

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

## Supplemental Material for Agenda No. 23

### Board of Directors

July 2, 2014

Location:

SANBAG Office  
1170 W. 3<sup>rd</sup> Street, (1<sup>st</sup> Floor Lobby)  
San Bernardino, CA

## CONSENT CALENDAR

### Transit/Commuter Rail

**23. Review Financial Audits for Transit Operators**

Review and receive Operator financial reports for Fiscal Year 2012/2013 for Omnitrans and City of Barstow (Barstow Area Transit). **Mitch Alderman**

*Attached are the full financial audit reports for Omnitrans and City of Barstow (Barstow Area Transit).*

Omnitrans CAFR

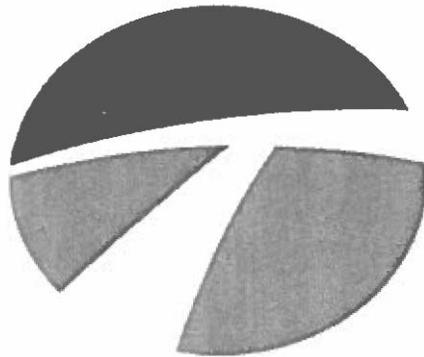
# OMNITRANS

San Bernardino, California

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

(With Independent Auditor's Report Thereon)



**Omnitrans**  
Connecting Our Community

Prepared by the Finance Department

DONALD WALKER  
Director of Finance

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**INTRODUCTORY SECTION**



January 9, 2014

To the Members of the Omnitrans Board of Directors, CEO/General Manager and Citizens of the County of San Bernardino:

California Government Code sections 25250 and 25253 require that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published in fulfillment of that requirement for the fiscal year ended June 30, 2013.

This report provides an independently audited account of the financial condition of the Agency. The financial statements, supplemental schedules, and statistical information are the representations of Omnitrans' management. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Consequently, management assumes full responsibility for their accuracy, completeness and fairness.

Vavrinek, Trine, Day & Co., LLP, a firm of licensed certified public accountants, audited Omnitrans financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2013, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Omnitrans' financial statements for the fiscal year ended June 30, 2013 are fairly represented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

*continued on next page*

Omnitrans • 1700 West Fifth Street • San Bernardino, CA 924 11  
Phone: 909-379-7100 • Web site: [www.omnitrans.org](http://www.omnitrans.org) • Fax 909-889-5779

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Serving the communities of Chino Hills, Colton, County of San Bernardino, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland and Yucaipa.

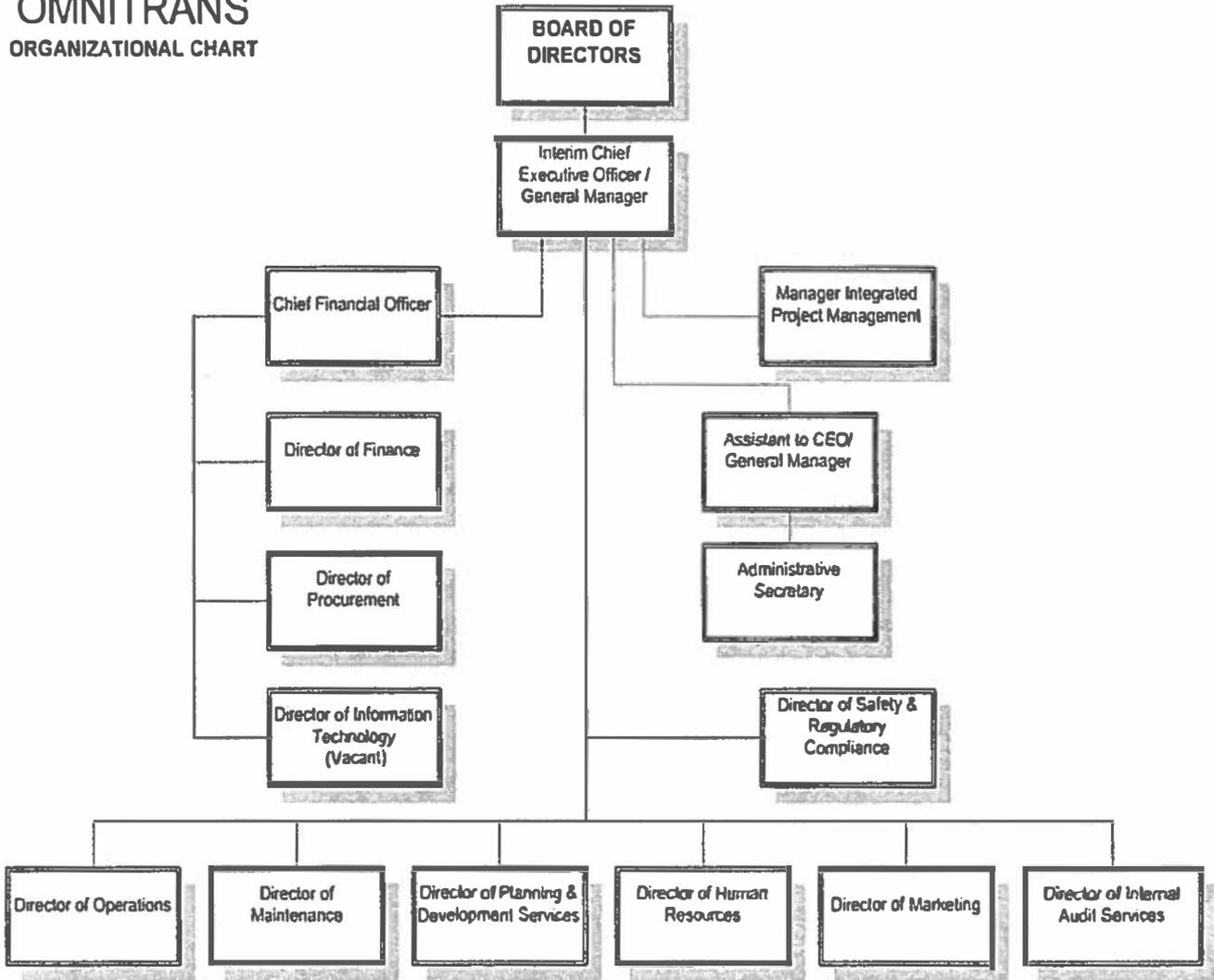
Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The independent audit of the financial statements of Omnitrans was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in a separate Single Audit report.

As stewards of the taxpayer's money, Omnitrans continues to achieve its primary objective of safeguarding the funds entrusted to us. Our primary focus is the planning, securing and controlling of Omnitrans' financial resources.

Omnitrans takes great pride in the fact that previously issued CAFRs have been awarded a prestigious award by The Government Finance Officers Association (GFOA) in the form of its Certificate of Achievement for Excellence in Financial Reporting. Omnitrans has received the GFOA "Certificate of Achievement for Excellence in Finance Reporting" a total of ten times. These prior awards and the one that we are currently seeking this year evidence the significant improvements regarding the strengthening of internal controls and our compliance with stringent GFOA standards for professional financial reporting. Omnitrans' system of internal control is supported by written policies and procedures and is continually reviewed, evaluated and modified to meet current needs.

**OMNITRANS**  
ORGANIZATIONAL CHART



## **OMNITRANS SENIOR LEADERSHIP TEAM**

**P. Scott Graham**  
Interim CEO/General Manager

**Robert L. Miller**  
Chief Financial Officer

**Donald Walker**  
Director of Finance

**Marjorie Ewing**  
Director of Human Resources

**Vacant**  
Director of Information Technology

**Milind Joshi**  
Manager of Integrated Project Management Office

**Samuel J. Gibbs**  
Director of Internal Audit Services

**Jack Dooley**  
Director of Maintenance

**Wendy S. Williams**  
Director of Marketing

**Diane Caldera**  
Director of Operations

**Rohan Kuruppu**  
Director of Planning and Development Services

**Jennifer Sims**  
Director of Procurement

**Ray Lopez**  
Director of Safety and Regulatory Compliance

Omnitrans CAFR  
OMNITRANS BOARD OF DIRECTORS



Chair  
Dick Riddell  
Yucaipa



Vice Chair  
Alan Wapner  
Ontario



Supervisor  
Gary Ovitt  
County



Supervisor  
Josie Gonzales  
County



Supervisor  
James Ramos  
County



Supervisor  
Janice Rutherford  
County



Supervisor  
Robert Lovingood  
County



Dennis Yates  
Chino

Omnitrans CAFR



**Ed Graham**  
Chino Hills



**Frank Gonzales**  
Colton



**John B. Roberts, Jr**  
Fontana



**Walt Stanckiewicz**  
Grand Terrace



**Penny Lilburn**  
Highland



**Ron Dailey**  
Loma Linda



**Paul Eaton**  
Montclair



**Sam Spagnolo**  
Rancho Cucamonga

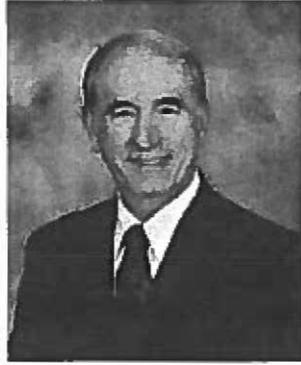


**Paul Foster**  
Redlands

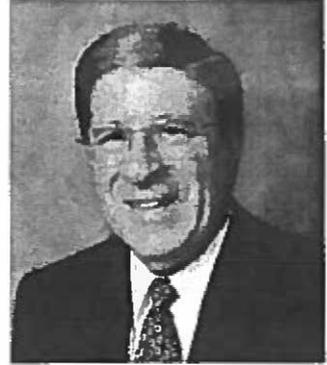
Omnitrans CAFR



Edward M. Palmer  
Rialto



Pat Morris  
San Bernardino



Ray Musser  
Upland



Government Finance Officers Association

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Presented to

**Omnitrans  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

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**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Enos".

Executive Director/CEO

**PROFILE OF OMNITRANS**

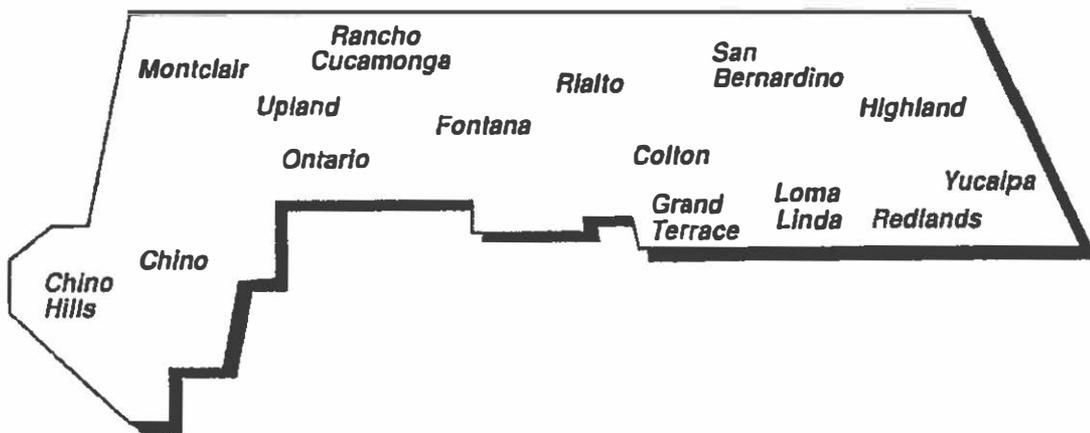
Omnitrans was founded in 1976 under a Joint Powers Agreement to provide transportation service to the San Bernardino Valley. Omnitrans is the major public transportation provider in the San Bernardino Valley, with a service area of approximately 456 square miles, serving fifteen municipalities, and many unincorporated areas of San Bernardino County. Omnitrans also travels beyond the service area to Pomona and Riverside, to provide links to neighboring transit agencies. The service area is bordered by the Los Angeles County line to the west, the San Gabriel and San Bernardino Mountains to the north, Yucaipa in the east and the Riverside County line to the south. The map below shows the Omnitrans service area. Employees work out of two locations: East Valley (San Bernardino) and West Valley (Montclair).

The board of directors, made up of elected officials from each of the member jurisdictions governs the Agency. The member jurisdictions include the following:

- |                       |                          |                        |
|-----------------------|--------------------------|------------------------|
| City of Chino         | City of Highland         | City of Redlands       |
| City of Chino Hills   | City of Loma Linda       | City of Rialto         |
| City of Colton        | City of Montclair        | City of San Bernardino |
| City of Fontana       | City of Ontario          | City of Upland         |
| City of Grand Terrace | City of Rancho Cucamonga | City of Yucaipa        |
|                       | County of San Bernardino |                        |

Each city has one member and the County of San Bernardino has five members on the Board, who represent their respective County Districts. The Board is responsible for all policy, regulatory, and budgetary decisions of the Agency.

**Service Area Map**



Three Board committees oversee specific functional areas of the Agency with the provision to create ad-hoc committees as needed. These subcommittees are:

1. Executive Committee
2. Administrative and Finance Committee
3. Plans and Programs Committee

As of June 30, 2013, Omnitrans had a staff of 635 employees to provide its services. The CEO/General Manager is responsible for the day-to-day management of the Agency and acts as the liaison to the Board of Directors and each of the committees. Reporting to the CEO/General Manager are the following departments:

1. Administration
2. Human Resources
3. Maintenance
4. Marketing
5. Operations
6. Planning
7. Safety and Security
8. Integrated Project Management Office

Reporting to the Chief Financial Officer are the following departments:

1. Finance
2. Information Technology
3. Procurement

As cited in its Joint Powers Agreement (JPA), Omnitrans was created as a single umbrella agency to serve the bus transit needs of the San Bernardino Valley. Provisions were made in the JPA to: 1) Establish a uniform fare policy within the service area, 2) To coordinate a region wide bus transit marketing program, and 3) To consolidate bus transit operating and administrative functions in order to achieve increased economies of scale.

To meet the bus transportation service demands efficiently and effectively, Omnitrans uses a multimodal approach to the provisions of service. The types of services presently offered are summarized below:

#### ***Local Fixed Route Service***

- In accordance with the Operational Standards for the provision of service, Omnitrans operates 27 fixed routes and five OmniGo local circulator routes.
- Routes operate at 15 to 60 minute intervals.
- All routes operate Monday through Friday with service beginning at 3:48 AM and ending at 11:13 PM. On Saturdays there are 25 routes and four OmniGo circulators in operation with service beginning at 5:13 AM and ending at 10:16 PM. On Sundays there are 23 routes and four OmniGo circulators in service which begin at 5:52 AM and end at 7:54 PM.

- Coordinated local fixed-route service with Orange County Transit Authority, Foothill Transit, Los Angeles County Metropolitan Transportation Authority (limited), Riverside Transit Agency, and Mountain Area Regional Transit Authority; operated under Cooperative and/or Joint Service Agreements between Omnitrans and neighboring transit operators.

**Regional Fixed Route Service**

- Route 215 is a cross-county service provided by Omnitrans. This route provides service between the Omnitrans 4th Street Transit Mall and Riverside Transit Agency's Downtown Terminal.
- This route operates on 20/30-minute and 60-minute frequencies.

**FY12 Fixed-Route Service Frequency by Route**

Route Count	Route	Route Name	Service Days/Frequency		
			Weekday	Saturday	Sunday
1	1	ARMC - San Bernardino - Del Rosa	15/30	30	30
2	2	Cal State - E Street - Loma Linda	15/30	20	20/30
3	3	Baseline - Highland - San Bernardino CCW	15/20	20	20
4	4	Baseline - Highland - San Bernardino CW	15/20	20	20
5	5	San Bernardino - Del Rosa - Cal State	30/35	60	60
6	7	N. San Bernardino - Sierra Way - San Bernardino	30/60	60	60
7	8	San Bernardino - Mentone - Yucaipa	60	60	120
8	9	San Bernardino - Redlands - Yucaipa	60	60	120
9	10	Fontana - Baseline - San Bernardino	30/60	60	60
10	11	San Bernardino - Muscoy - Cal State	30/60	60	60
11	14	Fontana - Foothill - San Bernardino	15	15/30	15
12	15	Fontana - San Bndo/Highland - Redlands	30	60	60
13	19	Fontana - Colton - Redlands	30	60	60
14	20	Fontana Metrolink - Via Hemlock - Kaiser	30	60	60
15	22	North Rialto - Riverside Ave - ARMC	30	60	60
16	29	Bloomington - Valley Blvd - Kaiser	60	60	*
17	308/309	OmniGo: Yucaipa	30/60	30	60
18	310	OmniGo: Yucaipa	30/60	*	*
19	325	OmniGo: Grand Terrace	70	70	70
20	215	San Bernardino - Riverside	20/30	60	60
21	61	Fontana-Ontario Mills-Pomona	15	15	15

22	63	Chino-Ontario-Upland	60	60	60
23	65	Montclair-Chino Hills	60	60	60
24	66	Fontana-Foothill Blvd.-Montclair	15/30	30	30
25	67	Montclair-Baseline-Fontana	60	*	*
26	68	Chino-Montclair-Chaffey College	20/40	60	*
27	80	Montclair— OntConvCntr – Chaffey College	60	60	60
28	81	Ontario-Ontario Mills-Chaffey College	60	*	*
29	82	Rancho Cucamonga-Fontana-Sierra Lakes	60	60	60
30	83	Upland-Euclid-Chino	60	60	60
31	365	OmniGo: Chino Hills	60	60	60

*\* No Saturday or Sunday Service (as applicable)*

***Metrolink Regional Commuter Rail Feeder Service***

- Metrolink service is provided between Omnitrans service area, Los Angeles, Riverside, Orange, Ventura and San Diego Counties by Southern California Regional Rail Authority.
- Omnitrans provides feeder bus service to seven Metrolink Stations located in San Bernardino, Rialto, Fontana, Rancho Cucamonga, Upland, Montclair and East Ontario.
- Metrolink ticket/pass is good for one free ride going to or leaving from any Metrolink Station that an Omnitrans bus serves. Tickets must be valid for the date on which you're riding the bus.

