In the absence of such an audit, work of other auditors will be relied upon to the extent that work is acceptable to AUTHORITY when planning and conducting additional audits.
4. AUTHORITY shall assign a project liaison for the purpose of attending Project Development Team (PDT) meetings.

SECTION II

CITY AGREES:

1. To be the lead agency for this PROJECT and to diligently undertake and complete in a timely manner the Scope of Work for the PROJECT as shown in Attachment A.
2. To be responsible for expending that portion of the eligible PROJECT expenses that are incurred by CITY, subject to reimbursement by AUTHORITY hereunder, for an amount not to exceed \$140,290 in MLHP Funds, and are reimbursable by AUTHORITY in accordance with Section I, Paragraph 2. Expenses relative to time spent on the PROJECT by CITY are considered eligible PROJECT expenses and may be charged to the PROJECT funds subject to AUTHORITY's guidelines.
3. To abide by all AUTHORITY, CITY, County, State, and Federal laws, regulations, policies and procedures pertaining to the PROJECT.
4. To prepare and submit to AUTHORITY an original and two copies of signed invoices for reimbursement of eligible PROJECT expenses. Invoices may be submitted to AUTHORITY as frequently as monthly.
5. To maintain all source documents, books and records connected with its performance under this Agreement for a minimum of five (5) years from the date of the Final Report of Expenditures submittal to AUTHORITY or until audit resolution is achieved, whichever is later, and to make all such supporting information available for inspection and audit by representatives of AUTHORITY during normal business hours at CITY's CITY Hall. Copies will be made and furnished by CITY upon written request by AUTHORITY or CALTRANS.
6. To establish and maintain an accounting system conforming to Generally Accepted Accounting Principles (GAAP) to support CITY's requests for reimbursement, payment vouchers, or invoices which segregate and accumulate costs of PROJECT work elements and produce monthly reports which clearly identify reimbursable costs, matching fund costs, indirect cost allocation, and other allowable expenditures by CITY.
7. To prepare a Final Report of Expenditures, including a final invoice reporting the actual eligible PROJECT costs expended for those activities described in the work activities, and to submit that Final Report of Expenditures and final invoice no later than 120 days following the completion of those expenditures. An original and two copies of the Final Report of Expenditures shall be submitted to AUTHORITY and must state that these PROJECT funds were

used in conformance with this Agreement and for those PROJECT-specific work activities described.

8. To cooperate in having a PROJECT-specific audit completed by AUTHORITY, at AUTHORITY's option and expense, upon completion of the PROJECT. The audit must state that all funds expended on the PROJECT were used in conformance with this Agreement.
9. To repay to AUTHORITY any reimbursement for Measure I costs that are determined by subsequent audit to be unallowable within one hundred twenty (120) days of CITY receiving notice of audit findings, which time shall include an opportunity for CITY to respond to and/or resolve the findings. Should the findings not be otherwise resolved and CITY fail to reimburse moneys due AUTHORITY within one hundred twenty (120) days of audit findings, or within such other period as may be agreed between both Parties, the AUTHORITY reserves the right to withhold future payments due CITY from any source under AUTHORITY's control.
10. To include AUTHORITY in Project Development Team (PDT) meetings if and when such meetings are held and in related communications on PROJECT progress, to provide at least quarterly schedule updates to AUTHORITY, and to consult with AUTHORITY on critical issues relative to the PROJECT.
11. As an eligible PROJECT expense, to post signs at the boundaries of the PROJECT noting that PROJECT is funded with Measure I funds. Signs shall bear the logos of AUTHORITY and CITY.

SECTION III

IT IS MUTUALLY AGREED:

1. To abide by all applicable Federal, State and Local laws and regulations pertaining to the PROJECT, including policies in the applicable program in the Measure I 2010-2040 Strategic Plan, as amended, as of the Effective Date of this Agreement.
2. The final PROJECT cost may ultimately exceed current estimates of PROJECT cost. Any additional eligible costs resulting from unforeseen conditions over the estimated total of the PROJECT cost, shall be borne by CITY unless prior authorization has been approved by the AUTHORITY Board of Directors pursuant to Section III, Paragraph 3 of this Agreement;
3. In the event CITY determines PROJECT work may exceed the not to exceed amount identified in Section I, Paragraph 1, CITY shall inform AUTHORITY of this determination and thereafter the Parties shall work together in an attempt to agree upon an amendment to the PROJECT amounts identified in

this Agreement. In no event, however, shall AUTHORITY be responsible for PROJECT costs in excess of the PROJECT amounts identified herein absent a written amendment to this Agreement that is approved by the Parties.

4. Eligible PROJECT reimbursements shall include only those costs incurred by CITY for PROJECT-specific work activities that are described in this Agreement and shall not include escalation or interest.
5. Neither AUTHORITY nor any officer or employee thereof is responsible for any injury, damage or liability occurring or arising by reason of anything done or omitted to be done by CITY under or in connection with any work, authority or jurisdiction delegated to CITY under this Agreement. It is understood and agreed that, pursuant to Government Code Section 895.4, CITY shall fully defend, indemnify and save harmless AUTHORITY, its officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined by Government Code Section 810.8) occurring by reason of anything done or omitted to be done by CITY under or in connection with any work, authority or jurisdiction delegated to CITY under this Agreement. CITY's indemnification obligation applies to AUTHORITY's "active" as well as "passive" negligence but does not apply to AUTHORITY's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.
6. Neither CITY nor any officer or employee thereof is responsible for any injury, damage or liability occurring or arising by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction delegated to AUTHORITY under this Agreement. It is understood and agreed that, pursuant to Government Code Section 895.4, AUTHORITY shall fully defend, indemnify and save harmless CITY, its officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined by Government Code Section 810.8) occurring by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction delegated to AUTHORITY under this Agreement. AUTHORITY's indemnification obligation applies to CITY's "active" as well as "passive" negligence but does not apply to CITY's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.
7. This Agreement will be considered terminated upon reimbursement of eligible costs by AUTHORITY or July 1, 2018, whichever is sooner, provided that the provisions of Paragraphs 6, 7, 8, and 9 of Section II, and Paragraphs 5 and 6 of Section III, shall survive the termination of this Agreement. The Agreement may also be terminated by AUTHORITY, in its sole discretion, in the event the PROJECT work described in Attachment A has not been initiated or let by CITY within twelve (12) months of the Effective Date of this Agreement.

8. AUTHORITY may terminate this Agreement if CITY fails to perform according to the terms of this Agreement and if this failure jeopardizes the delivery of the PROJECT according to the terms herein.
9. The Recitals to this Agreement are true and correct and are incorporated into this Agreement.
10. Attachment A, I40 Needles Connector Project, Description of Project and Milestones, and Attachment B, I40 Needles Connector Project Funding Summary, are attached to and incorporated into this Agreement.
11. This Agreement is effective and shall be dated on the date executed by AUTHORITY.

-----SIGNATURES ON FOLLOWING PAGE-----

**SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY**

CITY OF NEEDLES

By: _____
W. E. Jahn, Chairperson

By: _____
Dr. Edward Paget
Mayor

Date: _____

Date: _____

APPROVED AS TO FORM AND
PROCEDURE:

APPROVED AS TO FORM AND
PROCEDURE:

By: _____
Eileen Monaghan Teichert
AUTHORITY General Counsel

By: _____
John Pinkney
City Counsel

Date: _____

CONCURRENCE:

By: _____
Jeffery Hill
Contract Administrator

Date: _____

ATTACHMENT A

I40 NEEDLES CONNECTOR PROJECT CITY OF NEEDLES

Description of Project and Milestones

Project Title:	I40 Needles Connector	RTP No.:	20112007	Project Manager:	Dave Brownlee, Needles City Manager		
Project Information:	Route(s):	PM Start:	PM End:	EA No.:	Assembly:	Senate:	Congressional:
	<input type="checkbox"/> PAA	<input type="checkbox"/> AEA	<input type="checkbox"/> Federal Project	NCPO02-5520 (003)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project Description:	The I-40/Needles Connector Project includes road rehabilitation along J Street, West Broadway St, Needles Highway, and North K Street and intersection improvements at J Street and West Broadway Street, West Broadway Street and Needles Highway, and Needles Highway and North K Street. Improvements would include traffic signals, turn lanes, and ADA pedestrian access.						

Project Milestone	Baseline
Project Study Report Approved	
Begin Environmental (PA&ED) Phase	09/01/2010
Circulate Draft Environmental Document	
Draft Project Report	
End Environmental Phase (PA&ED Milestone) Type:	03/07/2013
Begin Design (PS&E) Phase	01/25/2013
End Design Phase (Ready to List for Advertisement Milestone)	04/18/2013
Begin Right of Way Phase	05/27/2012
End Right of Way Phase (Right of Way Certification Milestone)	05/05/2014
Begin Construction Phase (Contract Award Milestone)	03/06/2015
End Construction Phase (Construction Contract Acceptance Milestone)	06/08/2016
Begin Closeout Phase	06/08/2016
End Closeout Phase (Closeout Report)	06/08/2017

ATTACHMENT B

I40 NEEDLES CONNECTOR PROJECT CITY OF NEEDLES

Funding Summary

Component	Total Cost	AUTHORITY SHARE* - MLHP Funds	AUTHORITY SHARE** - STP-L Funds	SAN BNDO COUNTY SHARE	CITY SHARE
All Phases	\$5,294,000	\$140,290	\$1,980,000	\$76,840	\$3,096,870
Total	\$5,294,000	\$140,290	\$1,980,000	\$76,840	\$3,096,870

*AUTHORITY's Share can be from sources under control of AUTHORITY including but not limited to Measure I Major/Local Highways program, and State Transportation Improvement Program (STIP), or Surface Transportation Program (STP) without necessitating an amendment of this agreement.

** STP-L Funds were allocated to this project to replace an earmark that was subject to rescission. The earmark was exchanged for STP-L from SANBAG's I-215 Barton Road Interchange project.



- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
- San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 4

Date: September 13, 2013

Subject: Major Local Highway Program Funding Agreement for San Bernardino County

Recommendation:* That the Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

1. Approve Funding Agreement C14033 in the amount of \$1,006,393.00 with the County of San Bernardino for the Ranchero Road at Escondido Avenue Project, funded by Victor Valley Subarea – Major Local Highway Program funds.

Background: The Ranchero Road Corridor was identified as a high priority for the Victor Valley subarea in the 10-Year Delivery Plan. The County of San Bernardino’s Ranchero Road at Escondido Road project is ready for construction in Fiscal Year 2013/2014. This intersection is one of the bottlenecks on the Ranchero Road Corridor, and these funds will assist with its widening and signalization.

At a Victor Valley Subarea meeting on February 4, 2013, representatives of the five jurisdictions approved the recommendation of allocation of funds to this project. The SANBAG Board approved the allocation of funds to the project in April 2013.

Financial Impact: This item is consistent with the Fiscal Year 2013/2014 budget.

Reviewed By: This item is not scheduled for review by any other policy committee or technical advisory committee. SANBAG General Counsel and Contract Administrator have reviewed this item and a draft of the Contract.

Responsible Staff: Ellen Pollema, Transportation Planning Analyst

*

	<p><i>Approved</i> Mountain/Desert Policy Committee</p> <p>Date: _____</p> <p>Moved: Second:</p> <p>In Favor: Opposed: Abstained:</p> <p>Witnessed: _____</p>						
<table border="1" style="margin: auto;"> <tr> <td>COG</td> <td>CTC</td> <td>CTA</td> <td>X</td> <td>SAFE</td> <td>CMA</td> </tr> </table>	COG	CTC	CTA	X	SAFE	CMA	
COG	CTC	CTA	X	SAFE	CMA		



CONTRACT SUMMARY SHEET

Contract No. C C14033 Amendment No. _____

By and Between

San Bernardino County Transportation Authority and San Bernardino County

Contract Description Project Funding Agreement for the Rancho Road at Escondido Avenue Project

Board of Director's Meeting Date: 10/2/13
Overview of BOD Action: Approve Project Funding Agreement for \$1,006,393

Is this a Sole-Source procurement? Yes No

CONTRACT OVERVIEW			
Original Contract Amount	\$	1,006,393.00	Original Contingency Amount
Revised Contract Amount <i>Inclusive of prior amendments</i>	\$		Revised Contingency Amount <i>Inclusive of prior amendments</i>
Current Amendment Amount	\$		Contingency Amendment
TOTAL CONTRACT VALUE	\$		TOTAL CONTINGENCY VALUE
TOTAL BUDGET AUTHORITY <i>(contract value + contingency)</i>			\$ 1,006,393.00

Contract Start Date 10/2/13	Current Contract Expiration Date 7/1/17	Revised Contract Expiration Date
--------------------------------	--	----------------------------------

Has the contract term been amended? No Yes - please explain.

FINANCIAL INFORMATION	
<input checked="" type="checkbox"/> Budget authority for this contract currently exists in Task No. <u>0516</u> . <input type="checkbox"/> A Budget Amendment is required.	
How are we funding current FY?	
<input type="checkbox"/> Federal Funds <input type="checkbox"/> State Funds <input type="checkbox"/> Local Funds <input type="checkbox"/> TDA Funds <input checked="" type="checkbox"/> Measure I Funds	
Provide Brief Overview of the Overall Funding for the duration of the Contract:	
\$1,006,393 in MSI Victor Valley MLHP Funds	
<input checked="" type="checkbox"/> Payable <input type="checkbox"/> Receivable	

CONTRACT MANAGEMENT INFORMATION	
Check all applicable boxes:	
<input type="checkbox"/> Retention? If yes, indicate % _____.	
<input type="checkbox"/> Disadvantaged Business Enterprise (DBE) Goal ____ %	

Ellen Polerna Project Manager (Print Name)	 Signature	8/26/13 Date
Andrea Zureick Task Manager (Print Name)	 Signature	8/28/13 Date
Andrea Zureick Dir. of Fund Admin. & Programming (Print Name)	 Signature	8/28/13 Date
Jettory Hill Contract Administrator (Print Name)	 Signature	8/28/13 Date
_____ Chief Financial Officer (Print Name)	_____ Signature	_____ Date

PROJECT FUNDING AGREEMENT C14033

BETWEEN

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

AND

SAN BERNARDINO COUNTY

FOR

THE RANCHERO ROAD AT ESCONDIDO AVENUE PROJECT

THIS Project Funding Agreement (“AGREEMENT”) is made and entered into this _____ day of _____ by and between the San Bernardino County Transportation Authority (“AUTHORITY”) and SAN BERNARDINO COUNTY (COUNTY”). AUTHORITY and COUNTY shall be individually or collectively, as applicable, known as “Party” or “Parties.”

RECITALS

A. The Measure I 2010-2040 Expenditure Plan and the Victor Valley Subarea transportation planning partners have identified projects eligible for partial funding from Measure I 2010-2040 Victor Valley Mountain/Desert Subarea Major Local Highway Program (“MLHP”) funds; and

B. AUTHORITY prepared a study referred to herein as the Nexus Study dated November 2, 2011 and in accordance with the Measure I 2010-2040 Expenditure Plan, that identified projects eligible for partial funding from Measure I 2010-2040 revenues; and

C. COUNTY intends to construct a new traffic signal and road widening project at the intersection of Ranchero Road and Escondido Avenue in the unincorporated area of the Victor Valley (“PROJECT”), which is listed in the Nexus Study and described more fully in Attachment A; and

D. COUNTY identified a need of \$1,006,393 to complete construction of the PROJECT.

E. The Victor Valley Subarea transportation planning partners have identified this PROJECT as eligible for partial funding in an amount up to \$1,006,393 from Measure I

2010-2040 Victor Valley Mountain/Desert Subarea Major Local Highway Program ("MLHP") funds; and

F. On April 11, 2013, AUTHORITY's Board of Directors approved an allocation of \$1,006,393 in Victor Valley Mountain/Desert Subarea MLHP funds to COUNTY for the PROJECT;

G. This Agreement is intended to delineate the duties and funding responsibilities of the Parties for the PROJECT; and

H. AUTHORITY and COUNTY are entering into this Agreement with the understanding that AUTHORITY will reimburse COUNTY for eligible PROJECT expenditures.

