

**OMNITRANS**

Annual National Transit Database Reporting

For the Period  
July 1, 2010 through June 30, 2011



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

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Board of Directors  
Omnitrans  
San Bernardino, California

### **INDEPENDENT ACCOUNTANTS' REPORT** **ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below on the data contained in the Federal Funding Allocation Statistics Form for Omnitrans for the fiscal year ended June 30, 2011, solely to assist the management of Omnitrans in evaluation of whether Omnitrans and First Transit, Inc. (Contractor) have complied with the standards described below, and that the information included in the National Transit Database (NTD) Report Federal Funding Allocation Statistics Form 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 2011 Reporting Manual (Reporting Manual). Omnitrans' management is responsible for the Federal Funding Allocation Statistics Form.

We understand that Omnitrans is eligible to receive grants under the Urbanized Area Formula Program (formerly known as Section 9) of the Federal Transit Act, as amended, and in connection therewith, Omnitrans is required to report certain information to the Federal Transit Administration (FTA). Furthermore, we understand that Omnitrans has contracted with First Transit, Inc. for the purchase of specific mass transportation services.

The FTA has established the following standards with regard to the data reported in the Federal Funding Allocation Statistics Form of Omnitrans' annual NTD Report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data is being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- 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 is fully documented and securely stored.
- A system of internal control is in place to ensure the accuracy of the data collection process and to ensure the recording system and reported comments are not altered.
- The data collection methods are those suggested by FTA or meet FTA requirements.

- The deadhead miles for directly operated services and purchased transportation, as computed, appear to be accurate.
- Data, as reported, is consistent with prior reporting periods and appears reasonable based upon Omnitrans' operations.

This engagement to apply agreed upon procedures 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 the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures described below were applied separately to the information systems used to develop the reported vehicle revenue miles, passenger miles and operating expenses of Omnitrans for the fiscal year ended June 30, 2011, for the following transportation modes:

<u>Mode</u>	<u>Type of Service</u>
Motor bus	Directly operated (MBDO)
Demand response	Purchased transportation (DRPT)

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on Omnitrans' Federal Funding Allocation Statistics Form for the fiscal year ended June 30, 2011, which is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting Systems, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2011 Reporting Manual. 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 relates only to the information described above and does not extend to Omnitrans' financial statements, or the forms in Omnitrans' NTD Report, other than the Federal Funding Allocation Statistics Form, for any date or period.

The procedures performed and the results of those procedures were as follows:

- a. We obtained and read a copy of Omnitrans' written procedures related to the system for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR part 630, Federal Register, January 15, 1991 and as presented in the 2011 Reporting Manual.

Results: Omnitrans' written procedures appear to be in accordance with NTD requirements.

- b. We discussed with Omnitrans' personnel the procedures related to the system for preparing and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1991 and as presented in the 2011 Reporting Manual.

Results: The following is a listing of the people interviewed with the assigned responsibility of supervising the preparation and maintenance of the data:

- Directly operated services:

- Gabriel Serna, Operations Analyst
  - Carolann Williams, Operations Analyst
  - Jeremiah Bryant, Manager of Planning
  - Elena Fitts, Senior Financial Analyst
- Purchased transportation services:
    - Frank Quass, Operations Services Supervisor

We discussed the procedures in place for purchased transportation with Omnitrans' personnel assigned with the responsibility of supervising the preparation and maintenance of NTD data. Omnitrans has adequate procedures for accumulating and reporting purchased transportation data. Omnitrans believes its procedures are in accordance with NTD requirements.

- c. We inquired of Omnitrans regarding the retention policy that is followed with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics Form (FFA-10).

Results: We obtained Omnitrans' records retention policy and noted that it does not specifically address data used to support Form FFA-10. Although the policy does not specifically address retention of source documents supporting Form FFA-10, Omnitrans did retain the support as required.

Recommendation: We recommend that Omnitrans update its record retention policy to specifically identify the documents used to support the data reported on Form FFA-10 and ensure that they are maintained for at least 3 years.

- d. Based upon the description of procedures referenced in Procedures a. and b. above, we identified the source documents that are to be retained for a minimum of three years. We selected the months of September 2010, November 2010 and April 2011, for directly operated services, and purchased transportation services and validated whether the documents were retained as required. The following is a listing of the source documents and other records (such as Data Summaries) which are to be retained:

- Access Core Trip Sheets
- Omni Link Trip Sheets
- Monthly Performance Indicator Reports
- Monthly Transit Agency Services Form
- Monthly Service Change Summary
- Coach Operators Seniority List – Full Time
- Part Time Coach Operator List
- Coach Operators Inactive List
- Daily Vehicle Surveying Reports
- Daily Driver Manifests
- Monthly Trip Log
- Service Interruptions Report
- Training/Absenteeism/Personnel Count Report

- Fixed Route Schedule
- Mandatory Federal Transit Administration NTD Survey

Results: No exceptions were noted as a result of our procedures.

- e. We inquired of Omnitrans personnel whether individuals independent of preparing source documents and posting data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness.

Results: No exceptions were noted as a result of our procedures.

- f. We randomly selected a sample of Bus Trip Sheets and Contractor's Trip Sheet Data Entry Database Print Screens for the months of September 2010, November 2010 and April 2011 for purchased transportation services to determine whether supervisors' signatures are present as required by the system of internal controls. Our sample included 25 trip sheets for each month selected.

Results: No exceptions were noted as a result of our procedures.

- g. We obtained the worksheets utilized by Omnitrans, including documents obtained from the Contractor, to prepare the final data that is transcribed onto the Federal Funding Allocation Statistics Form. We compared the data included on the worksheets to periodic summaries prepared by Omnitrans and the Contractor, and verified the mathematical accuracy of the summarization for the months of September 2010, November 2010 and April 2011 for directly operated services, and purchased transportation services.

Results: No exceptions were noted as a result of our procedures.

- h. We discussed with Omnitrans management the procedures for accumulating and recording passenger mile data in accordance with NTD requirements.

Results: We noted that Omnitrans uses an estimate of passenger miles based upon a statistical sampling method that is in accordance with FTA C2710.1A, "Sampling Procedures For Obtaining Fix Route Bus Operating Data Required under the Section 15 Reporting System" for the directly operated program, and FTA C2710.2A "Sampling Techniques For Obtaining Demand Responsive Bus System Operating Data required Under the Section 15 Reporting System" for the purchased transportation program. No exceptions were noted as a result of our procedures.

- i. We discussed with Omnitrans' management, their eligibility to conduct statistical sampling for passenger mile data every third year.

Results: This procedure was not applicable. Omnitrans did not meet the criteria established by the FTA to conduct statistical sampling for passenger mile data every third year.

- j. We discussed with Omnitrans' management the statistical sampling procedure used for the estimation of passenger mile data.

Results: We noted that Omnitrans obtains an estimate of passenger boarding based upon a statistical sampling method that is in accordance with FTA C2710.1A and meets the FTA's 95% confidence level and 10% precision requirements. We obtained a copy of Omnitrans' working papers to estimate passenger miles and noted that Omnitrans selects its sample from the universe of runs. We further noted that Omnitrans' policy is to randomly select more than the required amount to ensure the sample size will always consist of vehicles with a properly functioning Automatic Passenger Count (APC) fare box. No exceptions were noted as a result of our procedures.

- k. We selected a random sample of the source documents for accumulating passenger mileage data and determined that they are complete (all required data are recorded) and that the computations are accurate. We selected a random sample of the accumulation periods and recomputed the accumulations for each of the selected periods. We listed the accumulation periods that were tested, and verified the mathematical accuracy of the summarization.

Results: We reviewed the accumulation of passenger mileage data by judgmentally selecting a sample of 66 bus trip surveys for the months of September 2010, November 2010 and April 2011 for purchased transportation services. We also reviewed a sample of 125 trip surveys for the months of September 2010, November 2010 and April 2011 for directly operated services. We verified that all required data was recorded on the trip surveys and/or supporting documentation that were used for the calculation of passenger mileage, and ensured that the computations were mathematically accurate. We verified the mathematical accuracy of the accumulation of the passenger mileage data on the Daily Summary Report and the summarization of the passenger mileage data on the Monthly Ridership Summary Report for the items selected. No exceptions were noted as a result of our procedures.

- l. We discussed with Omnitrans' management, the procedures for the systematic exclusion of charter school bus and other ineligible vehicle miles from the calculation of vehicle revenue miles.

Results: This procedure was not applicable as Omnitrans does not operate school buses, charter services or other ineligible vehicles.

- m. We discussed the treatment of deadhead miles for directly operated services and purchased transportation services with Omnitrans management.

Results: Trip sheets are not prepared for directly operated services. Instead, directly operated bus routes are fixed and have scheduled revenue miles that exclude deadhead miles. Deadhead miles include mileage from the garage to the first pickup, and from the last drop-off to the garage. Mileage driven during lunch, although rare, is also considered deadhead miles. We further noted that purchased transportation deadhead miles are similar to directly operated services deadhead miles and is excluded from the calculation of purchased transportation services. Purchased transportation miles are recorded on daily trip sheets and revenue mileage is derived by calculating the total mileage from the point of passenger pickup to the point of drop-off for each trip. The Contractor's vehicle revenue miles are calculated, recorded and reported directly to Omnitrans on a monthly basis.

We selected 25 purchased transportation trip sheets from the months of September 2010, November 2010 and April 2011 and agreed the reported hours and mileage to print screens from the Contractor's Trip Sheet Data Entry Database to ensure that reported mileage was reported accurately and excluded deadhead miles. No exceptions were noted as a result of our procedures.

- n. We inquired as to whether Omnitrans provides rail service so that we could determine whether vehicle revenue miles were properly accumulated.

Results: This procedure was not applicable as Omnitrans does not provide rail service.

- o. We discussed with Omnitrans' personnel the treatment of fixed guideway directional route miles in order to determine that reporting procedures meet the NTD service requirements. We discussed bus service operating over exclusive or controlled access rights-of-way. We discussed restricted access of High Occupancy Vehicles (HOV) and High Occupancy/Toll (HO/T) lanes.

Results: This procedure was not applicable as Omnitrans does not provide any fixed guideway, bus service over controlled access rights-of-way, or HOV lane services.

- p. We discussed with Omnitrans' personnel the measurement of fixed guideway directional route miles in order to determine if the mileage reported is computed in accordance with NTD requirements. We also inquired as to whether a service change occurred during the year resulting in an increase or decrease in directional route miles.

Results: This procedure was not applicable as Omnitrans does not provide fixed guideway services.

- q. We discussed the measured fixed guideway directional route miles.

Results: This procedure was not applicable as Omnitrans does not provide fixed guideway services.

- r. We discussed with Omnitrans' personnel whether other public transit agencies operate service over the same fixed guideway segment.

Results: This procedure was not applicable as Omnitrans does not provide fixed guideway services.

- s. We performed an analysis of the Fixed Guideway Segment Form S-20. This procedure required comparing the 2010 S-20 to the 2011 S-20 to determine if the information reported was consistent. Additionally, this procedure required ensuring that the correct fixed guideway commencement date was reported.

Results: This procedure was not applicable as Omnitrans does not provide fixed guideway services.

- t. We reconciled operating expenses reported on the NTD Form F-40, Operating Expense Summary to the audited financial statements of Omnitrans.

Results: The operating expenses as reported on NTD Form F-40 agreed to the audited financial statements of Omnitrans without exception.

- u. We inquired as to whether Omnitrans purchased transportation services during the period July 1, 2010 through June 30, 2011. If so, we agreed purchased transportation (PT) revenues as reported on the Contractual Relationship Identification Form (B-30) to the audited financial statements.

Results: Omnitrans purchased transportation services from First Transit, Inc. during the period July 1, 2010 through June 30, 2011. PT fare revenues, as reported on Form B-30, agreed to the audited financial statements of Omnitrans. No exceptions were noted as a result of our procedures.

- v. We discussed with Omnitrans' management and First Transit, Inc. management, the reporting of the PT data.

Results: We noted that First Transit, Inc. does not operate in excess of 100 vehicles. As such, they are not required to have an Independent Auditor Statement for Federal Funding Allocation Data.

- w. We obtained a copy of the PT contract between Omnitrans and First Transit, Inc. and verified that it contained the following information as required by NTD guidelines: (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by Omnitrans; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by Omnitrans' NTD report; and (4) is signed by representatives of both parties to the contract.



We interviewed the person responsible for maintaining the NTD data regarding the retention of the executed contract, and determined that copies of the contracts are retained for three years.

Results: No exceptions were noted as a result of our procedures.

- x. We discussed with Omnitrans management and the Contractor regarding the allocation of statistical information over urbanized and/or non-urbanized areas.

Results: We noted that Omnitrans does provide service to more than one urbanized area, or an urbanized area and non-urbanized area. However, they do not perform an allocation of statistics between urbanized areas and non-urbanized areas. The allocation is provided by the San Bernardino Associated Governments (SANBAG) and the Southern California Association of Governments (SCAG). As such, no exceptions were noted as a result of our procedures.

- y. We compared the vehicle revenue miles, passenger miles and operating expense data reported on Form FFA-10 to comparable data for the prior year's Form FFA-10, and calculated the percentage change from the prior year to the current year.

Results: We performed the above procedure and noted that there were no changes (increases or decreases) in excess of 10%.

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

*Margaret Haffner M.C. P.C.*

Irvine, California  
October 17, 2011



**Mayer Hoffman McCann P.C.**

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Administrative and Finance Committee  
Omnitrans  
San Bernardino, California

We have audited the financial statements of Omnitrans for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards  
and OMB Circular A-133**

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. In planning and performing our audit, we considered Omnitrans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133.

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 grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Omnitrans' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to its major federal program for the purpose of expressing an opinion on Omnitrans' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Omnitrans' compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting

process. However, we are not required to design procedures specifically to identify such matters.

### **Planned Scope and Timing of the Audit**

Audit fieldwork was substantially completed by September 16, 2011. We performed the audit according to the planned scope and timing previously communicated to you in our letter dated May 26, 2011.

### **Significant Audit Findings**

We reported to you in our single audit report on federal awards that our audit disclosed no material weaknesses in internal control. Other matters deserving your attention are reported in findings 2011-1 through 2011-3 in the single audit report and in a separate letter addressed to you dated October 31, 2011.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. 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 Omnitrans during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Examples of significant judgments and estimates reflected in Omnitrans' financial statements include:

- Judgments involving the useful lives and depreciation methodology to use for capital assets; and
- Judgments concerning whether an accrual for incurred but not reported claims for workers' compensation and general liability should be estimated and recorded at year end.

**Difficulties Encountered in Performing the Audit**

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

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. To our knowledge, no misstatements were identified during our audit.

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 31, 2011.

**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 Omnitrans' 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.

Administrative and Finance Committee  
Omnitrans  
San Bernardino, California

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This information is intended solely for the use of the Administrative and Finance Committee and management of Omnitrans and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffmann M.C. P.C.

Irvine, California  
October 31, 2011

# OMNITRANS

San Bernardino, California

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended June 30, 2011

(With Independent Auditor's Report Thereon)



PREPARED BY THE FINANCE DEPARTMENT

DONALD WALSH  
Director of Finance

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

Letter of Transmittal	i
Organizational Chart	iii
List of Elected and Appointed Officials	iv
GFOA Certificate of Achievement	vii
General Information	viii

### FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis (required supplementary information)	3
Financial Highlights	3
Overview of the Financial Statements	4
Net Assets	6
Changes in Net Assets	7
Basic Financial Statements	9
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	13

### STATISTICAL SECTION

Financial Trends	28
Net Assets by Component	28
Changes in Net Assets	29
Revenue Capacity	30
Revenues by Source	30
Demographics and Economic	31
Demographics and Statistics of San Bernardino County	31
Principal Employers of San Bernardino County	31
Industry Employment and Labor Force	32
Operating	35
Number of Employees	35
Operating Expenses by Function	36
Operating Expenses by Category	36
Assets by Function	37



December 7, 2011

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, 2011.

The Comprehensive Annual Financial Report (CAFR) is a valuable tool that enables Omnitrans' officials to make sound financial decisions. 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. Consequently management assumes full responsibility for their accuracy, completeness and fairness. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with generally accepted accounting principles. In conformance with these principles, this report was developed on the accrual basis of accounting, treating Omnitrans as a single enterprise fund.

Mayer Hoffman McCann 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, 2011, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. 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, 2011 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.

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.

