



Board of Directors
Omnitrans
San Bernardino, California

We have audited the financial statements of Omnitrans for the year ended June 30, 2014. 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 dated May 7, 2014. 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 investments at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year.
- 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.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. As a result of audit procedures, an adjustment to reduce current year revenue of approximately \$5.7M was proposed and posted by management.

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 12, 2014.

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 entity'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

We applied certain limited procedures to Management's Discussion and Analysis and the Schedule of Funding Progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory Section or the Statistical Section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

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.

Varrinck, Train, Day & Co, LLP

Rancho Cucamonga, California

December 12, 2014

OMNITRANS

Agreed-Upon Procedures Performed
With Respect to the National Transit Database Report

For the Period
July 1, 2013 through June 30, 2014



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Omnitrans
San Bernardino, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the Omnitrans annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about Omnitrans' operations.

We have applied the procedures described in Attachment 1 of this report, which were agreed to by Omnitrans and the FTA and specified in the declarations section of the *2013 Reporting Manual*, solely to assist you in evaluating whether Omnitrans complied with the standards described above and that the information included in the NTD report FFA-10 form for the year ended June 30, 2014, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630, *Federal Register*, January 15, 1993 and as presented in the *2013 Reporting Manual*. Omnitrans' management is responsible for Omnitrans' compliance with those standards and the accuracy of the FFA-10 form.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which this report has been requested or for any other purpose.

The procedures and findings described in Attachment 1 of this report, which are referenced in order to correspond to the *2013 Reporting Manual* procedures, were applied separately to each of the information systems used to develop the reported vehicle revenue miles (VRM), passenger miles (PM), fixed guideway directional route miles (FG DRM), and operating expenses of Omnitrans for the year ended June 30, 2014, and for each of the following modes: (1) Motor Bus - directly operated (MBDO), (2) Motor Bus - purchased transportation (MBPT), (3) Demand Response - purchased transportation (DRPT) and (4) Rapid Bus Transit – directly operated (RBDO).

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance with the procedures noted in attachment 1 or on the FFA-10. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 27, 2015

Excerpt from the FTA 2013 *Reporting Manual* Exhibit 83 - Federal Funding Allocation Data Review - Suggested Procedures:

FTA has specified and agreed to a set of procedures for the independent accountant to perform and satisfy the requirements of the Federal Funding Allocation data review. The procedures, to be applied to each applicable mode and type of service (TOS) directly operated (DO) and purchased transportation (PT), are:

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, January 15, 1993 and as presented in the *2013 Reporting Manual*. If procedures are not written, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

Results – We obtained and read a copy of written procedures related to the system for reporting and maintaining data and found them in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2013 Reporting Manual.

- b. Discuss the procedures with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
 - The extent to which the transit agency followed the procedures on a continuous basis, and
 - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2013 Reporting Manual*.

Results - We inquired regarding Omnitrans' procedures for the MBDO, MBPT, DRPT and RBDO services noting that the asserted procedures were consistently applied. In addition, based on our inquiry with the Planning and Scheduling Manager and the Operations Services Supervisor, management asserted that the procedures resulted in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2013 Reporting Manual.

- c. Inquire of same personnel concerning the retention policy that is followed by the transit agency with respect to source documents supporting the NTD data, Total Modal Operating Expenses data (F-30, line 15, column e), Actual Vehicle Revenue Mile and Passenger Miles Traveled (S-10, lines 12 and 20, column d).

Results - We inquired with the Planning and Scheduling Manager and the Operations Services Supervisor, regarding Omnitrans' retention policy for NTD data, Total Modal Operating Expenses data, Actual Vehicle Revenue Mile and Passenger Miles Traveled. Per inquiry, the current practice is to retain paper and electronic data for at least three years.

- d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents which are to be retained by the transit agency for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Results - We inspected the following source documents for each type of service, selected three months out of the year and determined that the documents existed for each of these periods:

<i>Type of Service</i>	<i>Source Document</i>	<i>Months Tested</i>
<i>MBDO</i>	<ul style="list-style-type: none"> • <i>MBDO Statistics Reports (queried from TransTrack Manager System database)</i> • <i>Passenger Mile Survey Summary from Automated Passenger Count system GFI database</i> • <i>Ridership by Trip Reports</i> • <i>Trapeze FX Summaries by Route</i> • <i>Route Plans</i> 	<ul style="list-style-type: none"> • <i>August 2013, November 2013 and March 2014.</i> • <i>Three years of data were noted to be archived on Omnitrans' network.</i>
<i>MBPT</i>	<ul style="list-style-type: none"> • <i>MBPT Statistics Reports (queried from TransTrack Manager System database)</i> • <i>Ridership by Trip Reports</i> • <i>Trapeze FX Summaries by Route</i> • <i>Route Plans</i> • <i>Passenger Mile Survey Summary</i> • <i>Survey Trip Sheets</i> 	<ul style="list-style-type: none"> • <i>August 2013, November 2013 and March 2014.</i> • <i>Three years of data were noted to be archived on Omnitrans' network.</i>
<i>DRPT</i>	<ul style="list-style-type: none"> • <i>DRPT Statistics Reports (queried from TransTrack Manager System database)</i> • <i>Daily Totals from the Trapeze Pass system</i> • <i>Trip Distance Productivity Reports from the Trapeze Pass system</i> • <i>Driver Manifests generated from the Trapeze Pass system</i> • <i>Passenger Mile Survey Summary</i> • <i>Survey Trip Sheets</i> 	<ul style="list-style-type: none"> • <i>August 2013, November 2013 and March 2014.</i> • <i>Three years of data were noted to be archived on Omnitrans' network.</i>
<i>RBDO</i>	<ul style="list-style-type: none"> • <i>DRPT Statistics Reports (queried from TransTrack Manager System database)</i> • <i>Passenger Mile Survey Summary from Automated Passenger Count system GFI</i> 	<ul style="list-style-type: none"> • <i>April 2014, May 2014 and June 2014.</i> • <i>The service began operating April 2014. All data records were noted to be archived on</i>

	<i>database</i> <ul style="list-style-type: none"> • <i>Ridership by Trip Reports</i> • <i>Survey Trip Sheets</i> • <i>Route schedules published on Omnitrans website</i> 	<i>Omnitrans' network.</i>
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- e. Discuss the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire whether individuals, independent of the individuals preparing source documents and posting data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed.

Results - We inquired regarding the system of internal controls noting that each respective mode/type of service is being reviewed by personnel independent of the preparation process. On a regular basis data from the TransTrack System for the MBDO, MBPT, DRPT and RBDO modes of service are being reviewed for completeness and reasonableness by the Planning and Scheduling Manager for the MBDO, MBPT and RBDO modes and the Operations Services Supervisor for the DRPT mode.

- f. Select a haphazard sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how the supervisors' reviews are documented.

Results – For the MBDO, MBPT and RBDO modes data is collected by automated systems. The collected data is reviewed and approved by a supervisor who documents monthly results and signs off on performance reports. For the DRPT mode, we haphazardly chose three test days, examined ten Driver Manifests for each of those days, and noted that drivers and supervisors signed the manifests.

- g. Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summarizations.

Results - We obtained the worksheets utilized by Omnitrans to transcribe statistics to the Federal Funding Allocation Statistics form and compared the data to summaries without exception. We tested the arithmetical accuracy of the summarizations without exception.

- h. Discuss the transit agency's procedure for accumulating and recording Passenger Miles (PM) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure used is (1) a 100% count of actual PM or (2) an estimate of PM based on statistical sampling meeting FTA's 95% confidence and 10% precision requirements. If the transit agency conducts a statistical sample for estimating PM, inquire whether the sampling procedure is (1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A or 2710.2A; or (2) an alternative sampling procedure. If the transit agency uses an alternative sampling procedure, inquire whether the procedure has been approved by FTA or whether a qualified statistician has determined that the procedure meets FTA's statistical requirements. Note as a negative finding in the report the use of an alternative sampling procedure that has not been approved in writing by a qualified statistician.

Results – Sampling was conducted for the MBDO, MBPT and RBDO mode. We reviewed the sampling methodologies and noted that the requirement per Circular 2710.1A is to sample three trips every other day. Omnitrans surveyed three trips every other day at a minimum.

Sampling was conducted for the DRPT mode. We reviewed the sampling methodologies and noted that the requirement per Circular 2710.2A is to sample a vehicle every eighth day. Omnitrans surveyed one vehicle every eighth day at a minimum.

- i. Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for PM data every third year. Determine whether the transit agency meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating PM data every third year rather than annually. Specifically:
 1. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
 2. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service in any UZA.
 3. The service is purchased from a seller and is included in the transit agency's NTD report.

For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2011) and determine that statistical sampling was conducted and meets the 95% confidence and 10% precision requirements.

Determine how the transit agency estimated annual PM for the current report year.

Results – The MBPT and DRPT modes comply with criteria allowing the accumulation of PM data every third year. The current year (2014) is a mandatory sampling year. For the MBPT mode, documentation was reviewed for the survey and it was determined that statistical sampling was conducted and met the requirements per Circular 2710.1A. For the DRPT mode, we reviewed documentation and it was determined that statistical sampling was conducted and met requirements per Circular 2710.2A.

- j. Obtain a description of the sampling procedure for estimation of PM data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PM data. If the average trip length was used, determine that the universe of runs was used as the sampling frame. Determine that the 2014 methodology to select specific runs from the universe resulted in a haphazard selection of runs. If a selected sample run was missed, determine that a replacement sample run was randomly selected. Determine that the transit agency followed the stated sampling procedure.

Results – For the MBDO, MBPT, DRPT and RBDO modes we obtained a copy of Omnitrans' methodology used in the statistical sampling to estimate average PM and determined that the methodology used by Omnitrans resulted in a haphazard selection of runs and that the stated sampling procedure was followed.

- k. Select a haphazard sample of the source documents for accumulating PM data and determine that they are complete (all required data are recorded) and that the computations are accurate. Select a haphazard sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

Results - For MBDO we haphazardly chose 40 surveyed routes throughout the year. We verified the mathematical accuracy of the Trip Report Details and that the data was properly input to the accumulation worksheet designed to calculate the average PM with no exceptions.

For MBPT we chose all surveyed routes during the test months August 2013, November 2013 and March 2014 (totaling 80 routes). We verified the mathematical accuracy of the Trip Report Details and that the data was properly input to the accumulation worksheet designed to calculate the average PM with no exceptions.

For DRPT we chose all surveyed routes during the test months August 2013, November 2013 and March 2014 (totaling 90 routes). We verified the mathematical accuracy of the Trip Report Details and that the data was properly input to the accumulation worksheet designed to calculate the average PM with no exceptions.

The RBDO mode began service April 28, 2014. We haphazardly chose 9 surveyed routes from the period April 28, 2014 through June 30, 2014. We verified the mathematical accuracy of the Trip Report Details and that the data was properly input to the accumulation worksheet designed to calculate the average PM with no exceptions.

1. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that stated procedures are followed. Select a haphazard sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Results - The procedure identified above is not applicable. Per inquiry with Omnitrans' management, Omnitrans did not provide charter or school bus services.

- m. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
 - If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a haphazard sample of the days that service is operated and re-compute the daily total of missed trips and missed vehicle revenue miles. Test the arithmetical accuracy of the summarization.

Results – For the MBDO, MBPT and RBDO modes, Omnitrans tracks actual VRM in real time using the Trapeze Intelligent Transportation System from which data is uploaded monthly to the TransTrack Manager System. The results are reviewed by management against total scheduled VRM and any discrepancies are investigated. The tracking is performed on fixed routes only which will not include deadhead miles. We haphazardly selected a sample of five MBDO routes, seven MBPT routes and all of the RBDO routes, recalculated the VRMs and compared them to amounts used in the total VRM without exception.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a haphazard sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations.

Results - This procedure is not applicable.

- If actual VRMs are calculated from vehicle logs, select haphazard samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.

Results - For the DRPT mode, Revenue Miles are calculated based on the odometer readings from the first pickup to the last drop off. Deadhead miles are excluded from the Revenue Miles calculations. We selected 90 trips to test and noted without exception that the deadhead miles are not included in the Revenue Miles calculations.

- n. For rail modes, review the recording and accumulation sheets for actual VRM and determine that locomotive miles are not included in the computation.

Results - The procedure identified above is not applicable as Omnitrans does not provide rail service.

- o. If FG DRM are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet FTA's definition of fixed guideway (FG) in that the service is:

- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or
- Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and
 - Access is restricted
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP) carpools (CP)) must demonstrate safe operation (see Fixed Guideway Segments form (S-20))
 - High Occupancy/Toll (HO/T) lanes meet FTA requirements for traffic flow of transit vehicles and for transit use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

Results – We interviewed the management of Omnitrans and noted that the RBDO service operates over exclusive access rights-of way (ROW) that appears consistent with the FTA's definition of fixed guideways.

- p. Discuss the measurement of FG DRM with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG DRM. Inquire whether there were service changes during the year that resulted in an increase or decrease in DRM. If a service change resulted in a change in overall DRM re-compute the average monthly DRM, and reconcile the total to the FG DRM reported on the FFA-10.

Results – Omnitrans added a new FG DRM segment on April 28, 2014. Per discussion with management of Omnitrans, the FG DRM mileage reported for the new segment met the FTA's definitions of the FG DRM. We recomputed the average monthly FG DRM and reconciled the total to the FG DRM reported on the FFA-10 without exception.

- q. The auditor should inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:

- DRMs for the segment(s) should be reported for the entire year if the interruption is less than 12 months in duration. The months of operation on the S-20 should be reported as 12. The transit agency should have completed a Form Note describing the interruption.
- If the improvements cause a service interruption on the S-20s DRM lasting more than 12 months, the transit agency should contact the validation analyst to discuss. FTA will make a determination on how the DRM should be reported.