**Access**

- In accordance with the Americans with Disabilities Act (ADA), Omnitrans provides wheelchair lift equipped vans for curb-to-curb transportation services.
- Reservations for service must be made one day in advance of your travel needs, with the option to call up to seven days in advance.
- Access operates during the same days and hours as fixed route buses within a ¼ mile range of routes.
- Who can ride Access? – Those persons with an Omnitrans (or other transit agency) ADA certification ID card. Persons with an Omnitrans Disability card. Personal Care Attendants providing personal care to an ADA certified rider. Companions (Adult accompanying person with a disability) and/or Children of a qualified Adult ADA certified rider. (Maximum of two children 46" tall and under may ride free. Children under age 6 and/or under 60 pounds must travel in a rider supplied child restraint device).

***Omnilink***

- Omnilink is a general public demand response van service in the cities of Chino Hills and Yucaipa.
- Reservations can be made for same day service on a space available basis. Reservations can also be made up to three days in advance.
- Operates 7:00 AM to 6:00 PM, Monday through Friday.
- Omnilink is available to the general public on a first come first service basis.

***OmniGo Circulator Service***

- OmniGo is a new fixed route community circulator service that operates in the cities of Chino Hills, Grand Terrace, and Yucaipa.
- Implemented in September of 2010, it connects points of interest within each city and provides connectivity to Omnitrans fixed route bus service.
- All OmniGo services are contracted out by Omnitrans and operated by a private contractor.
- The vehicles used are the 16-passenger cutaway vehicles similar to those used by OmniLink and Access; this ensures that the service can both navigate the narrow residential streets and serve the residents of the city more cost-effectively.
- OmniGo routes operate all week long, with the following spans: for Yucaipa Routes 308 and 309, Weekdays: 6:11 AM to 8:55 PM, Saturdays: 7:00 AM to 8:25 PM, Sundays: 7:30 AM to 6:39 PM; for Yucaipa Route 310, Weekdays: 6:00 AM to 7:52 PM; for Grand Terrace Route 325, Weekdays: 5:17 AM to 8:19 PM, Saturdays: 7:17 AM to 6:14 PM, Sundays: 8:27 AM to 6:14 PM; for Chino Hills Route 365, Weekdays: 5:05 AM to 10:00 PM, Saturdays: 6:05 AM to 7:00 PM, and Sundays: 6:05 AM to 6:00 PM.
- OmniGo fares are the same as those for other Omnitrans fixed route bus services.

**FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Omnitrans  
San Bernardino, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Omnitrans as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omnitrans as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 3 through 12 and 32, respectively, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Omnitrans' basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Prior-Year Comparative Information***

The prior year summarized comparative financial information has been derived from the Omnitrans' 2012 financial statements which were audited by other auditors and whose report dated October 31, 2012, expressed an unmodified opinion on the financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of Omnitrans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Omnitrans' internal control over financial reporting and compliance.

*Vavrinch, Train, Day & Co., LLP*

Rancho Cucamonga, California  
December 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Omnitrans (the Agency), we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities for the Agency for the fiscal year ended June 30, 2013.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter and financial statements, which are included in this report.

### Financial Highlights

- At the end of fiscal year 2013, the Statement of Net Position presents total assets of \$254.7 million and total liabilities and deferred inflow of resources of \$39.6 million and \$55.5 thousand respectively. Total assets increased 43.9 percent over the previous fiscal year, resulting largely from increases in Construction in progress that consists mainly of the E Street Bus Rapid Transit (sbX) project.
- Total liabilities at fiscal year ended June 30, 2013 increased \$7.3 million, up 22.7 percent over previous fiscal year end. Accounts payable increases of \$7.0 million were offset by reductions in unearned revenue of \$2.0 million. Noncurrent liabilities increased \$1.5 million or 15.6 percent due to the estimated outstanding losses highlighted in the actuarial study of the self-insured workers compensation and liability programs as of June 30, 2013.
- As a result of General Accounting Standards Board (GASB) 53, \$55.5 thousand of Accumulated increase in fair value of hedging derivatives is presented on the Statement of net position at fiscal year ended June 30, 2013.
- Operating revenues at fiscal year ended June 30, 2013 of \$14.8 million decreased \$542.9 thousand or 3.5 percent compared to last fiscal year end.
- Operating expense, excluding depreciation, at fiscal year end June 30, 2013 increased \$1.3 million or 1.9 percent compared to last fiscal year end.
- Non-operating revenues, which include federal and local operating grants and pass-through to other agencies, increased by \$6.2 million or 13.2 percent. The increase is attributed to the increases in federal and local operating grants and revenue from the compressed natural gas (CNG) fuel tax credits.
- At fiscal year end June 30, 2013 capital assistance of \$89.6 million increased \$55.2 million or 160.3 percent compared to the previous fiscal year. This increase is due to increased activity on the sbX project, the major capital project in progress at Omnitrans.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview of the Financial Statements

This annual financial report consists of two parts, Management's Discussion and Analysis and the basic financial statements, including notes to the financial statements. The Agency financial statements offer key, high-level financial information about the Agency's activities.

The Agency is a government funded entity that follows enterprise fund accounting and presents its financial statement on the accrual basis of accounting. The enterprise fund concept is similar to how private business enterprises are financed and operated.

The statement of net position include information on all of the Agency's assets and liabilities with the difference between assets, liabilities, and deferred inflows reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of revenues, expenses and change in net position present information regarding how the Agency net position changed during the fiscal years ended June 30, 2013 and 2012. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, and amounts are measurable, regardless of the timing of related cash flows.

### Financial Statements Analysis

The following tables summarize revenues, expenses and changes in net position comparing fiscal year 2013 with fiscal year 2012. For additional information regarding the Agency's financial activities for fiscal year ended June 30, 2013, readers are encouraged to read this section in conjunction with the accompanying Notes to the Basic Financial Statements.

### Revenues and Expenses

#### Revenues

Omnitrans' total revenues for fiscal year ending June 30, 2013 show an increase of \$62.3 million or 63.7 percent compared to last fiscal year. Revenue from fares, pass and ticket sales less discount to pass sale vendors was \$218.9 thousand less than the previous fiscal year. Reduction in advertising revenues account for the majority of the decrease in total operating revenues. Advertising revenue decreased \$323.9 thousand or 40.2 percent compared to the previous fiscal year. Other transportation revenues account for less than 0.3 percent of total operating revenues, were the same as prior fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Federal and local operating grants for Omnitrans increased from \$47.9 million in fiscal year 2012 to \$54.1 million in fiscal year 2013. This represents a \$6.2 million or 13.0 percent increase in revenues. Omnitrans receives federal, state, and local funding which are utilized for both operating and capital expenditures.

Financing the construction, operation and maintenance of public transportation systems involves many different types of funding sources, including federal and non-federal grants, and other revenue sources. The source of federal and local operating grants and capital assistance include the following:

- Measure I - the ½ cent sales tax collected throughout San Bernardino County for transportation improvements.
- Local Transportation Fund (LTF) - Transportation Development Act (TDA) earmark ¼ percent of the state sales tax for transit.
- Urbanized Area Formula Program (5307) - transit capital and operating assistance in urbanized areas and for transportation-related planning.
- Congestion Mitigation and Air Quality Improvement (CMAQ) - established to support surface transportation projects and other related efforts that contribute air quality improvements and provide congestion relief.
- Job Access and Reverse Commute (JARC) – established to improve access to transportation services to employment and employment related activities for welfare recipients and eligible low-income individuals and to transport residents of urbanized areas and non-urbanized areas to suburban employment opportunities.
- New Freedom - a formula grant program aims to provide additional tools to overcome existing barriers facing Americans with disabilities seeking integration into the work force available to people with disabilities beyond the requirements of the Americans with Disabilities Act of 1990 (ADA).
- State Transit Assistance Fund (STAF) - derived from sales tax on gasoline and diesel fuel, this funding is an allocation to local transit agencies to fund a portion of the operations and capital costs associated with local mass transportation programs.
- Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) - created by Proposition 1B, is funding available to transit operators over a ten-year period. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (buses and rail cars) procurement, rehabilitation or replacement.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Interest income for the Agency consists of quarterly return on investment with the Local Agency Investment Fund (LAIF). The LAIF program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office at no additional cost. Total interest income for fiscal year ended June 30, 2013 was \$24.9 thousand down \$27.8 thousand or 52.7 percent compared to the previous fiscal year.

Other non-operating revenues consists mainly of quarterly reimbursement to the Agency from the Amalgamated Transit Union (ATU) Local 1704 for wages and benefits paid by the Agency to ATU Officers/Stewards during normal work hours to process grievances. Total other non-operating revenues decreased \$11.6 thousand or 46.7 percent below last fiscal year.

### OMNITRANS' Revenues

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Passenger fares	\$ 14,317,987	14,536,931	(218,944)	(1.5)
Advertising revenue	481,994	805,904	(323,910)	(40.2)
Other Transportation Revenue	39,819	39,819	0	0.0
Federal and local operating grants	54,087,458	47,875,811	6,211,647	13.0
Capital assistance	89,571,554	34,412,696	55,158,858	160.3
Interest Income	24,915	52,727	(27,812)	(52.7)
CNG fuel tax credit	1,477,256	0	1,477,256	
Other non-operating revenues/(expenses)	<u>13,304</u>	<u>24,951</u>	<u>(11,647)</u>	(46.7)
Total Revenue	<u>\$ 160,014,287</u>	<u>97,748,839</u>	<u>62,265,448</u>	63.7

### Expenses

Total expenses for fiscal year 2013 increased \$2.4 million or 2.7 percent compared to the previous fiscal year. The increase in pass-through to other agencies of \$1.6 million and the increase in general and administrative expenses of \$1.6 million accounts for the increase.

Wages, salaries and benefits decreased by \$1.0 million or 2.6 percent under previous fiscal year. This reduction is attributed mainly to the recapturing of cost associated with grant administration with the Agency's cost allocation plan (CAP). Wage and benefit costs for an employee's time spent on grant administration is charged to the applicable grant. For fiscal year ending June 30, 2013, \$2.6 million in labor and benefit cost was recaptured compared to only \$981.9 thousand in the previous fiscal year. Additionally, Omnitrans continued to operate under a Board of Directors authorized wage freeze for the fiscal year ended June 30, 2013. Fiscal year 2013 is the fourth consecutive year wages, salaries and benefit were frozen.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Purchased transportation services for fiscal year ended June 30, 2013 increased \$202.1 thousand or 2.3 percent compared to the previous fiscal year. The increase in cost is attributed to increases negotiated in the contract.

General and administrative expenses consist mainly of occupancy expenses (utilities, communication and office equipment, repairs, ground maintenance, stops and stations, etc.) and casualty & liability expenses (property, general, vehicle, and workers compensation insurance). Occupancy expense increased \$131.7 thousand, and casualty & liability cost increased \$1.4 million when compared to the previous fiscal year. The Agency continues to experience increases in its worker's compensation liability claims. Several programs were implemented to assist in preventing and mitigating worker's compensation claims.

Material and supplies increased \$28.7 thousand or 0.3 percent over last fiscal year. The cost for liquefied natural gas (LNG) was relatively constant for fiscal year 2013 and fiscal year 2012. Parts issued from inventory for repairs and preventive maintenance decreased slightly compared to the previous fiscal year.

A fuel hedging program was implemented May 6, 2009, to increase the predictability of Omnitrans costs and reduce operational uncertainty in the event of dramatic fuel price increases in the open market. Omnitrans is authorized to hedge up to 150,000 gallons per month of compressed natural gas (CNG) on the New York Mercantile Exchange (NYMEX) exchange through Morgan Stanley. The hedging program is scheduled to end June 30, 2014. Prior to the hedging program end date, management will seek Board of Directors approval to extend or terminate the program.

Professional and technical services increased \$253.2 thousand or 11.8 percent above previous fiscal year ended June 30, 2012. The increase is mainly attributed to the outsourcing of computer hardware and maintenance function of the Information Technology department.

Omnitrans, as a direct grantee of FTA funding, is responsible for complying with specific FTA requirements. San Bernardino Associated Governments (SANBAG) conducts the solicitation, evaluation and selection process for FTA funds. However Omnitrans does participate in the evaluation process as well, and is solely responsible for project management oversight for sub-recipients. The pass-through to other agencies represents federal and local reimbursements to sub-recipients for cost incurred on approved projects. Pass-through payments to other agencies increased \$1.6 million or 263.5 percent compared to the previous fiscal year.

Loss on disposal of capital assets and depreciation decreased \$190.7 thousand and \$392.2 thousand respectively. The decrease in loss on disposal of capital assets over

## MANAGEMENT'S DISCUSSION AND ANALYSIS

previous fiscal year is attributed to fewer fixed route and purchased transportation vehicles reaching its expected life and disposal.

Miscellaneous expenses for the fiscal year ended June 30, 2013 decreased \$87.4 thousand or 17.1 percent when compared for last fiscal year. The decrease is mainly attributed to less travel and meeting, and employee training expenses.

### OMNITRANS' Expenses

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Wages, salaries, and benefits	\$ 38,719,591	39,751,359	(1,031,768)	(2.6)
Purchased transportation services	9,084,344	8,882,227	202,117	2.3
General and administrative expenses	9,341,532	7,779,983	1,561,549	20.1
Materials and supplies	8,905,445	8,876,733	28,712	0.3
Capital purchases	787,439	345,063	442,376	128.2
Professional and technical services	2,400,460	2,147,300	253,160	11.8
Advertising and printing	884,837	916,224	(31,387)	(3.4)
Pass-through to other agencies	2,254,293	620,108	1,634,185	263.5
Loss on disposal of capital assets	80,713	271,438	(190,725)	(70.3)
Depreciation	16,678,098	17,070,294	(392,196)	(2.3)
Miscellaneous	415,430	507,243	(91,813)	(17.1)
Total Expenses	\$ <u>89,552,182</u>	<u>87,167,972</u>	<u>2,384,210</u>	2.7

### Net Position

The Agency's total net position for fiscal year ending June 30, 2013 increased \$70.5 million or 48.7 percent above fiscal year ended June 30, 2012. The \$77.8 million increase in assets was offset by increases in both current and long-term liabilities. Ongoing construction of the sbX BRT project, sbX articulated bus procurement, preliminary engineering and design work for the San Bernardino Transit Center account for the majority of the increase in total assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**OMNITRANS' Statement of Net Position**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>Assets:</b>				
Current and other assets	\$ 47,738,388	40,204,481	7,533,907	18.7
Net Capital Assets	<u>206,992,298</u>	<u>136,758,507</u>	<u>70,233,791</u>	51.4
Total Assets	<u>254,730,686</u>	<u>176,962,988</u>	<u>77,767,698</u>	43.9
<b>Liabilities:</b>				
Current Liabilities	28,677,611	22,829,336	5,848,275	25.6
Long-term Liabilities	<u>10,882,899</u>	<u>9,417,445</u>	<u>1,465,454</u>	15.6
Total Liabilities	<u>39,560,510</u>	<u>32,246,781</u>	<u>7,313,729</u>	22.7
<b>Deferred inflow of resources:</b>				
Accumulated increase in fair value of hedging derivatives (Note 12)	<u>55,513</u>	<u>55,300</u>	<u>213</u>	0.0
Total Deferred Inflow of resources	<u>55,513</u>	<u>55,300</u>	<u>213</u>	0.0
<b>Net Position:</b>				
Net investment in capital assets	206,566,907	136,112,836	70,454,071	51.8
Restricted	0	0	0	
Unrestricted	<u>8,547,756</u>	<u>8,548,071</u>	<u>(315)</u>	(0.0)
Total Net Position	<u>\$ 215,114,663</u>	<u>144,660,907</u>	<u>70,453,756</u>	48.7

**Changes in Net Position**

The change in net position is noted in the ending balance for fiscal year 2013 and the beginning balance in fiscal year 2012 on the Statement of Revenues, Expenses, and Changes in Net Position table. The following Statement of Revenues, Expenses, and Changes in Net Position table illustrate and compare the various categories of revenues, expenses and changes in net position for the two fiscal years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**OMNITRANS' Statement of Revenues, Expenses, and Changes in Net Position**

	Fiscal Year <u>2013</u>	Fiscal Year <u>2012</u>	Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
<b>Revenues:</b>				
Passenger fares	\$ 14,317,987	14,536,931	(218,944)	(1.5)
Advertising revenues	481,994	805,904	(323,910)	(40.2)
Other transportation revenues	<u>39,819</u>	<u>39,819</u>	<u>0</u>	0.0
Total revenues	<u>14,839,800</u>	<u>15,382,654</u>	<u>(542,854)</u>	(3.5)
<b>Expenses:</b>				
Depreciation and amortization	16,678,098	17,070,294	(392,196)	(2.3)
Other operating expenses	<u>70,539,078</u>	<u>69,206,132</u>	<u>1,332,946</u>	1.9
Total expenses	<u>87,217,176</u>	<u>86,276,426</u>	<u>940,750</u>	1.1
<b>Non-operating Revenue/(Expenses)</b>				
Fed. & local operating grants (Note 3)	54,087,458	47,875,811	6,211,647	13.0
Interest income	24,915	52,727	(27,812)	(52.7)
Interest expense	(8,349)	(3,980)	(4,369)	109.8
Pass-through to other agencies (Note 10)	(2,254,293)	(620,108)	(1,634,185)	263.5
CNG fuel tax credit	1,477,256	0	1,477,256	
Other non-operating revenues (expenses)	<u>(67,409)</u>	<u>(246,487)</u>	<u>179,078</u>	(72.7)
Total non-operating revenues	<u>53,259,578</u>	<u>47,057,963</u>	<u>6,201,615</u>	13.2
Income before capital contribution	<u>(19,117,798)</u>	<u>(23,835,809)</u>	<u>4,718,011</u>	(19.8)
<b>Capital contributions</b>				
Capital assistance	<u>89,571,554</u>	<u>34,412,696</u>	<u>55,158,858</u>	160.3
Total capital contributions	<u>89,571,554</u>	<u>34,412,696</u>	<u>55,158,858</u>	160.3
Change in net position	70,453,756	10,576,887	59,876,869	566.1
Net position, beginning of year	<u>144,660,907</u>	<u>134,084,020</u>	<u>10,576,887</u>	7.9
Net position, end of year	\$ <u>215,114,663</u>	<u>144,660,907</u>	<u>70,453,756</u>	48.7

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets and Debt Administration

#### Capital Assets

At June 30, 2013, the Agency had a total of \$207.0 million invested in capital assets. This total represents an overall increase of \$70.3 million or 51.4% over the prior year total of \$136.7 million. The increase is mainly attributed to the ongoing construction of the sbX BRT project, sbX articulated bus procurement, and preliminary engineering and design work for the San Bernardino Transit Center.