NOW, THEREFORE, AUTHORITY and COUNTY agree to the following:

SECTION I

AUTHORITY AGREES:

1. To provide, a not to exceed amount of, \$1,006,393 of Victor Valley Mountain/Desert Subarea MLHP funds for construction of the PROJECT, as more particularly set forth in Attachment B.
2. To reimburse COUNTY within 30 days after COUNTY submits an original and two copies of the signed invoices in the proper form covering those actual allowable PROJECT expenditures that were incurred by COUNTY up to a maximum of \$1,006,393, consistent with the invoicing requirements of the Measure I 2010-2040 Strategic Plan, including backup information. Invoices may be submitted to AUTHORITY as frequently as monthly.
3. When conducting an audit of the costs claimed under the provisions of this Agreement, to rely to the maximum extent possible on any prior audit of COUNTY performed pursuant to the provisions of State and Federal laws. In the absence of such an audit, work of other auditors will be relied upon to the extent that work is acceptable to AUTHORITY when planning and conducting additional audits.

SECTION II

COUNTY AGREES:

1. To be the lead agency for this PROJECT and to diligently undertake and complete in a timely manner the Scope of Work for the PROJECT as shown in Attachment A.

2. To be responsible for all PROJECT costs in excess of \$1,006,393 absent approval of an additional allocation from the SANBAG Board.
3. To be responsible for expending that portion of the eligible PROJECT expenses that are incurred by COUNTY, and by reimbursed by AUTHORITY, for an amount not to exceed \$1,006,393 in MLHP Funds, in accordance with Section I, Paragraph 2. Expenses relative to time spent on the PROJECT by COUNTY are considered eligible PROJECT expenses and may be charged to the PROJECT funds subject to AUTHORITY's guidelines.
4. To abide by all AUTHORITY, COUNTY, Local, State, and Federal laws, regulations, policies and procedures pertaining to the PROJECT.
5. To prepare and submit to AUTHORITY an original and two copies of signed invoices for reimbursement of eligible PROJECT expenses. Invoices may be submitted to AUTHORITY as frequently as monthly.
6. To maintain all source documents, books and records connected with its performance under this Agreement for a minimum of five (5) years from the date of the Final Report of Expenditures submittal to AUTHORITY or until audit resolution is achieved, whichever is later, and to make all such supporting information available for inspection and audit by representatives of AUTHORITY during normal business hours at COUNTY's Department of Public Works. Copies will be made and furnished by COUNTY upon written request by AUTHORITY.
7. To establish and maintain an accounting system conforming to Generally Accepted Accounting Principles (GAAP) to support COUNTY's requests for reimbursement, payment vouchers, or invoices which segregate and accumulate costs of PROJECT work elements and produce monthly reports which clearly identify reimbursable costs, matching fund costs, indirect cost allocation, and other allowable expenditures by COUNTY.
8. To prepare a Final Report of Expenditures, including a final invoice reporting the actual eligible PROJECT costs expended for those activities described in the work activities, and to submit that Final Report of Expenditures and final invoice no later than 120 days following the completion of those expenditures. An original and two copies of the Final Report of Expenditures shall be submitted to AUTHORITY and must state that these PROJECT funds were used in conformance with this Agreement and for those PROJECT-specific work activities described.
9. To cooperate in having a PROJECT-specific audit completed by AUTHORITY, at AUTHORITY's option and expense, upon completion of the

PROJECT. The audit must state that all funds expended on the PROJECT were used in conformance with this Agreement.

10. To repay to AUTHORITY any reimbursement for Measure I costs that are determined by subsequent audit to be unallowable within one hundred twenty (120) days of COUNTY receiving notice of audit findings, which time shall include an opportunity for COUNTY to respond to and/or resolve the findings. Should the findings not be otherwise resolved and COUNTY fail to reimburse moneys due AUTHORITY within one hundred twenty (120) days of audit findings, or within such other period as may be agreed between both Parties, the AUTHORITY reserves the right to withhold future payments due COUNTY from any source under AUTHORITY's control.
11. To include AUTHORITY in Project Development Team (PDT) meetings if and when such meetings are held and in related communications on PROJECT progress, to provide at least quarterly schedule updates to AUTHORITY, and to consult with AUTHORITY on critical issues relative to the PROJECT.
12. As an eligible PROJECT expense, to post signs at the boundaries of the PROJECT noting that PROJECT is funded with Measure I funds. Signs shall bear the logos of AUTHORITY and COUNTY.

SECTION III

IT IS MUTUALLY AGREED:

1. To abide by all applicable Federal, State and Local laws and regulations pertaining to the PROJECT, including policies in the applicable program in the Measure I 2010-2040 Strategic Plan, as amended, as of the Effective Date of this Agreement.
2. Eligible PROJECT reimbursements shall include only those costs incurred by COUNTY for PROJECT-specific work activities that are described in this Agreement and shall not include escalation or interest.
3. Neither AUTHORITY nor any officer or employee thereof is responsible for any injury, damage or liability occurring or arising by reason of anything done or omitted to be done by COUNTY under or in connection with any work, authority or jurisdiction delegated to COUNTY under this Agreement. It is understood and agreed that, pursuant to Government Code Section 895.4, COUNTY shall fully defend, indemnify and save harmless AUTHORITY, its officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined by Government Code Section 810.8) occurring by reason of anything done or omitted to be done by COUNTY under or in connection with any work, authority or jurisdiction delegated to COUNTY under this Agreement. COUNTY's

indemnification obligation applies to AUTHORITY's "active" as well as "passive" negligence but does not apply to AUTHORITY's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.

4. Neither COUNTY nor any officer or employee thereof is responsible for any injury, damage or liability occurring or arising by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction delegated to AUTHORITY under this Agreement. It is understood and agreed that, pursuant to Government Code Section 895.4, AUTHORITY shall fully defend, indemnify and save harmless COUNTY, its officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined by Government Code Section 810.8) occurring by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction delegated to AUTHORITY under this Agreement. AUTHORITY's indemnification obligation applies to COUNTY's "active" as well as "passive" negligence but does not apply to COUNTY's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.
5. This Agreement will be considered terminated upon reimbursement of eligible costs by AUTHORITY or July 1, 2017, whichever is sooner, provided that the provisions of Paragraphs 7, 8, 9 and 10 of Section II, and Paragraphs 3 and 4 of Section III, shall survive the termination of this Agreement. The Agreement may also be terminated by AUTHORITY, in its sole discretion, in the event the PROJECT work described in Attachment A has not been initiated or let by COUNTY within twelve (12) months of the Effective Date of this Agreement.
6. AUTHORITY may terminate this Agreement if COUNTY fails to perform according to the terms of this Agreement and if this failure jeopardizes the delivery of the PROJECT according to the terms herein.
7. The Recitals to this Agreement are true and correct and are incorporated into this Agreement.
8. Attachment A, Rancho Road at Escondido Avenue Project Description of Project and Milestones, and Attachment B, Rancho Road at Escondido Avenue Project Funding Summary, are attached to and incorporated into this Agreement.
9. This Agreement is effective and shall be dated on the date executed by AUTHORITY.

-----SIGNATURES ON FOLLOWING PAGE-----

**SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY**

COUNTY OF SAN BERNARDINO

By: _____
W. E. Jahn, President

By: _____
Janice Rutherford, Chair

Date: _____

Date: _____

APPROVED AS TO FORM AND
PROCEDURE:

APPROVED AS TO FORM AND
PROCEDURE:

By: _____
Eileen Monaghan Teichert
AUTHORITY General Counsel

By: _____
Scott Runyan
Deputy County Counsel

Date: _____

Date: _____

By: _____
Jeffery Hill
Contract Administrator

Date: _____

ATTACHMENT A

Description of Project and Milestones

Project Title		
Ranchero Road at Escondido Avenue Project		
Location, Project Limits, Description, Scope of Work, Legislative Description		
Construction of a signal and road widening project on Ranchero Road near the intersection of Escondido Avenue. The project includes widening and tapering for the eventual full corridor widening of the Ranchero Avenue, plus construction of a new signal at the Ranchero/Escondido intersection.		
Purpose and Need		
Ranchero Road is a heavily traveled east-west thoroughfare that connects the southern boundary of the City of Hesperia (City) and the unincorporated area of Oak Hills with Interstate 15 (I-15). Residential growth and commercial developments in the area have resulted in increased traffic on this road primarily at its intersection with Escondido Avenue. Escondido Avenue is located east of I-15, and extends from Main Street, another heavily traveled thoroughfare at the northern boundary of the City, south to Ranchero Road. The close proximity of I-15, coupled with residential growth, commercial developments, and the construction of the Oak Hills High School at the intersection of Ranchero Road and Coyote Trail, have added significant traffic volume to this already heavily traveled intersection, primarily in the morning hours. Traffic through this intersection is presently controlled by a four-way stop sign, but this is compounding the early morning congestion. The County Department of Public Works (DPW) has determined that this four-way stop is no longer sufficient to control the level of traffic at this intersection. In order to improve traffic flow, DPW plans to widen the intersection and install a traffic signal to promote smoother traffic flow.		
Project Benefits		
The project will improve traffic congestion and provide congestion relief and is the first phase in the eventual widening of the Ranchero Avenue corridor from the I-15 east to 7 th Street in the Hesperia area. The Ranchero Avenue Corridor project is currently in the design phase, for which the City of Hesperia is the lead agency.		
Project Milestone	Proposed	
Project Study Report Approved	NA	
Begin Environmental (PA&ED) Phase	08/29/2011	
Circulate Draft Environmental Document	Document Type	N/A
Draft Project Report	NA	
End Environmental Phase (PA&ED Milestone)	04/10/2012	
Begin Design (PS&E) Phase	03/24/2011	
End Design Phase (Ready to List for Advertisement Milestone)	02/12/2013	
Begin Right of Way Phase	05/16/2012	
End Right of Way Phase (Right of Way Certification Milestone)	12/01/2012	
Begin Construction Phase (Contract Award Milestone)	10/08/2013	
End Construction Phase (Construction Contract Acceptance Milestone)	01/30/2014	
Begin Closeout Phase	03/01/2014	
End Closeout Phase (Closeout Report)	05/30/2014	

ATTACHMENT B

Ranchero Road at Escondido Avenue Project

Funding Summary

Component	Total Cost	AUTHORITY SHARE* - MLHP Funds	COUNTY Proposition 1B LSR	COUNTY Development Mitigation Fees and Loan for Dev Fees	COUNTY Local Measure I Funds
All Phases	\$2,499,000	\$1,006,393	\$455,000	\$827,820	\$209,787
Total	\$2,499,000	\$1,006,393	\$455,000	\$827,820	\$209,787

*AUTHORITY's Share can be from eligible sources under control of AUTHORITY, including but not limited to Measure I Major/Local Highways program, without necessitating an amendment of this agreement.



- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
- San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 5

Date: September 13, 2013

Subject: Fund Estimate for the 2014 State Transportation Improvement Program

Recommendation:* That the Committee recommend the Board, acting as the San Bernardino County Transportation Commission:

1. Receive report on the 2014 State Transportation Improvement Program Fund Estimate and adoption schedule.
2. Direct staff to compile the 2014 Regional Transportation Improvement Program for Board approval in November, and submit to the California Transportation Commission by December 15, 2013.

Background: State law requires adoption of a Fund Estimate (FE) prepared by Caltrans in the summer of each odd numbered year as a basis for preparation and adoption of the State Transportation Improvement Program (STIP) by the California Transportation Commission (CTC) in April of each even year. The FE was adopted by the CTC on August 6, 2013.

The FE identifies a total programming capacity of \$3.4 billion available statewide over the next five years, of which about \$1.2 billion is new programming capacity. All of the new STIP capacity will be programmed in the later part of the five-year cycle (Fiscal Years 2017/18 and 2018/19). STIP capacity does not include federal commitments for Transportation Enhancements (TE) as it did in the past because Moving Ahead for Progress in the 21st Century (MAP-21)

*

COG	CTC	X	CTA	SAFE	CMA
-----	-----	---	-----	------	-----

Check all that apply.

Approved
 Mountain/Desert Policy Committee

Date: _____

Moved: _____ Second: _____

In Favor: _____ Opposed: _____ Abstained: _____

Witnessed: _____

changed the way TE funds are distributed throughout the State. In addition, there is no new Public Transportation Account (PTA) STIP programming capacity in 2014 STIP. The PTA funds Caltrans' transportation planning, mass transportation, Intercity Rail programs, and STIP transit projects. PTA resources are derived primarily from the sales taxes on diesel fuel. With the enactment of the fuel tax swap in 2011, most of the funds generated by the sales tax on diesel fuel are transferred to the State Transit Assistance fund, so there is no longer PTA remaining to fund capital projects in the STIP.

Table 1 shows the current programming for San Bernardino County totaling about \$125 million, which includes all projects that have not received allocation of STIP funds from the CTC. San Bernardino receives about 4.75% of the statewide total of new programming capacity, or \$56.92 million. Because \$5.969 million was programmed in advance during the 2012 STIP cycle, the FE shows a net share of \$51.066 million for San Bernardino County, which will be available in Fiscal Year 17/18 and Fiscal Year 18/19.

Table 1
Current STIP Programming for San Bernardino County

Current Programmed Project (in thousands)	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18-18/19
Planning Programming and Monitoring	\$1,200	\$1,200	\$1,200	\$1,800	
I-15 NB lane Victorville-Barstow Phase 2	\$23,564				
Rte 138 Widening	\$15,450				
I-10 HOV lanes, Haven to Ford Street			\$40,000		
Rte 215 Barton Rd. Interchange Reconstruction	\$17,400		\$22,611		
Total Programmed	\$57,614	\$1,200	\$63,811	\$1,800	
Advanced share from 2012 STIP					-\$5,969
Lapsed funds returned from FY 11/12-12/13					\$115
2014 STIP New Programming Capacity					\$56,920
Net New Programming Capacity (FY 17/18 and 18/19)					\$51,066

The SANBAG 10-Year Delivery Plan identified a total of \$67 million of future STIP funding from the 2014 STIP period for the following projects:

- SR-210 Widening- \$43.52 million for construction in Fiscal Year 2016/17
- I-215 Mount Vernon/Washington St. Interchange- \$20 million for construction in Fiscal Year 2018/19
- US-395 Corridor Interim Widening - \$3.5 million for final design (In April 2013 the Board advanced federal funds planned for future phases of this project so that final design could begin in 2013.)

This is \$16 million over the available 2014 STIP capacity. Staff will be reviewing current project schedules and the availability of other fund sources to ensure that the schedules for these projects are not impacted by this reduction in projected funding. This is being analyzed comprehensively as part of the 2014 Update to the 10-Year Delivery Plan. Staff anticipates discussion of this Update to begin in October, with Board adoption scheduled for December 2013.