Results - There were no temporary interruptions in transit service during the report year.

- r. Measure FG DRM from maps or by retracing route.

Results - We recalculated the length of all fixed guideway directional routes for the RBDO mode of service using publicly available maps without exception.

- s. Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same FG as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency(ies) such that the DRM for the segment of FG are reported only once to the NTD on the FFA-10. Each transit agency should report the actual VRM, PM and operating expense (OE) for the service operated over the same fixed guideway.

Results - We interviewed the management of Omnitrans and noted that no other public transit agencies operate service over the same FG as the transit agency.

- t. Review the S-20 form. Discuss the commencement date of revenue service for each FG segment with the persons reporting NTD data the Agency Revenue Service Start Date for any segments added in the 2014 report year. This is the commencement date of revenue service for each FG segment. Determine that the date is reported as when the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2014 report year, the Agency Revenue Service Date must occur within the transit agency's 2014 fiscal year. Segments are summarized by like characteristics. Note that for apportionment purposes under the Capital Program for Fixed Guideway Modernization, the 7- year age requirement for fixed guideway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to NTD.

Results - Omnitrans added a new FG segment on April 28, 2014 and is in the process of completing the application to FTA for adding a new segment.

- u. Compare operating expenses with audited financial data, after reconciling items are removed.

Results - Operating expenses were compared to the trial balances subject to audit without exception.

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data regarding the amount of PT generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30)

Results - We identified the fare revenues reported on the B-30 and reconciled the amounts to the general ledger without exception.

- w. If the transit agency's report contains data for PT services and assurances of the data for those services is not included, obtain a copy of the Independent Auditor Statement (IAS) or Federal Funding Allocation data of the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an IAS for the PT data.

Results – The data for purchased transportation are included in the reporting by Omnitrans and therefore no IAS for the purchased transportation services is included.

- x. If the transit agency uses PT services, obtain a copy of the PT contract and determine that the contract (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by the transit agency or governmental unit contracting for the service; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by the transit agency's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible for maintaining the NTD data regarding the retention of the executed contract, and determine that the copies of the contracts are retained for three years.

Results - We inspected the MBPT and DRPT service contracts and determined that they contained the items noted above without exception. We inquired with the Planning and Scheduling Manager and the Operations Services Supervisor, regarding Omnitrans' retention policy for executed contracts for purchased transportation programs. Per inquiry, the current practice is to retain contracts for at least three years.

- y. If the transit agency provides service in more than one UZA, or between a UZA and a non-UZA, inquire of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between UZAs and non-UZA. Agencies that operate service in both within a UZA and outside of a UZA (non-UZA) will report to the 2014 Annual NTD database. Agencies who operate service only in a non-UZA should report the 2014 NTD Rural Report. Obtain and review the FG segment worksheets, route maps and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Results - Omnitrans provides services in more than one UZA but does not provide services to non urbanized areas. For the MBDO and MBPT modes allocations to urbanized areas are based on trip pattern analysis. The number of yearly trips per pattern is multiplied by the number of miles determined for each UZA. Eight allocations were tested for the MBDO and MBPT services without exception.

For the DRPT mode, vehicles are dispatched from two depots, one in each UZA. Ridership is tracked by depot and used to calculate the percentages for the UZA split of other data.

- z. Compare the data reported on Total Modal Operating Expenses data (F-30, line 15, column e), Actual Vehicle Revenue Miles and Passenger Miles Traveled (S-10, lines 12 and 20, column d) to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor, but not by FTA.

Results – The following fluctuations over 10% were noted on the F-30 and S-10 Forms:

- *A 10.3% decrease in Operating Expenses for MBDO*
- *A 17.4% increase in Passenger Miles for MBPT*
- *A 22.7% increase in Passenger Miles for DRPT*

The RBDO service began operations on April 28, 2014 and there is no prior year data for comparison.

The 10.3% decrease in Operating Expenses for MBDO is due to a decrease in Casualty and Liability Costs resulting from a change in the IBNR estimation and the allocation of administrative expenses to the new RBDO mode.

The 17.4% increase in Passenger Miles for MBPT is due to the results of the APTL Survey which is conducted every third year. The fiscal year 2013-14 was a mandatory sampling year and the results reflect different ridership patterns than the 2010-11 survey.

The 22.7% increase in Passenger Miles for DRPT is due to the results of the APTL Survey which is conducted every third year. The fiscal year 2013-14 was a mandatory sampling year and the results reflect different ridership patterns than the 2010-11 survey.

OMNITRANS

**SINGLE AUDIT REPORT
ON FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2014

OMNITRANS

YEAR ENDED JUNE 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements, and have issued our report thereon dated December 12, 2014.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

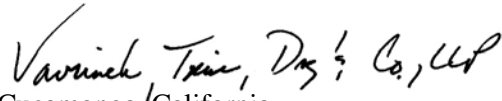
As part of obtaining reasonable assurance about whether Omnitrans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Title 21 of the California Code of Regulations 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 12, 2014



**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, 2014. 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 types of 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, 2014.

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, material weaknesses may exist that have not been identified.

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, 2014, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements. We issued our report thereon dated December 12, 2014, 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 12, 2014

OMNITRANS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 840,812	\$ 840,812
Federal Transit - Capital Investment Grants	20.500	CA-03-0660-00	732	732
Federal Transit - Capital Investment Grants	20.500	CA-03-0746-00	18,711	18,711
Federal Transit - Capital Investment Grants	20.500	CA-03-0816-00	21,695,734	-
Federal Transit - Capital Assistance	20.500	CA-04-0035-01	2,360,714	2,360,714
Federal Transit - Capital Assistance	20.500	CA-04-0071-00	371,564	371,564
Federal Transit - Capital Assistance	20.500	CA-04-0123-00	414,645	414,645
Federal Transit - Capital Assistance	20.500	CA-04-0152-00	444,819	444,819
Federal Transit - Capital Assistance	20.500	CA-04-0191-00	179,178	179,178
Federal Transit - Capital Assistance	20.500	CA-04-0229-00	1,999,694	1,999,694
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-X929-00	24,141	-
Federal Transit - Formula Grants (Urbanized Area Formula Program) - ARRA	20.507	CA-96-X058-00	34,388	34,388
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-95-X124-00	1,540,146	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y064-00	181,679	180,632
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y098-00	1,166,819	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y164-00	3,368,967	1,548,869
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y251-00	30,054	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y333-00	236,060	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y396-00	326,499	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y495-00	149,157	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y602-00	576,588	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y672-00	449,937	449,937
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y681-00	3,329,127	3,740
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y775-00	8,929,272	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y850-00	4,450,738	1,277
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y939-00	1,003,052	3,441
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z009-00	829,190	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z12-00	3,649,020	-
Subtotal - Federal Transit Cluster			58,601,437	8,853,153
Job Access and Reverse Commute Program - FY06-08 Section 5316 Capital	20.516	CA-37-X090-00	303,021	279,209
Job Access and Reverse Commute Program - FY09-10 Section 5316 Capital	20.516	CA-37-X146-00	288,373	65,380
New Freedom Program FY06-08 - 5317 (Amend)	20.521	CA-57-X017-00	221,604	197,784
New Freedom Program FY09-10 - 5317	20.521	CA-57-X062-00	89,415	89,415
Subtotal - Transit Services Programs Cluster			902,413	631,788
Holt Boulevard Alternative Analysis	20.522	CA-39-0008-00	189,517	-
Total - U.S. Department of Transportation			59,693,367	9,484,941
U.S. Department of Homeland Security:				
<u>Direct Assistance:</u>				
FEMA-Dept of Homeland Security	97.075	N/A	7,500	-
Total Expenditures of Federal Awards			\$ 59,700,867	\$ 9,484,941

See accompanying note to Schedule of Expenditures of Federal Awards.

OMNITRANS

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, Omnitrans provided \$9,484,941 in federal awards to subrecipients from funding provided by the U.S. Department of Transportation.

OMNITRANS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major federal 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>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,791,026</u>
Auditee qualified as low-risk auditee?	<u>No</u>

OMNITRANS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

II. FINANCIAL STATEMENT FINDINGS

Finding 2014-001

FINANCIAL REPORTING

Criteria:

Per the Transportation Development Act (TDA) section 6634, no operator or transit service claimant shall be eligible to receive moneys during the fiscal year from the local transportation fund (LTF) and the state transit assistance fund (STAF) for operating costs in an amount that exceeds its actual operating cost.

Condition:

Omnitrans prepares a claim for submission to SANBAG identifying its revenues and expenses for operating and capital sources. The claim form is subsequently updated at year-end using final closing balances. It was noted that Omnitrans had identified that it received TDA funding that exceed actual costs by approximately \$5.7 million; the excess had not been adjusted to unearned revenue for the financial statements.

Context:

The amount of LTF/STAF operating revenues exceeding actual operating costs should have been unearned revenue as of year-end.

Effect:

An adjustment to reduce current year revenue was proposed and posted by Omnitrans.

Cause:

Omnitrans did not maintain procedures to monitor compliance with TDA section 6634 requirements and the resulting year-end transactions.

Recommendation:

Omnitrans should develop and implement policies and procedures designed to monitor compliance with TDA section 6634 and record any resulting year-end transactions.

View of Responsible Official and Planned Corrective Actions:

Omnitrans experienced a significant reduction in operational expenses resulting from the re-evaluation of workers' compensation claims by a new Third Party Administrator. This reduction in expenses was discussed with San Bernardino Associated Governments (SANBAG), the transportation planning agency for San Bernardino County.

Omnitrans fiscal year-end procedures include submitting the San Bernardino County Transportation Commission's Transit System Claim after the timely completion and finalization of the financial audit. The Transit System Claim shows the "Surplus or (Deficit)" for the fiscal year. As policy, any surplus or deficit in funding will be adjusted by SANBAG in the following fiscal year's LTF funding allocation. In the future when operating surplus is significant, Omnitrans will continue to inform SANBAG and record the surplus as "Unearned Revenue."

OMNITRANS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

OMNITRANS

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

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

Finding No.	Area	Status of Corrective Action
2013-001	Financial Reporting	Implemented

Federal Awards Findings

Finding No.	Program	CFDA No.	Compliance Requirement	Status of Corrective Action
2013-002	Federal Transit Cluster	20.500 and 20.507	Subrecipient Monitoring	Implemented
2013-003	Federal Transit Cluster	20.500 and 20.507	Reporting	Implemented

OMNITRANS
San Bernardino, California

INDEPENDENT AUDITORS' REPORT ON
PROPOSITION 1B

Year Ended June 30, 2014

OMNITRANS

PROPOSITION 1B

JUNE 30, 2014

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Schedule of Unspent Funds and Cash Disbursements

2



**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 Omnitran as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Omnitran's basic financial statements and have issued our report thereon dated December 12, 2014, which contained an unmodified opinion on those financial statements. Those financial statements are the responsibility of Omnitran's 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 Omnitran's 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 12, 2014

**OMNITRANS
PROPOSITION 1B**

**SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS
YEAR ENDED JUNE 30, 2014**

	<u>PTMISEA (1)</u>	<u>CTSG (2)</u>	<u>Total</u>
Unspent Prop 1B funds as of June 30, 2013	\$ 1,064,688	\$ 1,409,238	\$ 2,473,926
Prop 1B funds received during the year ended June 30, 2014	29,123,094	257,132	29,380,226
Interest revenue earned on unspent Prop 1B funds during fiscal year ended June 30, 2014	1,098	259	1,357
Change in fair market value of investments during the year ended June 30, 2014	(42,820)	-	(42,820)
Prop 1B disbursements during the year ended June 30, 2014	<u>(393,761)</u>	<u>(1,051,365)</u>	<u>(1,445,126)</u>
Unspent Prop 1B funds as of June 30, 2014	<u>\$ 29,752,299</u>	<u>\$ 615,264</u>	<u>\$ 30,367,563</u>

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

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

CONNECTING OUR COMMUNITY



OMNITRANS, San Bernardino, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014





Many positive changes have occurred at Omnitrans during the fiscal year that could not have happened without the participation of every Omnitrans employee. Most notable, of course, was the launching of our sbX. The news media was very favorable; calling our goal to achieve enhanced mobility “a very smart move.” The Federal Transportation Administration hailed the project as a “complete success.”

Our next stop is the completion of the San Bernardino Transit Center which is scheduled for operation in mid-2015. This facility will not only be a transfer point for our transit buses, but it will couple Metrolink and Omnitrans at one location. So hold on for more changes as we look to introduce bus rapid transit into our western service area, and further Omnitrans’ reputation as a transit agency in motion – not stagnate!

*P. Scott Graham
CEO/General Manager*

OMNITRANS

San Bernardino, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014
(With Independent Auditor's Report Thereon)



Prepared by the Finance Department

DONALD WALKER
Director of Finance

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San Bernardino Transit Center

(Completion mid 2015)





CONNECTING OUR COMMUNITY



CONNECTING OUR COMMUNITY





November 24, 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, 2014.

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, 2014, 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, 2014 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

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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 eleven 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.

Local Economy

San Bernardino County is the largest county in the nation in terms of total land area. The county, along with Riverside County – its neighbor to the south – comprise the Inland Empire. The Inland Empire economy should see gains in employment in 2014 compared to the previous year. The expansion will continue partly because of the area's traditional advantages for blue collar sectors (*undeveloped land, modestly priced labor, growing population*), though an expansion of these sectors will remain somewhat suppressed by California's adversarial regulatory environment.

Governmental job losses will cease as budgets are being rebuilt. With these influences impacting the local economic base, the inland area's population serving sectors except social assistance should expand significantly. The regional economy is making a comeback, but the promise of future growth depends largely on what happens at the federal level, according to an economic report.