#### OMNITRANS' Capital Assets (net of accumulated depreciation)

	Fiscal Year <u>2013</u>	Fiscal Year <u>2012</u>	Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Buildings and improvements	\$ 45,837,257	45,893,036	(55,779)	(0.1)
Operations equipment	89,513,752	88,840,514	673,238	0.8
Furniture and office equipment	35,126,701	36,936,878	(1,810,177)	(4.9)
Construction in progress	126,242,147	52,444,563	73,797,584	140.7
Land	10,731,918	10,731,918	0	0.0
Accumulated depreciation	<u>(100,459,477)</u>	<u>(98,143,702)</u>	<u>(2,315,775)</u>	2.4
 Total capital assets	 \$ <u>206,992,298</u>	 <u>136,703,207</u>	 <u>70,289,091</u>	 51.4

Additional information regarding the Agency's capital assets can be found in Note 5 in the Notes to the Basic Financial Statements.

#### Debt Administration

At June 30, 2013, the Agency had \$10.9 million in long-term liabilities compared to \$9.4 million at June 30, 2012. A significant portion of the Agency's claims payable is anticipated to become payable within one year. Additional information regarding the Agency's long-term liabilities can be found in Note 4 to the Basic Financial Statements.

#### OMNITRANS' Long-Term Liabilities

	Fiscal Year <u>2013</u>	Fiscal Year <u>2012</u>	Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Claims payable	\$ 9,334,915	7,688,128	1,646,787	21.4
Capital leases	268,169	425,391	(157,222)	(37.0)
Compensated absences	<u>1,279,715</u>	<u>1,303,926</u>	<u>(24,211)</u>	(1.9)
 Total long-term liabilities	 \$ <u>10,882,799</u>	 <u>9,417,445</u>	 <u>1,465,354</u>	 15.6

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Next Year's Budget

Omnitrans prepares an operating and capital budget annually that is approved by the Board of Directors prior to the beginning of its fiscal year. The operating budget for fiscal year ending June 30, 2014 will increase proportionately due to the launch of the sbX BRT service. The challenge is containing cost, and providing safe, dependable, and quality public transit service at current levels. Fiscal year 2014 will be the fifth consecutive fiscal year that Omnitrans' operating budget has remained at the existing level.

The capital budget consists of a multi-year program that includes the San Bernardino Transit Center, fixed route and access service vehicle replacement. Funding for these major projects have been identified, approved by the Board of Directors, and committed to those projects.

### Contacting the Agency's Financial Management

This financial report is designed to provide our customers, stakeholders, and creditors with an overview of the Agency's financial operations and condition. If you have a question about this report or need additional information, you may contact the Agency's Finance Director at 1700 W. 5<sup>th</sup> Street, San Bernardino, California 92411-2401.

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OMNITRANS

STATEMENT OF NET POSITION  
JUNE 30 2013 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

	2013	2012
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and investments (Note 2)	\$ 18,413,935	\$ 27,671,139
Receivables:		
Accounts, net of allowances	100,338	166,142
Interest	7,259	18,085
Intergovernmental	27,264,468	10,545,846
Inventory	1,593,461	1,549,750
Prepaid items	303,414	253,519
Derivative Instrument - natural gas futures (Note 12)	55,513	
<b>TOTAL CURRENT ASSETS</b>	<b>47,738,388</b>	<b>40,204,481</b>
<b>NONCURRENT ASSETS:</b>		
Capital assets, not depreciated (Note 5)	136,974,065	63,176,481
Capital assets, depreciated, net (Note 5)	70,018,233	73,526,726
Derivative Instrument - natural gas futures (Note 12)		55,300
<b>TOTAL NONCURRENT ASSETS</b>	<b>206,992,298</b>	<b>136,758,507</b>
<b>TOTAL ASSETS</b>	<b>254,730,686</b>	<b>176,962,988</b>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	17,591,611	10,544,787
Accrued salaries and benefits	1,751,176	1,641,537
Retainage payable	67,275	17,195
Interest payable	1,498	1,155
Unearned revenue	2,873,278	4,914,153
Compensated absences payable - current portion (Note 4)	2,460,101	2,507,658
Capital leases payable - current portion (Note 4)	157,122	164,980
Claims payable - current portion (Note 4)	3,775,550	3,037,871
<b>TOTAL CURRENT LIABILITIES</b>	<b>28,677,611</b>	<b>22,829,336</b>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences payable (Note 4)	1,279,715	1,303,926
Capital leases payable (Note 4)	268,269	425,391
Claims payable (Note 4)	9,334,915	7,688,128
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>10,882,899</b>	<b>9,417,445</b>
<b>TOTAL LIABILITIES</b>	<b>39,560,510</b>	<b>32,246,781</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>		
Accumulated increase in fair value of hedging derivatives (Note 12)	55,513	55,300
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>55,513</b>	<b>55,300</b>
<b>NET POSITION:</b>		
Net investment in capital assets (Note 11)	206,566,907	136,112,836
Unrestricted (Note 11)	8,547,756	8,548,071
<b>TOTAL NET POSITION</b>	<b>\$ 215,114,663</b>	<b>144,660,907</b>

See accompanying notes to basic financial statements.

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OMNITRANS

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

YEAR ENDED JUNE 30 2013 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES:</b>		
Passenger fares	\$ 14,317,987	\$ 14,536,931
Advertising revenue	481,994	805,904
Other transportation revenue	39,819	39,819
<b>TOTAL OPERATING REVENUES</b>	<u>14,839,800</u>	<u>15,382,654</u>
<b>OPERATING EXPENSES:</b>		
Salaries and benefits	38,719,591	39,751,359
Purchased transportation services	9,084,344	8,882,227
General and administrative	9,341,532	7,779,983
Materials and supplies	8,905,445	8,876,733
Capital purchases	787,439	345,063
Professional and technical services	2,400,460	2,147,300
Advertising and printing	884,837	916,224
Depreciation	16,678,098	17,070,294
Miscellaneous	415,430	507,243
<b>TOTAL OPERATING EXPENSES</b>	<u>87,217,176</u>	<u>86,276,426</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>(72,377,376)</u>	<u>(70,893,772)</u>
<b>NONOPERATING REVENUES/(EXPENSES):</b>		
Federal and local operating grants	54,087,458	47,875,811
Interest income	24,915	52,727
Interest expense	(8,349)	(3,980)
Pass-through to other agencies (Note I0)	(2,254,293)	(620,108)
Loss on disposal of capital assets	(80,713)	(271,438)
CNG fuel credit	1,477,256	
Other nonoperating revenues	13,304	24,951
<b>TOTAL NONOPERATING REVENUES</b>	<u>53,259,578</u>	<u>47,057,963</u>
<b>INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(19,117,798)</u>	<u>(23,835,809)</u>
<b>CAPITAL CONTRIBUTIONS:</b>		
Capital assistance	89,571,554	34,412,696
<b>CHANGE IN NET POSITION</b>	<u>70,453,756</u>	<u>10,576,887</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>144,660,907</u>	<u>134,084,020</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 215,114,663</u>	<u>\$ 144,660,907</u>

See accompanying notes to basic financial statements.

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OMNITRANS

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30 2013 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 12,864,729	\$ 15,889,414
Nonoperating miscellaneous receipts (payments)	1,490,560	24,951
Cash payments to suppliers for goods and services	(24,785,556)	(22,204,847)
Cash payments to employees for services	(36,297,254)	(39,617,638)
Net cash used for operating activities	<u>(46,727,521)</u>	<u>(45,908,120)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Federal, state, and local operating grants	54,087,458	50,807,315
Pass-through payments to other agencies	(2,254,293)	(620,108)
Net cash provided by non-capital financing activities	<u>51,833,165</u>	<u>50,187,207</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(87,078,535)	(33,911,700)
Principal paid on capital leases	(164,980)	(176,306)
Interest paid on capital leases	(8,006)	(4,482)
Proceeds from sale of capital assets	-	1,486
Capital grants received	72,852,932	34,803,242
Net cash provided by (used for) capital and related financing activities	<u>(14,398,589)</u>	<u>712,240</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	58,250,000	46,785,300
Purchase of investments	(45,235,741)	(55,509,632)
Interest received	35,741	54,333
Net cash provided by/(used for) investing activities	<u>13,050,000</u>	<u>(8,669,999)</u>
Net increase/(decrease) in cash and cash equivalents	3,757,055	(3,678,672)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,977,550	9,656,222
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,734,605</u>	<u>\$ 5,977,550</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON STATEMENT OF NET POSITION:</b>		
Reported on statement of net position:		
Cash and investments	\$ 18,413,935	\$ 27,671,139
Less investments not meeting the definition of cash and cash equivalents	(8,679,330)	(21,693,589)
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,734,605</u>	<u>\$ 5,977,550</u>

(Continued)

See accompanying notes to basic financial statements.

## OMNITRANS

**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30 2013 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)**

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (72,377,376)	\$ (70,893,772)
Adjustments to net cash used by operating activities:		
Depreciation	16,678,098	17,070,294
Nonoperating miscellaneous income	1,490,560	24,951
Realized gain (loss) on sale of capital assets	80,713	(271,438)
(Increase) decrease in accounts receivable	65,804	501,693
(Increase) decrease in inventory	(43,711)	82,988
(Increase) decrease in prepaid items	(49,895)	(49,995)
(Increase) decrease in other assets		269,616
Increase (decrease) in accounts payable	7,046,824	5,953,155
Increase (decrease) in accrued salaries and benefits	109,639	68,446
Increase (decrease) in unearned revenue	(2,040,875)	6,888
Increase (decrease) in compensated absences payable	(71,768)	65,287
Increase (decrease) in claims payable	2,384,466	1,263,767
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>\$ (46,727,521)</u>	<u>(45,908,120)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
New borrowings under capital lease	<u>\$ -</u>	<u>\$ 652,369</u>

See accompanying notes to basic financial statements.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

Omnitrans was organized on March 8, 1976, by a joint powers agreement between the County of San Bernardino, California and the following cities: Chino; Colton; Fontana; Loma Linda; Montclair; Ontario; Redlands; Rialto; San Bernardino; and Upland under Section 6506 of the California Government Code for the purpose of providing transit services under a single agency. The following cities were added thereafter: Rancho Cucamonga and Grand Terrace in 1979; Highland in 1988; Yucaipa in 1990; and Chino Hills in 1992.

Omnitrans provides a variety of transit services to the public of San Bernardino County. These services include bus operations, purchased transportation services with independent contractors and demand response transportation services. Omnitrans also functions as a “pass-through” administrative agency for various federal, state and local grants.

Basis of Accounting

Omnitrans is accounted for as an enterprise fund (proprietary fund type). Proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Classification of Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal operations. The principal operating revenues of Omnitrans consist of bus transit services. Non-operating revenues consist of federal, state and local operating grants, and investment income. Operating expenses for enterprise funds include the cost of sales, administrative expenses and depreciation on capital assets.

Expenses not meeting this definition are reported as non-operating expenses. Non-operating expenses primarily consist of payments to pass-through agencies and interest expense.

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 Omnitrans’ policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

Investments

Investments are reported in the accompanying Statement of Net Position at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

## OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Allowance for Doubtful Accounts

Omnitrans provides an allowance for doubtful accounts for all accounts deemed uncollectible. As of June 30, 2013, all accounts were deemed collectible resulting in an allowance for doubtful accounts of \$0.

Inventories

Inventories consist of Operations vehicles' parts and fuel in storage held for consumption. The parts and fuel in storage are stated at the lower of cost (average cost method) or market. The value of parts and fuel held in storage as of June 30, 2013 was \$1,593,461.

Capital Assets

Capital assets are valued at cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair market value on the date donated. Omnitrans capitalizes all assets with a historical cost of at least \$2,000 and a useful life of at least one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of capital assets used by Omnitrans is charged as an expense against its operations. Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

<u>Category</u>	<u>Number of Years</u>
Buildings and improvements	5 to 30
Operations equipment	3 to 10
Furniture and office equipment	3 to 20

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. Omnitrans does not have any items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category. Omnitrans reports the value of their derivative instrument, natural gas futures used for hedging purposes, as an inflow of resources in the period that the amounts become available.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Compensated Absences

It is Omnitrans' policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to certain limits. Management, non-exempt, and coach operator employees begin to accrue vested sick leave hours after six months of service. Upon voluntary resignation, retirement or death and after six months of service, management and non-exempt employees or their estate are paid for any unused sick leave up to a maximum of 50 percent of the available sick leave hours not to exceed 1,200 hours (e.g. 50 percent of 1,200 hours would be paid at 600 hours). Represented employees begin to accrue vested sick leave hours after reaching a certain amount of service time based upon their respective work classification. Teamsters accrue sick leave after 1,040 hours of actual hours worked and Amalgamated Transit Union (ATU) members are after their first year of continuous full-time employment, based upon their respective work classification. Upon voluntary resignation, retirement, or death, and after a certain amount of years of service (ATU members after 8 years of service and Teamsters after 10 years of service), represented employees or their estate are paid for any unused sick leave up to a maximum of 50 percent of available sick leave hours not to exceed 1,200 hours (e.g. 50 percent of 1,200 hours would be paid at 600 hours).

Full-time non-represented employees begin to accrue vacation hours after 6 months of service. Employee vacation credits may be accrued and accumulated up to a maximum of 2 years total accumulated vacation credits. Eligible employees with an annual accrual of 3 or more weeks of vacation per year, after taking 80 hours vacation, shall be permitted to request 2 weeks pay in lieu of time off. Represented employees will accrue vacation benefits in accordance with the provisions of their respective Memorandum of Understanding (MOU).

Accumulated unpaid vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned. Total compensated absences payable was \$3,739,816 at June 30, 2013.

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Omnitrans' prior year financial statements, from which this selected financial data was derived.

Federal, State and Local Grants

Federal, state and local governments have made various grants available to Omnitrans for operating assistance and acquisition of capital assets. Grants for operating assistance, the acquisition of equipment or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of Omnitrans complying with appropriate grant requirements. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable and the related expenses are incurred. Revenues earned under capital grants are recorded as capital contributions.

Pass-Through Activities

Revenues associated with grants, where Omnitrans serves as the administering agent, are recorded as either non-operating revenues or capital contributions based on the approved use of the grant. The related expense is recorded as "pass-through to other agencies" in the Statement of Revenues, Expenses, and Changes in Net Position as the expenses do not support the operations of Omnitrans nor provide an asset.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

Net Position

*Net investment in capital assets* consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

*Unrestricted net position* is the net amount of the assets and liabilities that are not included in the determination of net position components listed above.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

*Effective in this Fiscal Year*

GASB Statement No. 60 - In November of 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Agreements*. This Statement provides guidance on reporting and disclosure of service concession agreements. This statement was effective July 1, 2012.

GASB Statement No. 61 - In November of 2010, the GASB issued Statement 61, *The Financial Reporting Entity Omnibus*. This Statement updates existing standards pertaining to financial reporting for which significant issues have been identified in practice. This statement was implemented July 1, 2012.

GASB Statement No. 62 – In December 2010, GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates FASB and AICPA pronouncements into the GASB's authoritative literature containing certain accounting and financial reporting guidance. This statement was implemented July 1, 2012.

*Effective in Future Fiscal Years*

GASB Statement No. 67 – In June 2012, GASB issued Statement 67, *Accounting and Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for non-employer governments that have a legal obligation to contribute to those plans. This Statement also addresses accounting and financial reporting for the activities of pension plans that are administered through trusts. This Statement is effective as of July 1, 2013. Omnitrans has not determined the effect on the financial statements.

## OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 68 – In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective as of July 1, 2014. Omnitrans has not determined the effect on the financial statements.

## NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$	3,700
Deposits with financial institutions		9,730,905
Investments		8,679,330
	<u>\$</u>	<u>18,413,935</u>

Investments Authorized by the California Government Code or Omnitrans' Investment Policy

The table below identifies the investment types that are authorized by the California Government Code (or Omnitrans' investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or Omnitrans' investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	None	None
Medium - Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
State Pools (other investment pools)	N/A	None	None

## OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**Disclosures Relating to 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 market value to changes in market interest rates. The investment policy of Omnitrans provides safety and liquidity guidelines for managing interest rate risk.

Information about the sensitivity of the fair values of Omnitrans' investments to market interest rate fluctuations is provided by the following table that shows the distribution of Omnitrans' investments by maturity:

Investment Type	Remaining Maturing (in Months) 12 Months or Less
Local Agency Investment Fund	\$ 8,679,330

Disclosures Relating to Credit Risk

Generally, 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 nationally recognized statistical rating organization. The table below represents the minimum rating required by the California Government Code (where applicable), or Omnitrans' investment policy, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End Not Rated
Local Agency Investment Fund	\$ 8,679,330	N/A	\$ 8,679,330

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of Omnitrans' investment in a single issue. The investment policy of Omnitrans contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2013, Omnitrans did not have any investments in any one issuer (other than external investment pools) that represented 5% or more of its total investment portfolio.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Omnitrans 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. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and Omnitrans' investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 Omnitrans' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013, Omnitrans had deposits of \$9,710,979 held in excess of federal depository insurance corporation (FDIC) limits.

Investment in LAIF

Omnitrans is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429.1 through 16429.4 under the oversight of the Treasurer of the State of California. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The fair value of Omnitrans' investment in this pool is reported in the accompanying financial statements at amounts based upon Omnitrans' 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.

**NOTE 3 – FEDERAL STATE AND LOCAL GRANTS**

Omnitrans receives operating and capital assistance from various federal, state and local sources.

Federal Assistance

Under the provision of the Federal Transit Administration (FTA), funds are available to Omnitrans for preventive maintenance, security, and various capital costs.