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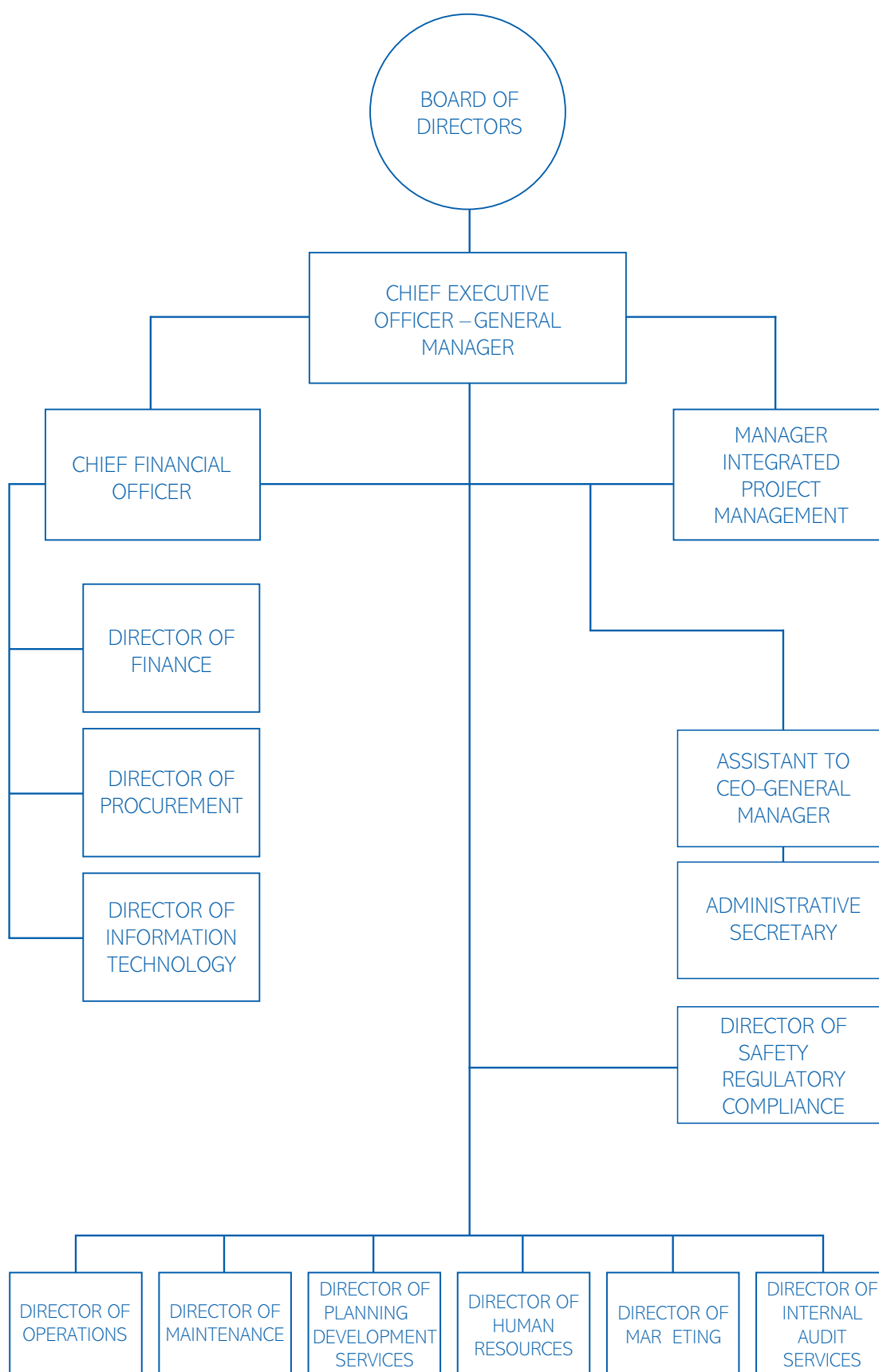
Serving the communities of Chino, Chino Hills, Colton, County of San Bernardino, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland and Yucaipa.



On the financial front, Omnitrans continues to achieve its primary objective of safeguarding the funds entrusted to us and providing the highest possible return on the public's investment. Omnitrans is a participant in the Local Agency Investment Fund (LAIF), which is a voluntary program created by statute. The LAIF is a part of the Pooled Money Investment Account (PMIA). The LAIF program allows local agencies such as Omnitrans 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 investment staff at no additional cost to the taxpayer. We achieved 74.3 percent of anticipated interest revenue without taking undue risk, realizing an average 0.49 percent return or \$74,302 for the fiscal year on the funds invested.

Omnitrans takes great pride in the fact that previously issued CAFRs have been awarded this prestigious award by 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 eight 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.

## ORGANIZATIONAL CHART



**SENIOR LEADERSHIP TEAM**

Milo Victoria  
CEO-General Manager

Robert L. Miller  
Chief Financial Officer

Donald Walker  
Director of Finance

Marjorie Ewing  
Director of Human Resources

William Tsuei  
Director of Information Technology

Milind Joshi  
Manager of Integrated Project Management Office

Samuel J. Gibbs  
Director of Internal Audit Services

Jack Dooley  
Director of Maintenance

Wendy S. Williams  
Director of Marketing

P. Scott Graham  
Director of Operations

Rohan Guruppu  
Director of Planning and Development Services

Ernesto DeGuzman  
Director of Procurement

Steve Okamura  
Director of Safety and Regulatory Compliance

## OMNITRANS BOARD OF DIRECTORS



Chair  
Penny Lilburn  
- Highland -



Vice Chair  
Dick Riddell  
- Yucaipa -



Supervisor  
Gary Ovitt  
- County -



Supervisor  
Brad Mitzelfelt  
- County -



Supervisor  
Neil Derry  
- County -



Supervisor  
Josie Gonzales  
- County -



Supervisor  
Janice Rutherford  
- County -



Dennis Yates  
- Chino -

## OMNITRANS BOARD OF DIRECTORS



Ed Graham  
- Chino Hills -



Frank Gonzales  
- Colton -



John B. Roberts, Jr.  
- Fontana -



Lee Ann Garcia  
- Grand Terrace -



Ron Dailey  
- Loma Linda -



Paul Eaton  
- Montclair -



Alan D. Wapner  
- Ontario -



Sam Spagnolo  
- Rancho Cucamonga -



Paul Foster  
- Redlands -



Edward M. Palmer  
- Rialto -



Pat Morris  
- San Bernardino -



Ray Musser  
- Upland -

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Omnitrans  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Sandison*

President

*Jeffrey R. Enev*

Executive Director



## PROFILE OF OMNITRANS

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

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

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

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

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

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

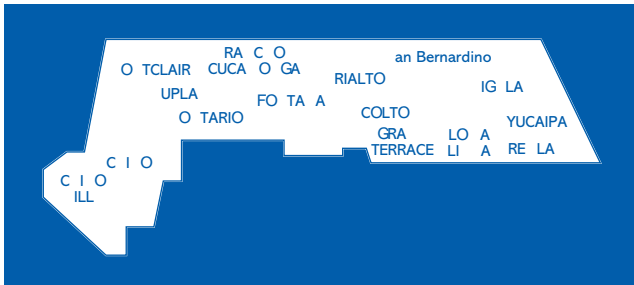
At June 30, 2011, Omnitrans had a staff of 638 employees to provide its services. The CEO-General Manager is responsible for the day-to-day management of the Agency and acts as the liaison to the Board of Directors and each of the committees. Reporting to the CEO-General Manager are the following departments:

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

Reporting to the Chief Financial Officer are the following departments:

1. Finance
2. Information Technology
3. Procurement

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



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

## LOCAL FIXED ROUTE SERVICE

In accordance with the Operational Standards for the provision of service, Omnitrans operates 27 routes.

Routes operate at 15 to 60 minute intervals.

All 27 routes operate Monday through Friday with service beginning at 3:48 AM and ending at 11:13 PM. On Saturdays there are 25 routes in operation with service beginning at 5:13 AM and ending at 10:16 PM. On Sundays there are 23 routes in service which begin at 5:51 AM and end at 7:54 PM.

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

## OMNIGO CIRCULATOR SERVICE

OmniGo is a new, fixed route, community circulator service that operates in the cities of Chino Hills, Grand Terrace, and Yucaipa.

Implemented in September of 2010, it connects points of interest within each city and provides connectivity to Omnitrans fixed route bus service.

All OmniGo services are contracted out by Omnitrans and operated by a private contractor.

The vehicles used are the 16-passenger cutaway vehicles similar to those used by OmniLink and Access; this ensures that the service can both navigate the narrow residential streets and serve the residents of the city more cost-effectively.

OmniGo routes operate all week long, with the following spans: for Yucaipa Routes 308 and 309, Weekdays: 6:11 AM to 8:55 PM, Saturdays: 7:00 AM to 8:25 PM, Sundays: 7:30 AM to 6:39 PM; for Grand Terrace Route 325, Weekdays: 5:17 AM to 8:19 PM, Saturdays: 7:17 AM to 6:14 PM, Sundays: 8:27 AM to 6:14 PM; for Chino Hills Route 365, Weekdays: 5:05 AM to 10:00 PM, Saturdays: 6:05 AM to 7:00 PM, and Sundays: 6:05 AM to 6:00 PM.

OmniGo fares are the same as those for other Omnitrans fixed route bus services.

## REGIONAL FIXED ROUTE SERVICE

Route 215 is a cross-county service provided by Omnitrans. This route provides service between the Omnitrans 4th Street Transit Mall and Riverside Transit Agency's Downtown Terminal.

This route operates on 20–30-minute and 60-minute frequencies.

## FY 11 FIXED-ROUTE SERVICE FREQUENCY BY ROUTE

ROUTE COUNT	ROUTE	ROUTE NAME	SERVICE DAYS/FREQUENCY		
			WEEKDAY	SATURDAY	SUNDAY
1	1	ARMC - San Bernardino - Del Rosa	15–30	30	30
2	2	Cal State - E Street - Loma Linda	15–30	20	20–30
3	3	Baseline - Highland - San Bernardino CCW	15–20	20	20
4	4	Baseline - Highland - San Bernardino CW	20	20	20
5	5	San Bernardino - Del Rosa - Cal State	30–35	60	60
6	7	N. San Bernardino - Sierra Way - San Bernardino	30–60	60	60
7	8	San Bernardino - Mentone - Yucaipa	60	60	120
8	9	San Bernardino - Redlands - Yucaipa	60	60	120
9	10	Fontana - Baseline - San Bernardino	30–60	60	60
10	11	San Bernardino - Muscoy - Cal State	30–60	30	60
11	14	Fontana - Foothill - San Bernardino	15	15–30	15
12	15	Fontana - San Bndo-Highland - Redlands	30	60	60
13	19	Fontana - Colton - Redlands	30	60	60
14	20	Fontana Metrolink - Via Hemlock - aiser	30	60	60
15	22	North Rialto - Riverside Ave - ARMC	30	60	60
16	29	Bloomington - Valley Blvd - aiser	60	60	
17	308–309	OmniGo: Yucaipa	30	30	
18	325	OmniGo: Grand Terrace	70	70	70
19	215	San Bernardino - Riverside	20–30	60	60
20	61	Fontana - Ontario Mills - Pomona	15	15	15
21	63	Chino - Ontario - Upland	60	60	60
22	65	Montclair - Chino Hills	60	60	60
23	66	Fontana - Foothill Blvd. - Montclair	15–30	30	30
24	67	Montclair - Baseline - Fontana	60		
25	68	Chino - Montclair - Chaffey College	30	60	
26	80	Montclair - Ont Conv Cntr - Chaffey College	60	60	60
27	81	Ontario - Ontario Mills - Chaffey College	60		
28	82	Rancho Cucamonga - Fontana - Sierra Lakes	60	60	60
29	83	Upland - Euclid - Chino	60	60	60
30	365	OmniGo: Chino Hills	60	60	60

No Sunday Service



## METROLINK REGIONAL COMMUTER RAIL FEEDER SERVICE

Metrolink service is provided between Omnitrans service area, Los Angeles, Riverside, Orange, Ventura and San Diego Counties by Southern California Regional Rail Authority.

Omnitrans provides feeder bus service to seven Metrolink Stations located in San Bernardino, Rialto, Fontana, Rancho Cucamonga, Upland, Montclair and East Ontario.

Metrolink ticket-pass is good for one free ride going to or leaving from any Metrolink Station that an Omnitrans bus serves. Tickets must be valid for the date on which you're riding the bus.

### ACCESS

In accordance with the Americans with Disabilities Act (ADA), Omnitrans provides wheelchair lift equipped vans for curb-to-curb transportation services.

Reservations for service must be made one day in advance of your travel needs, with the option to call up to seven days in advance.

Access operates during the same days and hours as fixed route buses within a 1 mile range of routes.

**Who can ride Access** Those persons with an Omnitrans (or other transit agency) ADA certification ID card. Persons with an Omnitrans Disability card. Personal Care Attendants providing personal care to an ADA certified rider. Companions (Adult accompanying person with a disability) and/or Children of a qualified Adult ADA certified rider. (Maximum of two children 46 tall and under may ride free. Children under age 6 and/or under 60 pounds must travel in a rider supplied child restraint device).

### OMNILINK

Omnilink is a general public demand response van service in the cities of Chino Hills and Yucaipa.

Reservations can be made for same day service on a space available basis. Reservations can also be made up to three days in advance.

Operates 7:00 AM to 6:00 PM, Monday through Friday.

Omnilink is available to the general public on a first come, first service basis.

## LOCAL ECONOMY

The County of San Bernardino is strategically located at the heart of the vibrant Southern California marketplace. A unique strength of the County is its rich transportation network that combines airports, railroads, harbors, and roadways. The strategic location, available land, and relatively affordable industrial space make the County an attractive location for business and more specifically trade-related operations. The region serves as a critical link in the global supply chain for many international businesses. It is also the best location for companies looking for a regional distribution hub to serve the southwestern U.S.

Inexpensive land prices (compared to Los Angeles and Orange Counties), a large supply of vacant land, and a transport network where many highways and railroads intersect have made San Bernardino County a major shipping hub. Some of the nation's largest manufacturing companies have chosen the County for their distribution facilities.

Although the County has been affected by the late-2000s recession, the region is projected to remain California's fastest-growing region for some time to come. The area is also projected to remain one of the least educated areas of the state with the lowest average in annual wages in the country. A recent study of salaries in 51 metropolitan areas of the country ranked the Inland Empire (Riverside - San Bernardino County) second to last, with an average annual wage of \$36,924. However, inexpensive land prices and innovative institutional support networks have attracted some small businesses and technology start-ups into the area.

The leading industries in the County are government, retail, and service industries. Light manufacturing and warehouses dominate portions of the County, particularly near California State University and San Bernardino International Airport. Omnitrans operates within the greater San Bernardino County, commonly referred to as the I.E. (Inland Empire).

There is little doubt that the current economic slowdown that started in the fourth quarter of 2007 had a major impact on the area, and continues to this very day. The leading economist for the region forecasts an upturn in the local economy in late 2015. California in general has felt more pain from the recession than others, as it was ground zero for the housing and credit bubbles. As for the Inland Empire, the pace of foreclosures continues to be one of the highest areas in the nation.

San Bernardino, the state of California, and the national economies will ultimately recover and emerge stronger in the near future. The fundamentals such as technology, human capital, infrastructure and so on are still in place. With falling home prices, San Bernardino County will end up attracting many families back and encourage business to move to the area.

The current economic conditions are definitely a setback for the region, and the long-term trend is not expected to change until 2015. With crowded coastal areas and resistance to densification, the Inland Empire remains the final frontier for Southern California. Dissected by passes and freeways, San Bernardino County patiently waits on economic recovery to position itself as the intermodal logistics hub of Southern California.

## LONG-TERM FINANCIAL PLANNING

At the core of its strategic plan, Omnitrans' goal of Governance, Operations, Workforce, Marketing and Technology are strategies focused on its top priority, of providing comprehensive public mass transportation services to the San Bernardino Valley. In the coming years, the Agency's main financial focus will be centered on sustainability of current operations and on the challenges and opportunities associated with its San Bernardino Express (sbX) E Street Corridor Bus Rapid Transit (BRT) Project.

The sbX route is 15.7 miles along the E Street corridor. With 16 stations, sbX stops at the major activity centers where we live, work, shop, learn, and play. The 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.

Omnitrans, in collaboration with the City of San Bernardino, the Redevelopment Agency of the City of San Bernardino, and San Bernardino Associated Governments (SANBAG), is planning a new Intermodal Transit Station (Transcenter) at E Street and Rialto Avenue in downtown San Bernardino. The proposed five-acre site is located on the southwest corner of Rialto Avenue and E Street.

The Transit Center will serve as a 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. Anticipated construction start of the transit center is in 2012. Completion of the Transcenter is scheduled for 2014 to compliment the new sbX BRT service.

The proposed Mid Valley Facility, a 28 acre site at Etiwanda Avenue and Arrow Route in Rancho Cucamonga, California is still a major component of Omnitrans' long term strategy. Due to the downturn in the economy and the slower than anticipated growth in service communities, the project was placed on hold status. We do anticipate the economy to turn around in a few years, which will allow Omnitrans to grow and minimize maintenance and operations inefficiencies through utilization of a centralized location between existing facilities.