The Riverside/San Bernardino Economic Forecast, a joint project of Los Angeles-based Beacon Economics and the UC Riverside School of Business Administration, indicates that the Inland Empire economy is gaining ground thanks largely to a resurgent real estate market.

Affordability is driving demand for housing and boosting economic activity region-wide, according to the report.

Long-term Financial Planning

Omnitrans continually plan for both the short-term and the long-term. The short-term planning rarely looks further ahead than the 12 months in the fiscal year. It seeks to ensure that the Agency has enough cash to pay its bills. In the long-term planning, the planning horizon is typically 2 – 5 years. The long-term financial planning focuses on the Agency's long-term goals and the funding that must be secured prior to project implementation.

Like many medium-size public transit agencies, Omnitrans' approach to long-term financial planning is very conservative. The focus is centered on sustainability of current operations and the availability of federal, state, and local funding opportunities. Primarily all major capital projects are not implemented until the necessary funding have been identified and secured. Omnitrans does not issue debt of any kind to secure funding for its capital projects.

Under the direction of the Board of Directors, the Finance Department administers the financial affairs of Omnitrans. The department manages revenues, expenditures, investments, cash management, accounting, grants, and budgeting. The Finance Department is responsible for keeping abreast of current federal, state, and local grant funding opportunities to support the operations and long-term capital investment goals of Omnitrans.

There are two types of federal grant programs, (1) Formula grant programs - funded to States based on formulas of population, and (2) Discretionary grant programs - awarded based on meeting application requirements, and selected based on criteria specific to each grant. Each grant program is referred to by name and mostly by a number that correlates to the section number of Title 49 of the United States Code.

Listed below are major capital projects for which funding have been secured that are currently in progress with completion dates in the near future.

- San Bernardino Express (sbX) E Street Corridor Bus Rapid Transit (BRT) Project
- East Valley Maintenance Facility Remodel Project
- Intermodal Transit Station (Transcenter) Project
- Rolling Stock Replacement Project

Launched in April 2014, the sbX route is a 15.7 mile service along the E Street corridor. With 16 stations, sbX stops at the major activity centers where we live, work, shop, learn, and play. The current route features 5.4 miles of exclusive lanes, separated from normal traffic. The

remaining 10.3 miles of the route will be in mixed traffic, with transit priority signals at key intersections.

The East Valley Maintenance Facility Remodel Project is the remodeling of the current facility to accommodate and service the buses that will be used in providing the sbX service. The sbX buses are 60 ft. articulated buses that will require modification and replacement of facility and shop equipment.

The Transcenter is the transfer point for bus routes serving the downtown area, with future connections to the sbX BRT system, proposed downtown San Bernardino Passenger Rail Project; which is a one-mile Metrolink extension from the Santa Fe Depot, and the proposed Redlands Passenger Rail Project with stops on route to the University of Redlands.

The Rolling Stock Replacement Project is the Agency's ongoing bus replacement program to maintain the service reliability of its fleet and maintaining capital assets in a State of Good Repair (SGR) as required by the Federal Transit Administration (FTA). This is essential if public transportation systems are to provide safe and reliable service to its customers.

Relevant Financial Policies

Omnitrans is required by its Board of Directors to develop a balanced annual operating and capital expenditure budget within the prescribed limits to meet the objectives of the subsequent fiscal year. The annual operating and capital budgets show in detail the estimated revenues and expenses necessary to operate Omnitrans' service for the upcoming year. The annual budget serves as the foundation for Omnitrans financial planning and control of expenditures.

California Government Code, Section 53646, requires that each legislative body review and adopt an Investment Policy Statement on an annual basis. It is the policy of Omnitrans to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the Agency and conforming to all state and local statutes governing the investment of public funds.

The investment policy applies to the cash funds of the Agency, except for its employees retirement system fund, which is administered separately by California Public Employees' Retirement System (PERS) and the 457 Deferred Compensation Fund, administered separately by the International City/County Management Association Retirement Corporation.

Omnitrans implemented a Forward Fuel Purchasing Program whereby 150,000 gallons or 45% of its monthly compressed natural gas (CNG) is fixed on the New York Mercantile Exchange through Morgan Stanley. The program expired on June 30, 2014. Prior to the expiration date

of June 30, 2014, the Board of Directors authorized an extension of the program for 12 months.

Major Initiatives

Each year the federal government funds numerous public transit initiatives through an array of programs. Although the need for federal money to fund these initiatives has continued to grow, the federal budget increasingly has been strained by other competing funding priorities. On the federal level, the Federal Transit Administration (FTA) sponsors an array of initiatives and programs to support research, coordination, and development of public transportation. Some of the FTA initiatives and programs that are of particular interest to Omnitrans include:

- Moving Ahead for Progress in the 21st Century Act (MAP-21) - MAP-21 consolidates certain transit programs to improve their efficiency and provides significant funding increases specifically for improving the state of good repair of the nation's transit systems. The law grants FTA authority to strengthen the safety of public transportation systems throughout the United States. It also streamlines the New Start process to expedite project delivery and provides for core capacity project eligibility.
- State of Good Repair (SGR) - State of Good Repair includes sharing ideas on recapitalization and maintenance issues, asset management practices, and innovative financing strategies. It also includes issues related to measuring the condition of transit capital assets, prioritizing local transit re-investment decisions and preventive maintenance practices. Finally, research and the identification of the tools needed to address this problem are vital. The FTA will lead the nation's effort to address the State of Good Repair by collaborating with industry to bring the nation's transit infrastructure into the 21st Century.

Although known for its car culture and extensive network of freeways and roads, California has a vast array of public transit systems statewide. It is expected that the State of California will enact several new legislation on the industry in the coming year.

- Senate Bill (SB) 1433, which extends the existing authorization for transit agencies to utilize design-build for an additional two years, until January 1, 2017. The Governor also signed SB 785, which consolidates and conforms existing design-build authority for transit operators, cities & counties, special districts, and other local agencies, as well as the state Departments of General Services & Corrections and Rehabilitation. The measure extends the sunset date on these entities' design-build authorizations until 2025, establishes a \$1 million threshold for projects to utilize design-build, and enhances labor compliance & apprenticeship programs.
- Assembly Bill (AB) 1720 extends for one more year – until January 1, 2016 – existing provisions in law that allow public transit systems to procure buses of the same (or lesser) weight than those they are replacing, and/or buses that fulfill a need based on

findings approved by the governing board. This bill would extend the exceptions, and would also authorize a transit system to procure a transit bus that exceeds 20,500 pounds if it is incorporating a new fleet class expansion.

- Assembly Bill 1783 extends the provisions in AB 1222 temporarily exempting employees covered by 13(c) of the Federal Transit Act from PEPRA. The California Public Employees' Pension Reform Act of 2013 (PEPRA) requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, among other provisions, establishes new retirement formulas that may not be exceeded by a public employer offering a defined benefit pension plan for employees first hired on or after January 1, 2013. PEPRA exempts from its provisions public employees whose collective bargaining rights are subject to specified provisions of federal law until a specified federal district court decision on a certification by the United States Secretary of Labor, or until January 1, 2015, whichever is sooner. This bill would extend that exemption with respect to the above-described date to January 1, 2016.
- Senate Bill 1204 creates the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, and requires the program to fund zero and near-zero emission truck, bus and off-road vehicle equipment and technology development, demonstration, pre-commercial and early deployment programs from moneys appropriated from AB 32 cap-and-trade auction revenues. Existing law requires all moneys, except for fines and penalties, collected by the State Air Resources Board from the auction or sale of allowances as part of a market-based compliance mechanism relative to reduction of greenhouse gas emissions, commonly known as cap and trade revenues, to be deposited in the Greenhouse Gas Reduction Fund, and to be used, upon appropriation by the Legislature, for specified purposes.
- Senate Bill 1236 allows transit agencies statewide to designate employees, or contracted security officers, to enforce specific prohibited acts, as defined in state law, when these violations occur on transit properties. Existing law authorizes a local or regional transit agency or a joint powers agency operating rail service to contract with designated persons to act as its agent in the enforcement of specified provisions relative to certain prohibited acts on or in public transportation systems or vehicles if the persons satisfy specified training requirements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Omnitrans for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of a state or local government financial report. This was the eleventh time Omnitrans has received this award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Omnitrans' Marketing Department introduction of a pilot program that more than doubled the number of local college students using public transit and eliminating an estimated 129 tons of pollution earned Omnitrans a Clean Air Award from the South Coast Air Quality Management District, presented on October 4, 2013. The "Go Smart" pilot program focuses on transitioning local college students in the San Bernardino Valley from driving to using public transit to get to campus. Omnitrans partnered with California State University-San Bernardino, Chaffey College, Crafton Hills College, and San Bernardino Valley College to offer free, unlimited bus rides to over 50,000 college students.

At the annual APTA International Bus Roadeo in Indianapolis, Indiana sixty (60) transit agencies from across North America participated in this prestigious competition designed to test the skills of both bus operators and mechanics. Awards are given in each area, and there is an overall grand prize for the transit system with the highest combined score for the bus operator and bus maintenance team. Omnitrans' Maintenance Team, Archie Rockwell, Phillip Sanchez and Alex Hernandez earned 6th place in the competition. Coach operator and 14-year veteran Ricardo Alvarez placed 23rd. The combined maintenance team and bus operator scores earned Omnitrans an impressive 10th place overall ranking.

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the Finance Department staff, with special thanks to Mae Sung, Accounting Manager and Maurice Mansion, Treasury Manager. We wish also to express our appreciation to P. Scott Graham, our CEO/General Manager, and Wendy Williams, Director of Marketing for their assistance and support of this report. We would also like to express our appreciation to the Board of Directors and members of the Administrative and Finance Committee.

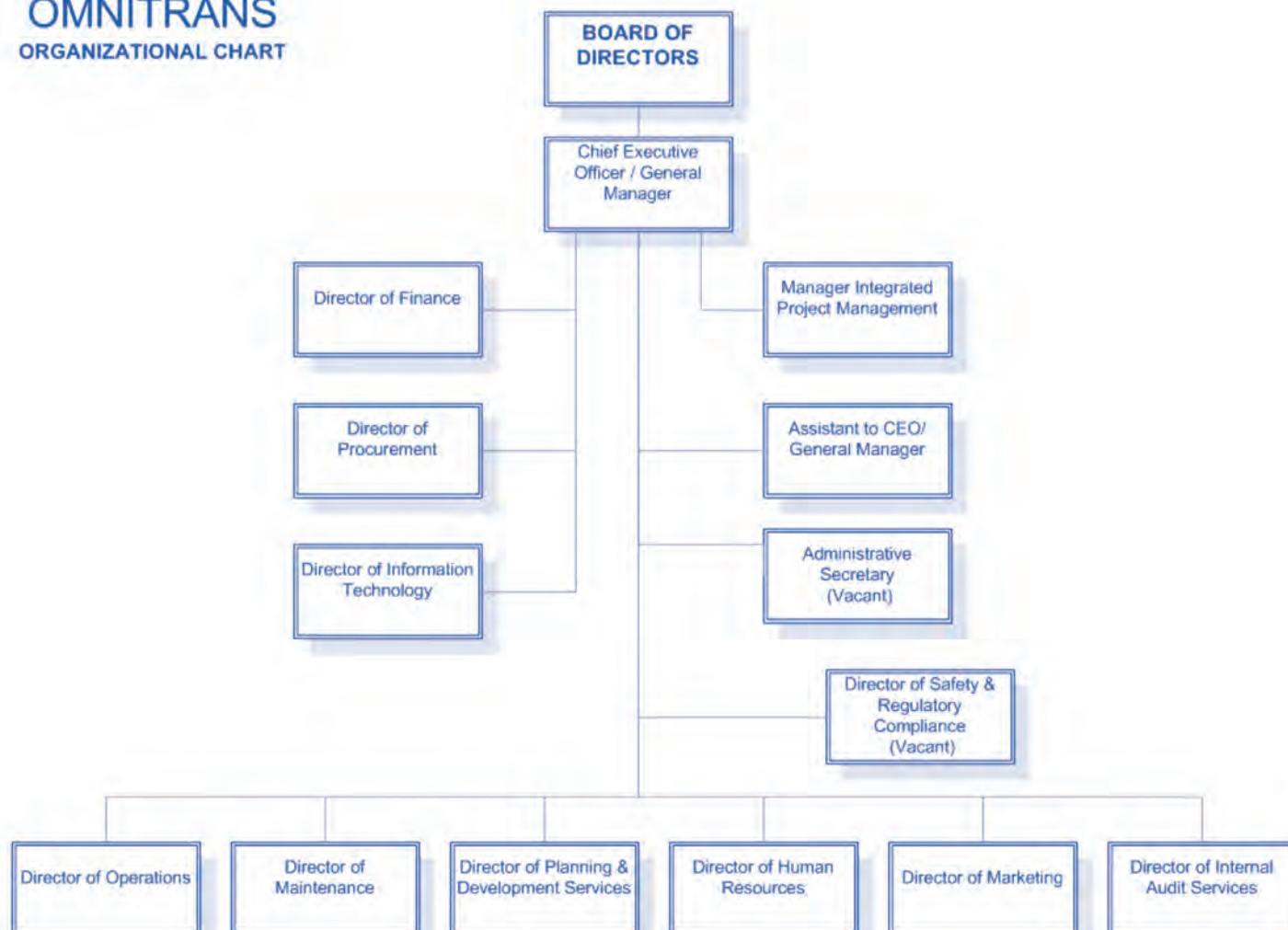
Respectfully submitted,



Donald Walker
Director of Finance, OMNITRANS

OMNITRANS

ORGANIZATIONAL CHART



OMNITRANS SENIOR LEADERSHIP TEAM

P. Scott Graham
CEO/General Manager

Donald Walker
Director of Finance

Marjorie Ewing
Director of Human Resources

Jacob Harms
Director of Information Technology

Andres Ramirez
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

Anna Jaiswal (Acting)
Director of Planning and Development Services

Jennifer Sims
Director of Procurement

(Vacant)
Director of Safety and Regulatory Compliance

OMNITRANS BOARD OF DIRECTORS



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Alan Wapner
Ontario



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Ron Dailey
Loma Linda



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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



CONNECTING OUR COMMUNITY



CONNECTING OUR COMMUNITY





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, 2014, 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, 2014, and the changes in 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 33, 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 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

We have previously audited Omnitrans' 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated December 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, 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.