The Regional Transportation Improvement Program (RIP) is to be submitted to the CTC by December 15, 2013, and final CTC adoption of the 2014 STIP is scheduled for March 20, 2014. Staff is beginning development of programming and scheduling priorities for the 2014 STIP and will be presenting recommendations to the Committees in October for approval by the Board in November 2013. Below is the complete schedule:

September 2013	Staff presents 2014 STIP FE to Board Metro Valley Study Session and Mountain/Desert Policy Committee for information and discussion.
October 9, 2013	Staff presents 2014 RIP to General Policy Committee for recommendation of approval to the Board.
November 6, 2013	Staff presents 2014 RIP to SANBAG Board for approval.
December 15, 2013	SANBAG Submits 2014 RIP to the CTC to be included in the 2014 STIP.
January 30, 2014	CTC conducts North STIP Hearing.
February 4, 2014	CTC conducts South STIP Hearing.
February 28, 2014	CTC publishes staff recommendations.
March 20, 2014	CTC adopts 2014 STIP.

Financial Impact: This item has no impact on the adopted Fiscal Year 2013/2014 Budget.

Reviewed By: This item is scheduled for review by the Transportation Technical Advisory Committee on September 9, 2013, and by the Board Metro Valley Study Session on September 12, 2013.

Responsible Staff: Andrea Zureick, Director of Fund Administration & Programming



- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
- San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 6

Date: September 13, 2013

Subject: Review Financial Audits for Transit Operators

Recommendation:* That the Committee recommend the Board receive:

1. Morongo Basin Transit Authority (MBTA) Basic Financial Statements for Fiscal Year 2011/2012.
2. Victor Valley Transit Authority (VVTA) Basic Financial Statements for Fiscal Year 2011/2012.

Background: Public Utility Code 99245.2, Single Audit Act, and the U.S. Office of Management and Budget (OMB) require an annual audit be conducted of SANBAG and its affiliated organizations; Barstow Area Transit (BAT), Mountain Area Regional Transit Authority (MARTA), Morongo Basin Transit Authority (MBTA), Needles Area Transit (NAT), Omnitrans, Valley Transportation Services (Vtrans) and Victor Valley Transit Authority (VVTA). This item presents the results of audits performed on MBTA and VVTA. The audit of the financial statements for Fiscal Year 2011/2012 was completed by Vavrinek Trine and Day Co., LLC.

<p>*</p>	<p style="text-align: center;"><i>Approved</i> <i>Mountain/Desert Committee</i></p> <p style="text-align: center;">Date: _____</p> <p style="text-align: center;">Moved: _____ Second: _____</p> <p style="text-align: center;">In Favor: Opposed: Abstained:</p> <p style="text-align: center;">Witnessed: _____</p>
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COG		CTC	X	CTA	X	SAFE		CMA	
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Check all that apply.

Each financial audit is included and includes the following reports:

1. Audit of Operators Basic Financial Statements and Annual Financial Report
2. Single Audit Compliance Reports in accordance with Budget and Management (OMB) Circular A-133
3. Statement on Auditing Standards 114 (SAS 114)
4. Statement on Auditing Standards 115 (SAS 115)

The financial statements for the transit operators includes an Independent Auditors' Report (MBTA Attachment A1, VVTA Attachment B1). Each transit operator received an unqualified opinion.

Report/Letter	MBTA	VVTA
Basic Financial Report	X	X
Single Audit Report	X	X
TDA/Prop 1B Report	X	X
SAS 114 Letter	X	
SAS 115 Letter	X	

A management letter from Vavrinek, Trine, Day & Co., LLP for MBTA (Attachment A2) and VVTA (Attachment B2) are included. It provides recommendations to improve the following controls:

MBTA:

- Ensure compliance with procedures over approval of timesheets for employees' time adjustments.
- Ensure that bank reconciliations are complete and that all reconciling items are investigated.
- Implement formalized procedures to ensure that all capital assets are appropriately captured, depreciated, reconciled, and disclosed in the financial statements.

VVTA:

- Update Information Technology Disaster Recovery Plan and the Information Technology Security Plan to include storing backup offsite, test recovery process on a monthly basis, establish risk assessment relating to user access, and set frequency for updating passwords.

Audit requirement SAS 114 (The Auditor's Communication with Those Charged with Governance) establishes standards and guidance on the auditor's communication with those charged with governance in relation to an audit of financial statements. It describes the role of communication, legal considerations, those who are charged with governance, management, matters to be communicated, the communication process, and documentation.

Audit requirement SAS 115 (Communicating Internal Control Related Matters Identified in an Audit) establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. It is applicable whenever an auditor expresses or disclaims an opinion on financial statements. The section defines the terms deficiency in internal control, significant deficiency, and material weakness; provides guidance on evaluating the severity of deficiencies in internal control identified in an audit of financial statements; and requires the auditor to communicate in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

The SAS 114 and SAS 115 findings are indicated for MBTA (Attachement A3):

- Corrected material misstatements including grants receivable, deferred revenue, understatement of compensated absences and correcting depreciation expense. Immaterial understatement of accounts payable and payroll liability are also identified.

Single audit report includes report of internal control over financial reporting, Compliance, and schedule of expenditures of Federal Awards. The following significant deficiency and material weaknesses were identified by the Auditors:

- MBTA (Attachment A4):
 - Document the review of journal entries through a signature, initial, date, or other testable evidence to ensure that the control was performed and timing of completion.
 - Existing cash disbursement procedures should include evidence of review of original bank statement by the General Manager.
 - Formalize policies and procedures over year-end close to ensure that all entries have been accurately recorded.
 - Management should routinely monitor the liability balances in relation to available cash balances.

- Formalize policies and procedures over year-end close to ensure that all financial reporting matters are resolved in a timely manner to allow for the submission of the Single Audit report by March 31st deadline.
- VVTA – (Attachment B3)
 - Document the review of journal entries through a signature, initial, date, or other testable evidence to ensure that the control was performed and timing of completion Perform monthly bank reconciliation of the lease trustee statements and have it reviewed by designated individual.
 - Revise closing checklist and formalize policies to ensure that year-end balances are accurate and in compliance with Generally Accepted Accounting Principles.
 - Revise policies and procedures relating to year-end closing to ensure all financial reporting matters are resolved in a timely manner to submit single audit report by March 31st.

Effective Audit Fiscal Year 2011/2012, SANBAG procured Vavrinek Trine and Day Co., LLC as the new auditor for the transit operators (excluding Omnitrans). The previous auditor Miers & Miers provided audit services since 1992. This change created challenges for the operators since it was a new process for them. Typically the audits are completed within 180 days after the end of the fiscal year. The transition to the new auditor required a 90 day extension. MBTA and VVTA were not able to meet this extension deadline.

Barstow Area Transit and Needles Area Transit are still in the process of completing their financial reports. Once these reports are completed, SANBAG staff will present and report them to SANBAG Board.

- Financial Impact:** This item has no financial impact to the SANBAG Fiscal Year 2013/2014 budget.
- Reviewed By:** This item is not scheduled for review by any other policy committee or technical advisory committee. The finance department has reviewed and approved this item.
- Responsible Staff:** Monica Morales, Transit Specialist
Hilda Flores, Chief of Accounting and Procurement.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors
Morongo Basin Transit Authority
Joshua Tree, California

We have audited the accompanying financial statements of the Morongo Basin Transit Authority (MBTA) as of and for the year ended June 30, 2012. These financial statements are the responsibility of MBTA's management. Our responsibility is to express an opinion on these financial statements based upon 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MBTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of MBTA as of June 30, 2012, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 of the financial statements, MBTA restated beginning net assets as of July 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013, on our consideration of MBTA's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
May 13, 2013

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 105,818
Restricted cash	240,718
Receivables:	
Grants	352,015
Accrued revenue	1,500
Total Current Assets	<u>700,051</u>

NONCURRENT ASSETS

Property, plant and equipment, net	<u>7,809,208</u>
TOTAL ASSETS	<u><u>8,509,259</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	19,566
Health reimbursement liability	181,628
Accrued compensated absences	60,580
Deferred revenue	248,086
TOTAL LIABILITIES	<u>509,860</u>

NET ASSETS

Invested in capital assets	7,809,208
Unrestricted	190,191
TOTAL NET ASSETS	<u><u>\$ 7,999,399</u></u>

See accompanying notes to financial statements.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES

Passenger fares	\$ 408,476
Procurement services	251,529
Taxi licensing services	19,099
Total Operating Revenues	<u>679,104</u>

OPERATING EXPENSES

Operations	1,852,905
Administration	498,003
Depreciation	1,070,245
Total Operating Expense	<u>3,421,153</u>
Operating income (loss)	(2,742,049)

NON-OPERATING REVENUES AND EXPENSES

Operating Assistance:

Local Transportation Fund Article 4 Measure I	1,363,187
Federal Transit Administration Section 5311	288,271
Federal grants	15,613
State and local grants	27,771
Interest income	779
Other	17,806
Total Non-Operating Revenues	<u>1,804,039</u>

NET LOSS BEFORE CAPITAL CONTRIBUTIONS

(938,010)

CAPITAL CONTRIBUTIONS

State Transit Assistance Fund	189,295
Local Transportation Fund Article 4	169,384
Federal Congestion Mitigation and Air Quality	470,759
Total Capital Contributions	<u>829,438</u>

CHANGE IN NET ASSETS

(108,572)

NET ASSETS, Beginning of year, as restated

8,107,971

NET ASSETS, End of year

\$ 7,999,399

See accompanying notes to financial statements.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities:

Cash received from customers	\$ 677,604
Payments to employees	(1,627,898)
Payments to vendors for services	(882,773)
Net cash used in operating activities	<u>(1,833,067)</u>

Cash flows from non-capital financing activities:

Operating grants received	1,176,802
Other receipts	17,806
Net cash provided by non-capital financing activities	<u>1,194,608</u>

Cash flows from capital and related financing activities:

Capital grants received	872,818
Purchase of capital assets	(869,688)
Net cash provided by capital and related financing activities	<u>3,130</u>

Cash flows from investing activities:

Interest received	779
Net cash used in investing activities	<u>779</u>
Net increase in cash and cash equivalents	(634,550)
Cash and cash equivalents, beginning of year	981,086
Cash and cash equivalents, end of year	<u>\$ 346,536</u>

**Reconciliation of cash and cash equivalents to
statement of financial position:**

Cash and cash equivalents	\$ 105,818
Restricted cash	240,718
Total Cash and Cash Equivalents	<u>\$ 346,536</u>

**Reconciliation of operating loss to net cash used
in operating activities:**

Operating income (loss)	<u>\$ (2,742,049)</u>
Adjustments to reconcile operating (loss) to net cash used in operating activities:	
Depreciation expense	1,070,245
Changes in assets and liabilities:	
(Increase) in assets:	
Accrued receivables	(1,500)
(Decrease) in liabilities:	
Accounts payable and accrued liabilities	(159,763)
Total Adjustments	<u>908,982</u>
Net cash used in operating activities	<u>\$ (1,833,067)</u>

See accompanying notes to financial statements.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 – ORGANIZATION

Morongo Basin Transit Authority (MBTA) is a joint powers agency whose members are the County of San Bernardino, the City of Twentynine Palms, California, and the Town of Yucca Valley, California. MBTA provides bus services to the City of Twentynine Palms and the Town of Yucca Valley as well as certain surrounding county areas of the Morongo Basin. Transit services provided include fixed route and certain demand-response services. MBTA is governed by a Board of Directors comprised of representatives of the member jurisdictions and a member-at-large.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity - MBTA meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Basis of Accounting – MBTA's proprietary fund financial statements are reported using the *economic resources measurement focus* and accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. The MBTA has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. MBTA has elected not to follow subsequent private sector guidance.

Cash & cash equivalents includes demand deposits and amounts invested in the State treasurer's investment pool (the State of California Local Agency Investment Fund). For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term, highly liquid deposits with original maturities of three months or less from the date of acquisition.

Grants for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Federal capital grant funds claimed on a reimbursement basis have receivables for grant funds recorded as the related obligations are incurred. Capital grant funds advanced but not yet earned are treated as deferred revenues. Also, operating funds advanced from San Bernardino Associated Governments for working capital are treated as deferred revenues until earned. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable and the related expenses are incurred. Revenue earned under capital grants are recorded as capital contributions. Operating grant activity for the fiscal year is detailed in Note 7.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant, and equipment is stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Capital assets being depreciated:

Buildings and improvements	7 to 25 years
Office furniture, fixtures, and equipment	5 years
Buses	5 to 7 years
Vehicles	5 years
Information systems	5 years
Data handling equipment	5 years

MBTA's capitalization threshold for recognition of property, plant and equipment assets is \$0.

Self-Insurance Liabilities – MBTA's self-insured retention and incurred but not reported claims liabilities are covered by the California Transit Insurance Pool Joint Powers Insurance Authority pool in which they participate, detailed in note 9.

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.

Restricted Cash – Certain MBTA cash accounts are internally-restricted for the following capital projects:

<u>Restricted Cash</u>	
CNG Station Upgrade	\$ 199,945
Security Doors	39,924
Cutaways	849
Total Restricted Cash	<u>\$ 240,718</u>

Operating and Non-Operating Revenue – MBTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with MBTA's operation of bus transit services, procurement services and taxi licensing services. These revenues are primarily passenger fares, fees collected from transit agencies for procurement assistance and taxi licensing fees collected. Operating expenses include the cost of sales and services, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital contributions consist of grants that are legally restricted for capital expenses by federal, state, or local law that established those charges.

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

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restatement of Beginning Net Assets – Effective July 1, 2011, MBTA corrected errors to beginning balances for grant receivables, deferred revenue, and compensated absences. The correction of these errors resulted in a restatement of beginning net assets as follows:

	<u>Transit Fund</u>
NET ASSETS	
Beginning net assets	\$ 8,009,761
Correction of grants receivable	(52,235)
Correction of deferred revenue	211,593
Correction of compensated absences	(61,148)
Beginning net assets, restated	<u>\$ 8,107,971</u>

NOTE 3 – PROCUREMENT ACTIVITY AND TAXI LICENSING ACTIVITY

Procurement activities are for services provided to local transit agencies assisting with procurement of buses. The State of California Department of Transportation and San Bernardino Associated Governments have agreed that procurement revenues are available to be retained and expended at management's discretion including TDA eligible projects. For the year ended June 30, 2012, procurement revenues were expended on bid expenses and transit assistance grant programs to local transit agencies. Remaining procurement expenses were allocated to fund administrative activities of MBTA, these allocations were based on approved budgeted balances.

Taxi licensing activities are for the licensing of taxi service providers of the Morongo Basin and funds are retained to reimburse costs incurred in operation and administration of taxi licensing activity. For the year ended June 30, 2012 these expenses included legal fees, insurance, drug testing, background verification, rents and utilities.

MBTA reports procurement and taxi licensing activities with transit operations, internally MBTA tracks procurement activities separately as follows:

	<u>Procurement</u>
Procurement activities balance from prior year	\$ -
Change in balance	15,816
Ending balance of procurement activities	<u>\$ 15,816</u>

The procurement balance is included within unrestricted net assets on the statement of activities.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 4 – CASH AND INVESTMENTS

	2012
Cash and cash equivalents	\$ 105,818
Restricted cash	240,718
Total	<u>\$ 346,536</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 300
Demand accounts	27,411
Savings accounts	315,021
Investments in Local Agency Investment Fund	3,804
Total	<u>\$ 346,536</u>

Policies and Practices

MBTA is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 53600. MBTA does not have a formal policy for investments that is more restrictive than that noted in government code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The fair value of the deposits with the LAIF at June 30, 2012 was \$3,804. MBTA does not have a formal policy related to its investments interest rate risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF balances of \$3,804 are unrated as of June 30, 2012.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, MBTA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. MBTA does not have a policy of custodial credit risk for deposits. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012 the first \$250,000 of deposits were insured under FDIC, MBTA maintained bank balances in excess of FDIC insurance of \$38,543. These balances were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the MBTA.