## 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 policy which is an amended agreement with a liquefied natural gas (LNG) supplier to fix the price of up to 60 of Omnitrans' LNG requirements or 180,000 gallons per month. The length of the agreement is between July 1, 2009 and January 31, 2012. The balance of the monthly fuel requirement is purchased through current contracts using spot market pricing that is set monthly by suppliers using industry standard index pricing. The Chief Financial Officer acts as the Trade Officer in the agreement.

## MAJOR INITIATIVES

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:

State of Good Repair (SGR) - State of Good Repair includes sharing ideas on recapitalization and main-

tenance 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.

Job Access and Reverse Commute (JARC) - The Job Access and Reverse Commute (JARC) program addresses the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment. Many new entry-level jobs are located in suburban areas, and low-income individuals have difficulty accessing these jobs from their inner city, urban, or rural neighborhoods. In addition, many entry level-jobs require working late at night or on weekends when conventional transit services are either reduced or non-existent. Finally, many employment related-trips are complex and involve multiple destinations including reaching childcare facilities or other services.

New Freedom - The New Freedom formula grant program aims to provide additional tools to overcome existing barriers facing Americans with disabilities seeking integration into the work force and full participation in society. Lack of adequate transportation is a primary barrier to work for individuals with disabilities. The 2000 Census showed that only 60 percent of people between the ages of 16 and 64 with disabilities are employed. The New Freedom formula grant program seeks to reduce barriers to transportation services and expand the transportation mobility options available to people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) of 1990.

United We Ride - A federal interagency initiative aimed at improving the availability, quality, and efficient delivery of transportation services for older adults, people with disabilities, and individuals with lower incomes.

Livable and Sustainable Communities - Enhancing economic and social well-being of all Americans by creating and maintaining a safe, reliable integrated and accessible transportation network that enhances choices for transportation users, provides easy access to employment opportunities and other destinations, and promotes positive effects on the surrounding community.

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. To help finance major projects and achieve program goals, Omnitrans systematically leverages FTA funds with other state and local resources. An integral part of Omnitrans' long term strategy of sustainability is leveraging federal funding whenever possible.

## 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, 2010. 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 eighth 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.

In addition, Omnitrans' Marketing Department received two first place awards from the American Public Transportation Association's (APTA) annual AdWheel awards for advertising campaign elements executed in fiscal year 2011. In the direct mail category, the OmniGo launch campaign was honored. Oversized postcards customized for each OmniGo community helped generate over 10,000 boardings in the first month of service. In the radio advertising category, the Resolve to Ride radio spot was selected. The commercial, about keeping New Year's resolutions by using transit, was part of a larger campaign that generated a 50 percent increase in Omnitrans Facebook friends, 672 Facebook posts and 21,774 post views in four weeks. The annual AdWheel Awards competition honors APTA member organizations for excellence in advertising, marketing, promotion and communications. Each year, APTA members submit their very best advertising, marketing, promotion, and

communications materials in the media categories of print, electronic, campaigns and special events to the AdWheel Awards competition.

In keeping with its mission to be an environmentally sensitive agency, Omnitrans implemented several initiatives which lead to being selected as the San Bernardino Area Chamber of Commerce Environmental Award winner for 2010. The agency's Green Team efforts included smart sprinklers to conserve water, lighting changes that saved 200,000 kilowatt hours and \$26,970 per year, and recycling of paper, oil, bottles, cans, metal, electronics and many other items.

Eleven years ago, Omnitrans partnered with WeTip as a new safety strategy. The goal was to empower customers and employees to keep Omnitrans riders safe. The Agency has taken great steps in the communities to accomplish this strategy. WeTip is an independent, non-profit organization that partners with public agencies to reduce crime. Omnitrans has been recognized as the first transit agency nationwide to successfully implement WeTip.

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 Milo Victoria our CEO-General Manager, Wendy Williams, Director of Marketing and Rohan Guruppu, Director of Planning and Development Services 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. Finally, we acknowledge that this report could not have been completed without the partnership and professional oversight of Mayer Hoffman McCann, P.C.



Robert L. Miller  
Chief Financial Officer, OMNITRANS

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Board of Directors  
Omnitrans  
San Bernardino, California

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying basic financial statements of Omnitrans as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of Omnitrans. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of Omnitrans for the year ended June 30, 2010 and, in our report dated October 26, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omnitrans at June 30, 2011, and the respective changes in financial position and cash flows of Omnitrans for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *Management's Discussion and Analysis* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Board of Directors  
Omnitrans  
San Bernardino, California

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of Omnitrans' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Irvine, California  
October 31, 2011

## 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, 2011.

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

Omnitrans' operating revenues increased \$358.4 thousand or 2.4% at fiscal year-end June 30, 2011 compared to last fiscal year end. Operating expense, excluding depreciation, at fiscal year end June 30, 2011 decreased \$972.1 thousand or 1.4% compared to last fiscal year end.

Non operating revenue and expenses, which include federal and local operating grants and pass-through to other agencies, decreased by \$11.7 million or 26.1%. The majority of this decrease is attributed to return of \$16.0 million in Local Transportation Funds (LTF) to San Bernardino Associated Governments (SANBAG). The decrease in Nonoperating revenue and expenses was offset by utilization of State Transit Assistance Funds (STAF) allocated to local transit agencies to fund a portion of both operational and capital costs.

Interest income, also included in Nonoperating revenue decreased \$168.8 thousand or 69.4% when compared to last fiscal year. Omnitrans' investment with the Local Agency Investment Fund (LAIF) earned an average of 0.49% during fiscal year end June 30, 2011.

Capital assistance decreased \$12.4 million or 37.1% compared to the previous fiscal year. This decrease is due to the timing and implementation of capital projects. Federal grant applications submitted in the current year, are normally approved and funded in the following year.

Current and other assets decreased \$12.6 million or 23.3% compared to last year due to the return of \$16.0 million in LTF revenues to SANBAG as previously mentioned.

Total capital assets increased \$4.9 million or 4.3% over last fiscal year. The increase in capital assets is attributed to Omnitrans' investment in an Enterprise Resource Planning (ERP) software application, and expenditures for the sbX BRT project. This increase in capital assets was offset by the disposal of revenue vehicles, along with associated parts, and depreciation.

Total long-term liabilities increased \$5.4 million or 248.7% for the fiscal year ended June 30, 2011. This increase is attributed to the reclassifying of claims due within one year to due beyond one year.

Unrestricted net assets decreased \$14.6 million or 49.8% from the previous fiscal year end. As previously stated, the reduction is attributed to a return of LTF allocation to SANBAG. The unrestricted net asset is reserved for daily transit operations, workers' compensation and general liability contingencies.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 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 assets include information on all of the Agency's assets and liabilities with the difference between assets and liabilities reported as net assets. Changes in net assets 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 assets present information regarding how the Agency net assets changed during the fiscal years ended June 30, 2011 and 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, and amounts are measurable, regardless of the timing of related cash flows.

### FINANCIAL STATEMENTS ANALYSIS

The following tables summarize revenues, expenses and changes in net assets comparing fiscal year 2011 with fiscal year 2010. For additional information regarding the Agencies financial activities for fiscal year ended June 30, 2011, readers are encouraged to read this section in conjunction with the accompanying Notes to the Basic Financial Statements.

#### REVENUES AND EXPENSES

#### REVENUES

Passenger fares increased slightly more in fiscal year 2011 than those for fiscal year 2010 by \$296,734 or 2.1%. The increase in revenue is mainly attributed to increase sales of monthly passes. Advertising and other transportation revenue were above last fiscal year by 7.0% and 5.2% respectively.

Revenue from federal and local operating grants increased \$4.6 million or 9.5% and capital assistance decreased \$12.4 million or 37.1%. The increase in Federal and local operating grants is associated with utilization of STAF to fund a portion of operations. The decrease in capital assistance is associated with the timing and implementation of capital projects during the fiscal year.

The slow economy continues to affect the rate of return on the Agency's investment with Local Agency Investment Fund (LAIF). The Agency's interest income from LAIF decreased \$168,769 or 69.4% compared to the previous fiscal year. LAIF's interest rate on investment remains under one percent.

Other non-operating revenue—expense is the net of interest expense, loss or gain on disposal of capital assets, and other miscellaneous revenue. Fixed route and purchased transportation vehicles, along with associated parts carried in inventory were disposed of in accordance with FTA guidelines in fiscal year ending June 30, 2011.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

OPERATING REVENUE	2011	2010	INCREASE (DECREASE)	INCREASE (DECREASE)
Passenger fares	\$14,538,747	14,242,013	296,734	2.1
Advertising revenue	909,176	849,585	59,591	7.0
Other transportation revenue	41,802	39,752	2,050	5.2
Federal and local operating grants	52,675,797	48,085,804	4,589,993	9.5
Capital assistance	21,016,685	33,438,207	(12,421,522)	(37.1)
Interest Income	74,302	243,098	(168,796)	(69.4)
Other non-operating revenues	20,002	16,116	3,886	24.1
<b>Total revenues</b>	<b>\$89,276,511</b>	<b>96,914,575</b>	<b>(7,638,064)</b>	<b>(7.9)</b>

**EXPENSES**

Total operating expenses (excluding depreciation) for fiscal year 2011 decreased \$972,061 when compared to the fiscal year 2010. Fiscal year 2011 is the third year of a wage freeze implemented to reduce cost and promote sustainability during the current economic uncertainty. At fiscal year ended June 30, 2011, wages, salaries, and employee benefits decreased \$974,751 or 2.4% when compared to the previous fiscal year.

Purchased transportation services for fiscal year ended June 30, 2011 increased \$1.0 million or 14.2% compared to the previous fiscal year. The increase in cost is attributed to increases negotiated in the contract, and the implementation of OmniGo service.

Material and supplies decreased \$1.1 million or 12.3% when compared to previous fiscal year ended June 30, 2010. Fewer parts were issued from inventory for bus repairs and preventive maintenance account for most of the reduction in cost.

Professional and technical services decreased \$323.4 thousand or 16.5% below previous fiscal year ended June 30, 2010. The decrease is attributed to a reduction in legal and technical services.

Omnitrans, as a direct grantee of FTA funding is responsible for complying with specific FTA requirements. These include the solicitation, evaluation, selection and project management oversight of 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 \$15.7 million or 518.6% compared to the previous fiscal year. This is attributed to the return of LTF funds to SANBAG previously held by Omnitrans as unrestricted reserves.

The increase in depreciation and loss on disposal of capital assets over previous fiscal year is attributed to disposal and replacement of fixed route and purchased transportation vehicles that were fully depreciated. The parts carried in inventory for repairs and maintenance for these vehicles was also disposed of in accordance with FTA requirements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING EXPENSES	2011	2010	INCREASE (DECREASE)	INCREASE (DECREASE)
Wages, salaries, and benefits	\$40,037,950	41,012,701	(974,751)	(2.4)
Purchased transportation services	8,121,333	7,114,073	1,007,260	14.2
General and administrative expenses	7,495,178	6,748,259	746,919	11.1
Materials and supplies	7,743,557	8,831,959	(1,088,402)	(12.3)
Capital purchases	263,908	222,419	41,489	18.7
Professional and technical services	1,638,070	1,961,515	(323,445)	(16.5)
Advertising and printing	931,927	1,100,098	(168,171)	(15.3)
Pass-through to other agencies	18,754,320	3,031,642	15,722,678	518.6
Loss on disposal of capital assets	739,670	315,684	423,986	134.3
Depreciation	12,772,455	10,999,460	1,772,995	16.1
Miscellaneous	304,504	517,709	(213,205)	(41.2)
<b>Total expenses</b>	<b>\$98,802,872</b>	<b>81,855,519</b>	<b>16,947,353</b>	<b>20.7</b>

## NET ASSETS

The return of \$16.0 million in LTF funds to SANBAG significantly impacted the financial stability of the Agency. Omnitrans has always been, and will continue to be a prudent steward of public funds.

The Agency's total net asset for fiscal year ending June 30, 2011 decreased \$9.5 million or 6.6% below fiscal year ending June 30, 2010. The \$16.0 million decrease in assets was offset by investment in the ERP software implementation, and land acquisition associated with the future sbX BRT project.

OPERATING ASSETS	2011	2010	INCREASE (DECREASE)	INCREASE (DECREASE)
ASSETS:				
Current and other assets	\$41,450,301	54,042,692	(12,592,391)	(23.3)
Net capital assets	119,480,534	114,540,764	4,939,770	4.3
<b>Total assets</b>	<b>\$160,930,835</b>	<b>168,583,456</b>	<b>(7,652,621)</b>	<b>(4.5)</b>
LIABILITIES:				
Current liabilities	\$19,264,389	22,798,826	(3,534,437)	(15.5)
Long-term liabilities	7,582,426	2,174,249	5,408,177	248.7
<b>Total liabilities</b>	<b>\$26,846,815</b>	<b>24,973,075</b>	<b>1,873,740</b>	<b>7.5</b>
NET ASSETS:				
Invested in capital assets	\$119,366,226	114,289,635	5,076,591	4.4
Unrestricted	14,717,794	29,320,746	(14,602,952)	(49.8)
<b>Total net assets</b>	<b>\$134,084,020</b>	<b>143,610,381</b>	<b>(9,526,361)</b>	<b>(6.6)</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)****CHANGES IN NET ASSETS**

The adjustment to net assets is noted in the ending balance for fiscal year 2011 and the beginning balance in fiscal year 2010 on the Changes in Net Asset table. The following Changes in Net Asset table illustrate and compare the various categories of assets, liabilities and net assets for the two fiscal years.

OPERATING CATEGORY	FY 2011	FY 2010	INCREASE (DECREASE)	PERCENTAGE (PERCENTAGE)
REVENUES:				
Passengers fares	\$14,538,747	14,242,013	296,734	2.1
Advertising revenues	909,176	849,585	59,591	7.0
Other transportation revenues	41,802	39,752	2,050	5.2
<b>Total revenues</b>	<b>\$15,489,725</b>	<b>15,131,350</b>	<b>358,375</b>	<b>2.4</b>
EXPENSES:				
Depreciation and amortization	\$12,772,455	10,999,458	1,772,997	16.1
Other operating expenses	66,529,837	67,501,900	(972,063)	(1.4)
<b>Total expenses</b>	<b>\$79,302,292</b>	<b>78,501,358</b>	<b>800,934</b>	<b>1.0</b>
NONOPERATING REVENUE-(EXPENSES):				
Fed. local operating grants	\$52,675,797	48,085,804	4,589,993	9.5
Interest income	74,302	243,098	(168,796)	(69.4)
Interest expense	(6,590)	(6,835)	245	(3.6)
Pass-through to other agencies	(18,754,320)	(3,031,642)	(15,722,678)	518.6
Other nonoperating revenues (expenses)	(719,668)	(299,568)	(420,100)	140.2
<b>Total nonoperating revenues</b>	<b>\$33,269,521</b>	<b>44,990,857</b>	<b>(11,721,336)</b>	<b>(26.1)</b>
<b>Income before capital contribution</b>	<b>\$(30,543,046)</b>	<b>(18,379,151)</b>	<b>(12,163,895)</b>	<b>66.2</b>
CAPITAL CONTRIBUTIONS:				
Capital assistance	\$21,016,685	33,438,207	(12,421,522)	(37.1)
Total capital contributions	21,016,685	33,438,207	(12,421,522)	(37.1)
Change in net assets	\$(9,526,361)	15,059,056	(24,585,417)	(163.3)
Net assets, beginning of year	\$143,610,381	128,551,325	15,059,056	11.7
Net assets, end of year	<u>\$134,084,020</u>	<u>143,610,381</u>	<u>(9,526,361)</u>	<u>(6.6)</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION****CAPITAL ASSETS**

At June 30, 2011, the Agency had a total of \$119.5 million invested in capital assets. This total represents an overall increase of \$4.9 million or 4.3% over the prior year total of \$114.5 million. This increase is attributed to investment in fixed route and purchase transportation vehicle replacement, computer software, and expenditures associated with the sbX BRT project.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OMNITRANS' CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	FY 2011	FY 2010	INCREASE (DECREASE)	INCREASE (DECREASE)
Buildings and improvements	\$45,893,036	45,865,854	27,182	0.1
Operations equipment	78,485,398	81,628,023	(3,142,625)	(3.8)
Furniture and office equipment	35,646,877	18,026,010	17,620,867	97.8
Construction in progress	33,000,960	33,914,982	(914,022)	(2.7)
Land	10,731,918	10,731,918	0	0
Accumulated depreciation	(84,277,655)	(75,626,023)	(8,651,632)	11.4
<b>Total capital assets</b>	<b>\$119,480,534</b>	<b>114,540,764</b>	<b>4,939,770</b>	<b>4.3</b>

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

## DEBT ADMINISTRATION

At June 30, 2011, the Agency had \$7.6 million in long-term liabilities compared to \$2.2 million at June 30, 2010. A significant portion of the Agency's claims payable is anticipated to become payable after 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	FY 2011	FY 2010	INCREASE (DECREASE)	INCREASE (DECREASE)
Claims payable	\$6,367,488	721,980	5,645,508	781.9
Capital leases	73,674	114,308	(40,634)	(35.5)
Compensated absences	1,141,264	1,337,961	(196,697)	(14.7)
<b>Total long term liabilities</b>	<b>\$7,582,426</b>	<b>2,174,249</b>	<b>5,408,177</b>	<b>248.7</b>

## 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. Ongoing discussions with SANBAG indicate possible reductions in operational funding levels to Omnitrans from federal, state and local revenue sources for subsequent years.