Transportation Development Act Assistance

Pursuant to provisions of the 1971 Transportation Development Act (TDA), as amended, the California State Legislature enacted the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STAF) to provide operating and capital assistance for public transportation. These funds are received from the County of San Bernardino based on annual claims filed by Omnitrans and approved by the San Bernardino Associated Governments (SANBAG), the regional transportation planning entity.

## OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**NOTE 3 – FEDERAL STATE AND LOCAL GRANTS (CONTINUED)**

To be eligible for TDA funds, Omnitrans must maintain a ratio of passenger fares to operating costs of not less than 20.00% for general public transit service and 10.00% for specialized service for the elderly and handicapped. After considering certain cost exemption provisions of the TDA, Omnitrans' ratios for the fiscal year ended June 30, 2013 were 23.81% for general public transit service, and 12.57% for specialized service for the elderly and handicapped.

Measure I

Omnitrans receives Measure I funds for paratransit operating costs. Measure I funds are derived from a locally imposed 0.5% retail sales and use tax on all taxable sales within the County of San Bernardino. The allocation and administration of Measure I is performed by SANBAG.

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. During the fiscal year ended June 30, 2013, Proposition 1B cash receipts and cash disbursements were as follows:

Unspent Proposition 1B funds as of June 30, 2012	\$ 4,836,504
Proposition 1B expenses incurred during the fiscal year ended June 30, 2013	(2,365,205)
Interest revenue earned on unspent Proposition 1B funds during the fiscal year ended June 30, 2013	<u>2,627</u>
	<u>\$ 2,473,926</u>

Operating assistance is summarized as follows for the year ended June 30:

Federal Assistance	\$ 12,209,078
LTF	34,029,832
STAF	2,998,548
Measure I	<u>4,850,000</u>
	<u>\$ 54,087,458</u>

Omnitrans CAFR

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NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

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

Capital contributions for the year ended June 30 were as follows:

Federal Assistance	\$ 80,044,254
LTF	3,335,961
STAF	2,611,457
Measure I	948,538
Prop IB	2,589,027
Other	42,317
	<u>\$ 89,571,554</u>

**NOTE 4 – LONG-TERM LIABILITIES**

Long-term liabilities for the year ended June 30, 2013 are as follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013	Due Within One Year	Amount Due Beyond One Year
Compensated absences	\$ 3,811,584	\$ 2,136,469	\$ (2,208,237)	\$ 3,739,816	\$ 2,460,101	\$ 1,279,715
Capital leases	590,371	-	(164,980)	425,391	157,122	268,269
Claims payable	10,725,999	5,628,983	(3,244,517)	13,110,465	3,775,550	9,334,915
Total Long-Term Liabilities	<u>\$ 15,127,954</u>	<u>\$ 7,765,452</u>	<u>\$ (5,617,734)</u>	<u>\$ 17,275,672</u>	<u>\$ 6,392,773</u>	<u>\$ 10,882,899</u>

Capital Lease Obligations

In December 2011 Omnitrans entered into a lease financing arrangement for 29 vehicles with Enterprise Fleet Services. The minimum lease payments required during the current five-year term of these agreements are \$665,411. The lease payments have a present value of \$652,369, which approximates the value of the assets, and is the amount capitalized in Omnitrans' capital assets. The outstanding principal balance was \$425,391 as of June 30, 2013.

The future minimum lease obligations as of June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 157,122	\$ 5,444	\$ 162,566
2015	139,166	2,757	141,923
2016	129,103	1,392	130,495
Total	<u>\$ 425,391</u>	<u>\$ 9,593</u>	<u>\$ 434,984</u>

## OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

## NOTE 5 – CAPITAL ASSETS

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
<b>CAPITAL ASSETS, NOT DEPRECIATED:</b>				
Land	\$ 10,731,918	\$ -	\$ -	\$ 10,731,918
Construction in progress	52,444,563	86,933,629	(13,136,045)	126,242,147
Total assets, not depreciated	63,176,481	86,933,629	(13,136,045)	136,974,065
<b>CAPITAL ASSETS, DEPRECIATED:</b>				
Buildings and improvements	45,893,036	162,322	(218,101)	45,837,257
Operations equipment	88,840,514	12,106,346	(11,433,108)	89,513,752
Furniture and office equipment	36,936,878	1,336,245	(3,146,422)	35,126,701
Total capital assets, depreciated	171,670,428	13,604,913	(14,797,631)	170,477,710
<b>LESS ACCUMULATED DEPRECIATED FOR:</b>				
Buildings and improvements	(22,866,292)	(1,848,644)	218,101	(24,496,835)
Operations equipment	(53,273,862)	(6,956,411)	10,997,893	(49,232,380)
Furniture and office equipment	(22,003,548)	(7,873,043)	3,146,329	(26,730,262)
Total accumulated depreciation	(98,143,702)	(16,678,098)	14,362,323	(100,459,477)
Total capital assets, depreciation, net	73,526,726	(3,073,185)	(435,308)	70,018,233
Capital assets, net	\$ 136,703,207	\$ 83,860,444	\$ (13,571,353)	\$ 206,992,298

Depreciation expense for the year ended June 30, 2013 was \$16,678,098

## NOTE 6 – OPERATING LEASES

Omnitrans leases facilities and tires under noncancelable operating leases. Total costs for such leases were \$802,841 during the year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Total
2014	\$ 219,549
2015	176,183
Total	\$ 395,732

## NOTE 7 – RISK MANAGEMENT

Omnitrans is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and natural disasters for which they carry commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been Incurred But Not Reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The outstanding claims at June 30, 2013 were estimated to be \$13,110,465 and were based on an IBNR study performed in fiscal year 2012-2013. Changes in the fund claims liability amount for the last two fiscal years are as follows:

Year Ending June 30,	Beginning of Year Liability	Provisions of Claims	Claim Payments	End of Year Liability
2012	\$ 9,462,232	\$ 2,859,989	\$ (1,596,222)	\$ 10,725,999
2013	10,725,999	5,628,983	(3,244,517)	13,110,465

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

Omnitrans is a member of the Association of California Public Transit Operators Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California law in 1987. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2013, Omnitrans' participation in the self-insurance programs of the Authority is as follows:

- **General Liability:** Omnitrans is self-insured up to \$1,000,000 per occurrence and has purchased re-insurance and excess insurance coverage.
- **Automobile Liability:** Omnitrans is self-insured up to \$1,000,000 per occurrence and has purchased re-insurance and excess insurance coverage.
- **Public Officials Errors and Omissions:** Omnitrans is self-insured up to \$1,000,000 per occurrence and has purchased re-insurance and excess insurance coverage.
- **Vehicle Collision and Comprehensive Liability:** Insured up to actual cash value of covered vehicles up to \$10,000,000 per occurrence subject to per vehicle deductibles. The Authority has purchased excess insurance coverage.

Separate financial statements of the Authority can be obtained at 1415 L Street, Suite 200, Sacramento, California 95814.

Omnitrans has also purchased additional insurance coverage outlined below:

- **Workers Compensation Liability:** Omnitrans is self-insured for workers' compensations claims up to \$1,000,000 with a limit of liability of \$5,000,000 and excess coverage up to \$95,000,000.
- **Property Liability:** Omnitrans is self-insured for property damage up to \$25,000 for Electronic Data Processing Equipment and \$10,000 for all other losses per occurrence, with limit of liability up to \$32,522,360. Omnitrans has also purchased earthquake and flood coverage for damage, for which it is self-insured up to \$25,000 for an earthquake and \$50,000 for a flood per occurrence, with a limit of liability of \$10,000,000 and excess coverage of \$10,000,000.
- **Crime Liability:** Omnitrans is self-insured for employee dishonesty and theft up to \$1,000 per occurrence, with a limit of liability up to \$50,000.
- **Pollution Remediation Liability:** Omnitrans is self-insured for pollution remediation claims up to \$50,000 per occurrence and \$150,000 in aggregate, with a limit of liability of \$5,000,000 per occurrence and \$10,000,000 in aggregate.
- **Employment Related Practices Liability:** Omnitrans is self-insured for employment related practices liability claims up to \$50,000 with a limit of liability of \$1,000,000

For the past three fiscal years, none of the above programs of protections has had settlements or judgments that exceeded pooled or insured coverage.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

Plan Description

Omnitrans contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from their executive office: 400 Q Street, Sacramento, California 95811.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. Omnitrans makes the contributions required of Omnitrans' employees on their behalf and for their account. The contribution requirements of the plan members and Omnitrans are established and may be amended by PERS.

Annual Pension Cost

Under GASB Statement No. 27 as amended by GASB Statement No. 50, an employer reports an Annual Pension Cost (APC) equal to the Annual Required Contribution (ARC). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate indicated for the period is 10.618% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, this contribution rate, as modified by any amendments for the year, is multiplied by the payroll of covered employees that were actually paid during the period from July 1, 2012 to June 30, 2013.

Three Year Trend Information		
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contribution
6/30/2011	\$ 2,851,883	100%
6/30/2012	3,050,337	100%
6/30/2013	2,919,958	100%

A summary of principal assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

## OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 96.9% percent funded. The actuarial accrued liability for benefits was \$109,878,995, and the actuarial value of assets was \$106,437,254, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,441,741. The covered payroll (annual payroll of active employees covered by the plan) was \$28,202,757, and the ratio of the UAAL to the covered payroll was 12.2%.

The Schedule of Funding Progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**Litigation

Omnitrans is subject to lawsuits and claims which arise out of the normal course of business. In the opinion of management, based upon the opinion of legal counsel, the disposition of such actions of which it is aware will not have a material effect on the financial position, results of operations or liquidity of Omnitrans.

Contingencies

Omnitrans has received federal and state funds for specific purposes that are subject to review and audit by grantor agencies. Although, such audits could generate expenditure disallowances under the terms of the grants, in the opinion of management, any additional required reimbursement will not have a material effect on the financial position, results of operations or liquidity of Omnitrans.

Commitments

Commitments consist primarily of additions to operations equipment and building improvements. Significant commitments are as follows:

Project	Amount Authorized	Cumulative Expenses June 30, 2013	Unexpended Commitments
Facilities Future Expansion and Remodel	\$ 3,886,089	\$ 2,748,685	\$ 1,137,404
Computer Software and Hardware	2,764,084	2,674,817	89,267
E Street Bus Rapid Transit	153,024,343	85,184,198	67,840,145
E Street Bus Rapid Transit - Right of Way	11,095,785	10,904,470	191,315
E Street Bus Rapid Transit - 60' Articulated Buses	15,410,407	15,331,726	78,681
E Street Bus Rapid Transit - Vehicle Maintenance Facility	12,175,466	3,160,298	9,015,168
San Bernardino Transit Center	9,240,328	4,149,060	5,091,268
Vehicle & Shop Equipment	2,210,403	2,088,893	121,510
Total major components of construction in progress	\$ 209,806,905	\$ 126,242,147	\$ 83,564,758

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

**NOTE 10 – PASS-THROUGH GRANTS**

Pass-through activity for the year ended June 30, 2013 is summarized as follows:

City of Needles	\$ 1,156,431
SANBAG	2,138
Inland Valley Recovery Services	10,905
City of Chino	910
City of Ontario	471,555
City of Rialto	31,935
City of Yucaipa	80,690
LLUMC Adult Day Health Services	39,350
Inland Empire United Way	44,346
Central City Lutheran	32,060
Pomona Valley	188,469
Valley Transportation Services	195,504
	<u>\$ 2,254,293</u>

**NOTE 11 – NET POSITION**

The following is a detailed breakdown of net position.

Capital assets, net of accumulated depreciation	\$ 206,992,298
Less: Debt offsetting capital assets	<u>(425,391)</u>
Net investment in capital assets	<u>206,566,907</u>
Unrestricted net position	<u>8,547,756</u>
Total net position	<u>\$ 215,114,663</u>

As of June 30, 2013, management has set aside reserves in the amount of \$8,547,756, included within unrestricted net position, for the following:

Bus transit operations, workers compensation and general liability contingencies	<u>\$ 8,547,756</u>
Total unrestricted net position	<u>\$ 8,547,756</u>

## OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**NOTE 12 – DERIVATIVE INSTRUMENTS**

Omnitrans holds a basket of natural gas futures contracts with a contract price of \$3.349 / MMBtu and a notional amount of \$12,500 MMBtus / month that settle on a monthly basis. As of June 30, 2013 there were 11 remaining monthly settlements as the last maturity date is May 29, 2014. These futures contracts are classified as cash flow hedges of forecasted purchases (\$12,500 MMBtus per month) of clean energy natural gas through May 2014.

The fair values, classification and notional amounts for the natural gas hedge derivatives accounted for as derivative financial instruments as June 30, 2013 are summarized as follows:

Cash Flow Hedges	Classifications	Notional	Fair Value as of June 30, 2013	Changes in Fair Value for Fiscal Year
Henry Hub Natural Gas Futures (effective hedge)	Deferred Inflow	\$ 12,500 MMBtu/Month	\$ 55,513	\$ 213

The accounting standards, namely GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" ("GASB 53"), require governments to record derivative instruments on the Statement of Net Position as either assets or liabilities depending on the fair value of the derivative. Omnitrans gas hedging contracts are an effective hedge, thus gains and losses are deferred on the Statement of Net Position as either current credits or charges for contracts with under 12 months remaining until expiration. A deferred inflow of resources has also been recorded on the Statement of Net Position reflecting the deferred inflow associated with the derivative financial instrument.

In January 2012, Omnitrans entered into an agreement with Morgan Stanley Smith Barney for brokerage services for transactions to be executed in Omnitrans' name on the New York Mercantile Exchange (NYMEX). The objective of the brokerage agreement is to achieve cost certainty for deliveries of Liquefied Natural Gas (LNG) based on hedging activity of LNG futures contracts traded openly on the NYMEX.

The name of the derivative traded openly on the NYMEX is the *Henry Hub Natural Gas Futures Basket* (Futures Basket) and it has an effective date of January 17, 2012 and a maturity date of May 29, 2014. As required by the brokerage agreement with Morgan Stanley Smith Barney, Omnitrans deposited \$175,000 into a margin account to initiate the derivative.

**REQUIRED SUPPLEMENTARY INFORMATION**

OMNITRANS

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED JUNE 30, 2013**

**Public Employees Retirement System (PERS)**

The following schedule summarizes Omnitrans' funding progress for the PERS plan:

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ Actuarial Accrued Liability (UAAL)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/2009	\$ 95,214,597	\$ 89,108,941	\$ 6,105,656	93.6%	\$ 30,956,875	19.7%
6/30/2010	102,163,260	97,503,157	4,633,103	95.5%	30,956,894	15.0%
6/30/2011	109,878,995	106,437,254	3,441,741	96.9%	28,202,757	12.2%

**STATISTICAL SECTION**

## STATISTICAL SECTION

This section of Omnitrans' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about Omnitrans' overall financial health. This information has not been audited by the independent auditors.

	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Omnitrans financial performance and well-being has changed over time.	34
<b>Revenue Capacity</b> These schedules contain information to help the reader assess Omnitrans' most significant local revenue source, passenger fares.	36
<b>The Economy and Economic Outlook</b> These schedules offer demographic and economic indicator to help the reader understand the environment within Omnitrans' financial activities take place.	42
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in Omnitrans' financial report relates to the services Omnitrans provides and the activities it performs.	43

## Omnitrans CAFR

### NET POSITION BY COMPONENT

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Capital assets, net of accumulated depreciation	\$ 77,167,085	81,664,827	79,318,662	84,731,356	84,317,308	94,909,096	114,540,764	119,480,534	136,703,207	208,992,298
Less: Debt offsetting capital assets	<u>850,173</u>	<u>0</u>	<u>(57,044)</u>	<u>(404,372)</u>	<u>(364,370)</u>	<u>(241,226)</u>	<u>(251,129)</u>	<u>(114,308)</u>	<u>(590,371)</u>	<u>(425,391)</u>
Net investment in capital assets	78,017,256	81,664,827	79,261,618	84,326,984	83,952,938	94,667,870	114,289,635	119,366,226	138,112,836	208,566,907
Unrestricted net position	15,005,583	17,617,017	28,256,748	29,683,079	33,300,903	33,883,455	29,320,746	14,717,794	8,548,071	8,547,756
Total net position	<u>\$ 93,022,841</u>	<u>99,281,844</u>	<u>107,518,366</u>	<u>114,010,063</u>	<u>117,253,841</u>	<u>128,551,325</u>	<u>143,610,381</u>	<u>134,084,020</u>	<u>144,660,907</u>	<u>215,114,663</u>

The increase in net position is mainly attributed to ongoing construction of the San Bernardino Express Bus Rapid Transit (sbX), and preliminary engineering and design of the San Bernardino Transit Center projects.