LAIF Investment Pool

MBTA is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the MBTA's investment in this pool is reported in the accompanying financial statements at amounts based upon the MBTA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2012, the MBTA's investments in the State Treasurer's investment pool (LAIF) were \$3,804. The total amounts invested by all public agencies in LAIF at June 30, 2012 were \$60,502,186,417. Of these amounts, as of June 30, 2012, 93.06 percent is invested in non-derivative financial products, and 6.94 percent is invested in structured notes and asset-backed securities. The District relied upon information provided by the State Treasurer in estimating the District's fair value position of its holdings in LAIF.

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS

MBTA is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Sections 99268.4 and 99313.3 of the Public Utilities Code.

MBTA receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within San Bernardino County and are allocated based on annual claims filed by MBTA and approved by SANBAG.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS (CONTINUED)

MBTA also receives allocated Federal operating assistance funds pursuant to Section 5311 of the Federal Transit Act of 1964. Such funds are apportioned to the local urbanized area by the Federal Transit Authority (FTA). Expenditures of Federal operating assistance funds are subject to final audit and approval by the FTA.

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the local transportation fund and the State Transit Assistance Fund in an amount which exceeds the claimant's costs less the sum of fares received, local support required to meet the fare ratio, federal operating assistance, and the amount received during the year from a city or county to which the operator has provided service beyond its boundaries.

The computation of deferred revenue for 2012 is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, June 30, 2011	\$ 763,954	\$ 480,074	\$ 1,244,028
Gross receipts: **			
State Transit Assistance Fund		153,232	153,232
Local Transportation Fund, Article 4	606,602	165,893	772,495
Federal Transportation Admin, Section 5311	288,271	470,759	759,030
Measure I	90,612		90,612
Interest income	696	83	779
Fares	408,476		408,476
State and local grants		27,767	27,767
Federal grants - CDBG		15,613	15,613
Other revenue	10,728	7,078	17,806
Total Gross Receipts	1,405,385	840,425	2,245,810
Operating expenses, less depreciation	2,350,908		2,350,908
Less:			
MBTA reported procurement operations expense	(235,713)		(235,713)
MBTA reported taxi licensing operations expense	(14,372)		(14,372)
Capital acquisitions *		868,188	868,188
Receipts over (under) expenses in current period	(695,438)	(27,763)	(723,201)
Adjustments to prior period			
Net impact of adjustments to beginning net assets	(61,148)	(211,593)	(272,741)
Amounts received in excess of costs as of June 30, 2012	<u>\$ (756,586)</u>	<u>\$ (239,356)</u>	
Amount deferred at June 30, 2012	<u>\$ 7,368</u>	<u>\$ 240,718</u>	<u>\$ 248,086</u>

*\$1,500 of capital acquisition expense excluded from calculation. This balance is to be reimbursed from other revenue and is reported as accrued revenue in the statement of net assets.

**\$251,529 of procurement operating revenue and \$19,099 of taxi licensing operating revenue were excluded from deferred revenue calculation as these activities represent operations excluded from Transportation Development Act requirements.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS (CONTINUED)

B. Section 99268.4

Section 99268.4 indicates that in the case of an operator which is serving a non-urbanized area, the operator shall be eligible for local transportation funds in any fiscal year if it maintains, for the fiscal year, a ratio of fare revenues to operating cost at least equal to 10%.

The fare ratio as of June 30, 2012, is calculated as follows:

Operating expenses	\$ 3,421,153
Less MBTA reported procurement operations expense	(235,713)
Less MBTA reported taxi licensing operations expense	(14,372)
Less depreciation	(1,070,245)
Adjusted operating expenses	<u>\$ 2,100,823</u>
Fare revenue	<u>\$ 408,476</u>
Fare ratio	<u>19.44%</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2012, is as follows:

	Beginning Balance July 01, 2011	Additions	Retirements	Ending Balance June 30, 2012
Capital assets being depreciated:				
Buildings and improvements	\$ 8,717,375	\$ 155,638	\$ -	\$ 8,873,013
Office furniture, fixtures and equipment	294,410	108,659		403,069
Buses	3,224,181	588,451		3,812,632
Vehicles	123,996	13,267		137,263
Information systems	29,130	3,673		32,803
Data handling equipment	1,341			1,341
Total capital assets being depreciated	<u>\$ 12,390,433</u>	<u>\$ 869,688</u>	<u>\$ -</u>	<u>\$ 13,260,121</u>
Less accumulated depreciation for:				
Buildings and improvements	2,168,977	530,268		2,699,245
Office furniture, fixtures and equipment	210,949	43,070		254,019
Buses	1,903,299	480,840		2,384,139
Vehicles	73,214	12,810		86,024
Information systems	23,201	2,989		26,190
Data handling equipment	1,028	268		1,296
Total accumulated depreciation	<u>4,380,668</u>	<u>1,070,245</u>	<u>-</u>	<u>5,450,913</u>
Capital assets, net of accumulated depreciation	<u>\$ 8,009,765</u>	<u>\$ (200,557)</u>	<u>\$ -</u>	<u>\$ 7,809,208</u>

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 7 – OPERATING GRANTS

Operating grants receivable at June 30, 2012 were \$352,015. This balance was composed of \$288,271 of Federal operating assistance grant funds, \$55,762 of State Transit Assistance Funds and \$7,982 of Local Transportation Fund allocations.

NOTE 8 – LINE OF CREDIT

MBTA has an unsecured line of credit with Pacific Western Bank. As of June 30, 2012, the principal amount available on the line of credit was \$250,000 with a maturity date of July 12, 2012. Upon drawing on loan, MBTA will pay regular monthly payments of all accrued interest. The interest rate on the line of credit is fixed at 5.5% as of June 30, 2012. MBTA made no draws on the line of credit during the fiscal year.

NOTE 9 – SELF-INSURANCE

MBTA is a member of the California Transit Insurance Pool Joint Powers Insurance Authority (Authority). The Authority is composed of over 30 California public entities, and is organized under a joint powers agreement pursuant to California law. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Authority began covering claims of its members in 1987.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, MBTA's outstanding claims are valued. A rate offset computation is then conducted annually thereafter, until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. As of June 30, 2012, the retrospective calculation has not resulted in any additional liabilities for the general liability and physical damage policies. MBTA paid premiums to CalTIP of approximately \$70,599 for the fiscal year ended June 30, 2012. MBTA has had no settled claims resulting from these risks that exceeded its coverage in any of the past three fiscal years.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk sharing pool. Additional information regarding the cost allocation methodology is provided below.

MBTA has self-insurance programs for the following risks:

- Liability to a maximum of \$1,000,000 per incident is insured through CalTIP, over which coverage is provided to \$20,000,000 per incident by a private carrier through CalTIP.
- Physical damage to a maximum of \$2,500 to \$5,000 for buses and support vehicles per incident, over which coverage is provided to \$100,000 per incident by CalTIP and from \$100,000 to \$5,000,000 per incident, coverage is provided by a private carrier through CalTIP.
- Workers compensation to a maximum of \$125,000 per incident is covered by CSAC Insurance Authority, over which coverage is provided to \$50,000,000 by the excess workers compensation program of the CSAC Insurance Authority.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 10 – COMPENSATED ABSENCES

Accumulated unpaid personal leave, consisting of vacation and comp pay, have been accrued at June 30, in the amount of \$60,580. MBTA accrued \$51,391 and paid \$51,959 during fiscal year 2012. MBTA's liability for compensated absences typically is liquidated within one year. The balance related to compensated absences is included in accrued compensated absences in the Statement of Net Assets.

NOTE 11 – EMPLOYEES' RETIREMENT PLAN

Plan Description

MBTA contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan that acts as a common investment and administrative agent for participating entities within the State of California. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law.

CalPERS issues a public Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. A copy of that report may be obtained by writing to CalPERS, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

Funding Policy

Employees are required to contribute 7% of covered salary to CalPERS. MBTA is required to contribute the amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal year ended June 30, 2012 the employer contribution rate was 8.029%. MBTA, as part of its compensation to employees, pays the employees' contributions.

Annual Pension Cost

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, MBTA's annual pension cost of \$110,535, \$81,247 and \$83,639, respectively, was equal to 100% of MBTA's required and actual contributions. The funded status of the pool may be obtained from CalPERS.

NOTE 12 – HEALTH REIMBURSEMENT ARRANGEMENT

MBTA maintains a Health Reimbursement Arrangement (HRA) qualifying as a tax-favored benefit under IRS publication 502. Active MBTA employees accrue up to \$500 a month towards the HRA for the reimbursement of qualifying medical expenses. Qualifying medical expenses are reimbursed to an employee, or their immediate family, at management's discretion. Unused balances are carried over year to year. MBTA does not pay unused HRA benefits upon termination of employment. As of June 30, 2012, the HRA liability \$181,628 was reported as health reimbursement liability accrued expenses in the Statement of Net Assets.

**MORONGO BASIN TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 13 – DEFERRED COMPENSATION PLAN

MBTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all non-represented MBTA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

MBTA has adopted the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. Management believes that MBTA has no fiduciary role under the plan, and plan funds are not available to MBTA's general creditors. Accordingly, MBTA has not reported plan assets in the accompanying financial statements.

NOTE 14 – RELATED PARTIES

MBTA procurement services revenue is received through allocation from the California Association for Coordinated Transportation (CalACT) pursuant to a cooperative purchasing agreement between CalACT and MBTA. The General Manager of MBTA is the chair of the CalACT board of directors.

MORONGO BASIN TRANSIT AUTHORITY
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2012



May 13, 2013

To the Board of Directors
Morongo Basin Transit Authority
Joshua Tree, California

We have audited the financial statements of the Morongo Basin Transit Authority (MBTA) as of and for the year ended June 30, 2012 and have issued our report thereon dated May 13, 2013. In planning and performing our audit of the basic financial statements of the MBTA, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

CURRENT YEAR MANAGEMENT LETTER COMMENTS

PAYROLL

OBSERVATION:

MBTA's procedure over time entry requires that adjustments to employee time be approved by the employees' supervisor. As part of our testwork over payroll internal controls, we noted two (2) instances where adjustments to employee time were not approved by supervisors.

RECOMMENDATION:

MBTA should ensure compliance with procedures over approval of employee time adjustments.

MANAGEMENT'S RESPONSE:

The instances observed were a result of human error, not a lack of internal control. We will exert additional effort to ensure adjustments are documented.

BANK RECONCILIATIONS

OBSERVATION:

MBTA performs monthly reconciliations between balances reported for all MBTA bank accounts and the general ledger. As part of our testwork over June 2012 bank reconciliations, we noted two (2) accounts where the June bank reconciliation did not reconcile between the trial balance and bank statements, the total variance was \$817.

RECOMMENDATION:

MBTA should ensure that bank reconciliations are complete and that all reconciling items are investigated.

MANAGEMENT'S RESPONSE:

Concur.

CAPITAL ASSETS

OBSERVATION:

MBTA is required to track capital assets for financial reporting purposes. MBTA did not maintain formalized policies and procedures over their capital assets. As a result, MBTA's capitalization policy was \$0 for the fiscal year 2011-2012. Also, adjustments were identified for depreciation expense and depreciable lives.

RECOMMENDATION:

We recommend MBTA implement formalized procedures to ensure that all capital assets are appropriately captured, depreciated, reconciled and disclosed in the financial statements.

MANAGEMENT'S RESPONSE:

Morongo Basin Transit Authority has a long-standing policy for capitalizing assets; any purchases made with capital funding are capitalized. MBTA will consider if it is appropriate to establish a threshold to determine capitalization of assets; if appropriate, MBTA will revise the accounting procedures.

Our audit procedures are designed primarily to enable us to form our opinions on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the MBTA gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of MBTA's Board, management and others within the organization and should not be used by anyone other than these specified parties.

Varrinck, Tene, Day, Co., LLP

Rancho Cucamonga, California
May 13, 2013



Board of Directors
Morongo Basin Transit Authority
Joshua Tree, California

We have audited the financial statements of the Morongo Basin Transit Authority (MBTA) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MBTA are described in Note 2 to the financial statements. The application of these policies was changed during the year from a regulatory basis of accounting to a presentation in accordance with Generally Accepted Accounting Principles (GAAP) resulting in adjustments to beginning equity described in Note 2. We noted no transactions entered into by MBTA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation of capital assets is based upon the estimated useful lives of the related capital assets.
- Management's estimate of the costs allocated to the procurement and taxi operations.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the restatement of beginning net assets in Note 2 of the financial statements.
- The disclosure of procurement and taxi licensing activities in Note 3 of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The timing of our audit was modified to allow management to perform additional research on items related to financial reporting and disclosure.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The misstatements noted below were corrected by management:

- Grants receivable were overstated by \$52,235 as of July 1, 2011
- Deferred Revenue was overstated by \$211,593 as of July 1, 2011
- Compensated absences were understated by \$61,148 as of July 1, 2011
- Depreciation expense was incorrectly calculated on one asset resulting in an overstatement of depreciation expense of \$12,915 as of June 30, 2012

Also, we noted the following uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- Accounts payable were understated by \$9,772
- Payroll liability was understated by \$12,178

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 13, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MBTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of MBTA and is not intended to be and should not be used by anyone other than these specified parties.

Vermire, Tene, Day, Co., LLP

Rancho Cucamonga, California

May 13, 2013

**MORONGO BASIN
TRANSIT AUTHORITY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

Attachment A4
MORONGO BASIN TRANSIT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' 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

To the Board of Directors
Morongo Basin Transit Authority
Joshua Tree, California

We have audited the basic financial statements of the Morongo Basin Transit Authority (MBTA) as of and for the year ended June 30, 2012 and have issued our report thereon dated May 13, 2013. Our report included an explanatory paragraph regarding restated beginning net assets as of July 1, 2011. Our report also included an explanatory paragraph regarding MBTA's omission of management's discussion and analysis. 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 MBTA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MBTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MBTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MBTA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-01, 2012-02, 2012-03, and 2012-04, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MBTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Part 21 of the California Code of Regulations and the allocation instructions of San Bernardino Associated Governments, 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*.

We noted certain matters that we also reported to management of the MBTA in a separate letter dated May 13, 2013.

MBTA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit MBTA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of MBTA's Board, management, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vawter, Tami, Day, Co., LLP

Rancho Cucamonga, California
May 13, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM,
INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Morongo Basin Transit Authority
Joshua Tree, California

Compliance

We have audited the Morongo Basin Transit Authority's (MBTA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MBTA's major federal programs for the year ended June 30, 2012. MBTA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MBTA's management. Our responsibility is to express an opinion on MBTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MBTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of MBTA's compliance with those requirements.

In our opinion, MBTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-05.

Internal Control Over Compliance

Management of MBTA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MBTA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MBTA's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-05. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of MBTA as of and for the year ended June 30, 2012, and have issued our report thereon dated May 13, 2013, which contained an unqualified opinion on those financial statements. Our report included an explanatory paragraph regarding MBTA's restated beginning net assets as of July 1, 2011. Our report also included an explanatory paragraph regarding MBTA's omission of management's discussion and analysis. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise MBTA's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

MBTA's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit MBTA's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of MBTA's Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vermire, Tami, Day, Co., LLP

Rancho Cucamonga, California
May 13, 2013

MORONGO BASIN TRANSIT AUTHORITY**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor Program Title (Direct or Indirect)	Federal CFDA Number	Pass-Through Entity's Identifying Number	Pass-Through Entity's Name	Federal Expenditures
Department of Transportation				
Federal Transit Administration				
Formula Grants for Other than Urbanized Areas (Indirect)	20.509	642151	State of California Department of Transportation	\$ 288,271
Formula Grants for Other than Urbanized Areas (Indirect)	20.509	640203	State of California Department of Transportation	246,119
Formula Grants for Other than Urbanized Areas (Indirect)	20.509	640204	State of California Department of Transportation	<u>224,640</u>
Subtotal - Department of Transportation Federal Transit Administration				<u>759,030</u>
Department of Housing and Urban Development				
Community Development Block Grants (Indirect)	14.218	238-32105	County of San Bernardino	<u>15,613</u>
Subtotal - Department of Housing and Urban Development				<u>15,613</u>
Total Expenditures of Federal Awards				<u>\$ 774,643</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

MORONGO BASIN TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the Morongo Basin Transit Authority's (MBTA). MBTA's reporting entity is defined in Note 1 of MBTA's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 of MBTA's Financial Statements.