The capital budget consists of a multi-year program that includes the sbX E Street Corridor project. Omnitrans Board of Directors authorized the CEO-General Manager to award a \$70.5 million contingent contract to Griffith-Comet Joint Venture of Santa Fe Springs, CA, for construction services for the sbX E Street Corridor project. The execution of the contract was contingent upon approval of the Project Construction Grant Agreement (PCGA) by FTA. The FTA approved the PCGA in September 2011, and construction is scheduled to start in November 2011.

## 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.

**STATEMENT OF NET ASSETS**

June 30, 2011 (with Comparative Totals for June 30, 2010)

<b>A ET</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>CURRENT ASSETS:</b>		
Cash and investments (Note 2)	\$22,625,479	36,992,457
<b>RECEIVABLES:</b>		
Accounts net of allowances	\$667,835	122,580
Interest	19,691	51,500
Intergovernmental	16,301,034	14,860,546
Inventory	1,632,738	1,896,075
Prepaid items	203,524	119,534
<b>Total current assets</b>	<b><u>\$41,450,301</u></b>	<b><u>54,042,692</u></b>
<b>NONCURRENT ASSETS:</b>		
Capital assets, not depreciated (Note 5)	\$43,732,878	44,646,900
Capital assets, depreciated, net (Note 5)	75,747,656	69,893,864
Total noncurrent assets	119,480,534	114,540,764
<b>Total assets</b>	<b><u>\$160,930,835</u></b>	<b><u>168,583,456</u></b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$4,591,632	4,941,655
Accrued salaries and benefits	1,573,091	1,392,396
Retainage payable	17,195	121,330
Interest payable	1,657	2,377
Unearned revenue	7,340,403	5,286,546
Compensated absences payable - current portion (Note 4)	2,605,033	2,515,547
Capital leases payable - current portion (Note 4)	40,634	136,821
Claims payable - current portion (Note 4)	3,094,744	8,402,154
<b>Total current liabilities</b>	<b><u>\$19,264,389</u></b>	<b><u>22,798,826</u></b>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences payable (Note 4)	\$1,141,264	1,337,961
Capital leases payable (Note 4)	73,674	114,308
Claims payable (Note 4)	6,367,488	721,980
Total noncurrent liabilities	7,582,426	2,174,249
<b>Total liabilities</b>	<b><u>\$26,846,815</u></b>	<b><u>24,973,075</u></b>
<b>ET A ET</b>		
Invested in capital assets, net of related debt	\$119,366,226	114,289,635
Unrestricted net assets	14,717,794	29,320,746
<b>Total net assets</b>	<b><u>\$134,084,020</u></b>	<b><u>143,610,381</u></b>

See accompanying notes to basic financial statements.

# STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2011 (with Comparative Totals for Year Ended June 30, 2010)

	2011	2010
<b>OPERATING REVENUES</b>		
Passenger fares	\$14,538,747	14,242,013
Advertising revenue	909,176	849,585
Other transportation revenue	41,802	39,752
<b>Total operating revenues</b>	<b>\$15,489,725</b>	<b>15,131,350</b>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	\$40,037,950	41,012,701
Purchased transportation services	8,121,333	7,114,073
General and administrative	7,495,178	6,748,259
Materials and supplies	7,743,557	8,831,959
Capital purchases	263,908	222,419
Professional and technical services	1,638,070	1,961,515
Advertising and printing	931,927	1,100,098
Depreciation	12,772,455	10,999,460
Miscellaneous	297,914	510,874
<b>Total operating expenses</b>	<b>\$79,302,292</b>	<b>78,501,358</b>
<b>Operating income (loss)</b>	<b>\$(63,812,567)</b>	<b>(63,370,008)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Federal and local operating grants	\$52,675,797	\$48,085,804
Interest income	74,302	243,098
Interest expense	(6,590)	(6,835)
Pass-through to other agencies (Note 10)	(18,754,320)	(3,031,642)
Loss on disposal of capital assets	(739,670)	(315,684)
Other nonoperating revenues (expenses)	20,002	16,116
<b>Total nonoperating revenues</b>	<b>\$33,269,521</b>	<b>44,990,857</b>
<b>Income before capital contributions</b>	<b>\$(30,543,046)</b>	<b>(18,379,151)</b>
<b>CAPITAL CONTRIBUTIONS</b>		
Capital assistance	\$21,016,685	33,438,207
<b>Change in net assets</b>	<b>\$(9,526,361)</b>	<b>15,059,056</b>
<b>NET ASSETS</b>		
<b>Beginning of year</b>	<b>\$143,610,381</b>	<b>128,551,325</b>
<b>End of year</b>	<b>\$134,084,020</b>	<b>143,610,381</b>

See accompanying notes to basic financial statements.

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2011 (with Comparative Totals for Year Ended June 30, 2010)

CASH FLOW FROM OPERATING ACTIVITIES	2011	2010
Cash received from customers	\$14,965,317	15,508,095
Nonoperating miscellaneous receipts (payments)	20,002	(16,116)
Cash payments to suppliers for goods and services	(26,833,933)	(25,825,154)
Cash payments to employees for services	(39,964,466)	(40,718,932)
<b>Net cash used for operating activities</b>	<b><u>\$(51,813,080)</u></b>	<b><u>(51,052,107)</u></b>
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES		
Federal, state, and local operating grants	\$54,131,745	\$54,313,772
Pass-through payments to other agencies	(18,754,320)	(3,031,642)
<b>Net cash provided by non capital financing activities</b>	<b><u>\$35,377,425</u></b>	<b><u>51,282,130</u></b>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	\$(18,104,911)	(30,554,417)
Principal paid on capital leases	(136,821)	(125,933)
Interest paid on capital leases	(7,310)	(6,751)
Proceeds from sale of capital assets	58,349	40,783
Capital grants received	20,153,259	28,498,789
<b>Net cash provided by (used for) capital and related financing activities</b>	<b><u>\$1,962,566</u></b>	<b><u>(2,147,529)</u></b>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$64,200,000	51,890,000
Purchase of investments	(45,806,112)	(51,556,765)
Interest received	106,111	307,342
<b>Net cash provided by investing activities</b>	<b><u>\$18,499,999</u></b>	<b><u>640,577</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b><u>\$4,026,910</u></b>	<b><u>(1,276,929)</u></b>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u><u>\$5,629,312</u></u>	<u><u>6,906,241</u></u>
End of year	<u><u>\$9,656,222</u></u>	<u><u>\$5,629,312</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO ASSETS REPORTED ON STATEMENT OF NET ASSETS:		
REPORTED ON STATEMENT OF NET ASSETS:		
Cash and investments	\$22,625,479	36,992,457
LESS INVESTMENTS NOT MEETING THE DEFINITION OF CASH AND CASH EQUIVALENTS:		
Cash equivalents	<u><u>\$(12,969,257)</u></u>	<u><u>(31,363,145)</u></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u><u>\$9,656,222</u></u></b>	<b><u><u>5,629,312</u></u></b>

See accompanying notes to basic financial statements.

(Continued)



**STATEMENT OF CASHFLOWS (CONTINUED)****RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

	<u>2011</u>	<u>2010</u>
Operating income (loss)	\$(63,812,567)	(63,370,008)
ADJUSTMENTS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation	12,772,455	10,999,460
Nonoperating miscellaneous income (expense)	20,002	(16,116)
Realized (gain) loss on sale of capital assets	(739,670)	(315,684)
(Increase) decrease in accounts receivable	(545,255)	376,745
(Increase) decrease in inventory	263,337	123,403
(Increase) decrease in prepaid items	(83,990)	43,829
(Increase) decrease in other assets	334,337	-
Increase (decrease) in accounts payable	(350,023)	175,381
Increase (decrease) in accrued salaries and benefits	180,695	367,787
Increase (decrease) in retainage payable	(104,135)	121,330
Increase (decrease) in unearned revenue	20,847	-
Increase (decrease) in compensated absences payable	(107,211)	(74,018)
Increase (decrease) in claims payable	338,098	515,784
<b>Net cash provided by operating activities</b>	<b><u>\$(51,813,080)</u></b>	<b><u>(51,052,107)</u></b>
<b>OPERATING ACTIVITIES, CAPITAL, AND FINANCIAL ACTIVITIES</b>		
New borrowings under capital lease	<u>-</u>	<u>\$ 135,836</u>

See accompanying notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30 2011****(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) using the economic resources measurement focus, and the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. Revenues are recognized when earned and expenses are recognized as they are incurred.

Omnitrans applies all applicable pronouncements issued by the Government Accounting Standards Board (GASB) in accounting and reporting for proprietary operations as well as pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

**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, investment income, and special charges that can be used for either operating or capital purposes. 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.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****INVESTMENTS**

Investments are reported in the accompanying Statement of Net Assets 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.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Omnitrans has a policy which requires that receivables, except for intergovernmental receivables, be written off after 60 days. The allowance for doubtful accounts as of June 30, 2011 was \$69.

**BUDGETARY INFORMATION**

Although Omnitrans prepares and approves an annual budget, budgetary information is not presented because Omnitrans is not legally required to adopt a budget.

**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, 2011 was \$1,632,739.

**CAPITAL ASSETS**

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

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

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

**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.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Teamsters accrue sick leave after 1040 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 two 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 \$3,746,297 at June 30, 2011.

**PRIOR YEAR DATA**

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

**FEDERAL, STATE, AND LOCAL GRANTS**

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

**PASS-THROUGH ACTIVITIES**

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

**UNRESTRICTED NET ASSETS**

The unrestricted net assets of Omnitrans are restricted by state law for sole use by Omnitrans for bus transit operations. They are reported as unrestricted net assets in the accompanying financial statements because this restriction corresponds to the general purpose for which Omnitrans has been established. They are unavailable for other government uses and are committed to the ongoing operations of Omnitrans, including amounts necessary to cover contingencies, unanticipated expenses, revenue shortfalls, and weather and economic fluctuations.

**USE OF ESTIMATES**

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

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(2) CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 3,500
Deposits with financial institutions	9,652,7222
Investments (including market value adjustment)	<u>12,969,257</u>
	<b><u>\$22,625,479</u></b>

**INVESTMENTS AUTHORIZED BY THE CALIFORNIA GOVERNMENT CODE OR OMNITRANS' INVESTMENT POLICY**

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

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity</u>	<u>Percentage Maximum of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	No	5 years	None	None
Federal Agency Securities	No	5 years	None	None
Banker's Acceptances	No	180 days	40	30
Commercial Paper	No	270 days	25	10
Negotiable Certificates of Deposit	No	5 years	30	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20 of base value	None
Medium-Term Notes	No	5 years	30	None
Mutual Funds	No	N-A	20	10
Money Market Mutual Funds	No	N-A	20	10
Mortgage Pass-Through Securities	No	5 years	20	None
County Pooled Investment Funds	No	N-A	None	None
Local Agency Investment Fund (LAIF)	Yes	N-A	None	None
State Pools (other investment pools)	Yes	N-A	None	None

**INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS**

Investment of debt proceeds held by bond trustees, are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or Omnitrans' investment policy. Omnitrans did not have any investments held by bond trustees as of June 30, 2011.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(2) CASH AND INVESTMENTS (CONTINUED)****DISCLOSURES RELATING TO INTEREST RATE RIS**

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates.

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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in months)</u>	
		<u>12 month or Less</u>	<u>More Than 12 months</u>
Local Agency Investment Fund	<u>\$12,969,257</u>	<u>12,969,257</u>	<u>-</u>
<b>Total</b>	<b><u>\$12,969,257</u></b>	<b><u>12,969,257</u></b>	<b><u>-</u></b>

**INVESTMENTS WITH FAIR VALUES HIGHLY SENSITIVE TO INTEREST RATE FLUCTUATIONS**

As of June 30, 2011, Omnitrans did not have any investments whose fair values are highly sensitive to interest rate fluctuations.

**DISCLOSURES RELATING TO CREDIT RIS**

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>			
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Local Agency Investment Fund	<u>\$12,969,257</u>	N-A	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,969,257</u>
<b>Total</b>	<b><u>\$12,969,257</u></b>		<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>12,969,257</u></b>

**CONCENTRATION OF CREDIT RIS**

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, 2011, Omnitrans did not have any investments in any one issuer (other than external investment pools) that represented 5% or more of its total investment portfolio.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(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.

**INVESTMENT IN LAIF**

Omnitrans is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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. Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes. LAIF is not rated.

**( ) 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. Total FTA revenue recognized during the fiscal year ended June 30, 2011 was \$32,305,140.

**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.

To be eligible for TDA funds, Omnitrans must maintain a ratio of passenger fares to operating costs of not less than 20 percent for general public transit service and 10 percent 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, 2011 were 24.47% for general public transit service, and 13.42% for specialized service for the elderly and handicapped. Total TDA revenue recognized during the fiscal year ended June 30, 2011 was \$39,181,423.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****( ) FEDERAL STATE AND LOCAL GRANTS (CONTINUED)****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. Total Measure I revenue recognized during the fiscal year ended June 30, 2011 was \$6,961,639.

**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, 2011, Proposition 1B cash receipts and cash disbursements were as follows:

Unspent Proposition 1B funds as of June 30, 2010	\$4,755,350
Additional Proposition 1B funds received during the fiscal year ended June 30, 2011	9,820,189
Proposition 1B expenses incurred during the fiscal year ended June 30, 2011	(7,460,552)
Interest revenue earned on unspent Proposition 1B funds during the fiscal year ended June 30, 2011	<u>5,895</u>
<b>Total unspent Proposition 1B funds as of June 30, 2011</b>	<b><u>\$7,120,882</u></b>

**(4) LONG-TERM LIABILITIES**

Long-term liabilities for the year ended June 30, 2011 are as follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>	<u>Due within One Year</u>	<u>Amount due Beyond One Year</u>
Compensated absences	\$ 3,853,508	1,958,849	(2,066,060)	3,746,297	2,605,033	1,141,264
Capital leases	251,129	-	(136,821)	114,308	40,634	73,674
Claims Payable	<u>9,124,134</u>	<u>2,366,259</u>	<u>(2,028,161)</u>	<u>9,462,232</u>	<u>3,094,744</u>	<u>6,367,488</u>
<b>Total Long Term Liabilities</b>	<b><u>\$13,228,771</u></b>	<b><u>4,325,108</u></b>	<b><u>(4,231,042)</u></b>	<b><u>13,322,837</u></b>	<b><u>5,740,411</u></b>	<b><u>7,582,426</u></b>

**CAPITAL LEASE OBLIGATIONS**

During May 2010, Omnitrans entered into two lease financing arrangements for five relief vehicles with Enterprise Fleet Services. The minimum lease payments required during the current five-year term of these agreements are \$147,420. The lease payments are discounted at an estimated rate of 4.25%, and have a present value of \$135,836, which approximates the value of the asset, and is the amount capitalized in Omnitrans' capital assets. The outstanding principal balance was \$89,097 as of June 30, 2011.