Source: Finance Department

## Omnitrans CAFR

### CHANGES IN NET POSITION

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Operating Revenues:</b>										
Passenger fares	\$ 12,075,736	11,837,875	12,202,126	12,761,463	13,511,536	13,779,684	14,242,013	14,538,747	14,536,931	14,317,987
Advertising revenues	592,126	596,723	677,943	824,253	946,051	967,628	849,585	909,176	805,904	481,994
Other transportation revenues	189,553	267,901	111,577	37,862	47,307	42,708	39,752	41,802	39,819	39,819
<b>Total revenues</b>	<b>\$ 12,857,415</b>	<b>12,702,499</b>	<b>12,991,646</b>	<b>13,623,578</b>	<b>14,506,894</b>	<b>14,790,020</b>	<b>15,131,350</b>	<b>15,489,725</b>	<b>15,382,654</b>	<b>14,839,800</b>
<b>Operating Expenses:</b>										
Depreciation and amortization	8,084,525	7,869,981	8,275,341	8,323,081	8,861,306	9,255,553	10,999,458	12,772,455	17,070,294	16,678,098
Other operating expenses	61,486,917	64,367,977	64,867,497	66,481,860	67,758,893	67,770,003	67,501,900	66,529,837	89,206,132	70,539,078
<b>Total expenses:</b>	<b>\$ 69,571,442</b>	<b>72,237,958</b>	<b>73,142,838</b>	<b>74,804,941</b>	<b>76,618,199</b>	<b>77,025,556</b>	<b>78,501,358</b>	<b>79,302,292</b>	<b>86,276,426</b>	<b>87,217,176</b>
<b>Non-operating Revenues/(Expenses):</b>										
Federal & local operating grants	45,958,338	49,798,107	54,858,935	52,112,668	55,587,601	52,983,639	48,085,804	52,675,797	47,875,811	54,087,458
Interest income	285,807	484,377	995,770	1,714,629	1,656,529	758,950	243,098	74,302	52,727	24,915
Interest expense	0	0	(2,218)	(5,762)	(11,029)	(9,149)	(6,835)	(6,590)	(3,980)	(8,349)
Pass-through to other agencies	(3,727,931)	(2,625,321)	(800,137)	(729,007)	(1,254,751)	(2,779,299)	(3,031,642)	(18,754,320)	(620,108)	(2,254,293)
Other non-operating revenues (expenses)	(777,389)	171,574	55,198	(305,583)	(258,422)	(24,710)	(299,568)	(719,668)	(246,487)	1,409,847
<b>Total non-operating revenues</b>	<b>\$ 41,736,825</b>	<b>47,808,737</b>	<b>55,107,546</b>	<b>52,786,945</b>	<b>55,719,928</b>	<b>50,929,431</b>	<b>44,990,857</b>	<b>33,269,521</b>	<b>47,057,963</b>	<b>53,259,578</b>
<b>Income before capital contribution</b>	<b>(14,977,202)</b>	<b>(11,726,722)</b>	<b>(5,043,646)</b>	<b>(8,394,418)</b>	<b>(6,391,377)</b>	<b>(11,306,105)</b>	<b>(18,379,151)</b>	<b>(30,543,046)</b>	<b>(23,835,809)</b>	<b>(19,117,798)</b>
<b>Capital Contributions</b>										
Capital assistance	\$ 21,705,960	16,144,460	7,274,580	14,623,890	9,635,155	22,603,589	33,438,207	21,016,685	34,412,696	89,571,554
Contributions from other agencies	0	0	0	262,225	0	0	0	0	0	0
<b>Total capital contributions</b>	<b>\$ 21,705,960</b>	<b>16,144,460</b>	<b>7,274,580</b>	<b>14,886,115</b>	<b>9,635,155</b>	<b>22,603,589</b>	<b>33,438,207</b>	<b>21,016,685</b>	<b>34,412,696</b>	<b>89,571,554</b>
<b>Change in net position</b>	<b>\$ 6,728,758</b>	<b>4,417,738</b>	<b>2,230,934</b>	<b>6,491,697</b>	<b>3,243,778</b>	<b>11,297,484</b>	<b>15,059,056</b>	<b>(9,526,361)</b>	<b>10,576,887</b>	<b>70,453,756</b>
<b>Net position, beginning of year</b>	<b>\$ 86,294,083</b>	<b>94,864,106</b>	<b>105,287,432</b>	<b>107,518,366</b>	<b>114,010,063</b>	<b>117,253,841</b>	<b>128,551,325</b>	<b>143,610,381</b>	<b>134,084,020</b>	<b>144,660,907</b>
<b>Net position, end of year</b>	<b>\$ 93,022,841</b>	<b>99,281,844</b>	<b>107,518,366</b>	<b>114,010,063</b>	<b>117,253,841</b>	<b>128,551,325</b>	<b>143,610,381</b>	<b>134,084,020</b>	<b>144,660,907</b>	<b>215,114,663</b>

Notes: The FY2005 beginning balance in net position includes an adjustment for workers' compensation reserve that was previously overstated. In addition, the restatement includes certain revenues and expenses that were not recognized in prior period. Pass-through to other agencies for 2011 include return of \$16M in LTF funds to SANBAG for future allocation.

Source: Finance Department

## Omnitrans CAFR

### REVENUE SOURCE

	<u>2004</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Passenger Fares - Individuals</b>										
F/R Full Fares - Cash	\$3,960,198	\$3,453,606	\$3,885,180	\$4,321,978	\$4,571,811	\$4,510,511	\$4,715,996	\$4,756,220	\$4,564,607	\$4,512,614
F/R Senior/Disable Fare - Cash	151,782	137,899	179,632	210,954	256,870	263,959	297,986	334,730	360,603	383,045
F/R 1-Day & 7 Day Full Fare - Pass	3,450,711	3,634,606	3,910,662	4,139,709	4,015,846	3,925,863	3,626,533	3,540,698	3,478,828	3,386,969
F/R 1-Day & 7 Day S/D Fare - Pass	417,956	442,060	538,213	562,418	613,947	606,615	666,085	716,572	712,770	770,747
F/R 31-Day Full Fare - Pass (less: discount)	1,008,613	1,054,614	1,004,008	1,069,585	1,197,152	1,299,310	1,423,947	1,354,296	1,125,569	1,083,657
F/R 31-Day Student Fare-Pass	797,320	882,108	833,925	866,516	837,689	1,010,097	1,239,874	1,247,839	909,534	1,014,034
F/R 31-Day Senior Fare - Pass	109,414	91,278	84,538	82,373	86,571	93,902	0	0	0	0
F/R 31-Day Disability Fare - Pass	388,291	371,914	362,423	325,432	352,027	367,110	479,601 *	542,878	571,416	591,712
University Passes	0	0	0	0	0	0	0	0	736,134 **	531,763
Metrolink Transfer	140	1,514	920	37,819	43,237	66,712	49,419	51,325	100,098	54,326
F/R 7-Day Student Pass				6,500	227,621	347,973	417,670	446,094	340,581	356,291
Access Base Fare - Cash	151,255	149,292	154,518	130,641	150,814	138,454	158,044	166,246	144,141	142,900
Access Base Fare (3 zones) - Ticket	483,474	888,070	889,053	918,970	1,032,973	991,817	1,023,493	1,183,363	1,248,892	1,275,349
Access Additional (1 zone) - Ticket	141,228	255	1,553	3,660	5,175	3,916	4,059	12,989	17,071	10,927
Access Monthly Subscription Zone - Pass	71,595	3,968	4,315	4,055	6,020	21,510	16,075	13,340	12,905	8,410
<b>Total Passenger Fares</b>	<b>\$11,131,977</b>	<b>\$11,111,183</b>	<b>\$11,848,938</b>	<b>\$12,680,609</b>	<b>\$13,397,751</b>	<b>\$13,647,749</b>	<b>\$14,118,782</b>	<b>\$14,366,590</b>	<b>\$14,323,149</b>	<b>\$14,122,744</b>
<b>Special Transit Fares - Group</b>										
F/R 1 - Trip Full Fare - Ticket	0		0	25	378	54,675	41,475	57,705	67,330	42,516
OmniLink (Yucaipa) - Cash	48,173	42,214	37,802	40,075	48,104	46,238	50,305	26,859	20,777	19,396
OmniLink (Chino Hills) - Cash	10,850	13,639	12,688	12,829	22,388	22,368	20,570	10,017	8,914	7,629
OmniLink S/D Fare - Ticket	0	1,496	2,583	2,525	5,821	5,495	5,994	5,535	4,199	1,701
OmniLink Full Fare - Ticket	38,739	17,883	40,250	25,400	35,960	297	459	0	54	0
OmniLink Student Fare - Ticket					1,134	2,862	4,428	2,934	2,304	2,340
OmniGo - Fares								69,107	110,204	121,661
<b>Total Special Transit Fares</b>	<b>\$97,762</b>	<b>\$75,231</b>	<b>\$93,322</b>	<b>\$80,854</b>	<b>\$113,785</b>	<b>\$131,935</b>	<b>\$123,231</b>	<b>\$172,157</b>	<b>\$213,782</b>	<b>\$195,243</b>
<b>Total Fares</b>	<b>\$11,229,739</b>	<b>\$11,186,415</b>	<b>\$11,942,260</b>	<b>\$12,761,463</b>	<b>\$13,511,536</b>	<b>\$13,779,684</b>	<b>\$14,242,013</b>	<b>\$14,538,747</b>	<b>\$14,536,931</b>	<b>\$14,317,987</b>

\* F/R 31-Day Senior and Disable Passes were combined into a single pass.

\*\* Implemented GoSmart Student Pass Program.

Source: Finance Department

**DEMOGRAPHICS AND STATISTICS SAN BERNARDINO COUNTY**

Fiscal Year	(A) Population	(B) Personal Income (000)	(B / A) Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2004	1,907,138	47,921,959	25,128	30.3	419,084	5.8%
2005	1,953,229	50,916,445	26,068	30.4	423,780	5.3%
2006	1,987,505	53,928,618	27,134	30.4	427,631	4.8%
2007	2,007,800	56,940,673	28,360	30.3	427,583	5.6%
2008	2,044,895	59,800,525	29,244	30.3	428,142	8.0%
2009	2,045,632	60,875,315	29,759	30.3	420,325	13.6%
2010	2,048,217	60,800,000	29,684	30.3	415,549	14.3%
2011	2,053,348	63,600,000	30,974	30.9	417,202	14.3%
2012	2,065,000	65,200,000	31,574	31.2	417,000	12.2%
2013	2,080,914	68,100,000	32,726	31.7	412,155	10.4%

Source: U.S. Census Bureau; Bureau of Economic Analysis; California Employment Development Department; California Basic Educational Data Systems (CBEDS); San Bernardino County Economic Forecast; California Department of Education.

Omnitrans CAFR

**PRINCIPAL EMPLOYERS OF SAN BERNARDINO COUNTY**

Employer	2013			2005
	Rank	Employees	Percent of Total Employment	Rank
County of San Bernardino, San Bernardino	1	15,000 - 20,000	1.8%	N/A
U.S. Army, Fort Irwin & National Training Center	2	15,000 - 20,000	1.4%	6
Loma Linda University*	3	10,000 - 15,000	1.4%	1
U.S. Marine Corps Air Ground Combat Center	4	10,000 - 15,000	1.3%	2
San Bernardino City Unified School District	5	5,000 - 10,000	0.8%	5
Stater Brothers Markets, San Bernardino	6	5,000 - 10,000	0.8%	3
Ontario International Airport, Ontario	7	5,000 - 10,000	0.8%	7
Wal-Mart Stores Inc.	8	5,000 - 10,000	0.6%	5
Kaiser Permanente	9	5,000 - 10,000	0.6%	4
United Parcel Service (UPS)	10	5,000 - 10,000	0.5%	8
Arrowhead Regional Medical Center, Colton	11	2,000 - 5,000	0.5%	9

Principal employers information prior to 2005 is unavailable from the sources provided below.

\* Includes: Loma Linda University, Loma Linda Medical Center, and VA Loma Linda Healthcare Systems

Source: The Inland Empire - Southern California's Backyard, U.S. Census Bureau, Inland SoCal, Economy.com

## Omnitrans CAFR

### Riverside San Bernardino Ontario MSA (Riverside and San Bernardino Counties)

#### Industry Employment & Labor Force

<u>Title</u>	<u>Jun-04</u>	<u>Jun-05</u>	<u>Jun-06</u>	<u>Jun-07</u>	<u>Jun-08</u>	<u>Jun-09</u>	<u>Jun-10</u>	<u>Jun-11</u>	<u>Jun-12</u>	<u>Jun-13</u>
Civilian Labor Force	1,651,400	1,703,600	1,746,000	1,767,400	1,780,400	1,777,300	1,796,400	1,789,900	1,804,000	1,792,600
Civilian Employment	1,549,300	1,610,100	1,656,700	1,664,200	1,637,000	1,537,000	1,538,800	1,537,300	1,574,400	1,608,400
Civilian Unemployment	102,100	93,500	89,300	103,200	143,400	240,300	257,600	252,700	229,700	184,200
Civilian Unemployment Rate	6.20%	5.50%	5.10%	5.80%	8.10%	13.50%	14.30%	14.10%	12.70%	10.30%
Total, All Industries	1,187,500	1,245,500	1,300,700	1,301,500	1,257,100	1,166,400	1,152,300	1,144,900	1,170,600	1,179,400
Total Farm	25,900	23,700	22,500	22,800	21,900	20,900	21,100	19,100	20,400	20,000
Total Nonfarm	1,161,600	1,221,800	1,278,200	1,278,700	1,235,200	1,145,500	1,131,200	1,125,800	1,150,200	1,159,400
Total Private	948,200	1,001,600	1,050,900	1,049,700	1,001,400	906,100	889,600	895,000	924,200	934,300
Goods Producing	234,400	247,000	259,400	237,800	203,500	159,900	147,800	146,200	151,300	143,100
Mining and Logging	1,200	1,300	1,400	1,300	1,200	1,200	1,000	1,000	1,200	1,200
Construction	112,200	124,900	132,600	116,600	93,800	69,800	61,300	59,400	63,000	57,500
Construction of Buildings	17,800	20,300	22,500	20,300	16,300	12,000	10,600	10,700	10,600	9,900
Heavy & Civil Engineering Construction	11,400	12,500	12,500	13,000	11,700	9,100	8,200	8,900	10,300	9,100
Specialty Trade Contractors	83,000	92,100	97,600	83,300	65,800	48,700	42,500	39,800	42,100	38,500
Building Foundation & Exterior Contractors	30,400	34,700	37,200	29,200	20,800	13,600	12,400	10,800	11,900	10,800
Building Equipment Contractors	20,000	22,200	22,900	21,800	19,200	15,800	13,700	13,400	13,700	13,700
Building Finishing Contractors	23,500	25,000	25,900	21,600	16,500	12,400	10,400	9,900	10,200	9,400
Manufacturing	121,000	120,800	125,400	119,900	108,500	88,900	85,500	85,800	87,100	84,400
Durable Goods	85,800	86,000	88,600	83,100	73,700	58,200	55,500	56,400	57,200	54,800
Fabricated Metal Product Manufacturing	16,500	17,000	16,800	16,100	14,900	11,900	11,500	12,200	12,700	12,500
Nondurable Goods	35,200	34,800	36,800	36,800	34,800	30,700	30,000	29,400	29,900	29,600
Food Mfg & Beverage & Tobacco Product Mfg	9,300	9,600	10,800	11,100	10,500	9,700	9,800	9,500	9,900	10,100
Service Providing	927,200	974,800	1,018,800	1,040,900	1,031,700	985,600	983,400	979,600	998,900	1,016,300
Private Service Providing	713,800	754,600	791,500	811,900	797,900	746,200	741,800	748,800	772,900	791,200
Trade, Transportation & Utilities	251,700	273,600	290,600	299,000	293,300	270,100	269,000	272,900	281,200	287,600
Wholesale Trade	45,100	49,900	54,200	56,900	55,000	48,900	48,900	49,000	51,700	53,500
Merchant Wholesalers, Durable Goods	27,200	30,800	34,100	34,500	33,000	29,100	29,200	29,200	30,400	31,500
Merchant Wholesalers, Nondurable Goods	13,000	13,800	14,500	16,500	16,600	15,400	15,500	15,500	16,600	17,100
Retail Trade	151,000	162,700	171,000	173,300	168,100	154,100	153,900	155,600	159,000	161,700
Motor Vehicle & Parts Dealer	23,700	25,000	25,900	25,300	23,200	18,600	18,700	19,600	20,600	21,600
Automotive Parts, Accessories & Tire Stores	6,700	6,700	6,800	6,400	6,300	6,000	6,400	6,500	6,900	7,100
Building Material & Garden Equipment Stores	14,300	15,300	16,200	15,400	13,900	12,800	12,500	12,400	12,700	13,000
Food & Beverage Stores	28,900	30,800	31,800	33,700	33,300	32,900	32,700	30,700	30,600	31,000
Health & Personal Care Stores	8,200	7,700	8,300	8,900	9,400	9,000	9,100	9,300	9,600	9,600
Clothing & Clothing Accessories Stores	12,500	13,500	14,500	16,100	16,200	14,400	15,600	17,100	17,700	17,700
Clothing Stores	9,200	10,100	11,000	12,400	12,600	11,200	12,300	13,400	13,800	13,700
General Merchandise Stores	30,900	35,000	37,800	37,700	37,100	35,900	35,500	34,900	35,500	36,400