MORONGO BASIN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material Weakness(es) identified?	<u>Yes</u>
Significant Deficiency(ies) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material Weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Other than Urbanized Areas
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

MORONGO BASIN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Finding 2012-01

INTERNAL CONTROLS

Criteria:

The use of journal entries is an important element of MBTA's financial reporting processes. Journal entries are used to record financial transactions, post adjustments and to post accruals.

Condition:

While testing transaction cycles over key financial statement line items, we noted that approval of journal entries into the MBTA financial system were asserted by management to be obtained; however evidence that the approval was obtained was not documented.

Context:

The condition noted above was identified during testing of the revenue, expense, cash, accounts payable, and accounts receivable transaction cycles and inquiry with personnel throughout the engagement.

Effect:

The internal control environment is weakened as journal entries are not supported by a formal approval process.

Cause:

The performance of internal controls related to review and approval of financial information posted to MBTA's financial reporting system was not documented.

Recommendation:

MBTA should document the review of journal entries through a signature, initial, date, or other testable evidence to ensure that the control was performed and to demonstrate the timing of the completion of the control.

View of Responsible Official and Planned Corrective Actions:

Management notes that preapproval of journal entries is not practical due to the sheer quantity of accounts payable and receivables that must be posted into the financial system on a frequent basis. Going forward however, a Journal Entry report will be created documenting financial activity and emailed to the General Manager. Maintaining this email record will create a testable event.

MORONGO BASIN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Finding 2012-02

SEGREGATION OF DUTIES

Criteria:

A proper segregation of duties should include different employees; performing the initiation of a transaction, recording the transaction, approving the transaction, and having custody of the related asset. When one employee performs two or more of these functions, evidence of controls should be implemented to mitigate associated risks.

Condition:

We noted that at various times throughout the fiscal year there were instances where an adequate segregation of duties did not exist. Internal controls to mitigate these risks either were not performed or the control was not documented to provide evidence of the review/approval.

For cash disbursements, one employee had the ability to create a vendor, post invoices to the general ledger, prepare monthly bank reconciliations and had access to check stock (although the employee was not an authorized signer on the account).

For cash receipts, employees had the ability to count and reconcile daily cash receipts, deposit cash, post receipts into the financial reporting system and perform monthly cash reconciliations. Daily cash counts and deposits were reconciled by two different employees; however, daily cash receipts and deposits did not include evidence of secondary approval of reconciled balances.

Context:

The accounting department for MBTA has limited staffing which provides for difficulties in designing internal control systems to include a proper segregation of duties. Although management asserted that certain controls were performed, evidence of these controls and/or mitigating controls over the cash receipts and disbursement processes was not documented.

Effect:

For cash disbursements, the lack of segregation of duties over disbursements, could lead to unauthorized or inaccurate transactions and misappropriation of assets.

For cash receipts, a lack of evidence of controls over the dual custody and reconciliation of daily cash receipts could lead to circumvention of internal controls and misappropriation of assets.

MORONGO BASIN TRANSIT AUTHORITY**SCHEDULE OF FINDINGS AND QUESTIONED COSTS****FOR THE YEAR ENDED JUNE 30, 2012****II. FINANCIAL STATEMENT FINDINGS****Cause:**

For cash disbursements, one employee had ability to perform the disbursement functions above. MBTA's controls did not require procedures such as the General Manager review of the monthly bank statements, including review of cleared checks, review of vendors, and the review of check sequences.

For cash receipts, one employee maintained the ability to perform the cash receipt functions detailed above. As a mitigating control, current procedures require dual custody of daily cash receipts; however, they do not require documentation of this control.

Recommendation:

MBTA should ensure existing cash disbursement procedures are modified to allow for evidence of review of original bank statements by the General Manager. These statements should be received directly by the General Manager. This review should be performed prior to the bank statements being provided to the employee responsible for preparation of the bank reconciliation. This review should include verification of the following:

- Checks sequentially numbered
- Checks are authorized
- Check signature is accurate
- Vendors paid are included on approved vendor listing

MBTA should ensure existing cash receipts procedures are modified to evidence dual custody of daily cash receipts from the collection of cash to the bank deposit. This evidence should include signed approval of cash counts performed by both employees responsible for the daily count and reconciliation.

View of Responsible Official and Planned Corrective Actions:

The additional tasks will be implemented and reflected in our accounting procedures policy to satisfy the auditors recommendation.

Finding 2012-03**YEAR-END CLOSING PROCEDURES****Criteria:**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein and for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. This requires management to work through a year-end closing process to accumulate, reconcile, and summarize information for inclusion in the annual financial statements.

MORONGO BASIN TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Condition:

MBTA did not have formal year-end closing procedures. As a result, deficiencies were noted in the year end closing process resulting from adjustments to the following:

- Accounts receivable
- Capital asset depreciation
- Deferred revenue
- Compensated absences

Context:

The condition noted above was identified during testing of transactions related to MBTA's significant financial statement line items.

Effect:

As a result of the year-end closing process utilized by MBTA the financial information provided contained material misstatements.

Cause:

MBTA should ensure that a comprehensive closing checklist and formalized policies and procedures are implemented to ensure that year-end balances are correct.

Recommendation:

MBTA should formalize policies and procedures over year-end close to ensure that all entries have been accurately recorded.

View of Responsible Official and Planned Corrective Actions:

MBTA noted that it was the practice of the previous auditor to perform year end closing procedures.

We concur with the need to develop year-end closing policies, procedural checklists and subsequent implementation.

MORONGO BASIN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Finding 2012-04

HEALTH REIMBURSEMENT ACCOUNT (HRA) LIABILITY

Criteria:

MBTA should have formalized policies to ensure timely reconciliation and review of HRA liability accruals, as well as to ensure the adequacy of available cash in relation to liabilities accrued.

Condition:

We noted a lack of procedures for the review of available cash in relation to the liability balance which could lead to cash shortages if significant qualifying reimbursements are required by employees.

Context:

MBTA is required to track accrued HRA benefit for each qualifying employee in accordance with applicable regulations. Also, MBTA should ensure that medical reimbursements are appropriate in accordance with definitions set forth in the MBTA employee handbook each pay period.

Effect:

With no formal evidence of review and approval of employee benefit accrual and qualifying medical reimbursements, the control environment is weakened.

Cause:

MBTA did not maintain formalized policies and procedures over the reconciliation and approval of the HRA liability activity in comparison to the amount of available cash.

Recommendation:

Management should routinely monitor the liability balances in relation to available cash balances.

View of Responsible Official and Planned Corrective Actions:

Management will monitor cash balances to ensure the liability can be funded.

MORONGO BASIN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2012-05

Program: Formula Grants for Other than Urbanized Areas
CFDA No.: 20.509
Federal Grantor: U.S. Department of Transportation, Federal Transit Administration
Passed-through: State of California Department of Transportation
Award Year: Various
Compliance Requirement: Reporting

Criteria:

OMB A-133 § __.320 requires all Single Audit report submissions are to be received within 9 months of fiscal year end (March 31st).

Condition:

MBTA did not maintain formal year-end closing procedures for the preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This resulted in several delays to the issuance of the financial statements. As a result, MBTA did not submit the Single Audit report by the March 31st deadline.

Questioned Costs:

None

Context:

MBTA did not submit the Single Audit report in a timely manner.

Effect:

The Single Audit March 31, 2012 filing deadline was not met by MBTA.

Cause:

Delays in year-end closing and resolution of financial reporting matters resulting from a lack of formalized year-end closing procedures lead to the Single Audit report not being issued by the March 31st deadline.

Recommendation:

MBTA should formalize policies and procedures over year-end close to ensure that all financial reporting matters are resolved in a timely manner to allow for the submission of the Single Audit report by the March 31st deadline.

View of Responsible Official and Planned Corrective Actions:

Management notes that there was a change in the year end closing process; MBTA has always made it a high priority to make staff available to the auditors and respond promptly to requests for information.

Management further observes that submission of the audit was in fact delayed also because resolution of the treatment of unrestricted net assets had to be performed in compliance with the Transit Development Act and additional time was required to respond, research and make management comments on this issue.

MORONGO BASIN TRANSIT AUTHORITY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2012

None reported.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

We have audited the accompanying basic financial statements of the Victor Valley Transit Authority (VVTA) as of and for the year ended June 30, 2012. These financial statements are the responsibility of VVTA's management. Our responsibility is to express an opinion on these financial statements based upon 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VVTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of VVTA as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, VVTA restated beginning balances for cash, capital assets and due from other agencies. In addition, VVTA restated beginning balances for deferred revenue for both operating and capital grants.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2013, on our consideration of VVTA's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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.

Vaurimale, Tami, Day, Co., LLP

Rancho Cucamonga, California
July 15, 2013

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2012

This discussion and analysis of the Victor Valley Transit Authority's financial performance for the fiscal year ended June 30, 2012, provides a financial summary of the Authority's current year results in comparison to the prior year. It should be read in conjunction with the accompanying, financial statements and notes to the financial statements.

The Management's Discussion and Analysis (MD&A) section of the Authority's annual financial report provides condensed comparative data and briefly discusses the financial activities during the Fiscal Year ended June 30, 2012. It is a separate but an integral part of the financial statements and notes that follow. The purpose of this MD&A is to promote an understanding of the Authority's financial statements.

The Financial Statements of the Authority supply information using accounting methods similar to those used by private sector companies. These statements offer short and long-term information about its activities.

The *Statement of Net Assets* includes all of the Authority's assets and liabilities and provides the basis for evaluating the capital structure, liquidity and overall financial integrity of the Authority.

The *Statement of Revenues, Expenses and Changes in Net Assets* displays the revenues, expenses and changes in net assets for the Authority and measures the success of operations over the past year. It can be used to determine credit worthiness and whether revenue sources matched, exceeded or failed to meet expenses.

The final financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It accounts for the cash and cash equivalents balance available at the beginning of the year and at years end. It displays cash received, cash expended, and the net change in the amount of cash and cash equivalents.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2012

HIGHLIGHTS

- **The authority's net assets increased by \$5,265,458 or 17% as a result of the year's operations. Net asset increases for VVTA were due to an increase of capital assets. Net assets in the amount of \$2,931,252, are restricted for debt service on a long term lease arrangement maturing in 2037.**
- **VVTA incorporated a change in accounting policy that now reports "Cash and investments with Fiscal Agent- restricted" that was previously reported as part of the "construction in progress" Capital Assets. This cash is restricted to use for the construction of VVTA's Administration and Maintenance facility ("New Facility"). The cash may also be used to repay long term debt resulting from a lease liability on the same property. The change was made to more accurately present on the Financial statements the actual value of the portion of the Capital Asset labeled "Construction In Process" for VVTA's New Facility.**
- **Property and Equipment assets (net of depreciation) increased by \$2,695,925 or 23% due to an increase in the acquisition of plant property and equipment for VVTA's Administration and Maintenance facility as well as revenue and non-revenue vehicles. Construction in progress (Capital Assets- Non-Depreciable), decreased by (\$8,273,987), due to the reclassification of the net present value of future capital lease payments relating to the construction of VVTA's new bus facility, to a restricted cash account. The reclassified value for the new facility in the Construction In-Process account (Capital Assets- Non-Depreciable) is now based solely on expensed transactions that support that project. Therefore, total Capital assets decreased by \$5,578,062.**
- **Operating (Program) revenues increased 6% by \$110,258. The operating revenue increase was due largely to an 8% increase in passenger fares system wide.**
- **Non-operating (Capital) revenue totaled \$7,688,536. These are revenues derived mostly from Federal, State and local grants and are used to support operating expenses.**
- **Operating expenditures for the fiscal year totaled \$13,012,847, an increase of 11% when compared to the prior fiscal year. This increase was due to an increase in services offered to VVTA's clients and the costs of providing those services.**
- **Cash and equivalents available for operations at end of year were \$3,081,404. Restricted cash with fiscal agent was \$10,478,006, and is available for support required in completing the construction of VVTA's new facility. Any funds from this restricted cash which is not used to support construction, may be used to support debt service of future lease payments for the facility.**

Victor Valley Transit Authority**Management's Discussion and Analysis**

June 30, 2012

FINANCIAL ANALYSIS OF VICTOR VALLEY TRANSIT AUTHORITY

One of the most important questions asked is "Is the Authority better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the Authority's activities to help answer that question. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. VVTA uses the enterprise method of accounting and all transactions are netted through a single fund. The activity shown in Table A-1 represents all activity through that single fund.

ASSETS AND LIABILITIES

A summary of the Authority's *Statement of Net Assets* is presented in Table A-1.

Table A-1
Condensed Statement of Net Assets

	<u>30-Jun</u>		<u>Dollar</u>	<u>Percentage</u>
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Change</u>
Current Assets	\$17,208,145	\$10,069,341	\$7,138,804	71%
Capital assets	\$59,081,693	\$64,659,755	\$(5,578,062)	(9%)
Total Assets	\$76,289,838	\$74,729,096	\$1,560,742	2%
Current Liabilities	\$7,737,026	\$10,746,742	\$(3,009,716)	(28%)
Long-term Liabilities	\$32,855,000	\$33,550,000	\$ (695,000)	(2%)
Total Liabilities	\$40,592,026	\$44,296,742	\$(3,704,716)	(8%)
Net Assets				
Invested in capital assets, Net of debt	\$33,078,448	\$30,432,354	\$2,646,094	8%
Restricted for Debt Service	\$2,931,252	\$0	\$3,088,983	100%
Unrestricted	(\$311,888)	\$0	(\$311,888)	(100%)
Total Net Assets	\$35,697,812	\$30,432,354	\$5,265,458	17%
Total Liabilities & Net Assets	\$76,289,838	\$74,729,096	\$1,560,740	2%

Victor Valley Transit Authority**Management's Discussion and Analysis****June 30, 2012**

- **Table A-1, shows the authority's total net assets increased from \$30,432,354 in FY 10-11 to \$35,697,812, or 17% in FY 11-12, as a result of the year's operations.**
- **Net assets invested in capital assets increased by \$2,646,094.** This change was due to the purchase of Capital Assets.
- **Current assets** increased by \$7,138,804 or 71% due to a change in accounting policy that now reports "Cash and investments with Fiscal Agent- restricted" that was previously reported as part of the "construction in progress" Capital Assets. This cash is restricted to use for the construction of VVTA's Administration and Maintenance facility. The cash may also be used to repay long term debt resulting from a lease liability on the same property. Excluding this change, VVTA's current assets actually declined \$3,038,526 or 30% due to a change in cash and receivables.
- **Total Capital Assets** (net of depreciation)
As restated by a prior period adjustment to FY2011. (see note 13)

	FY2012	FY2011
Land	\$1,500,000	\$1,500,000
Construction in Process	\$48,594,448	\$40,335,681
Total Non-Depreciable	\$50,094,448	\$41,835,681
Property & Equipment	\$8,987,245	\$6,291,320
TOTAL ASSETS (net)	\$59,081,693	\$48,127,001

Property and Equipment assets (net of depreciation) increased by \$2,695,925 or 43% due to an increase in the acquisition of plant property and equipment for VVTA's Administration and Maintenance facility (new facility) as well as revenue and non-revenue vehicles. Construction in progress (Capital Assets- Non-Depreciable), increased by \$8,258,767, due to invested capital in the construction of VVTA's New Facility. VVTA occupied the New Facility beginning in November, 2011, however the construction is still in progress and will continue through FY12-13. Total Capital assets, net of depreciation increased by \$10,954,692.