**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(4) LONG-TERM LIABILITIES (CONTINUED)**

In December 2007, Omnitrans entered into an equipment lease for ten copiers in the amount of \$169,954. The term of the agreement approximates the useful lives of the copiers. The monthly installment payments of \$1,303 are due on the first day of each month commencing March 1, 2008 and ending February 1, 2013. The outstanding principal balance was \$25,212 as of June 30, 2011.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 40,634	4,481	45,115
2013	37,066	2,840	39,906
2014	27,929	1,556	29,485
2015	8,680	161	8,841
<b>Total</b>	<b><u>\$114,309</u></b>	<b><u>9,038</u></b>	<b><u>123,347</u></b>

**(5) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance at</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2011</u>
CAPITAL ASSETS, NOT DEPRECIATED:				
Land	\$ 10,731,918	-	-	10,731,918
Construction in progress	33,914,982	17,717,164	(18,631,186)	33,000,960
<b>Total assets, not depreciated</b>	<b><u>\$44,646,900</u></b>	<b><u>17,717,164</u></b>	<b><u>(18,631,186)</u></b>	<b><u>43,732,878</u></b>
CAPITAL ASSETS, DEPRECIATED:				
Buildings and improvements	\$45,865,854	84,577	(57,395)	45,893,036
Operations equipment	81,628,023	1,307,679	(4,450,304)	78,485,398
Furniture and office equipment	18,026,010	17,626,677	(5,810)	35,646,877
<b>Total capital assets, depreciated</b>	<b><u>\$145,519,887</u></b>	<b><u>19,018,933</u></b>	<b><u>(4,513,509)</u></b>	<b><u>160,025,311</u></b>
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings and improvements	\$(19,247,214)	(1,836,345)	57,395	(21,026,164)
Operations equipment	(45,307,091)	(7,526,667)	4,057,618	(48,776,140)
Furniture and office equipment	(11,071,718)	(3,409,443)	5,810	(14,475,351)
<b>Total accumulated depreciation</b>	<b><u>\$(75,626,023)</u></b>	<b><u>(12,772,455)</u></b>	<b><u>4,120,823</u></b>	<b><u>(84,277,655)</u></b>
<b>Total capital assets, depreciated, net</b>	<b><u>\$69,893,864</u></b>	<b><u>6,246,478</u></b>	<b><u>(392,686)</u></b>	<b><u>75,747,656</u></b>
<b>Capital assets, net</b>	<b><u>\$114,540,764</u></b>	<b><u>23,963,642</u></b>	<b><u>(19,023,872)</u></b>	<b><u>119,480,534</u></b>

Depreciation expense for the year ended June 30, 2011 was \$12,772,455.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(5) CAPITAL ASSETS (CONTINUED)**

Construction in progress consists primarily of additions to operations equipment and building improvements. Major components of construction in progress are as follows:

<u>Project</u>	<u>Amount Authorized</u>	<u>Cumulative Expenses June 30, 2011</u>	<u>Unexpended Commitments</u>
E Street Bus Rapid Transit	\$22,695,658	21,362,066	1,333,592
SBX Right of Way	10,147,607	6,091,902	4,055,705
Vehicles and Equipment	<u>3,235,141</u>	<u>3,069,729</u>	<u>165,412</u>
<b>Total major components of construction in progress</b>	<b><u>\$36,078,406</u></b>	<b><u>30,523,697</u></b>	<b><u>5,554,709</u></b>

**(6) OPERATING LEASES**

Omnitrans leases facilities and tires under noncancelable operating leases. Total costs for such leases were \$722,845 during the year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2012	\$ 753,837
2013	783,883
2014	137,110
2015	<u>95,633</u>
<b>Total</b>	<b><u>\$1,770,463</u></b>

**(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, 2011 were estimated to be \$9,462,232 and were based on an IBNR study performed in fiscal year 2010-2011. Changes in the fund claims liability amount for the last two fiscal years are as follows:

<u>Year Ended June 30</u>	<u>Beginning of Year Liability</u>	<u>Provisions of Claims</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2010	\$ 8,608,350	1,726,387	(1,210,603)	9,124,134
2011	9,124,134	2,366,259	(2,028,161)	9,462,232

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(7) RISK MANAGEMENT (CONTINUED)**

Omnitrans is a member of the California Transit Insurance Pool (CalTIP), a 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, 2011, 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 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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. As of June 30, 2011, in the opinion of legal counsel, Omnitrans had no material claims which would require loss provision in the financial statements and therefore no additional claims liability has been recorded.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****( ) 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 Street, Sacramento, California 95811.

**FUNDING POLICY**

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

**ANNUAL PENSION COST**

Under GASB Statement No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate indicated for the period is 10.195 of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, 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, 2010 to June 30, 2011.

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

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75 (net of administrative expenses)
Projected Salary Increases	3.25 to 14.45 depending on age, service, and type of employment
Inflation	3.00
Payroll Growth	3.25
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00 and an annual production growth of 0.25 .

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.

The Schedule of Funding Progress on the following page shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Schedule of Funding Progress presented below 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.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****( ) DEFINED PENSION PLAN (CONTINUED)**

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	<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>et Pension Obligation</u>		
	6-30-09	\$2,286,142	100	\$ -		
	6-30-10	3,041,854	100	-		
	6-30-11	2,851,883	100	-		

<u>aluation ate</u>	<u>Entry Age ormal Accrued Liability</u>	<u>Actuarial alue of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded tatus</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a of Payroll</u>
6-30-07	\$75,509,310	\$73,187,672	\$2,321,638	96.9	\$27,095,341	8.6
6-30-08	83,978,470	81,559,403	2,419,067	97.1	28,941,542	8.4
6-30-09	95,214,597	89,108,941	6,105,656	93.6	30,956,875	19.7

**( ) 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.

**(10) PASS-THROUGH GRANTS**

In November 2003, the Board approved a grant to the City of Needles for the restoration of the El Garces Hotel-Santa Fe Depot. The restoration is funded by FTA funds with Omnitrans acting as the administrative agent and the City of Needles acting as the sub-grantee. During the fiscal year ended June 30, 2011, expenses incurred were \$12,228.

In November 2004, the Board approved an agreement between Omnitrans and the City of Yucaipa for the design, construction, maintenance and operation of the Yucaipa Trancenter to be located in the City of Yucaipa at 34272 Yucaipa Boulevard. During the fiscal year ended June 30, 2011, expenses incurred were \$142,110.

In November 2004, the Board approved an agreement between Omnitrans and Chaffey College which initiated the cooperation and participation in development and construction of the Chaffey College Transcenter to be located in the City of Rancho Cucamonga. During the fiscal year ended June 30, 2011, expenses incurred were \$1,675,690.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(10) PASS-THROUGHGRANTS (CONTINUED)**

In March 2008, the Board approved an agreement between Omnitrans and SANBAG which included a cooperative and collaborative process to establish the range of alternatives to be considered and factors to be addressed regarding the San Bernardino to Redlands Corridor Regionally Significant Transportation Investment Study (RSTIS) and Environmental Analysis. During the fiscal year ended June 30, 2011, expenses incurred were \$768,683.

In August 2009, the Board approved an agreement to obtain New Freedom Funds for the Inland Valley Recovery Services to operate a rehab center that would purchase and operate a vehicle.

In addition, some of the funds would be used for Consolidated Transportation Services Agency (CTSA) to initiate a study on the most efficient way to operate a transportation organization in the lower portion of the San Bernardino County. During the fiscal year ended June 30, 2011, expenses incurred were \$12,511.

In October 2009, Omnitrans received a FTA Award for various projects. Within that award agreement was a portion to pass through to the City of Chino for the Chino Transit Terminal Facility Improvements to be located in the City of Chino. During the fiscal year ended June 30, 2011, expenses incurred were \$11,438.

In December 2010, the Board approved an agreement between Omnitrans and the City of Ontario to participate in the construction of the Ontario Civic Center Transit Station to be located in the City of Ontario. During the fiscal year ended June 30, 2011, expenses incurred were \$110,864.

In February 2011, the Board approved an agreement between Omnitrans and the City of Rialto to participate in the Rialto Metrolink Expansion Project to be located in the City of Rialto. During the fiscal year ended June 30, 2011, expenses incurred were \$20,796.

Pass-through activity for the year ended June 30, 2011 is summarized as follows:

City of Needles	\$ 12,228
City of Yucaipa Transit Center	142,110
Chaffey College Transit Center	1,675,690
SANBAG	768,683
Inland Valley Recovery Services	12,511
City of Chino	11,438
City of Ontario	110,864
City of Rialto	20,796
<b>Total</b>	<b><u>\$2,754,320</u></b>

**(11) NET ASSETS**

The following is a detailed breakdown of net assets. Also shown below is a listing of the uses of unrestricted net assets.

Capital assets, net of accumulated depreciation	\$ 119,480,534
Less: Debt offsetting capital assets	<u>(114,308)</u>
Total invested in capital assets, net of related debt	119,366,226
Unrestricted net assets	<u>14,717,794</u>
<b>Total net assets</b>	<b><u>\$ 134,084,020</u></b>

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)****(11) NET ASSETS (CONTINUED)**

Although not legally restricted, unrestricted net assets have been recorded as reserves for various purposes. These reserves have been established and maintained to provide sound financial management and a stable and equitable rate structure. The June 30, 2011 reserve amounts consist of the following:

Reserved for bus transit operations workers compensation and general liability contingencies	<u>\$14,717,794</u>
<b>Total Unrestricted    et Assets</b>	<b><u>\$14,717,794</u></b>

**(12) SUBSEQUENT EVENT**

On July 6, 2011, Omnitrans entered into a contract with Griffith-Comet Joint Venture for the provision of construction services for the sbX E-Street Corridor project. The contract is for a total not-to-exceed amount of \$70,490,019.

## 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.

<b>FINANCIAL TRENDS</b>	PAGE 28
These schedules contain trend information to help the reader understand how the Omnitrans financial performance and well-being has changed over time.	
<b>REVENUE CAPACITY</b>	30
These schedules contain information to help the reader assess Omnitrans' most significant local revenue source, passenger fares.	
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	31
These schedules offer demographic and economic indicator to help the reader understand the environment within Omnitrans' financial activities take place.	
<b>OPERATING INFORMATION</b>	35
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. Omnitrans implemented Governmental Accounting Standards Board, Statement Number 34 (GASB 34) in the fiscal year ended June 30, 2003; schedules presented government-wide information includes information beginning in the year.



## STATISTICAL SECTION

### FINANCIAL TRENDS

ET A ET BY CO PO E T	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Capital assets, net of accumulated depreciation	\$68,967,329	77,167,085	81,664,827	79,318,662	84,731,356	84,317,308	94,909,096	114,540,764	119,480,534
Less: Debt offsetting capital assets	<u>547,921</u>	<u>850,173</u>	<u>0</u>	<u>(57,044)</u>	<u>(404,372)</u>	<u>(364,370)</u>	<u>(241,226)</u>	<u>(251,129)</u>	<u>(114,308)</u>
Total invested in capital assets, net of related debt	69,515,250	78,017,258	81,664,827	79,261,618	84,326,984	83,952,938	94,667,870	114,289,635	119,366,226
Unrestricted net assets	<u>16,778,833</u>	<u>15,005,583</u>	<u>17,617,017</u>	<u>28,256,748</u>	<u>29,683,079</u>	<u>33,300,903</u>	<u>33,883,455</u>	<u>29,320,746</u>	<u>14,717,794</u>
<b>Total net assets</b>	<b><u>\$86,294,083</u></b>	<b><u>93,022,841</u></b>	<b><u>99,281,844</u></b>	<b><u>107,518,366</u></b>	<b><u>114,010,063</u></b>	<b><u>117,253,841</u></b>	<b><u>128,551,325</u></b>	<b><u>143,610,381</u></b>	<b><u>134,084,020</u></b>

Omnitrans implemented GASB 34 during the fiscal year end June 30, 2003. Information prior to that date is not available.

Reduction in Unrestricted net assets attributed to return of \$16M in LTF funds to SANBAG for future allocation.

Source: Finance Department

## STATISTICAL SECTION (CONTINUED)

## FINANCIAL TRENDS (CONTINUED)

## C A G E I

## ET A ET

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
OPERATING REVENUES:									
Passenger fares	\$11,566,651	12,075,736	11,837,875	12,202,126	12,761,463	13,511,536	13,779,684	14,242,013	14,538,747
Advertising revenues	554,784	592,126	596,723	677,943	824,253	948,051	967,628	849,585	909,176
Other transportation revenues	163,002	189,553	267,901	111,577	37,862	47,307	42,708	39,752	41,802
<b>Total revenues</b>	<b>\$12,284,437</b>	<b>12,857,415</b>	<b>12,702,499</b>	<b>12,991,646</b>	<b>13,623,578</b>	<b>14,506,894</b>	<b>14,790,020</b>	<b>15,131,350</b>	<b>15,489,725</b>
OPERATING EXPENSES:									
Depreciation and amortization	\$8,870,422	8,084,525	7,869,981	8,275,341	8,323,081	8,861,306	9,255,553	10,999,458	12,772,455
Other operating expenses	56,338,850	61,486,917	64,367,977	64,867,497	66,481,860	67,756,893	67,770,003	67,501,900	66,529,837
<b>Total expenses</b>	<b>\$65,209,272</b>	<b>69,571,442</b>	<b>72,237,958</b>	<b>73,142,838</b>	<b>74,804,941</b>	<b>76,618,199</b>	<b>77,025,556</b>	<b>78,501,358</b>	<b>79,302,292</b>
NON-OPERATING REVENUES-(EXPENSES)									
Federal local operating grants	\$43,061,928	45,956,338	49,798,107	54,858,935	52,112,668	55,587,601	52,983,639	48,085,804	52,675,797
Interest income	338,592	285,807	464,377	995,770	1,714,629	1,656,529	758,950	243,098	74,302
Interest expense	0	0	0	(2,218)	(5,762)	(11,029)	(9,149)	(6,835)	(6,590)
Pass-through to other agencies	(2,884,271)	(3,727,931)	(2,625,321)	(800,137)	(729,007)	(1,254,751)	(2,779,299)	(3,031,642)	(18,754,320)
Other non-operating revenues (expenses)	116,692	(777,389)	171,574	55,196	(305,583)	(258,422)	(24,710)	(299,568)	(719,668)
<b>Total non operating revenues</b>	<b>\$40,632,941</b>	<b>41,736,825</b>	<b>47,808,737</b>	<b>55,107,546</b>	<b>52,786,945</b>	<b>55,719,928</b>	<b>50,929,431</b>	<b>44,990,857</b>	<b>33,269,521</b>
<b>Income before capital contribution</b>	<b>\$(12,291,894)</b>	<b>(14,977,202)</b>	<b>(11,726,722)</b>	<b>(5,043,646)</b>	<b>(8,394,418)</b>	<b>(6,391,377)</b>	<b>(11,306,105)</b>	<b>(18,379,151)</b>	<b>(30,543,046)</b>
CAPITAL CONTRIBUTIONS									
Capital assistance	\$6,628,839	21,705,960	16,144,460	7,274,580	14,623,890	9,635,155	22,603,589	33,438,207	21,016,685
Contributions from other agencies	0	0	0	0	262,225	0	0	0	0
<b>Total capital contributions</b>	<b>\$6,628,839</b>	<b>21,705,960</b>	<b>16,144,460</b>	<b>7,274,580</b>	<b>14,886,115</b>	<b>9,635,155</b>	<b>22,603,589</b>	<b>33,438,207</b>	<b>21,016,685</b>
<b>Change in net assets</b>	<b>\$(5,663,055)</b>	<b>6,728,758</b>	<b>4,417,738</b>	<b>2,230,934</b>	<b>6,491,697</b>	<b>3,243,778</b>	<b>11,297,484</b>	<b>15,059,056</b>	<b>(9,526,361)</b>
<b>et assets, beginning of year</b>	<b>\$91,957,138</b>	<b>86,294,083</b>	<b>94,864,106</b>	<b>105,287,432</b>	<b>107,518,366</b>	<b>114,010,063</b>	<b>117,253,841</b>	<b>128,551,325</b>	<b>143,610,381</b>
<b>et assets, end of year</b>	<b>\$86,294,083</b>	<b>93,022,841</b>	<b>99,281,844</b>	<b>107,518,366</b>	<b>114,010,063</b>	<b>117,253,841</b>	<b>128,551,325</b>	<b>143,610,381</b>	<b>134,084,020</b>

Notes: The FY2005 beginning balance in net assets 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.

Omnitrans implemented GASB 34 during the fiscal year end June 30, 2003. Information prior to that date is not available.

Pass-through to other agencies for 2011 include return of \$16M in LTF funds to SANBAG for future allocation.