Vannich Train, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2014

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, 2014.

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 2014, the Statement of Net Position presents total assets of \$321.1 million and total liabilities of \$66.4 million. Total assets increased 66.4 million or 26.1 percent, and total liabilities increased \$26.9 million or 67.9% over the previous fiscal year.
- Cash and investments increased \$36.2 million or 196.6%. The increase is mainly attributed to the receipt of \$29.1 million in Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) for fiscal year 2013 through fiscal year 2020.
- Intergovernmental receivables decreased from \$27.3 million for June 30, 2013 to \$18.4 million for June 20, 2014. The \$8.8 million reduction is due to the timing difference in the availability of grant funds for drawdown by the Federal Transit Administration (FTA).
- Capital assets depreciated, and not depreciated increased in total by \$38.6 million or 18.6% compared to the previous fiscal year. This increase is attributed to the construction associated with the E Street Bus Rapid Transit (sbX) project. The sbX passenger service began in April 2014, and the facility remodel is scheduled for completion in June 2015.
- Total liabilities at fiscal year ended June 30, 2014 increased \$26.9 million, up 67.9 percent over previous fiscal year end. The increase in unearned revenues was reduced by decreases in accounts and claims payable at fiscal year end.
- The \$33.4 million increase in Unearned Revenue is due to receipt of PTMISEA funds for fiscal year 2013 through fiscal year 2020, as previously mentioned and the allocation of local transportation funds in excess of operating expenses for fiscal year ended June 30, 2014.
- Noncurrent claims payable at June 30, 2014 decreased \$3.0 million or 32.1% compared to June 30, 2013. The decrease is attributed to the re-evaluation of workers' compensation case reserves by a new Third Party Administrator (TPA).

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Revenue from operations at fiscal year ended June 30, 2014 of \$14.9 million increased \$55.8 thousand or 0.4% percent compared to last fiscal year end. Operating expense, excluding depreciation, at fiscal year-end June 30, 2014 decreased \$4.7 million or 6.7 percent compared to last fiscal year end.
- Non-operating revenues, which include federal and local operating grants and pass-through to other agencies, decreased by \$6.8 million or 12.7 percent.
- At fiscal year end June 30, 2014 capital assistance of \$58.9 million decreased \$30.6 million or 34.2 percent compared to the previous fiscal year. This decrease is due to near completion of the sbX project, the major capital project in progress at Omnitrans.

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 statements of net position include information on all of the Agency's assets and liabilities with the difference between assets and liabilities 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, 2014 and 2013. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements Analysis

The following tables summarize revenues, expenses and changes in net position comparing fiscal year 2014 with fiscal year 2013. For additional information regarding the Agency's financial activities for fiscal year ended June 30, 2014, 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, 2014 show a decrease of \$34.3 million or 21.4 percent compared to last fiscal year. Revenue from fares, pass and ticket sales less discount to pass sale vendors was \$50.3 thousand above the previous fiscal year. Advertising and Other transportation revenues increased \$3.3 thousand and \$2.2 thousand respectively, when compared to the previous fiscal year.

Federal and local operating grants for Omnitrans decreased from \$54.1 million in fiscal year 2013 to \$50.8 million in fiscal year 2014. This represents a \$3.3 million or 6.1 percent decrease in federal and local operating grants revenue. 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 Omnitrans receive 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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.

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, 2014 was \$44.3 thousand or 77.8 percent above previous fiscal year.

Revenue from the Compressed Natural Gas (CNG) fuel tax credit for fiscal year ended June 30, 2014 decreased \$405.4 thousand or 27.4 percent compared to last fiscal year. The credit initially went into effect October 1, 2006 and expired December 31, 2009. Congress extended this credit twice. The first extension extended the credit for 2011, and made it retroactive for fuel sales or use during 2010. The second extension occurred January 3, 2013, and extended the availability of the 50-cent credit through the end of 2013 and made it retroactive for 2012.

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 increased \$2.2 thousand or 17.8 percent above last fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OMNITRANS' Revenues

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Passenger fares	\$ 14,368,317	14,317,987	50,330	0.4
Advertising revenue	485,327	481,994	3,333	0.7
Other Transportation Revenue	41,978	39,819	2,159	5.4
Federal and local operating grants	50,785,745	54,087,458	(3,301,713)	(6.1)
Capital assistance	58,935,750	89,571,554	(30,635,804)	(34.2)
Interest Income	44,311	24,915	19,396	77.8
CNG fuel tax credit	1,071,808	1,477,256	(405,448)	(27.4)
Other non-operating revenues/(expenses)	15,505	13,304	2,201	16.5
Total Revenue	\$ 125,748,741	160,014,287	(34,265,546)	(21.4)

Expenses

Total expenses for fiscal year 2014 decreased \$3.4 million or 3.8 percent compared to the previous fiscal year. Decreases in General and administrative expenses of \$5.0 million, and depreciation of \$1.8 million were offset by an increase in Pass-through to other agencies of \$2.2 million.

Wages, salaries and benefits increased \$378.4 thousand or 1.0 percent over the previous fiscal year. This increase is mainly attributed to less cost being recaptured through 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.

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). Omnitrans contracted a new Third Party Administrator for workers compensation for fiscal year 2014. Review and adjustment to reserves for open claims account for the majority of the cost reduction.

Material and supplies increased \$239.0 thousand or 2.7 percent over last fiscal year. Parts issued from inventory for repairs and preventive maintenance, and compressed natural gas (CNG) were slightly higher for fiscal year 2014 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 CNG on the New York Mercantile Exchange (NYMEX) exchange through Morgan Stanley. The hedging program ended June 30, 2014. Prior to the hedging program end date, management obtained the Board of Directors approval to extend the program for 12 months with an increase in the hedged gallons to 181,500 gallons or 47% of monthly usage.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Professional and technical services decreased \$88.3 thousand or 3.7 percent below previous fiscal year ended June 30, 2013.

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 \$2.2 million or 97.8 percent compared to the previous fiscal year.

Loss on disposal of capital assets increased \$888.4 thousand when compared to fiscal year ended June 30, 2013. The increase in loss on disposal of capital assets is attributed to the demolition and remodel of the bus wash and fueling facilities to accommodate the sbX articulated buses.

Miscellaneous expenses for the fiscal year ended June 30, 2014 decreased \$215.3 thousand or 50.8 percent when compared for last fiscal year. Decrease is dues, publications, and subscriptions, safety and employee training was offset by an increase in employee recognition account for the majority of the reduction.

OMNITRANS' Expenses

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Wages, salaries, and benefits	\$ 39,097,952	38,719,591	378,361	1.0
Purchased transportation services	9,075,431	9,084,344	(8,913)	(0.1)
General and administrative expenses	4,365,255	9,341,532	(4,976,277)	(53.3)
Materials and supplies	9,144,483	8,905,445	239,038	2.7
Capital purchases	758,859	787,439	(28,580)	(3.6)
Professional and technical services	2,312,152	2,400,460	(88,308)	(3.7)
Advertising and printing	881,217	884,837	(3,620)	(0.4)
Pass-through to other agencies	4,459,471	2,254,293	2,205,178	97.8
Loss on disposal of capital assets	969,126	80,713	888,413	1,100.7
Depreciation	14,899,383	16,678,098	(1,778,715)	(10.7)
Miscellaneous	208,516	423,779	(215,263)	(50.8)
Total Expenses	\$ 86,171,845	89,560,531	(3,388,686)	(3.8)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

The Agency's total net position for fiscal year ending June 30, 2014 increased \$39.6 million or 18.4 percent above fiscal year ended June 30, 2013. The \$66.4 million increase in assets was offset by increases in liabilities by \$30.1 million. Long-term liabilities decreased \$3.3 million or 29.9 percent when compared to the previous fiscal year. Ongoing construction of the sbX BRT and the San Bernardino Transit Center capital projects account for the majority of the increase in total assets.

OMNITRANS' Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Assets:				
Current and other assets	\$ 75,531,155	47,738,388	27,792,767	58.2
Net Capital Assets	<u>245,580,650</u>	<u>206,992,298</u>	<u>38,588,352</u>	18.6
Total Assets	<u>321,111,805</u>	<u>254,730,686</u>	<u>66,381,119</u>	26.1
Liabilities:				
Current Liabilities	58,791,800	28,677,611	30,114,189	105.0
Long-term Liabilities	<u>7,628,446</u>	<u>10,882,899</u>	<u>(3,254,453)</u>	(29.9)
Total Liabilities	<u>66,420,246</u>	<u>39,560,510</u>	<u>26,859,736</u>	67.9
Deferred inflow of resources:				
Accumulated increase in fair value of hedging derivatives (Note 12)	<u>0</u>	<u>55,513</u>	<u>(55,513)</u>	0.0
Total Deferred inflow of resources	<u>0</u>	<u>55,513</u>	<u>(55,513)</u>	0.0
Net Position:				
Invested in capital assets	245,312,381	206,566,907	38,745,474	18.8
Restricted	0	0	0	
Unrestricted	<u>9,379,178</u>	<u>8,547,756</u>	<u>831,422</u>	9.7
Total Net Position	<u>\$ 254,691,559</u>	<u>215,114,663</u>	<u>39,576,896</u>	18.4

Changes in Net Position

The change in net position is noted in the ending balance for fiscal year 2014 and the beginning balance in fiscal year 2013 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 assets, liabilities and 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>2014</u>	Fiscal Year <u>2013</u>	Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Revenues:				
Passenger fares	\$ 14,368,317	14,317,987	50,330	0.4
Advertising revenues	485,327	481,994	3,333	0.7
Other transportation revenues	<u>41,978</u>	<u>39,819</u>	<u>2,159</u>	5.4
Total revenues	<u>14,895,622</u>	<u>14,839,800</u>	<u>55,822</u>	0.4
Expenses:				
Depreciation and amortization	14,899,383	16,678,098	(1,778,715)	(10.7)
Other operating expenses	<u>65,839,285</u>	<u>70,539,078</u>	<u>(4,699,793)</u>	(6.7)
Total expenses	<u>80,738,668</u>	<u>87,217,176</u>	<u>(6,478,508)</u>	(7.4)
Nonoperating Revenue/(Expenses)				
Fed. & local operating grants (Note 3)	50,785,745	54,087,458	(3,301,713)	(6.1)
Interest income	44,311	24,915	19,396	77.8
Interest expense	(4,580)	(8,349)	3,769	(45.1)
Pass-through to other agencies (Note 10)	(4,459,471)	(2,254,293)	(2,205,178)	97.8
CNG fuel tax credit	1,071,808	1,477,256	(405,448)	
Other nonoperating revenues (expenses)	<u>(953,621)</u>	<u>(67,409)</u>	<u>(886,212)</u>	1,314.7
Total nonoperating revenues	<u>46,484,192</u>	<u>53,259,578</u>	<u>(6,775,386)</u>	(12.7)
Income before capital contribution	<u>(19,358,854)</u>	<u>(19,117,798)</u>	<u>(241,056)</u>	1.3
Capital contributions				
Capital assistance	<u>58,935,750</u>	<u>89,571,554</u>	<u>(30,635,804)</u>	(34.2)
Total capital contributions	<u>58,935,750</u>	<u>89,571,554</u>	<u>(30,635,804)</u>	(34.2)
Change in net assets	39,576,896	70,453,756	(30,876,860)	(43.8)
Net position, beginning of year	<u>215,114,663</u>	<u>144,660,907</u>	<u>70,453,756</u>	48.7
Net position, end of year	<u>\$ 254,691,559</u>	<u>215,114,663</u>	<u>39,576,896</u>	18.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the Agency had a total of \$245.6 million invested in capital assets. This total represents an overall increase of \$38.6 million or 18.6% over the prior year total of \$207.0 million. The increase is mainly attributed to the ongoing construction of the sbX BRT and the San Bernardino Transit Center capital projects.

OMNITRANS' Capital Assets (net of accumulated depreciation)

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Buildings and improvements	\$ 44,328,931	45,837,257	(1,508,326)	(3.3)
Operations equipment	107,251,843	89,513,752	17,738,091	19.8
Furniture and office equipment	35,569,147	35,126,701	442,446	1.3
Construction in progress	161,973,272	126,242,147	35,731,125	28.3
Land	10,522,709	10,731,918	(209,209)	(1.9)
Accumulated depreciation	<u>(114,065,252)</u>	<u>(100,459,477)</u>	<u>(13,605,775)</u>	13.5
Total capital assets	\$ <u>245,580,650</u>	<u>206,992,298</u>	<u>38,588,352</u>	18.6

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, 2014, the Agency had \$7.6 million in long-term liabilities compared to \$10.9 million at June 30, 2013. A significant portion of the Agency's compensated absences and 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>2014</u>	Fiscal Year <u>2013</u>	Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Claims payable	\$ 6,334,257	9,334,915	(3,000,658)	(32.1)
Capital leases	129,101	268,269	(139,168)	(51.9)
Compensated absences	<u>1,165,089</u>	<u>1,279,715</u>	<u>(114,626)</u>	(9.0)
Total long-term liabilities	\$ <u>7,628,447</u>	<u>10,882,899</u>	<u>(3,254,452)</u>	(29.9)

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, 2015 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.

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. 5th Street, San Bernardino, California 92411-2401.