Included in the increase in Property & Equipment are purchased capital assets of thirty-four (34) revenue service transit coaches, three (3) non-revenue service vehicles, along with furnishings, fixtures and computer equipment to support the New Facility. Additionally, VVTA completed Phase II of the Intelligent Transportation Systems (ITS) project which provides fare boxes and security cameras to its Fixed Route buses.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2012

- **Total Liabilities decreased** by \$3,704,716 when compared to FY10-11 due to the use of cash to pay down Current and Long Term debt. Long term liabilities represent the amount due on VVTA's lease agreement with California Transit Finance Corporation, used to provide financing for the construction of VVTA's new transit facility
- **Net assets in the amount of \$2,931,252 are restricted for debt service on a long term lease arrangement maturing in 2037.** The change in restricted net assets as compared to FY2011 is 100% due to an accounting change which resulted in a reclassification of the net present value of future capital lease payments, relating to the construction of VVTA's new bus facility and previously reported in the capital asset account, to a restricted cash account. The largest portion of the restricted cash account is available to use in the completion of VVTA's new transit facility. However, this portion of the restricted cash account, noted as "restricted for debt service" is a reserve fund required by lease documents to provide security to the lessor for future lease payment obligations by VVTA. These funds will remain in this restricted status until the lease agreement matures in 2037.
- **Net assets in the amount of (\$311,888) are unrestricted.** Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from a \$0.00 at 06/30/2011 to a \$(311,888) at the end of this year. This change in balances is due to an accounting change which resulted in a reclassification of the net present value of future capital lease payments, relating to the construction of VVTA's new bus facility and previously reported in the capital asset account, to a restricted cash account.

Victor Valley Transit Authority**Management's Discussion and Analysis**

June 30, 2012

REVENUES – EXPENSES – AND CHANGES IN NET ASSETS

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

Table A-2
Statement of Revenues, Expenses and Changes in Net Assets

	<u>2012</u>	<u>30-Jun</u> <u>2011</u>	<u>Dollar</u> <u>Changes</u>	<u>Percentage</u> <u>Changes</u>
Revenues				
Program Revenues (operating):				
Charges for Services (Fares)	\$1,975,629	\$1,865,371	\$110,258	
Federal Grants-Operating	\$1,327,068	\$1,990,468	(\$663,400)	
State and Local Grants-Operating	\$6,959,484	\$6,244,476	\$715,008	
Other Revenues	\$327,588	\$69,669	\$257,919	
Capital Revenues:				
Federal Grants	\$3,568,968	\$5,504,205	(\$1,935,237)	
State and Local Grants	\$2,641,860	\$2,643,465	(\$1,605)	
Other revenues	<u>\$1,477,708</u>	<u>\$525,918</u>	<u>\$951,790</u>	
Total Revenues	<u>\$18,278,305</u>	<u>\$18,843,572</u>	<u>(\$565,267)</u>	(3%)
Program Expenses				
Operations	\$9,054,118	\$8,068,909	\$985,209	
General and Administration	\$1,362,161	\$1,070,468	\$291,693	
Depreciation	<u>\$2,596,568</u>	<u>\$2,415,215</u>	<u>\$181,353</u>	
Total Expenses	<u>\$13,012,847</u>	<u>\$11,554,592</u>	<u>\$1,458,255</u>	13%
Changes in net assets	<u>\$5,265,458</u>	<u>\$7,288,980</u>	<u>(\$2,023,522)</u>	(27%)

Net Assets - Beginning of year, as restated	\$30,432,354	\$23,150,775	\$7,281,579	31%
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Net Assets - End of year	\$35,697,812	\$30,432,354	\$5,265,458	17%
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Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2012

As shown on Table A-2, **Fare Revenues** increased to \$1,975,629 in FY 11/12. This increase was due to an increase in ridership on VVTA's transit system. The increased ridership was partially due to a new commuter service that began in FY2012.

Program revenues to support operations received from Federal, State and Local agencies increased by \$419,785 as compared to prior year. These revenues came from a variety of support grants and were sufficient to meet the needs of the agency.

Capital revenues contributed by Federal, State and Local agencies decreased by \$985,052. Capital revenues from these sources were provided by grants to support specific capital purchases. These were sufficient to meet the capital needs of the agency for FY2012.

Total revenues decreased 3% from \$18,843,572 for FY 10/11 to \$18,278,305 for FY 11/12. The result was a decrease in the Change in Net Assets of \$2,023,522.

Program expenses increased 13%, or \$1,458,255 when compared to the prior year. Of this amount, operations expense increased by \$985,209 due to a contractual increase with Veolia, the agency's primary operations contractor, as well as the addition of a new life line service between Victorville and Barstow known as "BV Link". Administration costs increased by \$291,693. This cost increase was due to several factors, including the addition of a Mobility Manager to the VVTA staff, a three percent (3%) cost of living raise given to the administrative staff, and the contracting for a Comprehensive Operations Analysis which is an FTA requirement every five years.

Victor Valley Transit Authority**Management's Discussion and Analysis****June 30, 2012****FINANCIAL CONDITION**

Overall, the authority's financial condition improved as a result of various program activity growth along with significant continued capital investment. VVTA continues to enjoy strong financial support from a variety of sources including Federal, State and Local funding sources as well as continued growth in its ridership which has resulted in continued fare revenue growth. This financial condition is evidenced in Table A-1, which shows the authority's total net assets increased from \$30,432,354 in FY 10-11 to \$35,697,812, or 17% in FY 11-12.

Some specific activities that have led to VVTA's financial condition as of 06/30/2012 include:

- During FYE June 30, 2008 VVTA entered into a lease agreement with California Transit Finance Corporation (CTFC) for the construction of the VVTA Transit Facilities. VVTA moved forward on its project to design and construct this new Bus Facility. To date, VVTA has approximately ninety percent (90%) of the construction of the Maintenance and Administration facilities. VVTA moved into this facility in November 2011.
- In May 2012, VVTA began a new commuter service between Victorville and NTC Fort Irwin after the Fort had decided to discontinue its privatized service. This vital service provides, civilians and members of the U.S. Armed Forces serving at Fort Irwin, a cost effective option to a long commute while reducing congestion on local highways. This project has been funded through passenger fares and a Federal JARC grant.
- In addition, VVTA received delivery of six (6) new Arboc vehicles used to support ADA services, (6) new Glaval Entourage vehicles and eight (8) new Eldorado Areotech vehicles in support of revenue services. VVTA also received five (5) pre-owned New Flyer transit vehicles used initially in providing commuter services to NTC Fort Irwin and nine (9) used Ford E450 Starcraft vehicles used to support ADA services. Additionally, VVTA received three (3) non-revenue vehicles which support vital aspects of VVTA's operations.
- VVTA continued its extensive program for increasing the number of bus shelters, benches, solar lights and other passenger amenities. This program of bus stop improvements will continue into the next fiscal year.
- VVTA completed Phase II of the Intelligent Transportation Systems (ITS) project for its motor bus fleet, and began Phase 3 which will provide upgrades to its ADA fleet. Phase 3 will continue on into next fiscal year.
- VVTA experienced a twelve percent (12%) growth system wide in ridership for fiscal year 2011-12.

VVTA expects continued capital and program growth through the next fiscal year.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2012

CONTACTING THE AUTHORITY

This financial report is designed to provide our citizens and customers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions regarding this report or require additional financial information, please contact Mr. Kevin Kane, Executive Director at: Victor Valley Transit Authority, 17150 Smoketree St., Hesperia, CA 92345.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

Cash	\$ 3,081,404
Cash and investments with fiscal agent - restricted	10,478,006
Accounts receivable	29,295
Grants receivable	3,577,910
Prepaid expenses	41,530
Total Current Assets	<u>17,208,145</u>

CAPITAL ASSETS

Non-depreciable	50,094,448
Depreciable	24,071,702
Accumulated depreciation	<u>(15,084,457)</u>
Capital assets, net	<u>59,081,693</u>
TOTAL ASSETS	<u>76,289,838</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable & accrued liabilities	982,109
Deferred revenue	6,059,917
Lease / trust agreement	695,000
Total Current Liabilities	<u>7,737,026</u>

NON CURRENT LIABILITIES

Lease / trust agreement	<u>32,855,000</u>
TOTAL LIABILITIES	<u>40,592,026</u>

NET ASSETS

Invested in capital assets, net of related debt	33,078,448
Restricted for:	
Debt service	2,931,252
Unrestricted	<u>(311,888)</u>
TOTAL NET ASSETS	<u>\$ 35,697,812</u>

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

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES:

Fares	\$ 1,843,909
Special transit fares	131,720
Total Operating Revenues	<u>1,975,629</u>

OPERATING EXPENSES:

Operations	9,054,118
General and administration	1,362,161
Depreciation	2,596,568
Total Operating Expenses	<u>13,012,847</u>

OPERATING LOSS

(11,037,218)

NON-OPERATING REVENUES AND EXPENSES:

Operating Assistance:

Federal Transit Administration Section 5307, operating	1,038,084
Federal Transit Administration Section 5311	213,002
Federal Congestion Mitigation and Air Quality Improvement Program Demonstration	75,982
Local Transportation Fund Article 8c, operating	6,194,927
Measure I	664,757
AB 2766	99,800
Loss on disposal of assets	(4,306)
Interest income	198,066
Miscellaneous	133,828
Total Non-operating Revenues, Expenses	<u>8,614,140</u>

NET LOSS BEFORE CAPITAL CONTRIBUTIONS

(2,423,078)

CAPITAL CONTRIBUTIONS:

Federal Transit Administration Section 5307, capital	1,757,508
Federal Transit Administration Section 5310	487,621
Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ)	1,323,839
Local Transportation Fund Article 3	157,200
Local Transportation Fund Article 8c, capital	424,494
State Transit Assistance Fund	1,654,927
PTMISEA (Proposition 1B)	405,239
Miscellaneous	1,477,708
Total Capital Contributions	<u>7,688,536</u>

CHANGES IN NET ASSETS

5,265,458

NET ASSETS, Beginning of year (as restated)

30,432,354

NET ASSETS, End of year

\$ 35,697,812

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

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities:	
Cash received from fares	\$ 2,057,055
Payments to employees	(767,752)
Payments to vendors for services	(11,230,115)
Net cash used in operating activities	<u>(9,940,812)</u>
Cash flows from non-capital financing activities:	
Operating grants received	<u>6,935,230</u>
Cash flows from capital and related financing activities:	
Capital grants received	7,419,179
Purchase of capital assets	(11,982,626)
Payments, lease / trust agreement	(670,000)
Interest expense (capitalized)	(1,568,634)
Loss on disposal of capital assets	(4,306)
Net cash used in capital and related financing activities	<u>(6,806,387)</u>
Cash flows from investing activities:	
Interest received	<u>198,066</u>
Net decrease in cash and cash equivalents	(9,613,903)
Cash and cash equivalents, beginning of year	<u>20,242,061</u>
Cash and cash equivalents, end of year	<u>\$ 10,628,158</u>
Reconciliation of cash and cash equivalents to statement of financial position:	
Cash	\$ 3,081,404
Cash and investments with fiscal agent	10,478,006
Less: long-term investments	(2,931,252)
Total Cash and Cash Equivalents	<u>\$ 10,628,158</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (11,037,218)</u>
Adjustments to reconcile operating (loss) to net cash used in operating activities:	
Depreciation expense	2,596,568
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivables	81,426
Prepaid expenses	(32,095)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(1,549,493)
Total Adjustments	<u>1,096,406</u>
Net cash used in operating activities	<u>\$ (9,940,812)</u>
Schedule of non-cash capital and related financing activities	
Contributions of capital assets	<u>\$ 145,888</u>

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

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 – ORGANIZATION

Victor Valley Transit Authority (VVTA) is a joint powers authority whose members are the cities of Victorville, Adelanto, Hesperia, the Town of Apple Valley and the County of San Bernardino. VVTA provides bus services to these cities, as well as the communities of Lucerne Valley, Phelan, Pinon Hills, Wrightwood, Helendale and Oro Grande as a means of meeting the transit needs of various transit-dependent groups within the geographic area. The bus services VVTA provides includes fixed route services, deviated route services, county routes, ADA para-transit routes, and commuter services. VVTA is governed by a Board of Directors comprised of representatives of the member jurisdictions and a member is appointed by the County of San Bernardino.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity – VVTA meets the criteria as a stand-alone government, and accordingly, is accounted for and reported as though it were a primary government.

Basis of Accounting – VVTA's proprietary fund financial statements are reported using the *economic resources measurement focus* and accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows. VVTA has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. VVTA has elected not to follow subsequent private sector guidance.

Cash and cash equivalents includes demand deposits and amounts invested in savings and trustee accounts. For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term deposits with original maturities of three months or less from the date of acquisition.

Cash and investments with fiscal agent restricted – Certain VVTA cash accounts are restricted by debt agreements to fund specified capital projects and debt service requirements:

Project Fund	\$ 7,546,754
Debt Reserve	2,931,252
Total cash with fiscal agent	<u>\$ 10,478,006</u>

Grants for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Federal capital grant funds claimed on a reimbursement basis have receivables for grant funds recorded as the related obligations are incurred. Capital grant funds advanced but not yet earned are treated as deferred revenues. Also, operating funds advanced from San Bernardino Associated Governments (SANBAG) for working capital are treated as deferred revenues until earned. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable and the related expenses are incurred. Revenue earned under capital grants are recorded as capital contributions.

Prepaid Expenses – Prepaid expenses include inventories and costs for certain payments to vendors that reflect costs applicable to future accounting periods. The cost of prepaid items is recorded as expenses when consumed rather than when purchased. Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of fuel for VVTA vehicles. The cost of such inventories is recorded as expenses when consumed rather than purchased. The value of fuel held at the transit facility on June 30, 2012 was \$29,670.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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

Capital assets are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Operations equipment	3 to 12 years
Furniture and office equipment	3 to 10 years

VVTA's capitalization threshold is \$100. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the useful lives are not capitalized. Interest incurred during the construction phase of the new facility project is included as part of the capitalized value of the assets constructed. Interest in the amount of \$1,568,634 was capitalized during the fiscal year as part of construction in progress for interest paid on the Certificates of Participation.

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.

Operating and Non-Operating Revenue – VVTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with VVTA's principal operation of bus transit services. These revenues are primarily passenger fares. Non-operating revenues consist of federal, state and local operating grants, fuel tax credits, and investment income.

Operating Expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as Non-Operating Expenses. Non-operating expenses consist of "loss on disposal of assets."

Capital Contributions consist of grants that are legally restricted for capital expenses by federal, state, or local law that established those charges.

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

NOTE 3 – FEDERAL, STATE, AND LOCAL GRANTS

Federal Assistance

Under the provision of the Federal Transit Administration (FTA), funds are available to VVTA for preventive maintenance, security, and various capital costs. Total FTA revenue recognized during the fiscal year ended June 30, 2012 was \$4,896,036.

Transportation Development Act

VVTA is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Sections 99268.4 and 99313.3 of the Public Utilities Code. VVTA receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within San Bernardino County and are distributed based on annual claims filed by VVTA and approved by SANBAG.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 3 – FEDERAL, STATE, AND LOCAL GRANTS, (CONTINUED)

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's costs less the sum of fares received, local support required to meet the fare ratio, federal operating assistance, and the amount received during the year from a city or county to which the operator has provided service beyond its boundaries.