Source: Finance Department

## STATISTICAL SECTION (CONTINUED)

## REVENUE CAPACITY

RE E UE ORCE	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
PASSENGER FARES - INDIVIDUALS:										
F-R Full Fares - Cash	\$4,443,600	\$4,449,891	\$3,960,198	\$3,453,606	\$3,885,180	\$4,321,978	\$4,571,811	\$4,510,511	\$4,715,996	\$4,756,220
F-R Senior-Disable Fare - Cash	150,989	148,347	151,782	137,899	179,632	210,954	256,870	263,959	297,986	334,730
F-R 1-Day 7 Day Full Fare - Pass	2,904,443	2,855,475	3,450,711	3,634,606	3,910,662	4,139,709	4,015,846	3,925,863	3,626,533	3,540,698
F-R 1-Day 7 Day S-D Fare - Pass	310,846	334,309	417,956	442,060	538,213	562,418	613,947	606,615	666,085	716,572
F-R 31-Day Full Fare - Pass	528,479	493,809	1,008,613	1,054,614	1,004,008	1,069,585	1,197,152	1,299,310	1,423,947	1,354,296
F-R 31-Day Student Fare-Pass	615,763	606,788	797,320	882,108	833,925	866,516	837,689	1,010,097	1,239,874	1,247,839
F-R 31-Day Senior Fare - Pass	80,214	91,233	109,414	91,278	84,538	82,373	86,571	93,902	0	0
F-R 31-Day Disability Fare - Pass	209,158	205,760	388,291	371,914	362,423	325,432	352,027	367,110	479,601	542,878
MetroLink Transfer	979	146	140	1,514	920	37,819	43,237	66,712	49,419	51,325
F-R 7-Day Student Pass						6,500	227,621	347,973	417,670	446,094
Access Base Fare - Cash	132,161	128,961	151,255	149,292	154,518	130,641	150,814	138,454	158,044	166,246
Access Base Fare (3 zones) - Ticket	3,758	8,089	483,474	888,070	889,053	918,970	1,032,973	991,817	1,023,493	1,183,363
Access Additional (1 zone) - Ticket	5,796	16,374	141,228	255	1,553	3,660	5,175	3,916	4,059	12,989
Access Monthly Subscription one - Pass	7,440	8,040	71,595	3,968	4,315	4,055	6,020	21,510	16,075	13,340
<b>Total Passenger Fares</b>	<b>\$9,393,623</b>	<b>\$9,347,222</b>	<b>\$11,131,977</b>	<b>\$11,111,183</b>	<b>\$11,848,938</b>	<b>\$12,680,609</b>	<b>\$13,397,751</b>	<b>\$13,647,749</b>	<b>\$14,118,782</b>	<b>\$14,366,590</b>
SPECIAL TRANSIT FARES - GROUP:										
F-R 1 - Trip Full Fare - Ticket	2,440	1,184	0		0	25	378	54,675	41,475	57,705
OmniLink (Yucaipa) - Cash		54,135	48,173	42,214	37,802	40,075	48,104	46,238	50,305	26,859
OmniLink (Chino Hills) - Cash		9,010	10,850	13,639	12,688	12,829	22,388	22,368	20,570	10,017
OmniLink S-D Fare - Ticket	1,991	1,620	0	1,496	2,583	2,525	5,821	5,495	5,994	5,535
OmniLink Full Fare - Ticket	59,000	56,760	38,739	17,883	40,250	25,400	35,960	297	459	0
OmniLink Student Fare - Ticket							1,134	2,862	4,428	2,934
OmniGo - Fares										69,107
<b>Total Special Transit Fares</b>	<b>\$63,431</b>	<b>\$122,710</b>	<b>\$97,762</b>	<b>\$75,231</b>	<b>\$93,322</b>	<b>\$80,854</b>	<b>\$113,785</b>	<b>\$131,935</b>	<b>\$123,231</b>	<b>\$172,157</b>
<b>Total Fares</b>	<b>\$9,457,054</b>	<b>\$9,469,932</b>	<b>\$11,229,739</b>	<b>\$11,186,415</b>	<b>\$11,942,260</b>	<b>\$12,761,463</b>	<b>\$13,511,536</b>	<b>\$13,779,684</b>	<b>\$14,242,013</b>	<b>\$14,538,747</b>

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

Source: Finance Department

# STATISTICAL SECTION (CONTINUED)

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### DEMOGRAPHICS AND STATISTICS SAN BERNARDINO COUNTY

FI CAL YEAR	POPULATIO	PER O AL I CO E (000)	PER CAPITA PER O AL I CO E	E IA AGE	C OOL E ROLL E T	U E PLOY E T RATE
2001	1,762,968	40,431,224	22,934	30.1	380,830	5.1
2002	1,804,283	42,140,603	23,356	30.3	394,096	6.0
2003	1,853,248	44,452,948	23,987	30.4	407,228	6.3
2004	1,907,138	47,921,959	25,128	30.3	419,084	5.8
2005	1,953,229	50,916,445	26,068	30.4	423,780	5.3
2006	1,987,505	53,928,618	27,134	30.4	427,631	4.8
2007	2,007,800	56,940,673	28,187	30.3	427,583	5.6
2008	2,044,895	59,800,525	29,016	30.3	428,142	8.0
2009	2,060,950	60,875,315	30,363	30.3	420,325	13.6
2010	2,064,375	60,800,000	29,848	30.3	415,549	14.3
2011	2,080,169	63,600,000	30,245	30.9	417,202	14.3

Source: U.S. Census Bureau; Bureau of Economic Analysis; California Employment Development Department; California Basic Educational Data Systems (CBEDS); California Department of Education. Some information for 2011 were not available.

### PRINCIPAL EMPLOYERS OF SAN BERNARDINO COUNTY

E PLOYER	2011			2010	2009
	E PLOYEE	RA	OF TOTAL E PLOY E T	RA	RA
Stater Brothers Markets, San Bernardino	18,000	1	1.9	1	5
Arrowhead Regional Medical Center, Colton	18,000	2	1.9	2	-
County of San Bernardino, San Bernardino	17,395	3	1.8	3	1
U.S. Army, Fort Irwin National Training Center	13,805	4	1.4	4	4
U.S. Marine Corps Air Ground Combat Center	12,486	5	1.3	5	2
Loma Linda University	8,582	6	0.9	6	3
Ontario International Airport, Ontario	7,510	7	0.8	7	-
Wal-Mart Stores Inc.	6,125	8	0.6	8	7
aiser Permanente	5,682	9	0.6	9	8
United Parcel Service (UPS)	4,990	10	0.5	10	9
California State University, San Bernardino	4,800	11	0.5	N-A	-
San Bernardino City Unified School District	4,055	12	0.4	12	6
Fontana Unified School District	3,953	13	0.4	13	10
Colton Joint Unified School District	3,737	14	0.4	14	12
San Manuel Band of Mission Indians	3,261	15	0.3	15	13
Chino Valley Unified School District, Chino	3,200	16	0.3	16	-
Target Corporation				11	11

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

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

STATISTICAL SECTION (CONTINUED)

DEMOGRAPHIC AND ECONOMIC INFORMATION (CONTINUED)

RIVERSIDE SAN BERNADINO ONTARIO MSA (RIVERSIDE AND SAN BERNADINO COUNTIES)

UNEMPLOYMENT

LABOR FORCE

TITLE:

	JU 01	JU 02	JU 03	JU 04	JU 05	JU 06	JU 07	JU 08	JU 09	JU 10	JU 11
Civilian Labor Force	1,471,000	1,544,900	1,589,000	1,651,400	1,703,600	1,751,000	1,774,100	1,787,300	1,784,700	1,781,900	1,742,700
Civilian Employment	1,394,600	1,446,800	1,480,000	1,549,300	1,610,100	1,661,500	1,671,400	1,643,400	1,542,100	1,525,000	1,494,300
Civilian Unemployment	76,400	98,100	109,000	102,100	93,500	89,500	102,800	143,900	242,600	256,900	248,500
Civilian Unemployment Rate	5.2	6.3	6.9	6.2	5.5	5.1	5.8	8.0	13.6	14.4	14.3
Total, All Industries	1,062,700	1,101,800	1,130,100	1,187,500	1,245,500	1,300,600	1,301,400	1,256,200	1,159,500	1,129,300	1,128,400
Total Farm	28,100	27,800	28,800	25,900	23,700	22,500	22,800	21,900	20,900	20,700	21,000
Total Nonfarm	1,034,600	1,074,000	1,101,300	1,161,600	1,221,800	1,278,100	1,278,600	1,234,300	1,138,600	1,108,600	1,107,400
Total Private	832,900	855,100	887,200	948,200	1,001,600	1,050,800	1,049,600	1,001,000	907,100	879,400	887,300
Goods Producing	209,800	207,800	217,000	234,400	247,000	259,400	237,800	203,500	159,500	145,200	142,800
Mining and Logging	1,200	1,200	1,200	1,200	1,300	1,400	1,300	1,200	1,200	1,200	1,000
Construction	89,700	90,200	99,800	112,200	124,900	132,600	116,600	93,800	69,600	58,700	57,400
Construction of Buildings	14,700	14,000	15,700	17,800	20,300	22,500	20,300	16,300	12,000	9,500	9,400
Heavy Civil Engineering Construction	11,000	11,100	10,700	11,400	12,500	12,500	13,000	11,700	9,000	7,700	7,800
Specialty Trade Contractors	64,000	65,100	73,400	83,000	92,100	97,600	83,300	65,800	48,600	41,500	40,200
Building Foundation Exterior Contractors	22,200	22,400	26,700	30,400	34,700	37,200	29,200	20,800	13,500	11,000	10,600
Building Equipment Contractors	17,300	17,900	18,400	20,000	22,200	22,900	21,800	19,200	15,700	14,000	13,100
Building Finishing Contractors	17,300	18,000	19,900	23,500	25,000	25,900	21,600	16,500	12,400	10,300	9,200
Specialty Trade Contractors - Residual	7,200	6,800	8,400	9,100	10,200	11,600	10,700	9,300	7,000	6,200	7,300
Manufacturing	118,900	116,400	116,000	121,000	120,800	125,400	119,900	108,500	88,700	85,300	84,400
Durable Goods	84,500	82,800	82,500	85,800	86,000	88,600	83,100	73,700	58,100	56,300	55,600
Fabricated Metal Product Manufacturing	16,200	16,000	16,000	16,500	17,000	16,800	16,100	14,900	11,900	11,000	11,700
Durable Goods - Residual	68,300	66,800	66,600	69,300	69,000	71,800	67,000	58,800	46,200	45,300	43,900
Nondurable Goods	34,400	33,600	33,500	35,200	34,800	36,800	36,800	34,800	30,600	29,000	28,800
Food Mfg Beverage Tobacco Product Mfg	8,200	8,000	8,800	9,300	9,600	10,800	11,100	10,500	9,600	9,400	9,600
Non-Durable Goods - Residual	26,200	25,600	24,700	25,900	25,200	26,000	25,700	24,300	21,000	19,600	19,200
Service Providing	824,800	866,200	884,300	927,200	974,800	1,018,700	1,040,800	1,030,800	979,100	963,400	964,600
Private Service Producing	623,100	647,300	670,200	713,800	754,600	791,400	811,800	797,500	747,600	734,200	744,500
Trade, Transportation Utilities	218,900	226,400	234,500	251,200	272,700	289,300	299,000	293,300	268,800	263,200	272,700
Wholesale Trade	42,000	42,200	44,000	45,100	49,900	54,200	56,900	55,000	48,500	46,900	50,800
Merchant Wholesalers, Durable Goods	27,300	26,600	26,900	27,200	30,800	34,100	34,500	33,000	28,800	27,600	30,700
Merchant Wholesalers, Nondurable Goods	12,400	12,800	13,400	13,000	13,800	14,500	16,500	16,600	15,300	15,300	15,700
Wholesale Trade - Residual	2,300	2,800	3,700	4,900	5,300	5,600	5,900	5,400	4,400	4,000	4,400
Retail Trade	131,600	137,300	140,500	151,300	163,100	171,600	173,300	168,100	153,600	150,500	152,700
Motor Vehicle Parts Dealer	20,600	21,800	22,600	23,700	25,000	25,900	25,300	23,200	18,600	17,000	18,900
Automotive Parts, Accessories Tire Stores	6,300	6,300	6,500	6,700	6,700	6,800	6,400	6,300	6,100	5,800	6,500
Motor Vehicle and Parts Dealers - Residual	14,300	15,500	16,100	17,000	18,300	19,100	19,000	16,900	12,500	11,200	12,400
Building Material Garden Equipment Stores	11,400	12,200	12,500	14,300	15,300	16,200	15,400	13,900	12,800	12,600	12,000
Food Beverage Stores	25,900	26,800	27,800	28,900	30,800	31,800	33,700	33,300	32,600	32,200	32,600
Health Personal Care Stores	6,800	7,600	7,500	8,200	7,700	8,300	8,900	9,400	9,000	9,000	8,700
Clothing Clothing Accessories Stores	11,700	12,000	12,300	12,500	13,500	14,500	16,100	16,200	14,400	14,300	14,500
Clothing Stores	8,800	8,900	9,100	9,200	10,100	11,000	12,400	12,600	11,100	11,100	10,800
Clothing Clothing Accessories Stores - Resid	2,900	3,100	3,200	3,300	3,400	3,500	3,800	3,600	3,300	3,200	3,700
General Merchandise Stores	27,300	28,100	28,500	31,200	35,400	38,400	37,700	37,100	35,600	35,200	35,500
Department Stores	22,400	22,300	21,200	23,900	27,800	30,500	29,200	27,900	25,100	24,900	25,000

# STATISTICAL SECTION (CONTINUED)

## DEMOGRAPHIC AND ECONOMIC INFORMATION (CONTINUED)

RIVERSIDE SAN BERNADINO ONTARIO MSA (RIVERSIDE AND SAN BERNADINO COUNTIES)

### UNEMPLOYMENT

#### LABOR FORCE

JU 01

JU 02

JU 03

JU 04

JU 05

JU 06

JU 07

JU 08

JU 09

JU 10

JU 11

TITLE:

Retail Trade - Residual	27,900	28,800	29,300	32,500	35,400	36,500	36,200	35,000	30,600	30,200	30,500
Transportation, Warehousing	45,300	46,900	50,000	54,800	59,700	63,500	68,800	70,200	66,700	65,800	69,200
Utilities	4,800	5,100	5,000	5,000	5,300	5,600	5,700	5,900	5,900	6,000	5,900
Transportation Warehousing	40,500	41,800	45,000	49,800	54,400	57,900	63,100	64,300	60,800	59,800	63,300
Transportation and Warehousing - Residual	11,700	12,100	12,600	13,400	13,600	14,400	15,400	16,600	14,800	14,200	15,800
Truck Transportation	16,500	17,500	19,000	20,700	23,300	23,100	23,700	22,900	21,500	21,700	21,600
General Freight Trucking	10,300	10,800	12,000	13,900	16,000	16,100	16,800	16,800	16,100	16,500	16,200
Truck Transportation - Residual	6,200	6,700	7,000	6,800	7,300	7,000	6,900	6,100	5,400	5,200	5,400
Couriers Messengers	5,900	6,000	6,800	7,400	7,600	8,200	7,900	7,900	7,600	7,600	7,100
Warehousing Storage	6,400	6,200	6,600	8,300	9,900	12,200	16,100	16,900	16,900	17,300	18,800
Information	14,700	14,200	13,800	14,000	14,600	15,400	15,500	14,900	14,900	14,400	16,200
Publishing Industries (except Internet)	3,700	3,200	3,400	3,500	3,300	3,400	3,200	3,000	2,400	2,100	1,900
Telecommunications	5,900	5,800	5,600	5,800	6,200	6,300	6,700	7,100	7,900	7,600	8,700
Information - Residual	5,100	5,200	4,800	4,700	5,100	5,700	5,600	4,800	4,600	4,700	5,600
Financial Activities	37,300	39,900	42,900	45,500	48,500	52,200	50,600	47,100	43,300	42,100	41,600
Finance Insurance	22,100	23,800	25,700	27,800	29,800	31,800	30,900	28,100	26,900	26,500	26,500
Credit Intermediation Related Activities	13,100	14,100	14,900	16,200	17,900	19,000	18,200	16,500	15,400	15,400	15,400
Depository Credit Intermediation	8,300	8,500	8,500	9,300	9,800	10,400	11,000	10,800	10,000	10,100	10,500
Nondepository Credit Intermediation	3,800	4,400	5,000	5,600	6,500	6,800	5,500	4,400	4,100	3,700	3,900
Credit Intermediation and Related Activities - R	1,000	1,200	1,400	1,300	1,600	1,800	1,700	1,300	1,300	1,600	1,300
Insurance Carriers Related	7,200	7,400	8,700	9,600	10,000	10,700	10,700	9,700	9,800	9,500	9,000
Insurance Carriers	3,700	3,600	4,600	5,400	5,500	5,600	5,500	4,800	5,000	4,700	4,000
Insurance Carriers and Related Activities - Resi	3,500	3,800	4,100	4,200	4,500	5,100	5,100	4,900	4,800	4,800	5,000
Finance and Insurance - Residual	1,800	2,300	2,100	2,000	1,900	2,100	2,000	1,900	1,700	1,600	1,800
Real Estate Rental Leasing	15,200	16,100	17,200	17,700	18,700	20,400	19,700	19,000	16,400	15,600	15,100
Real Estate	9,500	9,900	11,300	11,800	12,600	13,700	13,000	12,800	10,600	10,400	10,400
Real Estate and Rental and Leasing - Residual	5,700	6,200	5,900	5,900	6,100	6,700	6,700	7,000	5,800	5,200	4,700
Professional Business Services	103,500	106,500	113,900	127,000	132,700	141,700	145,100	137,900	126,700	124,900	121,500
Professional, Scientific Technical Services	24,000	27,000	28,400	30,600	34,600	39,300	40,300	39,800	37,300	36,000	31,400
Management of Companies Enterprises	10,500	11,200	10,900	11,400	11,900	10,800	9,700	9,800	8,900	8,600	8,200
Administrative Support Waste Services	69,000	68,300	74,600	85,000	86,200	91,600	95,100	88,300	80,500	80,300	81,900
Administrative Support Services	66,400	65,600	71,600	81,800	83,500	88,800	92,300	85,400	78,000	77,900	79,700
Employment Services	34,700	32,700	37,500	45,200	46,600	49,600	53,000	46,500	38,900	40,300	36,500
Investigation Security Services	5,400	6,500	6,100	7,000	7,300	8,000	8,000	8,000	9,600	9,800	10,300
Services to Buildings Dwellings	16,600	16,800	16,800	16,500	18,000	19,100	18,500	17,300	16,300	15,400	15,200
Administrative and Support Services - Residual	9,700	9,600	11,200	13,100	11,600	12,100	12,800	13,600	13,200	12,400	17,700
Administrative and Support and Waste Management2,600	2,700	2,700	3,000	3,200	2,700	2,800	2,900	2,900	2,500	2,400	2,200
Educational Health Services	105,600	112,600	116,600	119,300	120,700	121,700	125,800	130,800	132,300	132,400	135,200
Educational Services	11,600	12,700	13,300	13,900	14,000	13,700	14,300	15,100	15,700	16,100	13,900
Colleges Universities Professional Schools	4,500	5,400	5,100	5,300	5,600	4,600	4,600	4,900	5,600	5,400	5,300
Educational Services - Residual	7,100	7,300	8,200	8,600	8,400	9,100	9,700	10,200	10,100	10,700	8,600
Health Care Social Assistance	94,000	99,900	103,300	105,400	106,700	108,000	111,500	115,700	116,600	116,300	121,300
Health Care	37,000	39,500	41,500	42,800	44,500	46,400	46,600	48,700	49,700	49,700	54,200
Offices of Physicians	20,700	21,100	21,400	21,300	20,900	21,600	20,200	21,600	22,500	22,400	25,100