OMNITRANS

STATEMENT OF NET POSITION

JUNE 30 2014 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
ASSETS:		
CURRENT ASSETS:		
Cash and investments (Note 2)	\$ 54,606,906	\$ 18,413,935
Receivables:		
Accounts, net of allowances	263,240	100,338
Interest	13,944	7,259
Intergovernmental	18,445,255	27,264,468
Inventory	1,787,199	1,593,461
Prepaid items	414,611	303,414
Derivative Instrument - natural gas futures	-	55,513
TOTAL CURRENT ASSETS	75,531,155	47,738,388
NONCURRENT ASSETS:		
Capital assets, not depreciated (Note 5)	172,495,981	136,974,065
Capital assets, depreciated (Note 5)	73,084,669	70,018,233
TOTAL NONCURRENT ASSETS	245,580,650	206,992,298
TOTAL ASSETS	321,111,805	254,730,686
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	14,657,136	17,591,611
Accrued salaries and benefits	2,102,918	1,751,176
Retainage payable	38,968	67,275
Interest payable	634	1,498
Unearned revenue	36,306,233	2,873,278
Compensated absences payable - current portion (Note 4)	2,387,968	2,460,101
Capital leases payable - current portion (Note 4)	139,168	157,122
Claims payable - current portion (Note 4)	3,158,775	3,775,550
TOTAL CURRENT LIABILITIES	58,791,800	28,677,611
NONCURRENT LIABILITIES:		
Compensated absences payable (Note 4)	1,165,088	1,279,715
Capital leases payable (Note 4)	129,101	268,269
Claims payable (Note 4)	6,334,257	9,334,915
TOTAL NONCURRENT LIABILITIES	7,628,446	10,882,899
TOTAL LIABILITIES	66,420,246	39,560,510
DEFERRED INFLOW OF RESOURCES:		
Accumulated increase in fair value of hedging derivatives	-	55,513
TOTAL DEFERRED INFLOW OF RESOURCES	-	55,513
NET POSITION:		
Net investment in capital assets (Note 11)	245,312,381	206,566,907
Unrestricted (Note 11)	9,379,178	8,547,756
TOTAL NET POSITION	\$ 254,691,559	\$ 215,114,663

See accompanying notes to basic financial statements.

OMNITRANS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30 2014 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
OPERATING REVENUES:		
Passenger fares	\$ 14,368,317	\$ 14,317,987
Advertising revenue	485,327	481,994
Other transportation revenue	41,978	39,819
TOTAL OPERATING REVENUES	14,895,622	14,839,800
OPERATING EXPENSES:		
Salaries and benefits	39,097,952	38,719,591
Purchased transportation services	9,075,431	9,084,344
General and administrative	4,365,255	9,341,532
Materials and supplies	9,144,483	8,905,445
Capital purchases	758,859	787,439
Professional and technical services	2,312,152	2,400,460
Advertising and printing	881,217	884,837
Depreciation	14,899,383	16,678,098
Miscellaneous	203,936	415,430
TOTAL OPERATING EXPENSES	80,738,668	87,217,176
OPERATING INCOME/(LOSS)	(65,843,046)	(72,377,376)
NONOPERATING REVENUES/(EXPENSES):		
Federal and local operating grants	50,785,745	54,087,458
Interest income	44,311	24,915
Interest expense	(4,580)	(8,349)
Pass-through to other agencies (Note 10)	(4,459,471)	(2,254,293)
Loss on disposal of capital assets	(969,126)	(80,713)
CNG fuel credit	1,071,808	1,477,256
Other nonoperating revenues	15,505	13,304
TOTAL NONOPERATING REVENUES	46,484,192	53,259,578
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(19,358,854)	(19,117,798)
CAPITAL CONTRIBUTIONS:		
Capital assistance	58,935,750	89,571,554
CHANGE IN NET POSITION	39,576,896	70,453,756
NET POSITION, BEGINNING OF YEAR	215,114,663	144,660,907
NET POSITION, END OF YEAR	\$ 254,691,559	\$ 215,114,663

See accompanying notes to basic financial statements.

OMNITRANS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30 2014 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 14,732,720	\$ 14,905,604
Nonoperating miscellaneous receipts (payments)	1,087,313	1,490,560
Cash payments to suppliers for goods and services	(29,011,617)	(24,785,556)
Cash payments to employees for services	(42,550,403)	(36,297,254)
Net cash used for operating activities	(55,741,987)	(44,686,646)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal, state, and local operating grants	56,538,655	54,087,458
Pass-through payments to other agencies	(4,459,471)	(2,254,293)
Net cash provided by non-capital financing activities	52,079,184	51,833,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(55,454,294)	(87,078,535)
Principal paid on capital leases	(157,122)	(164,980)
Interest paid on capital leases	(5,444)	(8,006)
Proceeds from sale of capital assets	-	-
Capital grants received	95,435,008	70,812,057
Net cash provided by (used for) capital and related financing activities	39,818,148	(16,439,464)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	44,200,000	58,250,000
Purchase of investments	(75,933,688)	(45,235,741)
Interest received	37,626	35,741
Net cash provided by/(used for) investing activities	(31,696,062)	13,050,000
Net increase/(decrease) in cash and cash equivalents	4,459,283	3,757,055
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,734,605	5,977,550
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 14,193,888	\$ 9,734,605
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON STATEMENT OF NET POSITION:		
Reported on statement of net position:		
Cash and investments	\$ 54,606,906	\$ 18,413,935
Less investments not meeting the definition of cash and cash equivalents	(40,413,018)	(8,679,330)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 14,193,888	\$ 9,734,605

(Continued)

See accompanying notes to basic financial statements.

OMNITRANS

STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30 2014 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (65,843,046)	\$ (72,377,376)
Adjustments to net cash used by operating activities:		
Depreciation	14,899,383	16,678,098
Nonoperating miscellaneous income	1,087,313	1,490,560
Realized (gain) loss on sale of capital assets	969,126	80,713
(Increase) decrease in accounts receivable	(162,902)	65,804
(Increase) decrease in inventory	(193,738)	(43,711)
(Increase) decrease in prepaid items	(111,197)	(49,895)
Increase (decrease) in accounts payable	(2,934,475)	7,046,824
Increase (decrease) in accrued salaries and benefits	351,742	109,639
Increase (decrease) in compensated absences payable	(186,760)	(71,768)
Increase (decrease) in claims payable	(3,617,433)	2,384,466
NET CASH USED FOR OPERATING ACTIVITIES	\$ (55,741,987)	\$ (44,686,646)

See accompanying notes to basic financial statements.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014, 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, 2014 was \$1,787,199.

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:

Category	Number of Years
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 (expense) 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, 2014

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 \$3,553,056 at June 30, 2014.

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.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 component listed above.

Use of Estimates/Reclassifications

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. Certain amounts in the prior year have been reclassified to conform to the current year presentation.

New Accounting Pronouncements

Effective in this Fiscal Year

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 assessments 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 relate to pension plans that are not administered through trust covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pension. The Statement is effective for periods beginning after June 15, 2013. This Statement is specifically for pension plan providers and had no material effect on the financial statements.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

Effective in Future Fiscal Years

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*. 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.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective as of July 1, 2014. Omnitrans has not determined the effect on the financial statements.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. 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, 2014 consist of the following:

Cash on hand	\$ 3,700
Deposits with financial institutions	14,190,188
Investments	40,413,018
	<u>\$ 54,606,906</u>

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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, 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
Medium - Term Notes	5 years	30%	None
Local Agency Investment Fund	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None
California Local Agency Securities System (CLASS)	N/A	None	None

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 Investment Maturities			Fair Value
	12 Months Or Less	1 to 3 Years	3 to 5 Years	
Local Agency Investment Fund	\$ 23,566,956	-	-	\$ 23,566,956
Negotiable Certificates of Deposit	997,810	\$ 1,989,290	\$ 248,168	3,235,268
U.S. Government Sponsored Enterprise Securities:				
FFCB		5,593,207		5,593,207
FHLB	2,963,844	3,083,202		6,047,046
FNMA			1,970,541	1,970,541
Total Cash Investments	<u>\$ 27,528,610</u>	<u>\$ 10,665,699</u>	<u>\$ 2,218,709</u>	<u>\$ 40,413,018</u>

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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	Total as of June 30, 2014	Minimum Legal Rating	AA+	Unrated
Local Agency Investment Fund	\$ 23,566,956	(1)	\$ -	\$ 23,566,956
Negotiable Certificates of Deposit	3,235,268	(1)		3,235,268
U.S. Government Sponsored Enterprise Securities:				
FFCB	5,593,207	(1)	\$ 5,593,207	-
FHLB	6,047,046	(1)	6,047,046	-
FNMA	1,970,541	(1)	1,970,541	-
Total	<u>\$ 40,413,018</u>		<u>\$ 13,610,794</u>	<u>\$ 26,802,224</u>

(1) Not Applicable

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, 2014, the following investments represented 5% or more of Omnitrans' total investments.

Issuer	Total as of June 30, 2014	Percentage of Total Investments
FFCB	\$ 5,593,207	14%
FHLB	6,047,046	15%

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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, 2014, Omnitrans had deposits of \$16,553,681 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, 2014

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, 2014 were 25.27% for general public transit service, and 12.70% for specialized service for the elderly and handicapped.

In accordance with 6634 of the TDA, an operator may not receive TDA funds in an amount that exceeds its actual operating costs. Accordingly, Omnitrans has recorded unearned revenue in the amount of \$5,752,910 as of June 30, 2014.

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, 2014, Proposition 1B cash receipts and cash disbursements were as follows:

Unspent Proposition 1B funds as of June 30, 2013	\$ 2,473,926
Proposition 1B funds received during the fiscal year ended June 30, 2014	29,380,226
Proposition 1B expenses incurred during the fiscal year ended June 30, 2014	(1,445,126)
Interest revenue earned on unspent Proposition 1B funds during the fiscal year ended June 30, 2014	1,357
Change in fair market value of investments held during the year ended June 30, 2014	(42,820)
	<u>\$ 30,367,563</u>

The amount of unspent Proposition 1B funds noted above is included in unearned revenue on the Statement of Net Position as of June 30, 2014.

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 3 – FEDERAL STATE AND LOCAL GRANTS (CONTINUED)

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

Federal Assistance	\$ 11,018,990
LTF	30,602,773
STAF	4,063,982
Measure I	5,100,000
	<u>\$ 50,785,745</u>

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

Federal Assistance	\$ 48,681,878
LTF	3,792,243
STAF	3,138,644
Measure I	646,194
CalTrans	1,083,643
Other	1,593,148
	<u>\$ 58,935,750</u>

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2014 are as follows:

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year	Amount Due Beyond One Year
Compensated absences	\$ 3,739,816	\$ 1,722,674	\$ (1,909,434)	\$ 3,553,056	\$ 2,387,968	\$ 1,165,088
Capital leases	425,391	-	(157,122)	268,269	139,168	129,101
Claims payable	13,110,465	(3,486,199)	(131,234)	9,493,032	3,158,775	6,334,257
Total Long-Term Liabilities	<u>\$ 17,275,672</u>	<u>\$ (1,763,525)</u>	<u>\$ (2,197,790)</u>	<u>\$ 13,314,357</u>	<u>\$ 5,685,911</u>	<u>\$ 7,628,446</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 \$268,269 as of June 30, 2014.

The future minimum lease obligations as of June 30, 2014 were as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 139,166	\$ 2,757	\$ 141,923
2016	129,103	1,392	130,495
Total	<u>\$ 268,269</u>	<u>\$ 4,149</u>	<u>\$ 272,418</u>

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NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
CAPITAL ASSETS, NOT DEPRECIATED:				
Land	\$ 10,731,918	\$ -	\$ (209,209)	\$ 10,522,709
Construction in progress	126,242,147	\$ 53,812,825	(18,081,700)	161,973,272
Total assets, not depreciated	136,974,065	53,812,825	(18,290,909)	172,495,981
CAPITAL ASSETS, DEPRECIATED:				
Buildings and improvements	45,837,257	167,816	(1,676,142)	44,328,931
Operations equipment	89,513,752	18,003,804	(265,713)	107,251,843
Furniture and office equipment	35,126,701	556,444	(113,998)	35,569,147
Total capital assets, depreciated	170,477,710	18,728,064	(2,055,853)	187,149,921
LESS ACCUMULATED DEPRECIATED FOR:				
Buildings and improvements	(24,496,835)	(1,818,842)	1,091,767	(25,223,910)
Operations equipment	(49,232,380)	(6,265,296)	87,843	(55,409,833)
Furniture and office equipment	(26,730,262)	(6,815,245)	113,998	(33,431,509)
Total accumulated depreciation	(100,459,477)	(14,899,383)	1,293,608	(114,065,252)
Total capital assets, depreciation, net	70,018,233	3,828,681	(762,245)	73,084,669
Capital assets, net	\$ 206,992,298	\$ 57,641,506	\$ (19,053,154)	\$ 245,580,650

Depreciation expense for the year ended June 30, 2014 was \$14,899,383

NOTE 6 – OPERATING LEASES

Omnitrans leases facilities and tires under noncancelable operating leases. Total costs for such leases were \$441,516 during the year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Total
2015	\$ 696,116
2016	519,932
2017	305,660
2018	15,390
2019	7,695
Total	\$ 1,544,793

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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, 2014 were estimated to be \$9,493,032 and were based on an IBNR study performed in fiscal year 2013-2014. 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
2013	\$ 10,725,999	\$ 5,628,983	\$ (3,244,517)	\$ 13,110,465
2014	13,110,465	(3,486,199)	(131,234)	9,493,032

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, 2014, 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.

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NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 7 – RISK MANAGEMENT (CONTINUED)

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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate indicated for the period is 10.666% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, 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, 2013 to June 30, 2014.