The computation of deferred revenue for fiscal year 2012 is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, June 30, 2011	\$ 5,279,357	\$ 2,265,710	\$ 7,545,067
Gross receipts			
Local Transportation Fund:			
Article 3	-	157,200	157,200
Article 8c	6,264,367	424,494	6,688,861
Federal Transportation Administration:			
Section 5307	1,038,084	1,753,696	2,791,780
Section 5310	-	487,621	487,621
Section 5311	213,002	-	213,002
CMAQ	75,982	1,323,839	1,399,821
State Transportation Fund, Article 6.5	-	1,656,520	1,656,520
Measure I	633,950	-	633,950
AB2766	99,800	-	99,800
Prop 1B (PTMISEA)	-	164,741	164,741
Fares	2,015,362	-	2,015,362
Other non-transportation revenue	115,366	-	115,366
Disposal of Capital Assets	6,585	-	6,585
Interest	22,163	239,439	261,602
Miscellaneous	7,585	8,038	15,623
Total gross receipts	<u>10,492,246</u>	<u>6,215,588</u>	<u>16,707,834</u>
Operating expenses, less depreciation	(10,416,631)	-	(10,416,631)
Capital acquisitions	-	(7,776,353)	(7,776,353)
Receipts over (under) expenses in current period	75,615	(1,560,765)	(1,485,150)
Adjustments to prior period			
Net impact of adjustments to beginning deferred revenue	(49,100)	49,100	-
Amounts received in excess of costs as of June 30, 2012	<u>\$ 5,305,872</u>	<u>\$ 754,045</u>	
Amount deferred at June 30, 2012	<u>\$ 5,305,872</u>	<u>\$ 754,045</u>	<u>\$ 6,059,917</u>

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 3 – FEDERAL, STATE, AND LOCAL GRANTS, (CONTINUED)

B. Section 99268.4 and 99405

Section 99268.4 indicates that in the case of an operator which is providing services using vehicles for the exclusive use of elderly and handicapped person, the operator shall be eligible for the Local Transportation Funds commencing with claims for the 1980-81 fiscal year if it maintains, for the fiscal year, a ratio of fare revenue to operating costs at least equal to 10%.

Section 99405(c) indicates that the 50-percent limitation shall not apply to the allocation to a city, county, or transit district for services under contract pursuant to subdivision (c) or (d) of Section 99400. The city, county or transit district shall be subject to Sections 99268.3, 99268.4, 99268.5, or 99268.9, as the case may be, and shall be deemed an operator for purposes of those sections, or shall be subject to regional, countywide, or county subarea purposes of those sections, or shall be subject to regional, countywide, or county subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the transportation planning agency or the county transportation commission for those services.

The Victor Valley Transit Authority was granted in September of 1997, pursuant to Section 99405, a fare ratio requirement of 15% by the San Bernardino Associated Governments.

The fare ratio as of June 30, 2012, is calculated as follows:

	Motor Bus Routes	Handicapped Demand Response	Total
Operating expenses	\$ 9,233,218	\$ 3,779,629	\$ 13,012,847
Less depreciation	(1,983,673)	(612,895)	(2,596,568)
Adjusted operating expenses	<u>\$ 7,249,545</u>	<u>\$ 3,166,734</u>	<u>\$ 10,416,279</u>
Fare revenue	<u>\$ 1,599,900</u>	<u>\$ 375,729</u>	<u>\$ 1,975,629</u>
Fare ratio	<u>22.1%</u>	<u>11.9%</u>	
Total fare ratio pursuant to P.U.C. Sections 99405(c) and 99268.4, respectively	15.0%	10.0%	

The fare ratio requirement for the Motor Bus Routes and for the Handicapped Demand Response was met by VVTA this year.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 3 – FEDERAL, STATE, AND LOCAL GRANTS, (CONTINUED)

Proposition 1B

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion was deposited into the PTMISEA fund, \$3.6 billion of which was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. Proposition 1B cash receipts and cash disbursements were as follows:

Unspent PTMISEA funds as of July 1, 2011	\$ 989,756
PTMISEA funds received during fiscal year ended June 30, 2012	167,583
PTMISEA expenses incurred during fiscal year ended June 30, 2012	(405,239)
Balance, June 30, 2012	<u>\$ 752,100</u>

NOTE 4 – CASH AND INVESTMENTS

Cash and Investments are classified in the accompanying financial statements as follows:

Cash	\$ 3,081,404
Cash and investments with fiscal agent - restricted	10,478,006
Total	<u>\$ 13,559,410</u>

Cash and Investments consist of the following:

Cash on hand	\$ 10,387
Deposits with financial institutions	3,071,017
Cash and cash equivalents with fiscal agent:	
CAMP	7,546,754
Subtotal - cash and cash equivalents	<u>10,628,158</u>
Investment with trustee	
Guaranteed investment contracts	2,931,252
Total	<u>\$ 13,559,410</u>

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 4 – CASH AND INVESTMENTS, (CONTINUED)

Policies and Practices

VVTA is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 53600. VVTA does not have a formal policy for investments that is more restrictive than the noted Government Code.

Investments of cash within the new facility project and accompanying funds held by the lease trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. VVTA does not have a formal policy related to its investments interest rate risk.

Information about the sensitivity of the fair value of VVTA's investments to market interest rate fluctuations is provided by the following table shows the distribution of the investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months Or Less	More than 60 Months
Held by trustee			
Guaranteed Investment Contract	\$ 2,931,252	\$ -	\$ 2,931,252
CAMP	7,546,754	7,546,754	
Total	<u>\$ 10,478,006</u>	<u>\$ 7,546,754</u>	<u>\$ 2,931,252</u>

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 4 – CASH AND INVESTMENTS, (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Holdings held by the trustee are insured by the trust agreement. VVTA does not have a formal policy related to its investments credit risk. Presented below is the minimum rating required by (where applicable) the California Government Code and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End Not Rated
Held by trustee			
Guaranteed Investment Contract	\$ 2,931,252	NR	\$ 2,931,252
CAMP	7,546,754	N/A	7,546,754
Total	\$ 10,478,006		\$ 10,478,006

Concentration of Credit Risk

Investments in any one issuer that represent 5 percent or more (other than investments in State Investment Pools) of total investments are disclosed below.

Issuer	Investment Type	Reported Amount
Citigroup Financial Planning Investment Agreement	Investment Agreement	\$ 2,931,252

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, VVTA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. VVTA does not have a policy of custodial credit risk for deposits. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, VVTA holds cash deposits with Desert Community Bank \$2,821,017 in excess of FDIC insurance limits. These amounts are fully collateralized by securities held by the bank.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 4 – CASH AND INVESTMENTS, (CONTINUED)

California Asset Management Program

VVTA is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Section 6500 et seq. or the “Act”) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. The Pool’s investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. VVTA reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2012, is as follows:

	Beginning Balance July 1, 2011	Adjustments*	Additions	Retirements	Ending Balance June 30, 2012
Non-depreciable assets					
Land	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
Construction in progress	56,868,435	(16,532,754)	9,803,483	(1,544,716)	48,594,448
Total assets, not depreciated	58,368,435	(16,532,754)	9,803,483	(1,544,716)	50,094,448
Depreciable assets					
Operations equipment	18,394,318	-	4,635,707	(303,976)	22,726,049
Furniture and office equipment	753,730	-	661,090	(69,167)	1,345,653
Total depreciated assets	19,148,048	-	5,296,797	(373,143)	24,071,702
Accumulated depreciation					
Operations equipment	(12,352,295)	-	(2,433,823)	303,977	(14,482,141)
Furniture and office equipment	(504,433)	-	(162,745)	64,862	(602,316)
subtotal accumulated depreciation	(12,856,728)	-	(2,596,568)	368,839	(15,084,457)
Net depreciable assets	6,291,320	-	2,700,229	(4,304)	8,987,245
Total capital assets, net	\$ 64,659,755	\$ (16,532,754)	\$ 12,503,712	\$ (1,549,020)	\$ 59,081,693

*Refer to Note 13 regarding restatement of beginning net assets

**VICTOR VALLEY TRANSIT AUTHORITY
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**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 6 – RISK MANAGEMENT

VVTA is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of twenty-seven participating member agencies: nineteen cities, three transit agencies and five special districts. VVTA participates in the general liability, property, and business auto physical damage programs of PERMA.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. VVTA participates in risk sharing pools for losses of up to \$1 million followed by PERMA's membership in the CSAC Excess Insurance Agency (EIA) for \$49 million excess liability coverage.

The property insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis, eliminating the traditional commercial "named peril" policy.

The business auto physical damage insurance program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Business auto physical damage is written on an agreed amount basis.

VVTA has not had any settlements that exceeded coverage within the last three (3) years and there have been no significant changes in insurance policies or coverage amounts.

NOTE 7 – COMMITMENTS

VVTA has a 7-year contract with their service provider for operations, Veolia Transportation Inc. The contract includes services for the Fixed Routes, Demand Response, and commuter routes for Fort Irwin, and County connector routes. This contract is due to expire June 30, 2018. There are three (3) one-year extension periods that could be added by mutual agreement of the parties.

VVTA currently contracts through ADA Ride for its ADA eligibility certification process. This contract provides ADA certifications for all disabled transit riders seeking transportation services within ADA guidelines. The current contract was established in 2008 and is due to expire June 30, 2013. There are two one-year option periods that may be exercised by the consent of both parties.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012	Due within One year	Due beyond One year
Governmental activities:						
Lease / Trust Agreement (COP)	\$ 34,220,000	\$ -	\$ (670,000)	\$ 33,550,000	\$ 695,000	\$ 32,855,000
Compensated absences	15,676	33,756	(15,676)	33,756	33,756	-
Total Long-Term Liabilities	\$ 34,235,676	\$ 33,756	\$ (685,676)	\$ 33,583,756	\$ 728,756	\$ 32,855,000

Certificates of Participation

In August 2007, VVTA issued Certificates of Participation (COP) in the amount of \$36,830,000 jointly with the California Transit Financing Corporation (CTFC). The COPs were issued to finance the construction of the transit facility located in Hesperia, California. As part of the financing, VVTA pledged farebox revenues as collateral for the issuance. Additionally, debt service payments were to be made from all legally available revenues, including farebox revenues, Federal Transit Assistance Funds, Local Transportation Funds, and State Transit Assistance Funds. Interest rates range from 4% to 5% until 2037 and are due every six months in June and December. Principal is due every June.

As part of the issuance, VVTA entered into a lease agreement for its new transit facility with the CTFC for payments equaling the debt service for the COP's used to finance the construction of the facility. Accompanying the lease agreement was a trust agreement that transfers the right of the CTFC to receive the lease payments to the Bank of New York as the trustee and holder of the COP's.

The future lease payment requirements for the Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 695,000	\$ 1,541,834	\$ 2,236,834
2014	725,000	1,514,034	2,239,034
2015	755,000	1,485,034	2,240,034
2016	785,000	1,453,284	2,238,284
2017	815,000	1,421,884	2,236,884
2018-2022	4,655,000	6,533,694	11,188,694
2023-2027	5,780,000	5,414,731	11,194,731
2028-2032	7,255,000	3,933,088	11,188,088
2033-2037	12,085,000	2,040,838	14,125,838
Total	\$ 33,550,000	\$ 25,338,421	\$ 58,888,421

NOTE 9 – COMPENSATED ABSENCES

Accumulated unpaid personal leave consisting of vacation pay, has been accrued at June 30, 2012 in the amount of \$33,756. VVTA's liability for compensated absences is typically liquidated within one year. The balance related to compensated absences is included in accrued liabilities in the Statement of Net Assets.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 10 – EMPLOYEES’ RETIREMENT PLAN

Plan Description

VVTA entered into a contract with California Public Employees Retirement System (CalPERS) effective August 15, 2011, where VVTA contributes to a cost-sharing multiple-employer defined benefit plan that acts as a common investment and administrative agent for participating entities within the State of California. CalPERS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the public Employees Retirement Law.

CalPERS issues a public Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. A copy of that report may be obtained by writing to CalPERS, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

Funding Policy

Employees are required to contribute 8% of covered salary to CalPERS. VVTA is required to contribute the amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal year ended June 30, 2012, the employer contribution rate was 14.566%. VVTA, as part of its benefits plan to employees, pays 3% of the employees’ contributions.

Annual Pension Cost

For the fiscal year ended June 30, 2012, VVTA’s annual pension cost of \$67,409 was 100% of VVTA’s required and actual contributions. The funded status of the pool may be obtained from CalPERS.

Annual Pension Cost

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed
6/30/2010	N/A	N/A	N/A
6/30/2011	N/A	N/A	N/A
6/30/2012	14.566%	\$ 67,409	100%

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 11 – DEFERRED COMPENSATION PLAN

VVTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all non-represented VVTA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

VVTA has adopted the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. Management believes that VVTA has no fiduciary role under the plan, and plan funds are not available to VVTA's general creditors. Accordingly, VVTA has not reported plan assets in the accompanying financial statements.

NOTE 12 – DEFICIT NET ASSETS

VVTA has a deficit unrestricted net asset balance of \$311,888. This will be remedied through the receipts of Local Transportation Fund revenues, State Transit Assistance Funds, and other grant proceeds.

NOTE 13 – RESTATEMENT OF BEGINNING NET ASSETS

Effective July 1, 2011, VVTA corrected errors to beginning balances for cash and cash equivalents, due from other agencies and capital assets as follows:

	<u>Net Assets</u>
Beginning balances, as previously reported	\$ 30,432,354
Correction for misclassified lease agreement:	
Capital Assets (Construction in progress)	(16,532,754)
Cash w/ fiscal agent - restricted	18,738,031
Due from other agencies	<u>(2,205,277)</u>
Beginning balances, as restated	<u>\$ 30,432,354</u>

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2012



July 15, 2013

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

We have audited the financial statements of the Victor Valley Transit Authority (VVTA) as of and for the year ended June 30, 2012 and have issued our report thereon dated July 15, 2013. In planning and performing our audit of the basic financial statements of the VVTA, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. This observation and recommendation, which has been discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies and are summarized as follows:

CURRENT YEAR MANAGEMENT LETTER COMMENTS

INFORMATION TECHNOLOGY

OBSERVATION:

VVTA adopted the Information Technology Disaster Recovery Plan and the Information Technology Security Plan in September of 2012. Therefore for the year under audit (FY 11-12) these plans were not in place. We have reviewed each of these plans and noted the following:

- VVTA has not stored backup tapes in accordance with the policies approved in the plan. The backup is not stored offsite and had not been stored in a fireproof cabinet.
- The monthly testing of the recovery process has not been implemented.
- The policies do not provide a risk assessment relating to user access profiles and how user access should be assigned.
- The policies do not address the frequency for updating passwords.

RECOMMENDATION:

VVTA should review the IT polices/practices for the areas noted above.

MANAGEMENT'S RESPONSE:

Management agrees with this finding. Management realizes the need to fully support VVTA's Information Technology Disaster Recovery Plan and Information Technology Security Plan. The primary reason for this deficiency is a lack of IT support staff to adequately perform all necessary functions required within the instructions. As such, Management has recommended to the VVTA Board of Directors, the addition of contracted IT support services in its current budget. Once these recommendations have been approved and adopted, Management will vigorously implement the recommendations in this letter.

Our audit procedures are designed primarily to enable us to form our opinions on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the VVTA gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of VVTA's Board, management and others within the organization and should not be used by anyone other than these specified parties.