## Omnitrans CAFR

### Riverside San Bernardino Ontario MSA (Riverside and San Bernardino Counties) (Continued)

#### Industry Employment & Labor Force

<u>Title</u>	<u>Jun-04</u>	<u>Jun-05</u>	<u>Jun-06</u>	<u>Jun-07</u>	<u>Jun-08</u>	<u>Jun-09</u>	<u>Jun-10</u>	<u>Jun-11</u>	<u>Jun-12</u>	<u>Jun-13</u>
Department Stores	23,600	27,400	29,900	29,200	27,900	25,100	24,600	23,800	23,700	23,600
Other General Merchandise Stores	7,300	7,600	7,900	8,500	9,200	10,800	10,900	11,100	11,800	12,800
Transportation, Warehousing & Utilities	55,600	61,000	65,400	68,800	70,200	67,100	66,200	68,300	70,500	72,400
Utilities	5,000	5,300	5,600	5,700	5,900	5,800	5,800	5,800	5,800	5,800
Transportation & Warehousing	50,600	55,700	59,800	63,100	64,300	61,300	60,400	62,500	64,700	66,600
Truck Transportation	20,700	23,300	23,100	23,700	22,900	21,400	20,200	21,700	22,300	23,100
General Freight Trucking	13,900	16,000	16,100	16,800	16,800	16,200	15,500	16,400	16,800	17,400
Couriers & Messengers	7,400	7,600	8,200	7,900	7,900	7,600	7,000	7,000	7,000	7,200
Warehousing & Storage	9,100	11,200	14,100	16,100	16,900	17,200	18,300	19,800	20,600	21,700
Information	14,000	14,600	15,400	15,500	14,800	14,300	14,300	12,200	11,600	11,400
Publishing Industries (except Internet)	3,500	3,300	3,400	3,200	3,000	2,400	1,900	1,800	1,600	1,500
Telecommunications	5,800	6,200	6,000	5,900	5,800	6,300	6,800	5,700	5,400	5,300
Financial Activities	45,500	48,500	52,100	50,200	46,500	42,200	40,900	39,900	40,600	41,000
Finance & Insurance	27,800	29,800	31,700	30,500	27,500	25,900	25,400	25,300	25,900	26,200
Credit Intermediation & Related Activities	16,200	17,900	19,000	18,200	16,500	15,300	14,900	14,900	15,000	15,200
Depository Credit Intermediation	9,300	9,800	10,400	11,000	10,800	10,100	10,100	9,900	10,000	9,900
Nondepository Credit Intermediation	5,600	6,500	6,800	5,500	4,400	4,000	3,600	4,100	3,900	4,300
Insurance Carriers & Related	9,600	10,000	10,600	10,300	9,100	8,900	8,800	9,000	9,400	9,500
Insurance Carriers	5,400	5,500	5,500	5,100	4,200	4,100	4,100	4,100	4,500	4,600
Real Estate & Rental & Leasing	17,700	18,700	20,400	19,700	19,000	16,300	15,500	14,600	14,700	14,800
Real Estate	11,800	12,600	13,700	13,000	12,000	10,500	10,400	10,100	10,600	10,800
Professional & Business Services	127,000	132,700	141,800	145,400	138,700	124,500	123,000	123,300	125,600	127,100
Professional, Scientific & Technical Services	30,600	34,600	39,300	40,300	39,800	36,700	34,100	34,300	37,100	39,300
Management of Companies & Enterprises	11,400	11,900	10,800	9,700	9,800	9,000	8,700	8,600	8,300	8,400
Administrative & Support & Waste Services	85,000	86,200	91,700	95,400	89,100	78,800	80,200	80,400	80,200	79,400
Administrative & Support Services	81,800	83,500	88,900	92,600	86,200	76,200	77,500	77,400	76,900	75,600
Employment Services	45,200	46,600	49,600	53,100	47,000	36,300	37,200	36,100	35,100	33,500
Investigation & Security Services	7,000	7,300	8,000	8,000	8,000	9,600	9,900	10,800	11,100	11,800
Services to Buildings & Dwellings	16,500	18,000	19,100	18,500	17,300	16,400	16,100	16,200	16,600	17,100
Educational & Health Services	119,300	120,700	121,800	126,000	131,100	133,500	132,500	137,500	144,000	148,000
Educational Services	13,900	14,000	13,700	14,300	15,100	15,600	14,900	14,900	15,300	17,000
Colleges, Universities & Professional Schools	5,300	5,600	4,600	4,600	4,900	5,600	5,400	5,500	5,600	5,600
Health Care & Social Assistance	105,400	106,700	108,100	111,700	116,000	117,900	117,600	122,600	128,700	131,000
Ambulatory Health Care Services	42,800	44,500	46,500	46,800	49,000	50,300	51,200	53,100	56,800	58,100
Offices of Physicians	21,300	20,900	21,700	20,400	21,900	23,000	23,200	24,300	26,400	27,100
Hospitals *	29,100	28,900	28,800	30,100	31,700	32,600	32,300	34,100	34,900	35,400
Nursing & Residential Care Facilities	19,800	19,600	19,400	20,600	20,700	20,300	20,400	21,300	22,300	23,000
Leisure & Hospitality	117,600	124,300	128,400	133,800	131,300	124,100	122,900	123,600	128,800	134,500

## Omnitrans CAFR

### Riverside San Bernardino Ontario MSA (Riverside and San Bernardino Counties)

(Continued)

#### Industry Employment & Labor Force

<u>Title</u>	<u>Jun-04</u>	<u>Jun-05</u>	<u>Jun-06</u>	<u>Jun-07</u>	<u>Jun-08</u>	<u>Jun-09</u>	<u>Jun-10</u>	<u>Jun-11</u>	<u>Jun-12</u>	<u>Jun-13</u>
Arts, Entertainment & Recreation	14,900	15,800	15,600	16,700	16,100	14,800	14,900	14,300	14,800	15,800
Accommodation & Food Services	102,700	108,500	112,800	117,100	115,200	109,300	108,000	109,300	114,000	118,700
Accommodation	18,500	17,900	18,200	17,400	16,300	14,600	13,600	13,900	14,300	14,200
Food Services & Drinking Places	84,200	90,600	94,600	99,700	98,900	94,700	94,400	95,400	99,700	104,500
Full-Service Restaurants	35,800	39,400	40,300	41,900	40,900	38,900	39,300	40,100	42,500	42,600
Limited-Service Eating Places	45,000	48,300	51,300	54,300	54,300	52,500	51,700	51,800	53,700	58,400
Other Services	38,700	40,200	41,400	42,000	42,200	37,500	39,200	39,400	41,100	41,600
Repair & Maintenance	15,900	16,100	16,400	15,900	15,400	13,000	12,900	13,100	13,700	14,100
Personal & Laundry Services	8,400	9,100	9,600	10,300	10,400	9,600	9,800	9,700	10,500	10,800
Government	213,400	220,200	227,300	229,000	233,800	239,400	241,600	230,800	226,000	225,100
Federal Government	17,000	18,800	19,300	19,500	19,700	20,300	25,000	21,400	20,500	20,100
Department of Defense	5,300	5,600	5,700	5,600	5,800	6,100	6,300	6,400	5,900	5,800
Federal Government excluding Department of Defense	11,700	13,200	13,600	13,900	13,900	14,200	18,700	15,000	14,600	14,300
State & Local Government	196,400	201,400	208,000	209,500	214,100	219,100	216,600	209,400	205,500	205,000
State Government	27,000	27,600	27,900	29,300	30,500	30,800	29,900	30,100	28,900	28,700
State Government Education	9,900	10,100	10,300	10,700	11,100	11,200	10,900	11,600	11,200	11,700
State Government Excluding Education	17,100	17,500	17,600	18,600	19,400	19,600	19,000	18,500	17,700	17,000
Local Government	169,400	173,800	180,100	180,200	183,600	188,300	186,700	179,300	176,600	176,300
Local Government Education	100,200	98,500	99,900	97,100	99,700	105,800	107,100	103,000	102,400	103,000
Local Government Excluding Education	69,200	75,300	80,200	83,100	83,900	82,500	79,600	76,300	74,200	73,300
County	32,400	32,500	36,000	37,400	37,700	37,500	36,400	35,200	34,200	33,300
City	15,200	15,500	16,200	17,300	17,900	17,700	16,600	16,200	15,300	14,900
Special Districts plus Indian Tribes	21,600	27,300	28,000	28,400	28,300	27,300	26,500	24,900	24,700	25,100

Source: Employment Development Department, Labor Market Information Division

## THE ECONOMY AND ECONOMIC OUTLOOK

San Bernardino County is the largest county in the nation in terms of total land area. San Bernardino County and Riverside County comprise the Inland Empire, one of the fastest growing metro areas in the nation from 1997 to 2006. The recession has had an outsized impact on the region, but general economic improvements have been observed over the last two years.

The San Bernardino County economy will continue to expand in 2013. Over the longer-term forecast, the Inland Empire will experience greater growth than the coastal counties, due largely to the availability of land at lower costs.

### Economic Highlights

- Wage and salary employment is expected to increase by 2.5 percent in 2013. From 2013 to 2018, the annual growth rate is expected to average 1.9 percent.
- Average salaries are currently below the California state average, and will remain so over the foreseeable future. Adjusted for inflation, average salaries are forecast to rise by an average of 0.5 percent per year from 2013 to 2018.
- From 2013 to 2018, the momentum for employment growth will be broad-based. Manufacturing, transportation, wholesale trade, professional services, health and education, leisure and hospitality, and construction will all grow by 15 percent or more.
- From 2013 to 2018, population growth is expected to average 1.4 percent per year. This is significantly faster than the 0.6 percent that occurred over the previous five years.
- Net migration will turn positive in 2014, and will remain positive throughout the remainder of the forecast. Between 2013 and 2018, an average of 10,100 net migrants will enter the county each year.
- Real per capita income is expected to rise by 2.1 percent in 2013. During the 2013 -2018 period, real per capita income is forecast to increase by 1.5 percent per year.
- Total taxable sales will increase by an average of 2.4 percent per year from 2013 to 2018.
- Industrial production will rise by 4.9 percent in 2013. From 2013 to 2018, the growth rate of industrial production is expected to average 4.8 percent per year.

The worst days of record setting numbers of foreclosures, plummeting home values and soaring joblessness are gone. Better days are ahead for the Inland Empire. The Inland Empire will witness improvements in almost all areas in 2013 and 2014. Employment, real estate, housing, construction, and manufacturing are the main drivers of the Inland Empire economy. All of these industries will ultimately determine the strength of the region's economy over the short term and more importantly, the long term. In the coming years, the key advantages for the Inland Empire will once again be the affordability of housing, population growth and available low-cost land for additional warehouse construction.

*Source: CA Department of Transportation; LAEDC Kyser Center for Economic Research*

## Omnitrans CAFR

### Number of Employees

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Administration	3	3	4	4	5	5	5	5	5	5
Operation	470	491	504	494	504	474	473	445	438	443
Maintenance	113	108	116	117	118	118	111	99	102	101
Information Technology	6	6	6	7	10	10	10	6	6	5
Marketing	24	24	24	22	23	23	24	23	23	25
Planning	9	8	7	7	17 *	15	16	17	19	18
Human Resources	10	10	10	10	11	11	11	9	9	9
Safety & Security	3	3	2	2	4	4	4	4	4	3
Procurement	15	21	22	19	21	21	21	17	19	18
Finance	17	17	15	17	16	16	12	12	12	11
<b>Total</b>	<u><u>670</u></u>	<u><u>691</u></u>	<u><u>710</u></u>	<u><u>699</u></u>	<u><u>729</u></u>	<u><u>697</u></u>	<u><u>687</u></u>	<u><u>637</u></u>	<u><u>637</u></u>	<u><u>638</u></u>

\* Revised in 2008 to include Integrated Project Management Oversight Employees.

Source: Human Resources Department

## Omnitrans CAFR

### OPERATING EXPENSES BY CATEGORY

	<u>2004</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2006</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Personnel	\$19,787,768	\$21,093,308	\$24,297,509	\$25,198,119	\$25,639,106	\$26,704,109	\$26,628,484	\$24,869,713	\$25,280,131	\$25,718,114
Materials & Supplies	7,249,581	8,073,124	10,732,723	10,911,136	10,053,655	9,062,296	8,831,959	7,743,557	8,479,014	8,396,813
Casualty & Liability	9,492,396	7,683,447	3,704,840	2,206,571	4,981,889	4,448,557	4,233,360	4,674,142	5,100,830	6,525,076
Purchased Transportation	8,884,853	9,876,923	7,404,173	6,241,231	6,336,702	6,719,510	7,114,073	8,831,959	8,882,227	9,084,344
Depreciation & Other	23,271,495	25,208,047	27,003,593	30,247,884	29,606,847	30,091,084	31,693,482	33,182,921	38,534,224	37,492,829
<b>Total Operating Expenses</b>	<u>\$68,686,093</u>	<u>\$71,934,849</u>	<u>\$73,142,838</u>	<u>\$74,804,941</u>	<u>\$76,618,199</u>	<u>\$77,025,556</u>	<u>\$78,501,358</u>	<u>\$79,302,292</u>	<u>\$86,276,426</u>	<u>\$87,217,176</u>

Source: Finance Department

## Omnitrans CAFR

### OPERATING EXPENSES BY FUNCTION

	<u>2004</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Transportation	\$19,071,473	\$21,794,508	\$24,680,219	\$25,506,068	\$26,163,421	\$27,787,511	\$28,239,330	\$29,168,399	\$29,261,593	\$29,269,181
Maintenance	14,134,065	14,054,738	17,488,081	18,315,985	17,867,594	16,627,719	15,770,795	14,204,780	14,830,016	15,043,634
Risk Management *	9,185,069	7,157,905	3,708,749	2,208,571	4,981,889	4,448,557	4,233,360	4,674,142	5,100,830	6,525,076
Marketing	2,115,129	2,111,795	2,275,828	2,328,273	2,366,484	2,330,561	2,673,847	2,260,166	2,259,488	2,452,956
General Administration	4,847,166	3,402,253	6,510,371	7,341,094	9,569,184	7,451,941	7,226,877	7,835,246	8,052,766	6,887,007
Depreciation & Other **	19,332,191	23,413,650	18,481,808	19,106,950	15,689,627	18,379,288	20,357,148	21,159,558	26,771,733	27,039,322
<b>Total Operating Expenses</b>	<b><u>\$68,685,093</u></b>	<b><u>\$71,934,849</u></b>	<b><u>\$73,145,056</u></b>	<b><u>\$74,804,941</u></b>	<b><u>\$76,618,199</u></b>	<b><u>\$77,025,556</u></b>	<b><u>\$78,501,358</u></b>	<b><u>\$79,302,292</u></b>	<b><u>\$86,276,428</u></b>	<b><u>\$87,217,176</u></b>

\* Risk Management consist of casually and liability costs.

\*\* Depreciation & Other cost consist of depreciation, purchased transportation, leases and rentals, and capital purchases charged to operating.

Source: Finance Department

Omnitrans CAFR

**CAPITAL ASSETS BY FUNCTION**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Fixed route										
Buses	183	181	181	180	175	173	177	167	179	172
Paratransit										
Paratransit buses	101	101	101	101	95	102	101	106	106	96
Paratransit vans	0	0	0	0	6	10	10	10	10	10
Support vehicles										
Vans, cars & trucks	43	45	39	31	35	52	49	42	43	37

Source: Finance Department.

**OMINITRANS**  
**SINGLE AUDIT REPORT**  
**ON FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

Omnitrans Single Audit  
**OMNITRANS**

**YEAR ENDED JUNE 30, 2013**

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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*,  
THE TRANSPORTATION DEVELOPMENT ACT AND  
CALIFORNIA GOVERNMENT CODE §8879.50**

Board of Directors  
Omnitrans  
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Omnitrans as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements, and have issued our report thereon dated December 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Omnitrans' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Omnitrans' internal control. Accordingly, we do not express an opinion on the effectiveness of Omnitrans' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2013-001, to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Omnitrans' 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 Title 21 of the California Code of Regulations and California Government Code §8879.50 et seq., 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*, Section 6667 of Title 21 of the California Code of Regulations, or the California Government Code §8879.50 et seq.

## Omnitrans' Response to Findings

Omnitrans' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Omnitrans' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
December 30, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
OMB CIRCULAR A-133**

Board of Directors  
Omnitrans  
San Bernardino, California

**Report on Compliance for Each Major Federal Program**

We have audited Omnitrans' 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 Omnitrans' major federal programs for the year ended June 30, 2013. Omnitrans' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Omnitrans' major federal programs based on our audit of the types of compliance requirements referred to above. 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 Omnitrans' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Omnitrans' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Omnitrans 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, 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 items 2013-002 and 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

Omnitrans' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Omnitrans' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of Omnitrans is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Omnitrans' 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 that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Omnitrans' 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003, which we consider to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements. We issued our report thereon dated December 30, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise the basic 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 basic 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Rancho Cucamonga, California  
December 30, 2013

## OMNITRANS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-through Grantor Program Title	Federal Domestic Assistance Number	Grant Number	Federal Financial Assistance Expenditure	Amount Provided to Subrecipients
U.S. Department of Transportation:				
<u>Direct Assistance:</u>				
Federal Transit - Capital Investment Grants	20.500	CA-03-0624-00	\$ 735,761	\$ 735,731
Federal Transit - Capital Investment Grants	20.500	CA-03-0660-00	728	728
Federal Transit - Capital Investment Grants	20.500	CA-03-0699-00	203,363	753,420
Federal Transit - Capital Investment Grants	20.500	CA-03-0746-00	953,068	403,011
Federal Transit - Capital Investment Grants	20.500	CA-03-0816-00	36,609,448	-
Federal Transit - Capital Investment Grants	20.500	CA-04-0030-00	-	-
Federal Transit - Capital Investment Grants	20.500	CA-04-0035-01	-	-
Federal Transit - Capital Investment Grants	20.500	CA-04-0071-00	200,425	200,426
Federal Transit - Capital Investment Grants	20.500	CA-04-0123-00	-	-
Federal Transit - Capital Investment Grants	20.500	CA-04-0152-00	176,818	176,818
Federal Transit - Capital Investment Grants	20.500	CA-04-0191-00	31,935	31,935
Federal Transit - Capital Investment Grants	20.500	CA-04-0219-00	5,000,000	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-X929-00	9,097	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-95-X055-00	-	-
ARRA Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-96-X058-00	95,417	80,690
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-95-X124-00	16,013,022	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y064-00	1,489,013	1,485,227
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y098-00	88,007	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y164-00	89,825	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y251-00	-	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y333-00	22,150	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y396-00	8,379	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y495-00	8,757	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y602-00	1,203,089	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y681-00	3,959,790	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y775-00	4,172,220	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y850-00	374,164	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-96-Y156-00	4,898,490	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y939-00	1,924,783	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z009-00	9,858,042	-
FTA Insurance Reimbursement	20.507	N/A	25,000	-
subtotal - Federal Transit Cluster			<u>88,150,791</u>	<u>3,867,986</u>
FY06-08 Section 5316 JARC Capital	20.516	CA-37-X090-00	978,237	177,804
FY09-10 Section 5316 JARC Capital	20.516	CA-37-X146-00	667,457	53,476
FY06-08 - 5317 New Freedom (Amend)	20.521	CA-57-X017-00	214,524	189,296
FY09-10 - 5317 New Freedom	20.521	CA-57-X062-00	92,195	92,195
subtotal - Transit Services Programs Cluster			<u>1,952,413</u>	<u>512,771</u>
Holt Boulevard Alternative Analysis	20.522	CA-39-0008-00	412,996	-
FEMA-Dept of Homeland Security	97.075	N/A	137,132	-
Total Expenditures of Federal Awards			<u>\$ 90,653,332</u>	<u>\$ 4,380,757</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**OMNITRANS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**(A) Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by Omnitrans that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by Omnitrans from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**(B) Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when Omnitrans becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

**(C) Subrecipients**

During the fiscal year ended June 30, 2013, Omnitrans provided \$4,380,757 in federal awards to subrecipients from funding provided by the U.S. Department of Transportation – Federal Transit Cluster (CFDA Nos. 20.500 and 20.507) and Transit Services Programs Cluster, New Freedom Program (CFDA No. 20.521) and JARC Capital Program (CFDA No. 20.516).

**OMNITRANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material Weakness(es) identified?	<u>Yes</u>
Significant Deficiency(ies) identified not considered to be material weaknesses?	<u>None noted</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>Unmodified</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>
<u>20.500, 20.507</u>	<u>Federal Transit Cluster (includes ARRA)</u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,719,600</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**OMNITRANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**II. FINANCIAL STATEMENT FINDINGS**

**Finding 2013-001**

**FINANCIAL REPORTING**

**Criteria:**

The financial statements should be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP:

- Revenues should be recorded when earned and realizable.
- Risk management costs and liabilities relating to incurred but not reported (IBNR) claims should be estimated and accrued in the period in which the event occurs. The liability should be based on the estimated ultimate cost of settling the claims.

**Condition:**

Based on our audit procedures, we noted that certain transactions were recorded based on considerations other than GAAP as follows:

- CNG Fuel tax credits were earned, but were recorded as deferred revenue delaying the recognition of the revenue until future costs with associated planned projects were incurred.
- The inputs to the estimate used for the recognition of the liability for IBNR claims were applied inconsistently. The liability posted was based on remaining budget considerations rather than an established confidence level to record IBNR claims.

**Context:**

The treatment of certain accounting transactions was not in accordance with U.S. GAAP and accordingly audit adjustments were proposed. Refer to the Cause, below, for additional context.

**Effect:**

The condition resulted in the following proposed adjustments:

- \$1,477,256 in CNG fuel tax credits were recorded as deferred revenue. An adjustment was proposed to recognize the amount as revenue.
- \$2,009,951 was proposed as an adjustment representing the difference between the estimated IBNR liability recorded by management and the amount which would have been recorded when considering the IBNR confidence level recorded in prior year.

**OMNITRANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**II. FINANCIAL STATEMENT FINDINGS**

**Cause:**

Based on our procedures, we noted the following:

*CNG Fuel Tax Credits*

Management communicated that the amounts for the CNG fuel tax credits were recorded as deferred revenue because Omnitrans had determined that the amounts were going to be used as a match for a capital purchase in the future. However, in accordance with GAAP, the amounts should have been recognized as revenue when earned/received.

*Risk Management Liabilities*

Management communicated that past practice was to record IBNR claims liabilities at varying confidence levels. These confidence levels were determined at yearend after Omnitrans management evaluated yearend financial results. To the extent that additional expenses could be recorded without impacting the budget or resulting in a deficit for the fiscal year, additional amounts would be accrued.

This practice continued during the current fiscal year. This practice resulted in material differences between the IBNR claims liability estimates in the current year when compared to the prior year. Management had originally accrued the IBNR liability at a 50 percent confidence level for FY 2013, compared to a confidence level of 85 percent for FY 2012. As a result, audit adjustments were proposed for the IBNR claims liabilities. Specific details are provided in the next paragraph.

As discussed in the Effect an adjustment to increase income was proposed for the fuel tax credit of \$1,477,256. In response to this adjustment, management increased the IBNR claims expense/liability by \$935,517. This was consistent with Omnitrans' past practice of recording IBNR claims liability expenses to the extent that such amounts would not result in a deficit for the fiscal year, but is inconsistent with GAAP.

**Recommendation:**

We recommend that Omnitrans modify its financial reporting policies and procedures to ensure that transactions are recorded in accordance with GAAP. While the operating budget is utilized to manage operations, financial reporting policies and procedures should reflect the results of Omnitrans' operations in a manner that is in conformity with GAAP.

**View of Responsible Official and Planned Corrective Actions:**

As recommended Omnitrans will ensure its financial reporting policies and procedures are in accordance with GAAP. Additionally, Omnitrans will, with the approval of the Board of Directors, develop and implement a "Risk Policy" that clearly establishes the level of risk for future IBNR claims.

**OMNITRANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2013-002**

**Program:** Federal Transit Cluster (includes ARRA)  
**CFDA No.:** 20.500 and 20.507  
**Federal Grantor:** U.S. Department of Transportation  
**Award No.:** Various  
**Award Year:** Various  
**Compliance Requirement:** Subrecipient Monitoring

**Criteria:**

In accordance with OMB Circular A-133 §\_\_\_.400(d)(1), pass-through entities must inform subrecipients of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.

**Condition:**

Omnitrans did not provide pertinent federal award information details (CFDA Title and number, award name and number, etc.) to its subrecipients.

**Questioned Costs:**

None

**Context:**

The condition above was identified during our examination of the subrecipient monitoring requirements of the program.

**Effect:**

As a result of the condition, there is an increased risk of noncompliance with subrecipient monitoring provisions.

**Cause:**

Required information was not consistently included in the executed subrecipient agreements or through other means.

**Recommendation:**

We recommend that Omnitrans enhance subrecipient award procedures to ensure that required information is included in subrecipient communication at the time of award. Additionally, we recommend that the required information is provided to all current subrecipients.

**View of Responsible Official and Planned Corrective Action:**

Omnitrans will enhance its subrecipient award procedures to ensure that all required information is included in subrecipient communication at the time of award.

**OMNITRANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2013-003**

**Program:** Federal Transit Cluster (includes ARRA)  
**CFDA No.:** 20.500 and 20.507  
**Federal Grantor:** U.S. Department of Transportation  
**Award No.:** Various  
**Award Year:** Various  
**Compliance Requirement:** Reporting

**Criteria:**

In accordance with OMB Circular A-133 § \_\_.310(b)(5), pass-through entities should identify in the schedule of expenditures of federal awards the total amount provided to subrecipients from each Federal program.

**Condition:**

Omnitrans did not consistently include the total amount provided to subrecipients from each Federal program.

**Questioned Costs:**

None

**Context:**

The condition above was identified during our examination of the reporting requirements of the program.

**Effect:**

As a result of the condition, there is an increased risk of noncompliance with reporting provisions.

**Cause:**

Certain amounts provided to subrecipients were initially excluded from the schedule of expenditures of federal awards.

**Recommendation:**

We recommend that Omnitrans enhance its procedures to ensure that the total amount provided to subrecipients is included on the schedule of expenditures of federal awards.

**View of Responsible Official and Planned Corrective Action:**

Omnitrans will enhance its procedures to ensure the total amount provided to subrecipients is included on the schedule of expenditures of federal awards.

**OMNITRANS****SCHEDULE OF PRIOR YEAR AUDIT FINDINGS****FOR THE YEAR ENDED JUNE 30, 2013**

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

**Financial Statement Findings**

None reported.

**Federal Awards Findings**

<b>Finding No.</b>	<b>Program</b>	<b>CFDA No.</b>	<b>Compliance Requirement</b>	<b>Status of Corrective Action</b>
2012-1	Federal Transit Cluster	20.500 and 20.507	Subrecipient Monitoring and Reporting	Partially implemented - See finding 2013-002



Board of Directors  
Omnitrans  
San Bernardino, California

We have audited the basic financial statements of Omnitrans for the year ended June 30, 2013. 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 Omnitrans are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit 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 risk management liability for incurred but not reported (IBNR) claims is based on an actuarial valuation and an 80% confidence level.
- Management's estimate of the depreciation of capital assets is based upon the estimated useful lives of the related capital assets.

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

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

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Omnitrans SAS 114 Letter

### *Corrected and Uncorrected 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:

- Risk management IBNR liabilities were understated by \$2,009,951. The amount of \$935,517 was posted. The remaining difference is considered an uncorrected misstatement.
- \$1,477,256 in CNG fuel tax credits were recorded as unearned revenue and an adjustment was proposed to recognize the amount as revenue.

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

- \$439,976 of indirect costs were charged to purchased assets and capitalized. An adjustment was proposed to reflect those charges as period costs.
- The remaining difference between the estimated risk management IBNR liability using consistent inputs and the amount recorded was \$1,074,434 and was proposed as an adjustment.

### *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 auditors' 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 December 30, 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 Omnitrans' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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 Omnitrans and is not intended to be and should not be used by anyone other than these specified parties.

*Vernick, Train, Day & Co., LLP*

Rancho Cucamonga, California  
December 30, 2013

Omnitrans Proposition 1B

**OMNITRANS**  
**San Bernardino, California**

**INDEPENDENT AUDITORS' REPORT ON**  
**PROPOSITION 1B**

**Year Ended June 30, 2013**

**Omnitrans Proposition 1B  
OMNITRANS**

**PROPOSITION 1B**

**JUNE 30, 2013**

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**INDEPENDENT AUDITORS' REPORT ON PROPOSITION 1B SCHEDULE OF  
UNSPENT FUNDS AND CASH DISBURSEMENTS**

Board of Directors  
Omnitrans  
San Bernardino, California

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements and have issued our report thereon dated December 30, 2013, which contained an unmodified opinion on those financial statements. Those financial statements are the responsibility of Omnitrans' management. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Omnitrans' basic financial statements. The accompanying Proposition 1B Schedule of Unspent Funds and Cash Disbursements is presented for purposes of additional analysis, to satisfy the requirements of Section 6667 of Title 21 of the California Code of Regulations, the California Government Code §8879.50, and the California State Senate Bill 88 (2007), et seq. and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rancho Cucamonga, California  
December 30, 2013

Omnitrans Proposition 1B

**OMNITRANS  
PROPOSITION 1B**

**SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS  
YEAR ENDED JUNE 30, 2013**

	<u>PTMISEA (1)</u>	<u>CTSG (2)</u>	<u>Total</u>
Unspent Prop 1B funds as of June 30, 2012	\$ 1,822,358	\$ 3,014,146	\$ 4,836,504
Interest revenue earned on unspent Prop 1B funds during fiscal year ended June 30, 2013	994	1,633	2,627
Prop 1B disbursements during the year ended June 30, 2013	<u>(758,664)</u>	<u>(1,606,541)</u>	<u>(2,365,205)</u>
Unspent Prop 1B funds as of June 30, 2013	<u>\$ 1,064,688</u>	<u>\$ 1,409,238</u>	<u>\$ 2,473,926</u>

(1) Public Transportation, Modernization, Improvement, and Service Enhancement Account

(2) California Transit Security Grant, including CalEMA program from prior year

## Omnitrans IDES Report

OMB No. 0348-0057  09/17/2013	U.S. Dept. of Comm. - Econ and Stat Admin. - U.S. Census Bureau  ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET
<b>GENERAL INFORMATION</b>	
<b>REPORTID: 576821 VERSION:1</b>	
<b>1. Fiscal Period End Date</b>  6/30/2013	<b>2. Type of Circular A-133 Audit</b>  Single Audit
<b>3. Audit Period Covered</b>  Annual	If Audit Period Other, Number of months
<b>4. Auditee Identification Numbers</b> a. Auditee Employer Identification Number (EIN) 95-3035112 b. Are multiple EINS covered in this report? No If Yes, the additional EINs are listed on <u>Additional EINS</u>	d. Auditee Data Universal Numbering System (DUNS) Number 08-181-6050 e. Are multiple DUNS covered in this report? No If Yes, the additional DUNS are listed on <u>Additional DUNS</u>
<b>5. AUDITEE INFORMATION</b>	
a. Auditee Name OMNITRANS  b. Auditee Address (Number and street) 1700 WEST FIFTH STREET Auditee City SAN BERNARDINO Auditee State CA Auditee ZIP Code 92411	<b>6. PRIMARY AUDITOR INFORMATION</b> a. Audit Firm / Organization Name VAVRINEK, TRINE, DAY & CO., LLP b. Audit Firm / Organization EIN 95-2648289 c. Audit Firm / Organization Address (Number and street) 8270 ASPEN STREET Auditor Firm/Organization City RANCHO CUCAMONGA Auditor Firm/Organization State CA Auditor Firm/Organization ZIP Code 91730
c. Auditee Contact Name P SCOTT GRAHAM Auditee Contact Title INTERIM CEO/GENERAL MANAGER d. Auditee Contact Telephone (909)379-7112 e. Auditee Contact Fax (909)889-5779 f. Auditee Contact E-mail SCOTT.GRAHAM@OMNITRANS.ORG	d. Primary Auditor Name ROGER ALFARO Primary Auditor Title PARTNER e. Primary Auditor Contact Telephone (909)466-4410 f. Primary Auditor Contact Fax (909)466-4431 g. Primary Auditor Contact E-mail RALFARO@VTDCPA.COM
	<b>7. Was a secondary auditor used?</b> No 8. If Yes, the additional auditors are listed on <u>Secondary Auditors</u>

Omnitrans IDES Report

Form SF-SAC Single Audit Data Collection Form	REPORTID: 576821 VERSION:1
<b>FINANCIAL STATEMENTS SUMMARY</b>	
1.Type of audit report	
Unmodified	
2. Is a 'going concern' emphasis-of-matter paragraph included in the audit report?	
No	
3.Is a significant deficiency disclosed?	
No	
4.Is a material weakness disclosed?	
Yes	
5.Is a material noncompliance disclosed?	
No	
<b>FEDERAL PROGRAMS SUMMARY</b>	
1.Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide)	
No	
2.What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))	
\$2,719,600	
3.Did the auditee qualify as a low-risk auditee? (§.530)	
Yes	
4.Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§.315(b))	
Yes	
5.Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding.	
20 - Department of Transportation	

Omnitrans IDES Report

Form SF-SAC Single Audit Data Collection Form					REPORTID: 576821 VERSION:1						
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR											
Federal Agency Prefix 1	Extension 2	Federal Program Name	Amount Expended	R&D	Loan/Loan Guarantee	ARRA 3	Direct Award	Major Program (MP)	If yes (MP), type of audit report 4	Number of Audit Findings	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$735,761	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$728	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$203,363	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$953,068	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$36,609,448	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$200,425	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$176,818	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$31,935	N	N	N	Y	Y	Unmodified	2	
20	500	FEDERAL TRANSIT - CAPITAL INVESTMENT GRANT	\$5,000,000	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$9,097	N	N	N	Y	Y	Unmodified	2	
20	507	ARRA FEDERAL TRANSIT - FORMULA GRANTS (UR	\$95,417	N	N	Y	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$16,013,022	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$1,489,013	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$88,007	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$89,825	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$22,150	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$8,379	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$8,757	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$1,203,089	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$3,959,790	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$4,172,220	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$374,164	N	N	N	Y	Y	Unmodified	2	
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$4,898,490	N	N	N	Y	Y	Unmodified	2	

Federal Awards

Omnitrans IDES Report

20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$1,924,783	N	N	N	Y	Y	Unmodified	2
20	507	FEDERAL TRANSIT - FORMULA GRANTS (URBANIZ	\$9,858,042	N	N	N	Y	Y	Unmodified	2
20	507	FTA INSURANCE REIMBURSEMENT	\$25,000	N	N	N	Y	Y	Unmodified	2
20	516	FY06-08 SECTION 5316 JARC CAPITAL	\$978,237	N	N	N	Y	N		0
20	516	FY09-10 SECTION 5316 JARC CAPITAL	\$667,457	N	N	N	Y	N		0
20	521	FY06-08-5317 NEW FREEDOM (AMEND)	\$214,524	N	N	N	Y	N		0
20	521	FY09-10-5317 NEW FREEDOM	\$92,195	N	N	N	Y	N		0
20	522	HOLT BOULEVARD ALTERNATIVE ANALYSIS	\$412,996	N	N	N	Y	N		0
97	075	FEMA-DEPT OF HOMELAND SECURITY	\$137,132	N	N	N	Y	N		0
		<b>Total Federal Awards Expended:</b>	<b>\$90,653,332</b>							

Omnitrans IDES Report

Form SF-SAC Single Audit Data Collection Form				REPORTID: 576821 VERSION:1							
7. FEDERAL AWARD FINDINGS											
Federal Agency Prefix	Extension	Federal Program Name	Audit Finding Reference Number	Type(s) of Compliance Requirement(s) <sup>1</sup>	Compliance Findings <sup>2</sup>		Internal Control Findings <sup>2</sup>			Questioned Costs	
					Modified Opinion	Other Matters	Material Weakness	Significant Deficiency	Other Findings <sup>2</sup>		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-002	M	N	Y	N	Y	N	N	
20	500	FEDERAL TRANSIT - CAPITAL INVESTM	2013-003	L	N	Y	N	Y	N	N	
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N	
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N	
20	507	ARRA FEDERAL TRANSIT - FORMULA G	2013-002	M	N	Y	N	Y	N	N	

Omnitrans IDES Report

20	507	ARRA FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-002	M	N	Y	N	Y	N	N		
20	507	FEDERAL TRANSIT - FORMULA GRANT	2013-003	L	N	Y	N	Y	N	N		
20	507	FTA INSURANCE REIMBURSEMENT	2013-002	M	N	Y	N	Y	N	N		
20	507	FTA INSURANCE REIMBURSEMENT	2013-003	L	N	Y	N	Y	N	N		

1 Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material  
2 There are 9 valid combinations of 'Compliance Findings,' 'Internal Control Findings,' and 'Other Findings' for each Federal program with findings. (See ir





Omnitrans IDES Report

Form SF-SAC Single Audit Data Collection Form	REPORTID: 576821	VERSION:1
PART I, Item 4c. AUDITEE EIN CONTINUATION SHEET (FROM PART I, ITEM 4b)		

Additional EINs

Omnitrans IDES Report

Form SF-SAC Single Audit Data Collection Form

REPORTID: 576821 VERSION:1

PART I, Item 4f. AUDITEE DUNS CONTINUATION SHEET (FROM PART I, ITEM 4e)

Additional DUNS

# Omnitrans IDES Report

Form SF-SAC Single Audit Data Collection Form								REPORTID: 576821 VERSION:1		
PART I, Item 8, SECONDARY AUDITORS' CONTACT INFORMATION										
Auditor Firm Name	Auditor EIN	Auditor Address	City	State	ZIP Code	Contact Name	Contact Title	Contact Phone	Contact Fax	Contact E-mail
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)

Omnitrans IDES Report

Form SF-SAC Single Audit Data Collection Form		REPORTID: 576821 VERSION:1	
CERTIFICATIONS			
Auditee Certification Statement		Auditor Statement	
<p>This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.</p>		<p>The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. Except for Part III, Items 4, 5, 6a-6h, and, when audit findings are reported, 7a-7c, the information included in Parts II and III of this form was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.</p>	
Auditee Certification		Auditor Statement	
ELECTRONICALLY CERTIFIED: 1/30/2014		ELECTRONICALLY CERTIFIED: 1/30/2014	
Name of certifying official			
P. SCOTT GRAHAM			
Title of certifying official			
INTERIM CEO/GENERAL MANAGER			

## Omnitrans IDES Report

<sup>1</sup> The letters entered in the 'Type(s) of Compliance Requirements' field apply to audit findings (i.e., noncompliance, significant deficiency (including questioned costs, fraud, and other items reported under §\_.510(a)) reported for each Federal program:

- A. Activities Allowed or Unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and real property management
- G. Matching, level of effort, earmarking
- H. Period of availability of Federal funds
- I. Procurement and suspension and debarment
- J. Program income
- K. Real property acquisition and relocation assistance
- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions
- O. None (2008 through 2012 Only)
- P. Other



**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*,  
 THE TRANSPORTATION DEVELOPMENT ACT AND  
 CALIFORNIA GOVERNMENT CODE §8879.50**

Board of Directors  
 Omnitrans  
 San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Omnitrans as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements, and have issued our report thereon dated December 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Omnitrans' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Omnitrans' internal control. Accordingly, we do not express an opinion on the effectiveness of Omnitrans' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2013-001, to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Omnitrans' 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 Title 21 of the California Code of Regulations and California Government Code §8879.50 et seq., 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*, Section 6667 of Title 21 of the California Code of Regulations, or the California Government Code §8879.50 et seq.