STATISTICAL SECTION (CONTINUED)

DEMOGRAPHIC AND ECONOMIC INFORMATION (CONTINUED)

RIVERSIDE SAN BERNADINO ONTARIO MSA (RIVERSIDE AND SAN BERNADINO COUNTIES)

I U TRY E PLOY E T		JU 01	JU 02	JU 03	JU 04	JU 05	JU 06	JU 07	JU 08	JU 09	JU 10	JU 11
A LABOR FORCE												
TITLE:												
Ambulatory Health Care Services - Residual		16,300	18,400	20,100	21,500	23,600	24,800	26,400	27,100	27,200	27,300	29,100
Hospitals		26,500	27,800	29,300	29,100	28,900	28,800	30,100	31,700	32,100	32,500	32,500
Nursing Residential Care Facilities		19,800	20,900	20,200	19,800	19,600	19,400	20,600	20,700	20,200	20,300	21,100
Health Care and Social Assistance - Residual		10,700	11,700	12,300	13,700	13,700	13,400	14,300	14,600	14,600	13,600	13,500
Leisure Hospitality		105,600	108,800	109,300	117,600	124,300	128,400	133,800	131,300	124,100	120,900	120,300
Arts, Entertainment Recreation		15,300	14,600	14,400	14,900	15,800	15,600	16,700	16,100	14,700	15,700	15,300
Accommodation Food Services		90,300	94,200	94,900	102,700	108,500	112,800	117,100	115,200	109,400	105,200	105,000
Accommodation		15,100	16,400	16,500	18,500	17,900	18,200	17,400	16,300	14,600	14,300	13,400
Food Services Drinking Places		75,200	77,800	78,400	84,200	90,600	94,600	99,700	98,900	94,800	90,900	91,600
Full-Service Restaurants		32,100	33,600	33,800	35,800	39,400	40,300	41,900	40,900	39,000	36,900	38,100
Limited-Service Eating Places		40,000	41,100	41,400	45,000	48,300	51,300	54,300	54,300	52,400	51,000	50,300
Food Services and Drinking Places - Residual		3,100	3,100	3,200	3,400	2,900	3,000	3,400	3,700	3,400	3,000	3,200
Other Services		37,500	38,900	39,200	39,200	41,100	42,700	42,000	42,200	37,500	36,300	37,000
Repair Maintenance		15,800	16,700	16,500	16,400	17,000	17,700	15,900	15,400	13,100	12,600	12,500
Personal Laundry Services		7,800	8,100	8,400	8,400	9,100	9,600	10,300	10,400	9,600	9,300	9,700
Other Services - Residual		13,900	14,100	14,300	14,400	15,000	15,400	15,900	16,400	14,800	14,400	14,800
Government		201,700	218,900	214,100	213,400	220,200	227,300	229,000	233,300	231,500	229,200	220,100
Federal Government		16,900	17,000	17,000	17,000	18,800	19,300	19,500	19,700	19,900	23,300	21,000
Department of Defense		5,500	5,400	5,200	5,300	5,600	5,700	5,600	5,800	6,100	6,200	6,100
Federal Government excluding Department of Defense		11,400	11,600	11,800	11,700	13,200	13,600	13,900	13,900	13,800	17,100	14,900
State Local Government		184,800	201,900	197,100	196,400	201,400	208,000	209,500	213,600	211,600	205,900	199,100
State Government		26,200	27,200	27,300	27,000	27,600	27,900	29,300	30,500	30,800	30,000	30,000
State Government Education		9,800	10,400	10,200	9,900	10,100	10,300	10,700	11,100	11,200	11,100	11,600
State Government Excluding Education		16,400	16,800	17,100	17,100	17,500	17,600	18,600	19,400	19,600	18,900	18,400
Local Government		158,600	174,700	169,800	169,400	173,800	180,100	180,200	183,100	180,800	175,900	169,100
Local Government Education		95,200	106,500	100,400	100,200	98,500	99,900	97,100	99,200	99,200	95,700	91,900
County		31,500	34,400	34,100	32,400	32,500	36,000	37,400	37,700	36,300	36,100	35,000
City		14,300	14,600	15,000	15,200	15,500	16,200	17,300	17,900	17,700	16,300	15,900
Special Districts plus Indian Tribes		17,600	19,200	20,300	21,600	27,300	28,000	28,400	28,300	27,600	27,800	26,300

Source: Employment Development Department  
Labor Market Information Division

# STATISTICAL SECTION (CONTINUED)

## OPERATING INFORMATION

U B E R O F E P L O Y E E	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Administration	3	3	3	3	4	4	5	5	5	5
Operation	471	501	470	491	504	494	504	474	473	445
Maintenance	105	109	113	108	116	117	118	118	111	99
Information Technology	3	6	6	6	6	7	10	10	10	6
Marketing	22	22	24	24	24	22	23	23	24	23
Planning	6	6	9	8	7	7	17	15	16	17
Human Resources	9	10	10	10	10	10	11	11	11	9
Safety Security	1	3	3	3	2	2	4	4	4	4
Procurement	17	17	15	21	22	19	21	21	21	17
Finance	14	17	17	17	15	17	16	16	12	12
<b>Total</b>	<b><u>651</u></b>	<b><u>694</u></b>	<b><u>670</u></b>	<b><u>691</u></b>	<b><u>710</u></b>	<b><u>699</u></b>	<b><u>729</u></b>	<b><u>697</u></b>	<b><u>687</u></b>	<b><u>637</u></b>

Revised to include Integrated Project Management Oversight Employees

Source: Human Resources Department



## STATISTICAL SECTION (CONTINUED)

### OPERATING INFORMATION (CONTINUED)

OPERATI BY FU	GE	PE	E	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CTIO													
Transportation				\$17,139,461	\$19,605,284	\$19,071,473	\$21,794,508	\$24,680,219	\$25,506,068	\$26,163,421	\$27,787,511	\$28,239,330	\$29,168,399
Maintenance				11,468,462	13,955,552	14,134,065	14,054,738	17,488,081	18,315,985	17,867,594	16,627,719	15,770,795	14,204,780
Risk Management				4,754,228	6,618,237	9,185,069	7,157,905	3,708,749	2,206,571	4,981,889	4,448,557	4,233,360	4,674,142
Marketing				1,821,114	1,835,971	2,115,129	2,111,795	2,275,828	2,328,273	2,366,484	2,330,561	2,673,847	2,260,166
General Administration				10,932,624	4,900,181	4,847,166	3,402,253	6,510,371	7,341,094	9,569,184	7,451,941	7,226,877	7,835,246
Depreciation Other				8,229,571	17,586,140	19,332,191	23,413,650	18,481,808	19,106,950	15,669,627	18,379,268	20,357,148	21,159,558
<b>Total Operating Expenses</b>				<b>\$54,345,460</b>	<b>\$64,501,365</b>	<b>\$68,685,093</b>	<b>\$71,934,849</b>	<b>\$73,145,056</b>	<b>\$74,804,941</b>	<b>\$76,618,199</b>	<b>\$77,025,556</b>	<b>\$78,501,358</b>	<b>\$79,302,292</b>

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

### OPERATI GE PE E BY CATEGORY

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personnel	\$24,604,776	\$19,392,752	\$19,787,768	\$21,093,308	\$24,297,509	\$25,198,119	\$25,639,106	\$26,704,109	\$26,628,484	\$24,869,713
Materials	5,713,514	7,268,910	7,249,581	8,073,124	10,732,723	10,911,136	10,053,655	9,062,296	8,831,959	7,743,557
Casualty Liability	4,754,228	6,962,241	9,492,396	7,683,447	3,704,840	2,206,571	4,981,889	4,448,557	4,233,360	4,674,142
Purchased Transportation	6,674,555	7,227,663	8,884,853	9,876,923	7,404,173	6,241,231	6,336,702	6,719,510	7,114,073	8,831,959
Depreciation Other	12,598,387	23,649,799	23,271,495	25,208,047	27,003,593	30,247,884	29,606,847	30,091,084	31,693,482	33,182,921
<b>Total Operating Expenses</b>	<b>\$54,345,460</b>	<b>\$64,501,365</b>	<b>\$68,686,093</b>	<b>\$71,934,849</b>	<b>\$73,142,838</b>	<b>\$74,804,941</b>	<b>\$76,618,199</b>	<b>\$77,025,556</b>	<b>\$78,501,358</b>	<b>\$79,302,292</b>

Source: Finance Department

# STATISTICAL SECTION (CONTINUED)

## OPERATING INFORMATION (CONTINUED)

CAPITAL A ET BY FU CTIO	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
FIXED ROUTE										
Buses	187	187	183	181	181	180	175	173	177	167
PARATRANSIT										
Paratransit buses	110	100	101	101	101	101	95	102	101	106
Paratransit vans	0	0	0	0	0	0	6	10	10	10
SUPPORT VEHICLES										
Vans, cars trucks	39	41	43	45	39	31	35	52	49	42

Source: Finance Department.



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Administrative and Finance Committee  
Omnitrans  
San Bernardino, California

In planning and performing our audit of the financial statements of Omnitrans as of and for the year ended June 30, 2011, 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*, we considered Omnitrans' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Omnitrans' internal control. Accordingly, we do not express an opinion on the effectiveness of Omnitrans' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Omnitrans' financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The following matter conforms to this definition:

### **(1) Data Quality Review of the ARRA 1512 Report**

Omnitrans is a prime recipient of an FTA grant funded by the American Recovery and Reinvestment Act (ARRA), and as such is required to file quarterly ARRA 1512 reports per the terms of their grant agreement. Currently the ARRA 1512 report is being completed by the Treasury Manager, and there is no regular review of the report to ensure data included is complete and correct. Management has on occasion performed a limited review of the ARRA 1512 report however; the process is not a regular occurrence.

Section 4.2 of OMB Memorandum Number M-09-21 states in part:

“...Performs data quality reviews for material omissions and/or significant reporting errors, making appropriate and timely corrections to prime recipient data”

Failure to perform the recommended quality reviews could result in material omissions and/or reporting errors which will be evaluated on a case-by-case basis and can result in the termination of Federal funding and/or initiation of suspension and debarment proceedings of the recipient.

### **Recommendation**

We recommend that Omnitrans develop and implement a data quality review process for the ARRA 1512 reports, following the guidance at OMB Memorandum Number M-09-21 section 4.2.

### **Management Response**

As recommended Omnitrans will develop and implement a data quality review process of all ARRA 1512 reporting following the guidance of OMB Memorandum Number M-09-21 section 4.2.

In addition, as a service to you, we identified other matters during our audit that provide you an opportunity to enhance your existing internal controls. The matters identified below are provided as recommendations for your consideration and are not considered to be material weaknesses or significant deficiencies in internal control.

## **(2) Review of Purchasing Policy**

We noted the following issues during our review of the Procurement Procedures Manual and employee Credit Card (P-card) transactions:

- Two employees' credit limits were in excess of the allowable limit per the Procurement Procedures Manual.
- One employee used the P-card for a personal expense. While the charge was inadvertent and management was notified immediately, using a P-card for personal expenses is in direct violation of the Procurement Procedures Manual.
- The Procurement Procedures Manual states that department approval must be provided for all P-Card purchases through a thorough review of each employee's P-Card statement. However, during our review we noted six employees' statements had no indication of a supervisory review.
- Through review of the P-Card statements, we noted six employees that were listed as the card holder and also noted as the approver who authorized payment. Through discussion with management, it was discovered that all of

these employees were in director level positions. It is Omnitrans policy that department directors approve their own credit card payments. It is a best practice to have a separate individual, other than the cardholder, act as the approver.

### **Recommendation**

We recommend that Omnitrans review the controls surrounding P-Card purchases to ensure that they are in agreement with the Procurement Procedures Manual, and are effectively mitigating risk.

### **Management Response**

The Procurement Procedures Manual was recently updated and approved by the Board of Directors authorizing the CEO/General Manager to increase an employee's P-Card limit during unexpected/unplanned circumstances.

Directors, Managers, and Supervisors are responsible for reviewing P-Cards statements for their direct reports. The Finance department reviews all P-Card statement for compliance and documentation prior to payment.

Department Directors are the only P-Card holders that sign both as the cardholder and approver on the P-Card statement. Going forward, Finance will insure that the P-Card statement will have two signatures. Department Directors will continue to sign as cardholder and approver on their individual P-Card statement.

## **(3) Records Retention Policy**

We obtained Omnitrans' records retention policy and noted that it does not specifically address data used to support the annual National Transit Database Report (Section 15 Report). Support for the Section 15 Report is required to be maintained for at least 3 years.

### **Recommendation**

We recommend that Omnitrans update the Records Retention Policy and include provisions to ensure that all documentation supporting the Section 15 Report is maintained for at least 3 years.

### **Management Response**

Omnitrans current Records Retention Policy for accounting records and documentation in nine (9) years. However the policy does not specifically identify Section 15 Reports. As recommended, Omnitrans will update the Records Retention Policy and include provisions to ensure that all documentation supporting the Section 15 Report is maintained for at least 3 years.

**(4) IT Control Enhancements**

Omnitrans has outdated policies and procedures for most IT general control areas. Specifically, we noted policies were last reviewed and/or updated between 2004 and 2007.

General controls are the policies and procedures that apply to all or a large segment of an entity's information systems and help ensure their proper operation. Examples of primary objectives for general controls are to safeguard data, protect business process application programs and ensure continued computer operations in case of unexpected interruptions. We understand Omnitrans is currently in the process of documenting policies for Disaster Recovery Preparedness and Records Management / Data Retention.

Additionally, we noted that certain security policies and procedures could be enhanced to provide better security over Omnitrans' network processing environment. Specifically, we noted the minimum password length requirement is set to 5 alpha numeric characters. It is a best practice to have the following requirements with respect to password length and complexity:

- A minimum character length of at least 8 characters;
- Passwords should be required to be changed periodically, between 30 to 90 days;
- Use of old passwords, within 6 generations, should be prohibited;
- Unsuccessful attempts to login should be limited to between 3 and 5 attempts; and
- Individual users should be uniquely identified rather than having users within a group share the same ID or password; generic user IDs and passwords should not be used.

**Recommendation**

We recommend Omnitrans develop written policies and procedures for information technology general controls, and review the necessity to increase the password length and complexity for logging onto the internal network.

**Management Response**

Omnitrans has implemented all of the recommended changes except the minimum character length of at least 8 characters for the user's password. Omnitrans will update IT policies and procedures to accommodate the recommendation above.