Vauremole, Tami, Day, C., LLP

Rancho Cucamonga, California
July 15, 2013

**VICTOR VALLEY
TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

Attachment B3
VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)

FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' 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

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

We have audited the basic financial statements of the Victor Valley Transit Authority (VVTA) as of and for the year ended June 30, 2012 and have issued our report thereon dated July 15, 2013. Our report included an explanatory paragraph regarding the restatement of certain beginning balances in the financial statements as of July 1, 2011. 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 VVTA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered VVTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VVTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of VVTA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, cannot provide assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-03, to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VVTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Part 21 of the California Code of Regulations and the allocation instructions of San Bernardino Associated Governments, 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*.

We noted certain matters that we also reported to management of the VVTA in a separate letter dated July 15, 2013.

VVTA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit VVTA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of VVTA's Board, management, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck, Trine, Day, Co., LLP

Rancho Cucamonga, California
July 15, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM,
INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

Compliance

We have audited the Victor Valley Transit Authority's (VVTA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of VVTA's major federal programs for the year ended June 30, 2012. VVTA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of VVTA's management. Our responsibility is to express an opinion on VVTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about VVTA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of VVTA's compliance with those requirements.

In our opinion, VVTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-04.

Internal Control Over Compliance

Management of VVTA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered VVTA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VVTA's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of VVTA as of and for the year ended June 30, 2012, and have issued our report thereon dated July 15, 2013, which contained an unqualified opinion on those financial statements. Our report included an explanatory paragraph regarding VVTA's restatement of certain beginning balances as of July 1, 2011. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise VVTA's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

VVTA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit VVTA's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of VVTA's Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Teme, Day, Co., LLP

Rancho Cucamonga, California
July 15, 2013

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Pass-Through Entity's Name	Federal Expenditures
Department of Transportation				
Federal Transit Administration (Indirect)				
Federal Transit Formula Grants, Section 5307	20.507	CA-95-0004; CA-95-X136; CA-90-Y805; CA-90-Y869; CA-90-X132; CA-90-Y879	State of California Department of Transportation	\$ 4,190,413
Formula Grants for Other than Urbanized Areas, Section 5311	20.509	SA 642181	State of California Department of Transportation	213,002
Capital Assistance Program for Elderly Persons and Persons with Disabilities, Section 5310	20.513	SA 649503	State of California Department of Transportation	487,621
Total Expenditures of Federal Awards				<u>\$ 4,891,036</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**VICTOR VALLEY TRANSIT AUTHORITY
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the Victor Valley Transit Authority (VVTA). VVTA's reporting entity is defined in Note 1 of VVTA's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 of VVTA's Financial Statements.

**VICTOR VALLEY TRANSIT AUTHORITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Finding 2012-01

JOURNAL ENTRIES

Criteria:

The use of journal entries is an important element of VVTA's financial reporting processes. Journal entries are used to record financial transactions, post adjustments and to post accruals.

Condition:

Material Weakness - While testing transaction cycles over key financial statement line items, we noted that journal entries are prepared, reviewed and posted by the Finance Director without any additional approval or review of journal entries.

Context:

The condition noted above was identified during our testing of the revenue, expense, cash, accounts payable, and accounts receivable transaction cycles and inquiry with personnel.

Effect:

The internal control environment is weakened as journal entries are not subjected to a formal approval process.

Cause:

The performance of internal controls related to review and approval of financial information posted to VVTA's financial reporting system was not formally documented.

Recommendation:

VVTA should document the review of journal entries through a signature, initial, date, or other testable event to ensure proper approval of journal entries.

View of Responsible Official and Planned Corrective Actions:

Management agrees that there has not been a formal process for review and secondary approval of journal entries and there is no such documentation to support such a program. However, lack of documentation is not the reason why this process has not taken place. Rather lack of adequate accounting staff has resulted in only one staff member, the Finance Director, having the knowledge necessary to adequately review and approve journal entries. To remedy this finding, Management has recommended to the VVTA Board of Directors to adopt the current budget which includes an additional staff position to the accounting department. Once that staff position is in place, VVTA will write up a formal policy to support and implement the recommended review process.

**VICTOR VALLEY TRANSIT AUTHORITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Finding 2012-02

BANK RECONCILIATIONS

Criteria:

The use of bank reconciliations is a key component over financial reporting process. Bank reconciliations are used to ensure that the general ledger is in balance and all cash and investments are accounted for.

Condition:

Significant Deficiency - While testing internal controls over the financial reporting process we noted that VVTA does not prepare bank reconciliations for the lease trustee financial statements. We also noted that VVTA does not have a review process for the bank reconciliation of the general checking account.

Context:

The condition noted above was identified while interviewing finance personnel and during testing of the bank reconciliation process.

Effect:

The internal control environment is weakened because the lease trustee statements are not reconciled and is also weakened due to the lack of review of the general checking bank reconciliation process.

Cause:

VVTA's policies do not provide for the review of the bank account reconciliation.

Recommendation:

VVTA should perform bank reconciliations over the lease trustee statements and someone should be designated to review and approve the bank reconciliations each month.

View of Responsible Official and Planned Corrective Actions:

Management agrees that there have not been reconciliations for the lease trustee financial statements, or a formal process for reviewing completed bank reconciliations. The lack of preparation of bank reconciliations for the lease trustee financial statements was due to VVTA's not recognizing that the funds in the accounts managed by the trustee, Bank of New York, were under the legal ownership of VVTA and therefore should be accounted for on VVTA's books and records. VVTA now recognizes its responsibility to report these values and has restated its July 1, 2011 beginning balances to reflect these amounts. Additionally, VVTA will update its processes and will reconcile these statements as a result of this change. As for the review of bank reconciliations, VVTA will have the assistant Treasurer review all bank reconciliations until such time as more accounting staff can be added to provide for this function within the accounting department.

**VICTOR VALLEY TRANSIT AUTHORITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Finding 2012-03

VVTA FINANCIAL STATEMENT - YEAR-END CLOSING PROCEDURES

Criteria:

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein and for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP). This requires management to work through a year-end closing process to accumulate, reconcile, and summarize information for inclusion in the annual financial statements.

Condition:

Material Weakness - Deficiencies were noted in the year end closing process resulting in adjustments to the following accounts to comply with Generally Accepted Accounting Principles (GAAP):

- Cash with fiscal agent - restricted
- Capital assets
- Due from other agencies

Context:

The condition noted above was identified during the testing of transactions related to VVTA's financial statement line items.

Effect:

As a result of the year-end closing process utilized by VVTA the financial information provided during the audit process contained material misstatements.

Cause:

Deficiencies were noted within the year-end closing process relating to proper financial reporting in accordance with GAAP.

Recommendation:

VVTA should revise the comprehensive closing checklist and formalized policies to ensure that year-end balances are accurate and in compliance with GAAP.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

View of Responsible Official and Planned Corrective Actions:

Management agrees with this finding. VVTA had been reporting funds received through a finance Leasing arrangement with California Finance Trust Corporation (CFTC), as an asset in total based on the net present value of the lease payments over the entire term of the lease. VVTA has subsequently elected to change the way these funds are reported on its financial records due to further consideration of Generally Accepted Accounting Principles (GAAP) for presentation of financial information relating to Capital Asset valuation. These changes resulted in a reduction to the Capital Asset account for future lease payments previously accrued, and the establishment of a new asset account, "Cash with Fiscal Agent-restricted". The purpose of the change is to represent the actual value of available funds for the financing of the completion of VVTA's new transit facility and/or future debt repayment, separate from the value of completed work on the new facility in the Capital asset accounts. Amounts for these accounts were restated as of July 1, 2011 and updates will be made to VVTA's closing procedures to insure that these accounts will continue to be maintained and reported in accordance with Generally Accepted Accounting Principles (GAAP).

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2012-04

Program: Federal Transit Formula Grants, Capital Assistance Program for Elderly Persons
and Persons with Disabilities

CFDA No.: 20.507 and 20.513

Federal Grantor: U.S. Department of Transportation, Federal Transit Administration

Passed-through: State of California Department of Transportation

Award Year: Various

Compliance Requirement: Reporting

Criteria:

OMB A-133 §___.320 requires all Single Audit report submissions are to be received within 9 months of fiscal year end (March 31st).

Condition:

Significant deficiency, Instance of non-compliance – Deficiencies were noted within the year-end closing process relating to proper financial reporting in accordance with GAAP. This resulted in several delays to the issuance of the financial statements. As a result, VVTA did not submit the Single Audit report by the March 31st deadline.

Questioned Costs:

None

Context:

VVTA did not submit the Single Audit report in a timely manner.

Effect:

The Single Audit March 31, 2012 filing deadline was not met by VVTA.

Cause:

Delays in year-end closing and resolution of financial reporting matters resulting from deficiencies in the year-end closing procedures lead to the Single Audit report not being issued by the March 31st deadline. In addition, VVTA did not dedicate sufficient resources to the year-end closing process to ensure a timely close in accordance with GAAP.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

VVTA should revise the policies and procedures relating to year-end closing to ensure that all financial reporting matters are resolved in a timely manner to allow for the submission of the Single Audit report by the March 31st deadline. VVTA should also consider additional staffing to ensure accurate and timely financial reporting and to ensure that specialized accounting and reporting requirements are addressed for the various grants and funding sources received by VVTA.

View of Responsible Official and Planned Corrective Actions:

Management agrees that the FY2012 audit submission is late and fully supports any and all actions necessary to prevent late submissions in the future. Management recognizes that it did not dedicate sufficient resources to the year-end closing process which resulted in the late submission of the Single Audit for FY2012. Management believes that other contributing factors to the late submission include the introduction of a new auditing firm for the FY2012 audit. Due to this change a significant number of new procedures and requirements, not required by prior auditors, were introduced to the closing process and VVTA was not prepared with sufficient accounting staff to support them in the time frame needed to meet these deadlines. While some of these issues should remedy themselves now that both parties have gained experience with the new processes and relationship, an additional requirement to remedy this finding will be for the addition of more accounting resources to support a timely year end closing process. As such Management has delivered to the VVTA Board of Directors proposals to adopt the current budget which includes an additional staff position to the accounting department. Once that staff position is in place, management will be in a better position to adhere to these deadlines and remain in compliance.

**VICTOR VALLEY TRANSIT AUTHORITY
(A JOINT POWERS AUTHORITY)**

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2012

None reported.

This list provides information on acronyms commonly used by transportation planning professionals. This information is provided in an effort to assist SANBAG Board Members and partners as they participate in deliberations at SANBAG Board meetings. While a complete list of all acronyms which may arise at any given time is not possible, this list attempts to provide the most commonly-used terms. SANBAG staff makes every effort to minimize use of acronyms to ensure good communication and understanding of complex transportation processes.

AB	Assembly Bill
ACE	Alameda Corridor East
ACT	Association for Commuter Transportation
ADA	Americans with Disabilities Act
ADT	Average Daily Traffic
APTA	American Public Transportation Association
AQMP	Air Quality Management Plan
ARRA	American Recovery and Reinvestment Act
ATMIS	Advanced Transportation Management Information Systems
BAT	Barstow Area Transit
CALACT	California Association for Coordination Transportation
CALCOG	California Association of Councils of Governments
CALSAFE	California Committee for Service Authorities for Freeway Emergencies
CARB	California Air Resources Board
CEQA	California Environmental Quality Act
CMAQ	Congestion Mitigation and Air Quality
CMIA	Corridor Mobility Improvement Account
CMP	Congestion Management Program
CNG	Compressed Natural Gas
COG	Council of Governments
CPUC	California Public Utilities Commission
CSAC	California State Association of Counties
CTA	California Transit Association
CTC	California Transportation Commission
CTC	County Transportation Commission
CTP	Comprehensive Transportation Plan
DBE	Disadvantaged Business Enterprise
DEMO	Federal Demonstration Funds
DOT	Department of Transportation
EA	Environmental Assessment
E&D	Elderly and Disabled
E&H	Elderly and Handicapped
EIR	Environmental Impact Report (California)
EIS	Environmental Impact Statement (Federal)
EPA	Environmental Protection Agency
FHWA	Federal Highway Administration
FSP	Freeway Service Patrol
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FTIP	Federal Transportation Improvement Program
GFOA	Government Finance Officers Association
GIS	Geographic Information Systems
HOV	High-Occupancy Vehicle
ICTC	Interstate Clean Transportation Corridor
IIEP	Inland Empire Economic Partnership
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
IIP/ITIP	Interregional Transportation Improvement Program
ITS	Intelligent Transportation Systems
IVDA	Inland Valley Development Agency
JARC	Job Access Reverse Commute
LACMTA	Los Angeles County Metropolitan Transportation Authority
LNG	Liquefied Natural Gas
LTF	Local Transportation Funds

MAGLEV	Magnetic Levitation
MARTA	Mountain Area Regional Transportation Authority
MBTA	Morongo Basin Transit Authority
MDAB	Mojave Desert Air Basin
MDAQMD	Mojave Desert Air Quality Management District
MOU	Memorandum of Understanding
MPO	Metropolitan Planning Organization
MSRC	Mobile Source Air Pollution Reduction Review Committee
NAT	Needles Area Transit
NEPA	National Environmental Policy Act
OA	Obligation Authority
OCTA	Orange County Transportation Authority
PA&ED	Project Approval and Environmental Document
PASTACC	Public and Specialized Transportation Advisory and Coordinating Council
PDT	Project Development Team
PNRS	Projects of National and Regional Significance
PPM	Planning, Programming and Monitoring Funds
PSE	Plans, Specifications and Estimates
PSR	Project Study Report
PTA	Public Transportation Account
PTC	Positive Train Control
PTMISEA	Public Transportation Modernization, Improvement and Service Enhancement Account
RCTC	Riverside County Transportation Commission
RDA	Redevelopment Agency
RFP	Request for Proposal
RIP	Regional Improvement Program
RSTIS	Regionally Significant Transportation Investment Study
RTIP	Regional Transportation Improvement Program
RTP	Regional Transportation Plan
RTPA	Regional Transportation Planning Agencies
SB	Senate Bill
SAFE	Service Authority for Freeway Emergencies
SAFETEA-LU	Safe Accountable Flexible Efficient Transportation Equity Act – A Legacy for Users
SCAB	South Coast Air Basin
SCAG	Southern California Association of Governments
SCAQMD	South Coast Air Quality Management District
SCRRA	Southern California Regional Rail Authority
SHA	State Highway Account
SHOPP	State Highway Operations and Protection Program
SOV	Single-Occupant Vehicle
S RTP	Short Range Transit Plan
STAF	State Transit Assistance Funds
STIP	State Transportation Improvement Program
STP	Surface Transportation Program
TAC	Technical Advisory Committee
TCIF	Trade Corridor Improvement Fund
TCM	Transportation Control Measure
TCRP	Traffic Congestion Relief Program
TDA	Transportation Development Act
TEA	Transportation Enhancement Activities
TEA-21	Transportation Equity Act for the 21 st Century
TMC	Transportation Management Center
TMEE	Traffic Management and Environmental Enhancement
TSM	Transportation Systems Management
TSSDRA	Transit System Safety, Security and Disaster Response Account
USFWS	United States Fish and Wildlife Service
VCTC	Ventura County Transportation Commission
VVTA	Victor Valley Transit Authority
WRCOG	Western Riverside Council of Governments

San Bernardino Associated Governments



MISSION STATEMENT

To enhance the quality of life for all residents, San Bernardino Associated Governments (SANBAG) will:

- Improve cooperative regional planning

- Develop an accessible, efficient, multi-modal transportation system

- Strengthen economic development efforts

- Exert leadership in creative problem solving

To successfully accomplish this mission, SANBAG will foster enhanced relationships among all of its stakeholders while adding to the value of local governments.

Approved June 2, 1993
Reaffirmed March 6, 1996