Three Year Trend Information		
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contribution
6/30/2012	\$ 3,050,337	100%
6/30/2013	2,919,958	100%
6/30/2014	2,923,429	100%

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

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	23 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 96.9% percent funded. The actuarial accrued liability for benefits was \$118,695,040, and the actuarial value of assets was \$115,044,920, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,650,120. The covered payroll (annual payroll of active employees covered by the plan) was \$28,396,286, and the ratio of the UAAL to the covered payroll was 12.9%.

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, 2014	Unexpended Commitments
Facilities Future Expansion and Remodel	\$ 4,302,628	\$ 3,860,121	\$ 442,507
Computer Software and Hardware	2,333,919	2,333,231	688
E Street Bus Rapid Transit	151,582,493	122,890,127	28,692,366
E Street Bus Rapid Transit - Right of Way	11,863,335	11,656,852	206,483
E Street Bus Rapid Transit - Vehicle Maintenance Facility	12,842,125	8,537,338	4,304,787
San Bernardino Transit Center	23,517,283	10,423,424	13,093,859
Vehicle & Shop Equipment	2,750,941	2,272,179	478,762
Total major components of construction in progress	<u>\$ 209,192,724</u>	<u>\$ 161,973,272</u>	<u>\$ 47,219,452</u>

OMNITRANS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 10 – PASS-THROUGH GRANTS

Pass-through activity for the year ended June 30, 2014 is summarized as follows:

Central City Lutheran	\$ 36,786
Chaffey College	(8,593)
City of Chino	6,195
City of Highland	9,576
City of Needles	3,600,457
City of Ontario	5,208
City of Rialto	189,672
City of Yucaipa	34,389
Inland Empire United Way	57,085
LLUMC Adult Day Health Services	36,606
Pomona Valley Community Services	80,839
Pomona Valley Workshop	221,714
Valley Transportation Services	180,321
Victor Valley	9,216
	<u>\$ 4,459,471</u>

NOTE 11 – NET POSITION

The following is a detailed breakdown of net position.

Capital assets, net of accumulated depreciation	\$ 245,580,650
Less: Debt offsetting capital assets	(268,269)
Net investment in capital assets	<u>245,312,381</u>
Unrestricted net position	<u>9,379,178</u>
Total net position	<u>\$ 254,691,559</u>

As of June 30, 2014, management has set aside reserves in the amount of \$9,379,178, included within unrestricted net position, for the following:

Bus transit operations, workers compensation and general liability contingencies	\$ 9,379,178
Total unrestricted net position	<u>\$ 9,379,178</u>



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OMNITRANS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS YEAR ENDED JUNE 30, 2014

Public Employees Retirement System (PERS)

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ Actuarial Accrued Liability (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
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%
6/30/2012	118,695,040	115,044,920	3,650,120	96.9%	28,396,286	12.9%



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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>
Financial Trends	35
These schedules contain trend information to help the reader understand how the Omnitrans financial performance and well-being has changed over time.	
Revenue Capacity	37
These schedules contain information to help the reader assess Omnitrans' most significant local revenue source, passenger fares.	
The Economy and Economic Outlook	38
These schedules offer demographic and economic indicator to help the reader understand the environment within Omnitrans' financial activities take place.	
Operating Information	44
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.	

Source: Unless otherwise noted, the information in these schedules derived from the Comprehensive Annual Financial Reports for the relevant years.

NET POSITION BY COMPONENT

	<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>	<u>2014</u>
Net investment in capital assets	\$ 81,664,827	79,318,662	84,731,356	84,317,308	94,909,096	114,540,764	119,480,534	136,703,207	206,992,298	245,580,650
Less: Debt offsetting capital assets	0	(57,044)	(404,372)	(364,370)	(241,226)	(251,129)	(114,308)	(590,371)	(425,391)	(268,269)
Total invested in capital assets, net of related debt	81,664,827	79,261,618	84,326,984	83,952,938	94,667,870	114,289,635	119,366,226	136,112,836	206,566,907	245,312,381
Unrestricted net assets	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	9,379,178
Total net position	\$ 99,281,844	107,518,366	114,010,063	117,253,841	128,551,325	143,610,381	134,084,020	144,660,907	215,114,663	254,691,559

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

CHANGES IN NET POSITION

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues:										
Passenger fares	\$ 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	14,368,317
Advertising revenues	596,723	677,943	824,253	948,051	967,628	849,585	909,176	805,904	481,994	485,327
Other transportation revenues	267,901	111,577	37,862	47,307	42,708	39,752	41,802	39,819	39,819	41,978
Total revenues	\$ 12,702,499	12,991,646	13,623,578	14,506,894	14,790,020	15,131,350	15,489,725	15,382,654	14,839,800	14,895,622
Operating Expenses:										
Depreciation and amortization	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	14,899,383
Other operating expenses	64,367,977	64,867,497	66,481,860	67,756,893	67,770,003	67,501,900	66,529,837	69,206,132	70,539,078	65,839,285
Total expenses:	\$ 72,237,958	73,142,838	74,804,941	76,618,199	77,025,556	78,501,358	79,302,292	86,276,426	87,217,176	80,738,668
Non-operating Revenues/(Expenses):										
Federal & local operating grants	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	50,785,745
Interest income	464,377	995,770	1,714,629	1,656,529	758,950	243,098	74,302	52,727	24,915	44,311
Interest expense	0	(2,218)	(5,762)	(11,029)	(9,149)	(6,835)	(6,590)	(3,980)	(8,349)	(4,580)
Pass-through to other agencies	(2,625,321)	(800,137)	(729,007)	(1,254,751)	(2,779,299)	(3,031,642)	(18,754,320)	(620,108)	(2,254,293)	(4,459,471)
Other non-operating revenues (expenses)	171,574	55,196	(305,583)	(258,422)	(24,710)	(299,568)	(719,668)	(246,487)	1,409,847	118,187
Total non-operating revenues	\$ 47,808,737	55,107,546	52,786,945	55,719,928	50,929,431	44,990,857	33,269,521	47,057,963	53,259,578	46,484,192
Income before capital contribution	(11,726,722)	(5,043,646)	(8,394,418)	(6,391,377)	(11,306,105)	(18,379,151)	(30,543,046)	(23,835,809)	(19,117,798)	(19,358,854)
Capital Contributions										
Capital assistance	\$ 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	58,935,750
Contributions from other agencies	0	0	262,225	0	0	0	0	0	0	0
Total capital contributions	\$ 16,144,460	7,274,580	14,886,115	9,635,155	22,603,589	33,438,207	21,016,685	34,412,696	89,571,554	58,935,750
Change in net position	\$ 4,417,738	2,230,934	6,491,697	3,243,778	11,297,484	15,059,056	(9,526,361)	10,576,887	70,453,756	39,576,896
Net position, beginning of year	\$ 94,864,106	105,287,432	107,518,366	114,010,063	117,253,841	128,551,325	143,610,381	134,084,020	144,660,907	215,114,663
Net position, end of year	\$ 99,281,844	107,518,366	114,010,063	117,253,841	128,551,325	143,610,381	134,084,020	144,660,907	215,114,663	254,691,559

Notes: The FY2005 beginning balance in Change 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

REVENUE SOURCE

Passenger Fares - Individuals

	<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>	<u>2014</u>
F/R Full Fares - Cash	\$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	\$4,399,894
F/R Senior/Disable Fare - Cash	137,899	179,632	210,954	256,870	263,959	297,986	334,730	360,603	383,045	447,239
F/R 1-Day & 7 Day Full Fare - Pass	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	3,534,008
F/R 1-Day & 7 Day S/D Fare - Pass	442,060	538,213	562,418	613,947	606,615	666,085	716,572	712,770	770,747	813,797
F/R 31-Day Full Fare - Pass (less: discount)	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	1,419,430
F/R 31-Day Youth Fare-Pass	882,108	833,925	866,516	837,689	1,010,097	1,239,874	1,247,839	909,534	1,014,034	524,795
F/R 31-Day Senior Fare - Pass	91,278	84,538	82,373	86,571	93,902	0	0	0	0	0
F/R 31-Day Disability Fare - Pass	371,914	362,423	325,432	352,027	367,110	479,601 *	542,878	571,416	591,712	560,936
University Passes	0	0	0	0	0	0	0	736,134 **	531,763	755,568
Metrolink Transfer	1,514	920	37,819	43,237	66,712	49,419	51,325	100,098	54,326	43,628
F/R 7-Day Youth Pass			6,500	227,621	347,973	417,670	446,094	340,581	356,291	214,219
Access Base Fare - Cash	149,292	154,518	130,641	150,814	138,454	158,044	166,246	144,141	142,900	153,870
Access Base Fare (3 zones) - Ticket	888,070	889,053	918,970	1,032,973	991,817	1,023,493	1,183,363	1,248,892	1,275,349	1,291,015
Access Additional (1 zone) - Ticket	255	1,553	3,660	5,175	3,916	4,059	12,989	17,071	10,927	17,596
Access Monthly Subscription Zone - Pass	3,968	4,315	4,055	6,020	21,510	16,075	13,340	12,905	8,410	725
Total Passenger Fares	\$11,111,183	\$11,848,938	\$12,680,609	\$13,397,751	\$13,647,749	\$14,118,782	\$14,366,590	\$14,323,149	\$14,122,744	\$14,176,720

Special Transit Fares - Group

F/R 1 - Trip Full Fare - Ticket		0	25	378	54,675	41,475	57,705	67,330	42,516	21,644
OmniLink (Yucaipa) - Cash	42,214	37,802	40,075	48,104	46,238	50,305	26,859	20,777	19,396	18,317
OmniLink (Chino Hills) - Cash	13,639	12,688	12,829	22,388	22,368	20,570	10,017	8,914	7,629	8,730
OmniLink S/D Fare - Ticket	1,496	2,583	2,525	5,821	5,495	5,994	5,535	4,199	1,701	851
OmniLink Full Fare - Ticket	17,883	40,250	25,400	35,960	297	459	0	54	0	0
OmniLink Youth Fare - Ticket				1,134	2,862	4,428	2,934	2,304	2,340	2,070
OmniGo - Fares							69,107	110,204	121,661	139,985
Total Special Transit Fares	\$75,231	\$93,322	\$80,854	\$113,785	\$131,935	\$123,231	\$172,157	\$213,782	\$195,243	\$191,597
Total Fares	\$11,186,415	\$11,942,260	\$12,761,463	\$13,511,536	\$13,779,684	\$14,242,013	\$14,538,747	\$14,536,931	\$14,317,987	\$14,368,317

* 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
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%
2014	2,088,371	68,387,465	32,747	32.4	411,583	7.4%

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

Employer	Employees	% of Total Employment	Ranking									
			2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Loma Linda University*	10,000 - 15,000	1.8%	1	3	3	6	6	3	3	8	4	1
U.S. Marine Corps Air Ground Combat Center	10,000 - 15,000	1.7%	2	4	4	5	5	2	4	4	3	2
County of San Bernardino, San Bernardino	10,000 - 15,000	1.6%	3	1	1	3	3	1	1	2	1	-
Stater Brothers Markets, San Bernardino	10,000 - 15,000	1.4%	4	6	6	1	1	5	6	1	2	3
Kaiser Permanente	10,000 - 15,000	1.3%	5	9	9	9	9	8	9	7	6	4
Wal-Mart Stores Inc.	5,000 - 10,000	1.1%	6	8	8	8	8	7	8	-	9	9
U.S. Army, Fort Irwin & National Training Center	5,000 - 10,000	1.0%	7	2	2	4	4	4	2	3	8	6
Ontario International Airport, Ontario	5,000 - 10,000	1.0%	8	7	7	7	7	-	7	6	5	7
San Bernardino City Unified School District	5,000 - 10,000	0.8%	9	5	5	-	-	6	5	5	7	5
United Parcel Service (UPS)	5,000 - 10,000	0.5%	10	10	10	10	10	9	10	-	10	8