**(5) Require Employees Sign Annual Code of Conduct Letter**

All employees receive Policy No. 103, *Standards for Ethical Conduct*, at the time of employment with Omnitrans. Additionally, Omnitrans has implemented an online distribution and acknowledgment of changes to its policies on an annual basis. Best practices require employees to read an organization's code of conduct on an annual basis and acknowledge that they have read the policy, agree to abide by it and whether or not they are aware of any violations of the policy. While employees are required to complete an annual online ethics training course each year, the current online system does not provide for acknowledgment of these best practices.

**Recommendation**

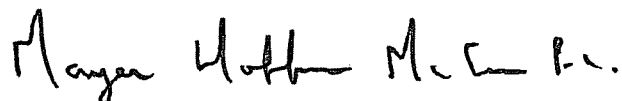
We recommend that Omnitrans enhance its electronic signoff of the receipt of its policies and ethics training to include a statement that the employee has read, understands and agrees to abide by the policy. Additionally, a second sign-off should be required whereby the employee indicates whether he/she is aware of any violations to the policy.

**Management Response**

Omnitrans does require all employees to acknowledge receipt of Personnel Policy – 103, (Ethics/Code of Conduct) Policy. Last year an electronic version of the policy was implemented for Management Confidential employees that allow the employee to "Accept" or "Reject" the policy. A hard copy of the policy is distributed to Represented employees along with the Acknowledgement form which is signed and placed in the employee file. The electronic version of the policy will be supplemented with language from the Acknowledgement form to comply with this recommendation.

Omnitrans' written responses to the matters communicated herein have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, those charged with governance and others within the organization, and should not be used by anyone other than these specified parties.



Irvine, California  
October 31, 2011

**OMNITRANS**

Single Audit Report on  
Federal Awards

Year Ended June 30, 2011



# OMNITRANS

## Single Audit Report on Federal Awards

Year Ended June 30, 2011

### TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements That Could Have a Direct Effect on Each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Note to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	11



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Board of Directors  
Omnitrans  
San Bernardino, California

**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**

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

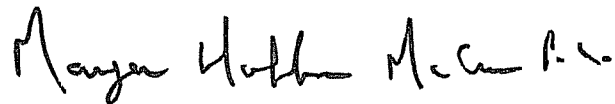
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material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

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Omnitrans in a separate letter dated October 31, 2011.

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

A handwritten signature in black ink, appearing to read "Manger Hobbs McCarroll". The signature is written in a cursive, flowing style.

Irvine, California  
October 31, 2011



**Mayer Hoffman McCann P.C.**

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Board of Directors  
Omnitrans  
San Bernardino, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Independent Auditors' Report**

**Compliance**

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, 2011. Omnitrans' major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Omnitrans' management. Our responsibility is to express an opinion on Omnitrans' compliance based on our audit.

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

In our opinion, Omnitrans' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our audit procedures disclosed one immaterial instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency over internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2. A significant deficiency in internal control over compliance is a deficiency, or 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.

Omnitrans' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Omnitrans' responses and, accordingly, we express no opinion on them.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Omnitrans, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Omnitrans' 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Board of Directors  
Omnitrans  
San Bernardino, California

---

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

Margaret Hoffman M. C. P. C.

Irvine, California  
October 31, 2011

**OMNITRANS**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor Program Title	Federal Domestic Assistance Number	Grant Number	Federal Financial Assistance Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Transportation:</b>				
<u>Direct Assistance:</u>				
Federal Transit - Capital Assistance	20.500	CA-04-0035-00	\$ 225,838	\$ 206,132
Federal Transit - Capital Assistance	20.500	CA-04-0071-00	9,716	9,716
Federal Transit - Capital Assistance	20.500	CA-04-0123-00	111,193	111,193
Federal Transit - Capital Assistance	20.500	CA-04-0152-00	112,860	112,860
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-X929-00	20,382	20,382
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-96-X055-00	1,033	-
Federal Transit - Formula Grants (Urbanized Area Formula Program) - ARRA	20.507	CA-96-X058-00	2,578,185	142,110
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y064-00	25,436	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y098-00	21,922	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y164-00	219,751	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y251-00	16,743	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y333-00	248,933	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y396-00	867,613	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y495-00	12,953,012	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y602-00	2,663,483	341,010
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y681-00	2,838,717	9,150
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y850-00	9,028,724	20,796
Subtotal			31,943,541	973,349
<b>U.S. Department of Transportation:</b>				
<u>Direct Assistance:</u>				
FY 06-08 - 5317 New Freedom (Amend Area Formula Program)	20.521	CA-57-X017-01	18,291	18,291
FY 06-08 Section 5316 JARC Capital	20.516	CA-37-X090-00	343,308	4,856
Subtotal			361,599	23,147
Total expenditures of federal awards			\$ 32,305,140	\$ 996,496

See Note to Schedule of Expenditures of Federal Awards.

## OMNITRANS

### Note to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

(1) **Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

(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, 2011, Omnitrans provided \$996,496 in federal awards to subrecipients from funding provided by the U.S. Department of Transportation – Federal Transit – Capital Investment Grants Program (CFDA Nos. 20.500 and 20.507).



# OMNITRANS

## Schedule Findings and Questioned Costs

Year Ended June 30, 2011

### (A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control.
3. The audit disclosed no instances of noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses and one significant deficiency in internal control over compliance with the major program of the auditee. Refer to item 2011-2.
5. An unqualified report was issued by the auditors on compliance for the major program.
6. There was one immaterial instance of noncompliance reported under OMB Circular A-133. Refer to item 2011-1.
7. The major program of the auditee was CFDA Nos. 20.500 and 20.507, U.S. Department of Transportation – Federal Transit (Capital Investment Grants and Formula Grants – Urbanized Area Formula Program).
8. The dollar threshold used to distinguish Type A and Type B programs was \$969,154.
9. The auditee met the criteria to be considered a low risk auditee for the year ended June 30, 2011 for the purpose of major program determination.

### (B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There are no auditors' findings required to be reported in accordance with GAGAS.

### (C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133

#### 2011-1: Need to Charge Salary Costs Based Upon Actual

FEDERAL AGENCY: U.S. Department of Transportation

CFDA No. 20.507

FEDERAL PROGRAM NAME: Federal Transit Formula Grants Program (ARRA)

FEDERAL AWARD PROGRAM NO.: CA-96-X058-00

## OMNITRANS

### Schedule of Findings and Questioned Costs

(Continued)

(C) **Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133 (Continued)**

**Criteria:** 2 CFR Part 225, Cost Principles for State, Local and Indian Tribal Governments (Office of Management and Budget (OMB) Circular A-87), Appendix B, Paragraph 8.h.(5)(e) states:

"Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."

**Condition:** Omnitrans estimates a percentage of time to be charged to federal grants for its salaried employees. During the fiscal year, management adopted new policies and procedures that allow for time studies to be prepared and used as a basis for estimating time charged to federal grants. This adopted procedure is in accordance with 2 CFR Part 225, Appendix B, Paragraph 8.h., and was approved by the FTA subsequent to year end. In implementing this allowable procedure, Omnitrans has sampled one employee. The new procedure as written does not provide for the employees to be reviewed on a sample basis. Not including an analysis of all employees charged to the grant could result in an incorrect reporting of grant-reimbursable salaries. However, at the end of the fiscal year, total allowable costs exceed the amount of federal amounts claimed. As a result, there are no questioned costs. Additionally, subsequent to the end of the fiscal year, the number of employees for which allocations are required has been reduced to one employee.

**Recommendation:** While this condition existed during the fiscal year, no recommendation is warranted as Omnitrans has satisfactorily implemented procedures to address this finding subsequent to year-end and prior to the issuance of this report.

**Questioned Costs:** None

**Management's response/corrective action plan:** Management concurs with the auditors.

## OMNITRANS

### Schedule of Findings and Questioned Costs

(Continued)

(C) **Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133 (Continued)**

**2011-2: Data Quality Review of the ARRA 1512 Report**

FEDERAL AGENCY: U.S. Department of Transportation

CFDA No. 20.507

FEDERAL PROGRAM NAME: Federal Transit Formula Grants Program (ARRA)

FEDERAL AWARD PROGRAM NO.: CA-96-X058-00

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

**Criteria:** OMB Memorandum number M-09-21 section 4.2 requires that a prime recipient of grants funded by the American Recovery and Reinvestment Act (ARRA) perform the following in regards to the ARRA 1512 Report:

“...data quality reviews for material omissions and/or significant reporting errors, making appropriate and timely corrections to prime recipient data”

**Condition:** Omnitrans is a prime recipient of a FTA grant funded by ARRA, and as such is required to file quarterly ARRA 1512 reports per the terms of their grant agreement. Currently the ARRA 1512 report is being completed by the Treasury Manager, and there is no standardized review of the report to ensure data included is complete and correct. Management has on occasion performed a limited review of the ARRA 1512 report; however, the process is not a regular occurrence. Failure to perform the recommended quality reviews could result in material omissions and/or reporting errors which will be evaluated on a case-by-case basis and can result in the termination of Federal funding and/or initiation of suspension and debarment proceedings of the recipient.

**Recommendation:** We recommend that Omnitrans develop and implement a data quality review process for the ARRA 1512 reports, following the guidance at OMB Memorandum number M-09-21 section 4.2.

**Questioned costs:** none

**Management's Response:** As recommended Omnitrans will develop and implement a data quality review process of all ARRA 1512 reporting following the guidance of OMB Memorandum Number M-09-21 section 4.2.

## **OMNITRANS**

### **Summary Schedule of Prior Audit Findings**

Year Ended June 30, 2011

#### **2010-01: Need to Charge Salary Costs Based Upon Actual**

##### **Recommendation**

We recommended that Omnitrans develop and implement policies and procedures to ensure that any estimated salaries costs are reviewed and adjusted to actual as required by 2 CFR Part 225 (OMB A-87).

##### **Current Year Status**

Omnitrans has implemented procedures to review actual time spent on federal grants and compare it to estimated salary costs in order to determine if an adjustment is necessary on a sample basis. This sample basis should be extended to all employees working on federal grants. See modified repeat finding 2011-1.

**OMNITRANS**

Report on Transportation  
Development Act and  
Proposition 1B

Year Ended June 30, 2011

# OMNITRANS

## Report on Transportation Development Act and Proposition 1B

Year Ended June 30, 2011

### TABLE OF CONTENTS

#### Page

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 <i>Government Auditing Standards</i>	1
Exhibit A – Transportation Development Act Compliance Requirements	3
Exhibit B – Schedule of Receipts and Disbursements of Proposition 1B Funds	6



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Board of Directors  
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San Bernardino, California

**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**

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Omnitrans' financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 Part 21 of the California Code of Regulations, Section 8879.50 et seq of the California Government Code, and the fifteen tasks contained in the "SANBAG Transportation Development Act 2005 Compliance Guide", published by the San Bernardino Associated Governments (see Exhibit A), 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 that are required to be reported under *Government Auditing Standards*, including Section 6667 of Part 21 of the California Code of Regulations, Section 8879.50 et seq of the California Government Code, and the fifteen tasks contained in the "SANBAG Transportation Development Act 2005 Compliance Guide", published by the San Bernardino Associated Governments. See Exhibit B for a Schedule of Receipts and Disbursements of Proposition 1B funds as required by Section 8879.50 et seq of the California Government Code.

We noted certain other matters that we reported to management of Omnitrans in a separate letter dated October 31, 2011.

This report is intended solely for the information and use of the Board of Directors of Omnitrans, its management, the San Bernardino Associated Governments, the California State Department of Transportation and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California  
October 31, 2011



**OMNITRANS**  
Transportation Development Act  
Compliance Requirements

Task Number	Task Description
1 (All Claimants)	<p>Determine that Claimant is eligible under one of the following TDA Articles:</p> <ol style="list-style-type: none"> <li>1. Article 3 (SB821) – Pedestrian and Bicycle Facilities</li> <li>2. Article 4 – Public Transportation Systems</li> <li>3. Article 4.5 – Community Transit Services</li> <li>4. Article 4.5 – Consolidated Transportation Services Agencies</li> <li>5. Article 6.5 (SB620) – State Transit Assistance Fund</li> <li>6. Article 8 – Pedestrian and Bicycle Facilities</li> <li>7. Article 8 – Public Transit Services</li> <li>8. Article 8 – Local Streets and Roads</li> <li>9. Article 8 – Multi-Modal Transportation Services</li> </ol>
2 (All Transit Claimants)	<p>Determine that claimant has maintained accurate and complete records and has prepared and submitted an annual report of its operations in accordance with the Uniform System of Accounts and Records adopted by the State Controller.</p>
3 (All Transit Claimants)	<p>Determine that claimant did not receive TDA funds in excess of the amount claimant was eligible for. If it is found that excess funds have been received, determine that they have been properly accounted for. Identify by footnote to the financial statement the manner in which the agency has treated the excess.</p> <p>Determine that claimant has not recorded as income or as an account receivable any TDA allocations being reserved in the Local Transportation Fund (LTF) or committed in the State Transit Assistance Fund (STAF). If either case is determined, the financial statement should be footnoted.</p>
4 (Article 6.5 Claimants Only)	<p>Determine that claimant was eligible to receive State Transit Assistance.</p> <p>Determine that claimant was eligible to receive State Transit Assistance for operating assistance, including but not limited to verifying the operators' operating cost per revenue hour does not exceed the prior year operating cost per revenue hour adjusted by the Consumer Price Index (CPI) or the average cost per revenue hour of the past three years adjusted by CPI.</p> <p>The actual cost per revenue hour comparison must be calculated in footnotes.</p>
5 (All Claimants)	<p>Determine that funds expended were eligible for expenditures under the provisions of the TDA. Determine that proposed budgets contained within the claim for the audit year are consistent with the audited financial statements and the Short Range Transit Plan or Transit Operating and</p>

**OMNITRANS**  
 Transportation Development Act  
 Compliance Requirements (Continued)

<b>Task Number</b>	<b>Task Description</b>
	Capital Plan. If an excess exists, refer to Task 3.
6 (All Claimants)	Determine that claimant has expended funds in accordance with the terms of the allocation instructions of SANBAG. Verification of the expenditure of funds in conformance with the instructions should be on the basis of material conformance.
7 (Article 6.5 Claimants Only)	Determine the amount of STA funds apportioned and received by the operator.
8 (All Transit Claimants)	Include in the footnotes a detailed breakdown of TDA funds held by the claimant in its own account. For each unspent dollar in claimant's account, determine: <ul style="list-style-type: none"> <li>• The years in which the funds were authorized for allocation and subsequently received by the claimant (include original allocation numbers);</li> <li>• The identification of obligations and commitments to spend such funds.</li> </ul>
9 (All Transit Claimants)	Determine whether claimant has met the applicable fare ratio requirement.  Financial statements should be footnoted as to which section is applicable to claimant. If subject to fare ratio, the required ratio should be stated in the footnote.
10 (Article 4 Claimants Only)	Determine that the employee retirement system or pension plan is in conformance.
11 (All Claimants)	Determine that interest earned on TDA funds allocated is properly accounted for and was expended only for those purposes for which the funds were allocated.
12 (All Transit Claimants)	Determine if claimant received support services and, if so, did claimant comply with the requirements of the State Controller's Uniform System of Accounts through identifying the value of such services provided.
13 (All Transit Claimants with Charter Services)	Determine if the claimant has met the minimums and rates specified in PUC §99250.
14 (All Transit Claimants)	Determine that the claimant is in compliance with PUC §99155 and §99155.5 concerning reduced fares for seniors, handicapped and disabled veterans; identification cards; service area residency requirement

**OMNITRANS**  
Transportation Development Act  
Compliance Requirements (Continued)

Task Number	Task Description
	prohibition; dial-a-ride; and Paratransit services.
15 (All Claimants)	Determine that claimant has complied with legislative or regulatory code changes that have occurred subsequent to the publication of the SANBAG Compliance Audit Guide and to additional provisions of the TDA that are specifically applicable to claimant.

OMNITRANS

Schedule of Receipts and Disbursements of Proposition 1B Funds

Year Ended June 30, 2011

	PTMISEA Program	CTSG Program	Total
Unspent Proposition 1B Funds as of June 30, 2010	\$ 3,988,291	\$ 767,059	\$ 4,755,350
Proposition 1B Funds collected during the year ended June 30, 2011	7,183,565	2,636,624	9,820,189
Proposition 1B expenses incurred during the year ended June 30, 2011	(7,284,547)	(176,005)	(7,460,552)
Interest revenue earned on unspent Proposition 1B funds during the year ended June 30, 2011	<u>3,755</u>	<u>2,140</u>	<u>5,895</u>
Unspent Proposition 1B funds as of June 30, 2011	<u>\$ 3,891,064</u>	<u>\$ 3,229,818</u>	<u>\$ 7,120,882</u>