**Omnitrans' Response to Findings**

Omnitrans' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Omnitrans' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
December 30, 2013

**OMNITRANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**Finding 2013-001**

**FINANCIAL REPORTING**

**Criteria:**

The financial statements should be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP:

- Revenues should be recorded when earned and realizable.
- Risk management costs and liabilities relating to incurred but not reported (IBNR) claims should be estimated and accrued in the period in which the event occurs. The liability should be based on the estimated ultimate cost of settling the claims.

**Condition:**

Based on our audit procedures, we noted that certain transactions were recorded based on considerations other than GAAP as follows:

- CNG Fuel tax credits were earned, but were recorded as deferred revenue delaying the recognition of the revenue until future costs with associated planned projects were incurred.
- The inputs to the estimate used for the recognition of the liability for IBNR claims were applied inconsistently. The liability posted was based on remaining budget considerations rather than an established confidence level to record IBNR claims.

**Context:**

The treatment of certain accounting transactions was not in accordance with U.S. GAAP and accordingly audit adjustments were proposed. Refer to the Cause, below, for additional context.

**Effect:**

The condition resulted in the following proposed adjustments:

- \$1,477,256 in CNG fuel tax credits were recorded as deferred revenue. An adjustment was proposed to recognize the amount as revenue.
- \$2,009,951 was proposed as an adjustment representing the difference between the estimated IBNR liability recorded by management and the amount which would have been recorded when considering the IBNR confidence level recorded in prior year.

**OMNITRANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**Cause:**

Based on our procedures, we noted the following:

*CNG Fuel Tax Credits*

Management communicated that the amounts for the CNG fuel tax credits were recorded as deferred revenue because Omnitrans had determined that the amounts were going to be used as a match for a capital purchase in the future. However, in accordance with GAAP, the amounts should have been recognized as revenue when earned/received.

*Risk Management Liabilities*

Management communicated that past practice was to record IBNR claims liabilities at varying confidence levels. These confidence levels were determined at yearend after Omnitrans management evaluated yearend financial results. To the extent that additional expenses could be recorded without impacting the budget or resulting in a deficit for the fiscal year, additional amounts would be accrued.

This practice continued during the current fiscal year. This practice resulted in material differences between the IBNR claims liability estimates in the current year when compared to the prior year. Management had originally accrued the IBNR liability at a 50 percent confidence level for FY 2013, compared to a confidence level of 85 percent for FY 2012. As a result, audit adjustments were proposed for the IBNR claims liabilities. Specific details are provided in the next paragraph.

As discussed in the Effect an adjustment to increase income was proposed for the fuel tax credit of \$1,477,256. In response to this adjustment, management increased the IBNR claims expense/liability by \$935,517. This was consistent with Omnitrans' past practice of recording IBNR claims liability expenses to the extent that such amounts would not result in a deficit for the fiscal year, but is inconsistent with GAAP.

**Recommendation:**

We recommend that Omnitrans modify its financial reporting policies and procedures to ensure that transactions are recorded in accordance with GAAP. While the operating budget is utilized to manage operations, financial reporting policies and procedures should reflect the results of Omnitrans' operations in a manner that is in conformity with GAAP.

**View of Responsible Official and Planned Corrective Actions:**

As recommended Omnitrans will ensure its financial reporting policies and procedures are in accordance with GAAP. Additionally, Omnitrans will, with the approval of the Board of Directors, develop and implement a "Risk Policy" that clearly establishes the level of risk for future IBNR claims.

**CITY OF BARSTOW, CALIFORNIA**  
**TRANSPORTATION DEVELOPMENT ACT FUNDS**  
**Financial Statements**  
**Year Ended June 30, 2013**

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Barstow Area Transit  
CITY OF BARSTOW, CALIFORNIA

TRANSPORTATION DEVELOPMENT ACT FUNDS

Financial Statements

Year Ended June 30, 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
San Bernardino Associated Governments  
San Bernardino, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 8 Fund (TDA Fund) of the City of Barstow, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the TDA Fund of the City as of June 30, 2013, and the respective changes in financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Barstow Area Transit

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, the TDA Funds of the City adopted Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the *Management's Discussion and Analysis* for the TDA Fund that accounting principles generally accepted in the United States of America requires 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 financial reporting and 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's TDA Fund. The schedule of allocations received and expended by project year are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of allocations received and expended by project year is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion the schedule of allocations received and expended by project year is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2014, on our consideration of the City's internal control over financial reporting for the TDA Fund, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Vermick, Trini, Day, Co., LLP*

Rancho Cucamonga, California  
March 4, 2014

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Operating grants receivable	\$ 400,771
Total Current Assets	<u>400,771</u>

**CAPITAL ASSETS**

Equipment	3,640,008
Accumulated depreciation	<u>(3,151,688)</u>
Capital assets, net	<u>488,320</u>
TOTAL ASSETS	<u>889,091</u>

**LIABILITIES**

Accounts payable	183,595
Accrued liabilities	6,911
Due to City of Barstow	285,237
Unearned revenue	<u>12,358</u>
TOTAL LIABILITIES	<u>488,101</u>

**NET POSITION**

Net investment in capital assets	488,320
Unrestricted	<u>(87,330)</u>
TOTAL NET POSITION	<u>\$ 400,990</u>

See accompanying notes to financial statements.

Barstow Area Transit

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013**

<b>OPERATING REVENUES:</b>	
Fares	<u>\$ 178,593</u>
<b>OPERATING EXPENSES:</b>	
Operations	2,113,985
Maintenance	13,421
General and administration	231,821
Depreciation	351,798
Total Operating Expense	<u>2,711,025</u>
Operating loss	(2,532,432)
<b>NON-OPERATING REVENUES:</b>	
Local Transportation Fund Article 8	1,521,793
Federal Transit Administration Section 5311	400,771
Measure I	252,790
Net increase in fair value of investments	5,281
Total Non-operating Revenues	<u>2,180,635</u>
<b>CHANGE IN NET POSITION</b>	<b>(351,797)</b>
Net Position at Beginning of Year	<u>752,787</u>
Net Position at End of Year	<u><u>\$ 400,990</u></u>

See accompanying notes to financial statements.

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013**

<b>Cash flows from operating activities:</b>	
Cash received from fares	\$ 178,593
Payments to employees	(239,443)
Payments to vendors for services	(2,265,116)
Borrowing from City of Barstow	<u>(200,411)</u>
Net cash used in operating activities	<u>(2,526,377)</u>
<b>Cash flows from non-capital financing activities:</b>	
Grants received	<u>2,521,096</u>
Net cash provided by non-capital financing activities	2,521,096
<b>Cash flows from investing activities:</b>	
Interest received	<u>5,281</u>
Net cash used in investing activities	<u>5,281</u>
Net decrease in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating income (loss)	<u>\$ (2,532,432)</u>
Adjustments to reconcile operating (loss) to net cash used in operating activities:	
Depreciation expense	351,798
Changes in assets and liabilities:	
(Increase) decrease in assets:	
(Decrease) in liabilities:	
Accounts payable and accrued liabilities	<u>(345,743)</u>
Total Adjustments	<u>6,055</u>
Net cash used in operating activities	<u>\$ (2,526,377)</u>

See accompanying notes to financial statements.

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

***NOTE 1 – GENERAL INFORMATION***

The financial statements are intended to reflect the financial position and changes in financial position and cash flows of the Transportation Development Act (TDA) Article 8 Funds (Fund) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Barstow and changes in financial position, or, where applicable, its cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

**Article 8**

San Bernardino Associated Governments (SANBAG) receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

The City of Barstow utilizes these TDA Article 8 funds to provide operation and maintenance for the City's transit system. The funding is also used to purchase assets related to transportation, such as buses, bus benches, bus shelters, bus stop signs and fareboxes.

Article 8 subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance need must be determined by SANBAG.

***NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the TDA Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

**Fund Accounting**

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, net position segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Article 8 TDA Funds are accounted for within a separate enterprise fund of the City.

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

***NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)***

**Measurement Focus and Basis of Accounting**

The TDA fund of the City is an enterprise fund and maintains its records on the 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.

**Cash and Investments**

Cash and investments are pooled in the City's investment pool to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the TDA Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained on the City's website. For the purpose of the statement of cash flows, amounts maintained in the City Pool are considered cash and cash equivalents.

**Grants**

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.

**Capital Assets**

Capital assets are recorded at cost where historical records are available and at estimated historical costs where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$1,000 are capitalized if they have an expected useful life of three years or more.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. Depreciation is charged as an expense against operations. The range of lives used for depreciation purposes for each fixed asset class is as follows:

Machinery and equipment	5-15 years
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**Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

***NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)***

**Operating and Non-Operating Revenue**

The City of Barstow distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with the City'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**

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.

**New Accounting Pronouncements-Effective in Current Fiscal Year**

**GASB Statement No. 62-** In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations, 2) Accounting Principles Board Opinions, and 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statements also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of the Statement for enterprise funds and business-type activities to apply post- November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The TDA Fund of the City of Barstow, an enterprise fund of the City, implemented this announcement effective July 2012. Management has determined that there was not a material effect on the financial statements.

**GASB Statement No. 63 –** In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements in No. 34, *Basic Financial Statements- and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The TDA fund of the City of Barstow, an enterprise fund of the City, implemented this pronouncement, effective July 1, 2012.

CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

New Accounting Pronouncements- Effective in Future Years

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. Management has not determined the effect on the financial statements.

**GASB Statement No. 66** – In March 2013, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62., *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. Management has not determined if there will be an effect on the financial statements.

**GASB Statement No. 67-** In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessment of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of *Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and *Statement No. 50, Pension Disclosures*, as they related to pension plans that are not administered through trust covered by the scope of this Statements and to defined contribution plans that provide post-employment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. This Statement is specifically for pension plan providers.

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. Management has not determined the effect on the financial statements.

**GASB Statement No. 69** – In January 2012, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish reporting standards related to government combinations and disposals of government operations. The Statement is effective for periods beginning after December 15, 2013, or the 2014-2015 fiscal year. Management has not determined the effect on the financial statements.

Barstow Area Transit

CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

***NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)***

New Accounting Pronouncements- Effective in Future Years, (Continued)

**GASB Statement No. 70** – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. Management has not determined the effect on the financial statements.

**GASB Statement No. 71** - In November 2013, GASB issued Statement No. 70, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. Management has not determined the effect on the financial statements.

***NOTE 3 – FEDERAL, STATE AND LOCAL GRANTS***

Federal Assistance

Under the provision of the Federal Transit Administration (FTA), funds are available to the City for preventive maintenance, security, and various capital costs. Total FTA revenue recognized during the fiscal year ended June 30, 2013 was \$400,771. As of June 30, 2013, the FTA revenue was a receivable within the Transit Fund.

***NOTE 4 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS***

The City of Barstow is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Section 99313.3 of the Public Utilities Code.

The City of Barstow 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 the City of Barstow and approved by SANBAG.

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

**NOTE 4 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS, (CONTINUED)**

The City of Barstow 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 2013 is as follows:

	Operating Funds	Total
Beginning balance, July 1, 2012	\$ -	\$ -
Gross receipts		
Local Transportation Fund, Article 8	1,534,151	1,534,151
Federal Transportation Admin, Section 5311	400,771	400,771
Measure I	252,790	252,790
Interest income	5,280	5,280
Fares	178,593	178,593
Total gross receipts	<u>2,371,585</u>	<u>2,371,585</u>
Operating expenses, less depreciation	(2,359,227)	(2,359,227)
Receipts over (under) expenses in current period	<u>12,358</u>	<u>12,358</u>
Amounts received in excess of costs as of June 30, 2013	<u>12,358</u>	<u>12,358</u>
Amount deferred at June 30, 2013	<u>\$ 12,358</u>	<u>\$ 12,358</u>

**B. SANBAG Resolution 94-005**

On July 1, 1993, SANBAG adopted Resolution 94-005 which requires a ratio of fare revenues to operating cost at least equal to 10%. This requirement was not met as the fare ratio was 7.57% as noted below:

The fare ratio as of June 30, 2013, is calculated as follows:

Operating expenses	\$ 2,711,025
Less depreciation	(351,798)
Adjusted operating expenses	<u>\$ 2,359,227</u>
Fare revenue	<u>\$ 178,593</u>
Fare ratio	<u>7.57%</u>

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, is as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Depreciable assets				
Equipment	\$ 3,640,008	\$ -	\$ -	\$ 3,640,008
Accumulated Depreciation				
Equipment	(2,799,890)	(351,798)	-	(3,151,688)
<b>Total Capital Assets, net</b>	<u>\$ 840,118</u>	<u>\$ (351,798)</u>	<u>\$ -</u>	<u>\$ 488,320</u>

**NOTE 6 – DUE TO CITY OF BARSTOW**

At June 30, 2013, the TDA Fund had a deficit cash balance, representing short term borrowings from the City's Investment Pool in the amount of \$285,237.

**NOTE 7 – RECEIVABLES**

Receivables are made up of operating grants as follows:

Federal Transit Administration Section 5311- Operating	<u>\$400,771</u>
Total	<u>\$400,771</u>

**NOTE 8 – DEFICIT NET POSITION**

The City of Barstow's TDA fund has a deficit unrestricted net position of \$87,330. This will be remedied through the receipts of Local Transportation Fund revenues, State Transit Assistance Funds, and other grant proceeds.

**NOTE 9 – COMPENSATED ABSENCES**

Accumulated unpaid personal leave has been accrued at June 30, 2013 in the amount of \$5,514. The City's liability for compensated absences is typically liquidated within one year. The balance related to compensated absences is included in accrued liabilities of the Statement of Net Position.

**SUPPLEMENTARY INFORMATION**

Barstow Area Transit

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR  
YEAR ENDED JUNE 30, 2013**

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 06/30/2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unspent Allocations at 06/30/2013</u>	<u>Project Status</u>
Transit Program	Local	2012-13	<u>\$ 1,534,151</u>	<u>\$ -</u>	<u>\$ 1,534,151</u>	<u>\$ 1,521,793</u>	<u>\$ 12,358</u>	Open
Totals			<u><u>\$ 1,534,151</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,534,151</u></u>	<u><u>\$ 1,521,793</u></u>	<u><u>\$ 12,358</u></u>	



**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  
San Bernardino Associated Governments  
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act (TDA) Article 8 (TDA Fund) Fund of the City of Barstow, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2014. Our report included an emphasis of matter paragraph stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013. Our report also included an emphasis of matter paragraph regarding the City's TDA Funds adoption of Governmental Accounting Standards Board (GASB) Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of July 1, 2012. In addition, our report included an other matter paragraph stating that the financial statements do not include Management Discussion and Analysis.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal control over financial reporting that we consider to be a 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 *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. 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 deficiency described in the accompanying schedule of finding and response to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's TDA Fund 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 the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described as finding 2013-01 in the accompanying schedule of finding and response.

**City's Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
March 4, 2014

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF FINDING AND RESPONSE  
YEAR ENDED JUNE 30, 2013**

**Finding 2013-01**

**FARE REVENUE RATIO**

**Criteria:**

On July 1, 1993, SANBAG adopted Resolution 94-005 which requires the ratio of fare revenues to operating costs to be at least 10 percent.

**Condition:**

Fares as a percentage of operating costs were 7.57%.

**Context:**

The condition noted above was identified during compliance testing.

**Effect:**

The City did not meet the required fare ratio at June 30, 2013.

**Cause:**

The City did not maintain procedures to ensure this compliance requirement is met.

**Recommendation:**

We recommend that the City formalize policies and procedures to ensure that all compliance requirements are met in order to maintain funding.

**View of Responsible Official and Planned Corrective Actions:**

The City concurs with the finding. The City provides transit services, both Fixed Route and Dial-A-Ride services to the rural county residents, in addition to the residents of the City of Barstow. The farebox ratio of the fixed route service does meet the 10 percent farebox recovery; however, the added cost of providing service to rural Dial-A-Ride customers impacts the City's ability to achieve a 10 percent farebox recovery.

Two key factors affecting the cost per Dial-A-Ride passenger are:

- 1) Fixed route buses use lower cost compressed natural gas while smaller Dial-A-Ride vehicle use higher cost unleaded fuel, and
- 2) The service area covers 653 square miles; the City of Barstow service area is only 41.394 square miles.

Barstow Area Transit

**CITY OF BARSTOW, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF PRIOR YEAR AUDIT FINDING  
YEAR ENDED JUNE 30, 2013**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2012-01	Fares as a % of Operating Costs below Compliance Requirements	Not Implemented- See Finding 2013-01
2012-02	Bank Reconciliation Timeliness	Implemented