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

Source: U.S. Census Bureau, Inland SoCal, Economy.com

**Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)**
Industry Employment & Labor Force
Benchmark

TITLE	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
Civilian Labor Force	1,703,600	1,746,000	1,767,400	1,780,400	1,777,600	1,798,600	1,795,300	1,811,900	1,819,100	1,807,600
Civilian Employment	1,610,100	1,656,700	1,664,200	1,637,000	1,537,300	1,541,000	1,542,400	1,582,100	1,625,400	1,655,500
Civilian Unemployment	93,500	89,300	103,200	143,400	240,300	257,600	252,900	229,800	193,700	152,100
Civilian Unemployment Rate	5.5%	5.1%	5.8%	8.1%	13.5%	14.3%	14.1%	12.7%	10.7%	8.4%
Total, All Industries	1,259,200	1,315,100	1,316,200	1,274,500	1,187,900	1,172,600	1,163,600	1,198,400	1,241,900	1,277,700
Total Farm	23,700	22,500	22,800	21,900	20,900	21,100	19,100	20,300	18,700	18,900
Total Nonfarm	1,235,500	1,292,600	1,293,400	1,252,600	1,167,000	1,151,400	1,144,500	1,178,100	1,223,200	1,258,800
Total Private	1,015,300	1,065,300	1,064,400	1,018,800	927,700	909,800	913,700	952,000	995,700	1,028,700
Goods Producing	247,000	259,400	237,800	203,500	159,900	147,900	146,300	152,100	156,800	160,100
Mining and Logging	1,300	1,400	1,300	1,200	1,200	1,000	1,000	1,200	1,200	1,200
Construction	124,900	132,600	116,600	93,800	69,800	61,300	59,500	63,500	68,600	71,800
Construction of Buildings	20,300	22,500	20,300	16,300	12,000	10,600	10,700	10,800	11,400	12,400
Heavy & Civil Engineering Construction	12,500	12,500	13,000	11,700	9,100	8,200	8,900	10,400	9,900	9,700
Specialty Trade Contractors	92,100	97,600	83,300	65,800	48,700	42,500	39,800	42,300	47,300	49,700
Building Foundation & Exterior Contractors	34,700	37,200	29,200	20,800	13,600	12,400	10,800	11,700	12,500	13,700
Building Equipment Contractors	22,200	22,900	21,800	19,200	15,800	13,700	13,400	13,800	16,000	17,400
Building Finishing Contractors	25,000	25,900	21,600	16,500	12,400	10,400	9,900	10,500	12,200	13,100
Manufacturing	120,800	125,400	119,900	108,500	88,900	85,500	85,800	87,400	87,000	87,100
Durable Goods	86,000	88,600	83,100	73,700	58,200	55,500	56,400	57,300	57,000	57,200
Fabricated Metal Product Manufacturing	17,000	16,800	16,100	14,900	11,900	11,500	12,200	12,700	13,000	13,400
Nondurable Goods	34,800	36,800	36,800	34,800	30,700	30,000	29,400	30,100	30,000	29,900
Food Mfg & Beverage & Tobacco Product Mfg	9,600	10,800	11,100	10,500	9,700	9,800	9,500	10,000	10,300	10,600
Service Providing	988,500	1,033,200	1,055,600	1,049,100	1,007,100	1,003,600	998,200	1,026,000	1,066,400	1,098,700
Private Service Providing	768,300	805,900	826,600	815,300	767,800	761,900	767,400	799,900	838,900	868,600
Trade, Transportation & Utilities	273,600	290,600	299,000	293,300	270,000	269,000	273,000	285,200	296,100	305,700
Wholesale Trade	49,900	54,200	56,900	55,000	48,900	48,900	49,000	52,300	55,900	57,700
Merchant Wholesalers, Durable Goods	30,800	34,100	34,500	33,000	29,100	29,200	29,200	30,800	33,100	34,300
Merchant Wholesalers, Nondurable Goods	13,800	14,500	16,500	16,600	15,400	15,500	15,500	17,300	18,000	18,300
Retail Trade	162,700	171,000	173,300	168,100	154,100	153,900	155,600	159,300	162,800	167,100
Motor Vehicle & Parts Dealer	25,000	25,900	25,300	23,200	18,600	18,700	19,600	20,600	21,500	22,500
Automotive Parts, Accessories & Tire Stores	6,700	6,800	6,400	6,300	6,000	6,400	6,500	6,800	6,900	7,000
Building Material & Garden Equipment Stores	15,300	16,200	15,400	13,900	12,800	12,500	12,400	13,000	13,900	14,600
Food & Beverage Stores	30,800	31,800	33,700	33,300	32,900	32,700	30,700	30,700	30,900	31,200
Health & Personal Care Stores	7,700	8,300	8,900	9,400	9,000	9,100	9,300	9,600	9,900	10,000
Clothing & Clothing Accessories Stores	13,500	14,500	16,100	16,200	14,400	15,600	17,100	17,600	17,700	17,700
Clothing Stores	10,100	11,000	12,400	12,600	11,200	12,300	13,400	13,700	13,500	13,500

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

Industry Employment & Labor Force
Benchmark
(Continued)

TITLE	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
General Merchandise Stores	35,000	37,800	37,700	37,100	36,000	35,400	34,900	35,400	36,400	36,200
Transportation, Warehousing & Utilities	61,000	65,400	68,800	70,200	67,100	66,200	68,400	73,600	77,400	80,900
Utilities	5,300	5,600	5,700	5,900	5,800	5,800	5,800	5,800	5,600	5,500
Transportation & Warehousing	55,700	59,800	63,100	64,300	61,300	60,400	62,500	67,800	71,800	75,400
Truck Transportation	23,300	23,100	23,700	22,900	21,400	20,200	21,700	22,400	23,200	23,700
General Freight Trucking	16,000	16,100	16,800	16,800	16,200	15,500	16,400	16,900	17,600	18,200
Couriers & Messengers	7,600	8,200	7,900	7,900	7,600	7,000	7,000	7,000	7,100	6,800
Warehousing & Storage	11,200	14,100	16,100	16,900	17,200	19,300	22,100	24,400	25,900	29,400
Information	14,600	15,400	15,500	14,800	14,300	14,300	12,200	11,600	11,400	11,600
Publishing Industries (except Internet)	3,300	3,400	3,200	3,000	2,400	1,900	1,800	1,700	1,600	1,600
Telecommunications	6,200	6,000	5,900	5,800	6,300	6,800	5,700	5,400	5,500	5,900
Financial Activities	48,500	52,100	50,200	46,500	42,200	40,900	39,900	40,800	42,200	42,300
Finance & Insurance	29,800	31,700	30,500	27,500	25,900	25,400	25,300	26,000	26,500	26,100
Credit Intermediation & Related Activities	17,900	19,000	18,200	16,500	15,300	14,900	14,900	15,000	14,900	14,400
Depository Credit Intermediation	9,800	10,400	11,000	10,800	10,100	10,100	9,900	10,000	9,600	9,500
Nondepository Credit Intermediation	6,500	6,800	5,500	4,400	4,000	3,600	4,100	3,900	3,900	3,800
Insurance Carriers & Related	10,000	10,600	10,300	9,100	8,900	8,800	9,000	9,500	10,000	10,100
Insurance Carriers	5,500	5,500	5,100	4,200	4,100	4,100	4,100	4,500	4,900	4,800
Real Estate & Rental & Leasing	18,700	20,400	19,700	19,000	16,300	15,500	14,600	14,800	15,700	16,200
Real Estate	12,600	13,700	13,000	12,000	10,500	10,400	10,100	10,700	11,300	11,900
Professional & Business Services	132,700	141,800	145,400	138,700	124,500	122,900	123,400	128,000	131,200	140,500
Professional, Scientific & Technical Services	34,600	39,300	40,300	39,800	36,700	34,100	34,300	36,800	36,800	39,600
Management of Companies & Enterprises	11,900	10,800	9,700	9,800	9,000	8,700	8,600	8,400	8,900	8,700
Administrative & Support & Waste Services	86,200	91,700	95,400	89,100	78,800	80,200	80,400	82,800	85,500	92,200
Administrative & Support Services	83,500	88,900	92,600	86,200	76,200	77,500	77,400	79,400	81,800	88,600
Employment Services	46,600	49,600	53,100	47,000	36,300	37,200	36,400	37,100	37,500	40,900
Investigation & Security Services	7,300	8,000	8,000	8,000	9,600	9,900	10,800	11,100	11,800	12,500
Services to Buildings & Dwellings	18,000	19,100	18,500	17,300	16,400	16,100	16,200	17,000	18,100	18,700
Educational & Health Services	134,400	136,200	140,700	148,500	155,100	152,800	155,800	164,400	181,300	187,900
Educational Services	14,000	13,700	14,300	15,100	15,600	14,900	14,900	15,200	16,800	17,100
Colleges, Universities & Professional Schools	5,600	4,600	4,600	4,900	5,600	5,400	5,500	5,600	5,600	5,600
Health Care & Social Assistance	120,400	122,500	126,400	133,400	139,500	137,900	140,900	149,200	164,500	170,800
Ambulatory Health Care Services	44,500	46,500	46,800	49,000	50,300	51,200	53,100	57,200	58,700	60,500
Offices of Physicians	20,900	21,700	20,400	21,900	23,000	23,200	24,300	26,500	27,200	28,400
Hospitals	28,900	28,800	30,100	31,700	32,600	32,300	34,100	35,000	35,700	35,700
Nursing & Residential Care Facilities	19,600	19,400	20,600	20,700	20,300	20,400	21,300	22,300	23,000	23,600

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

Industry Employment & Labor Force

Benchmark

(Continued)

TITLE	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
Leisure & Hospitality	124,300	128,400	133,800	131,300	124,100	122,900	123,600	129,100	135,500	141,200
Arts, Entertainment & Recreation	15,800	15,600	16,700	16,100	14,800	14,900	14,300	14,700	15,900	15,300
Accommodation & Food Services	108,500	112,800	117,100	115,200	109,300	108,000	109,300	114,400	119,600	125,900
Accommodation	17,900	18,200	17,400	16,300	14,600	13,600	13,900	14,300	14,500	14,400
Food Services & Drinking Places	90,600	94,600	99,700	98,900	94,700	94,400	95,400	100,100	105,100	111,500
Full-Service Restaurants	39,400	40,300	41,900	40,900	38,900	39,300	40,100	42,600	44,300	44,100
Limited-Service Eating Places	48,300	51,300	54,300	54,300	52,500	51,700	51,800	53,900	57,200	61,300
Other Services	40,200	41,400	42,000	42,200	37,500	39,200	39,400	40,800	41,200	39,400
Repair & Maintenance	16,100	16,400	15,900	15,400	13,000	12,900	13,100	13,800	14,700	14,600
Personal & Laundry Services	9,100	9,600	10,300	10,400	9,600	9,800	9,700	10,500	10,600	10,400
Government	220,200	227,300	229,000	233,800	239,300	241,700	230,800	226,100	227,500	230,100
Federal Government	18,800	19,300	19,500	19,700	20,300	25,100	21,400	20,500	20,200	20,400
Department of Defense	5,600	5,700	5,600	5,800	6,100	6,300	6,400	5,900	5,800	5,800
Federal Government excluding Department of Defense	13,200	13,600	13,900	13,900	14,200	18,700	15,000	14,600	14,400	14,600
State & Local Government	201,400	208,000	209,500	214,100	219,100	216,600	209,400	205,600	207,300	209,700
State Government	27,600	27,900	29,300	30,500	30,800	29,900	30,100	28,900	28,400	28,800
State Government Education	10,100	10,300	10,700	11,100	11,200	10,900	11,600	11,200	11,400	11,800
State Government Excluding Education	17,500	17,600	18,600	19,400	19,600	19,000	18,500	17,700	17,000	17,000
Local Government	173,800	180,100	180,200	183,600	188,300	186,700	179,300	176,700	178,900	180,900
Local Government Education	98,500	99,900	97,100	99,700	105,800	107,100	103,000	102,400	105,400	107,600
Local Government Excluding Education	75,300	80,200	83,100	83,900	82,500	79,600	76,300	74,300	73,500	73,300
County	32,500	36,000	37,400	37,700	37,500	36,400	35,200	34,200	33,300	32,800
City	15,500	16,200	17,300	17,900	17,700	16,600	16,200	15,400	15,000	15,400
Special Districts plus Indian Tribes	27,300	28,000	28,400	28,300	27,300	26,600	24,900	24,700	25,200	25,100

Source: State of California Employment Development Department
(website CA.gov)

THE ECONOMY AND ECONOMIC OUTLOOK

San Bernardino and Riverside Counties comprise the Inland Empire. San Bernardino County is the largest county in the nation in terms of total land area. Unfortunately the Inland Empire was among the nation's hardest hit local economies during the Great Recession, with a considerable number of foreclosures and one of the highest jobless rates in California. But the Inland Empire is now one of the fastest growing regions in Southern California, a trend predicted to continue over the next five years, according to a recent economic forecast.

Almost every major industry in the Inland Empire has added jobs since the region hit bottom. The availability of land for development, combined with proximity to ports and major transportation corridors, has given San Bernardino and Riverside counties a growth advantage over more built-out coastal areas over the last two years.

Unlike the housing bubble of the mid-2000s when much of the Inland Empire's job growth was tied to construction and real estate, the economic recovery has been spread across a wider range of industries, such as professional services and goods distribution.

Over the last year, Inland Empire jobs have increased 2.7%, a faster rate than any part of California except the Bay Area. That is more than double the rate of Los Angeles County, and nearly triple the pace of nearby Orange County. Economists predict the Inland Empire will add jobs at an even faster rate in future years, about 3.4% annually over the next five years.

Driving that growth are major gains at both ends of the income scale: the lower-paying leisure and hospitality sector was one of the fastest-growing industries, but there was even more rapid growth in the high-end professional services sector, which includes consultants, lawyers and accountants.

The average annual wage in the Inland Empire is at \$41,314, significantly lower than the state average of \$57,121, but the forecast highlighted that some of the biggest growth sectors in the region (professional services, trade and transportation) are also among the highest paying. More than 55% of the Inland Empire jobs added over the last year were in industries with average annual pay above \$40,000.

The Inland Empire still had an unemployment rate of 8.2% as of September, higher than the state's rate of 7.3%. One of the biggest bright spots going forward, according to the report, is the Inland Empire's status as a major shipping and distribution point for Southern California and the nation.

Amazon.com, for instance, opened its second major fulfillment center in Moreno Valley this year. The facility serves as a hub for delivery of merchandise throughout the region. The company is planning to build another facility in the Inland Empire. The region also serves as a distribution hub for goods delivered to and from the ports of Los Angeles and Long Beach, which have both seen a surge in volume over the last year.

One thing noticeably different about the Inland Empire's recent growth, compared with the boom years of the mid-2000s, is the performance of the construction sector. The industry lost more than 75,000 jobs in the Inland Empire and is still years away from regaining them, but the outlook for the region predicts construction to be one of the largest contributors to economic growth moving forward. This growth will be driven by an increase in demand for housing in a region that is significantly more affordable in the Inland Empire than the rest of Southern California.

Source: The Sun, LA Times

Number of Employees

	<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>	<u>2014</u>
Administration	3	4	4	5	5	5	5	5	5	3
Operation	491	504	494	504	474	473	445	438	443	450
Maintenance	108	116	117	118	118	111	99	102	101	100
Information Technology	6	6	7	10	10	10	6	6	5	5
Marketing	24	24	22	23	23	24	23	23	25	24
Planning	8	7	7	17 *	15	16	17	19	18	15
Human Resources	10	10	10	11	11	11	9	9	9	9
Safety & Security	3	2	2	4	4	4	4	4	3	3
Procurement	21	22	19	21	21	21	17	19	18	19
Finance	17	15	17	16	16	12	12	12	11	11
Total	<u>691</u>	<u>710</u>	<u>699</u>	<u>729</u>	<u>697</u>	<u>687</u>	<u>637</u>	<u>637</u>	<u>638</u>	<u>639</u>

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

Source: Human Resources Department

OPERATING EXPENSES BY CATEGORY

	<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>	<u>2014</u>
Personnel	\$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	\$25,505,890
Materials & Supplies	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	8,533,634
Casualty & Liability	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	1,146,301
Purchased Transportation	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	9,075,431
Depreciation & Other	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	36,477,412
Total Operating Expenses	<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>	<u>\$80,738,668</u>

Source: Finance Department

OPERATING EXPENSES BY FUNCTION

	<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>	<u>2014</u>
Transportation	\$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	\$30,149,343
Maintenance	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	15,213,652
Risk Management *	7,157,905	3,708,749	2,206,571	4,981,889	4,448,557	4,233,360	4,674,142	5,100,830	6,525,076	1,146,301
Marketing	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	2,411,375
General Administration	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	8,473,242
Depreciation & Other **	23,413,650	18,481,808	19,106,950	15,669,627	18,379,268	20,357,148	21,159,558	26,771,733	27,039,322	23,344,755
Total Operating Expenses	<u>\$71,934,849</u>	<u>\$73,145,056</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>	<u>\$80,738,668</u>

* Risk Management consist of casualty and liability costs.

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

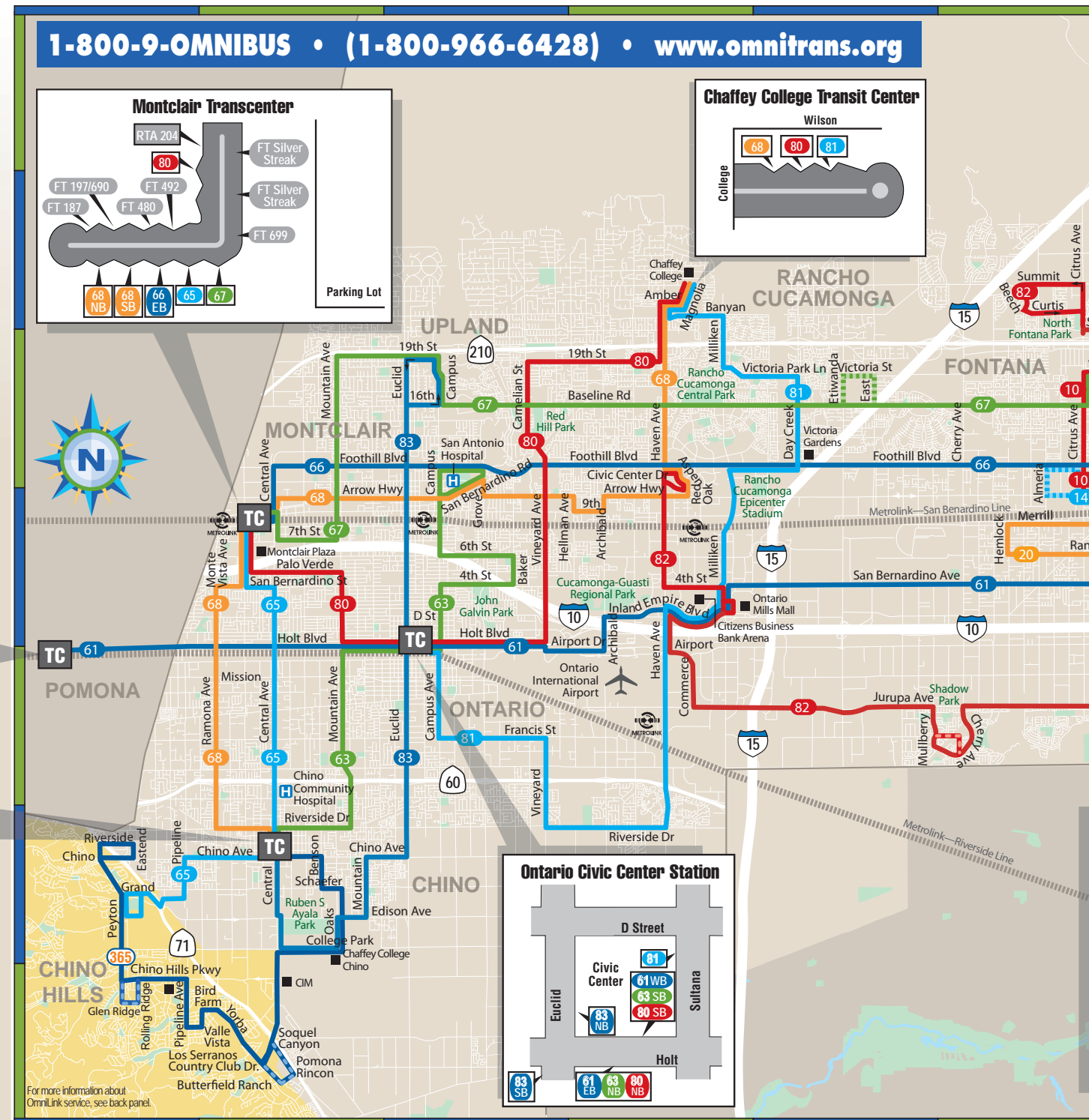
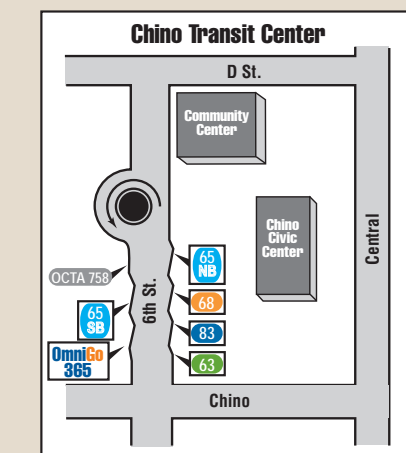
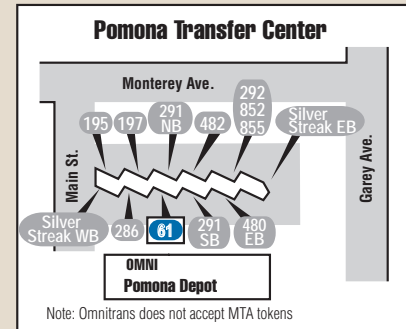
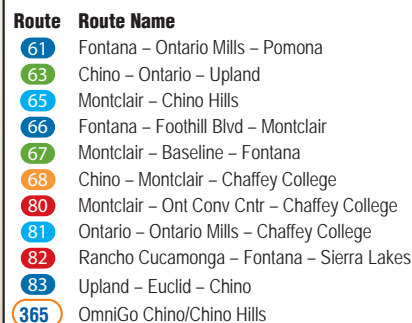
Source: Finance Department

CAPITAL ASSETS BY FUNCTION

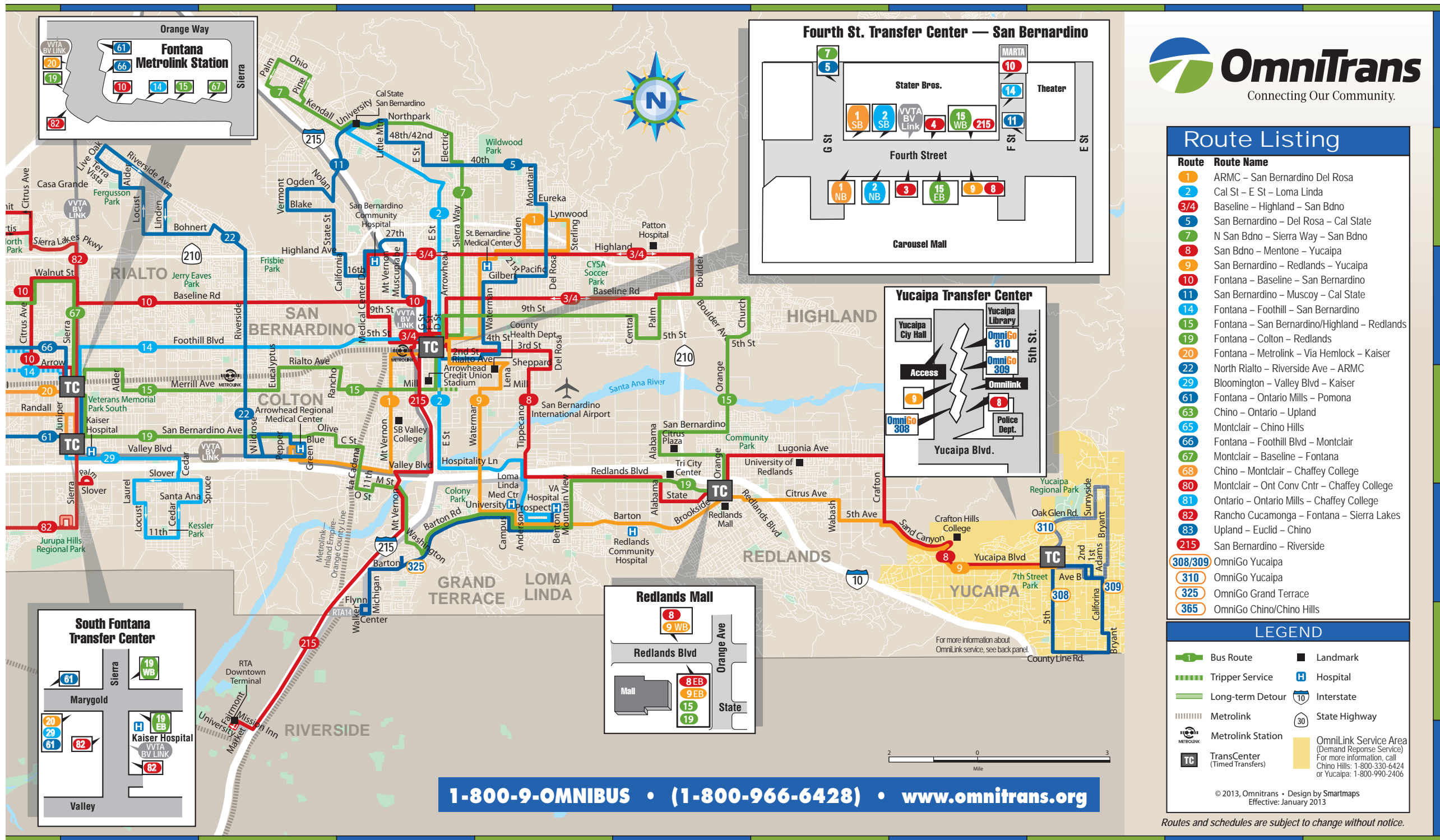
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Fixed route										
Buses	181	181	180	175	173	177	167	179	172	186
Paratransit										
Paratransit buses	101	101	101	95	102	101	106	106	96	126
Paratransit vans	0	0	0	6	10	10	10	10	10	10
Support vehicles										
Vans, cars & trucks	45	39	31	35	52	49	42	43	37	37

Buses and paratransit buses that reached or exceeded its useful life were sent to public auction after June 30, 2014.

Source: Finance Department.

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CONNECTING OUR COMMUNITY



Route Listing

Route	Route Name
1	ARMC – San Bernardino Del Rosa
2	Cal St – E St – Loma Linda
3/4	Baseline – Highland – San Bdn
5	San Bernardino – Del Rosa – Cal State
7	N San Bdn – Sierra Way – San Bdn
8	San Bdn – Mentone – Yucaipa
9	San Bernardino – Redlands – Yucaipa
10	Fontana – Baseline – San Bernardino
11	San Bernardino – Muscoy – Cal State
14	Fontana – Foothill – San Bernardino
15	Fontana – San Bernardino/Highland – Redlands
19	Fontana – Colton – Redlands
20	Fontana – Metrolink – Via Hemlock – Kaiser
22	North Rialto – Riverside Ave – ARMC
29	Bloomington – Valley Blvd – Kaiser
61	Fontana – Ontario Mills – Pomona
63	Chino – Ontario – Upland
65	Montclair – Chino Hills
66	Fontana – Foothill Blvd – Montclair
67	Montclair – Baseline – Fontana
68	Chino – Montclair – Chaffey College
80	Montclair – Ont Conv Cntr – Chaffey College
81	Ontario – Ontario Mills – Chaffey College
82	Rancho Cucamonga – Fontana – Sierra Lakes
83	Upland – Euclid – Chino
215	San Bernardino – Riverside
308/309	OmniGo Yucaipa
310	OmniGo Yucaipa
325	OmniGo Grand Terrace
365	OmniGo Chino/Chino Hills

LEGEND

	Bus Route		Landmark
	Tripper Service		Hospital
	Long-term Detour		Interstate
	Metrolink		State Highway
	Metrolink Station		OmniLink Service Area (Demand Response Service)
	TransCenter (Timed Transfers)		For more information, call Chino Hills: 1-800-330-6424 or Yucaipa: 1-800-990-2406

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Routes and schedules are subject to change without notice.

Boarding the bus

- Please get to the bus stop a few minutes before the bus is scheduled to arrive, and wait next to the Omnitrans bus stop sign. The bus will pull over at the closest safe place to stop, and then you can board the bus.
- Please have exact change for your bus fare ready. Omnitrans drivers do not carry change.
- Please do not smoke, drink or eat on the bus.

Getting off the bus

- Let your driver know that you'd like to exit the bus at the next stop by pressing the rubber strip near the bus windows.
- Please exit the bus through the rear doors. For your safety, please don't step into the rear stairwell until the bus has stopped.

For complete route and schedule information call:

1-800-9-OMNIBUS

(1-800-966-6428)

www.omnitrans.org

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