

CITY OF BARSTOW, CALIFORNIA

TRANSPORTATION DEVELOPMENT ACT FUND

Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2015

CITY OF BARSTOW, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
San Bernardino Associated Governments
For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Transportation Development Act Article 8 Fund (TDA Fund), an enterprise fund of the City of Barstow, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City as of June 30, 2015, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015, and the changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management’s Discussion and Analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2015, on our consideration of the City’s internal control over financial reporting for the TDA Fund, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 21, 2015

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

**STATEMENT OF NET POSITION
JUNE 30, 2015**

ASSETS

CURRENT ASSETS

Operating grants receivable \$ 830,514

CAPITAL ASSETS

Capital assets being depreciated 6,276,804

Accumulated depreciation (3,669,989)

Capital assets, net 2,606,815

TOTAL ASSETS 3,437,329

LIABILITIES

Accounts payable 312,057

Accrued liabilities 317

Due to City of Barstow 184,469

Unearned revenue 333,671

TOTAL LIABILITIES 830,514

NET POSITION

Net investment in capital assets 2,606,815

TOTAL NET POSITION \$ 2,606,815

See accompanying notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES:	
Fares	\$ 158,982
OPERATING EXPENSES:	
Operations	1,953,087
Maintenance	14,862
General and administration	461,868
Depreciation	240,556
Total Operating Expense	<u>2,670,373</u>
Operating loss	(2,511,391)
NON-OPERATING REVENUES (EXPENSES):	
Local Transportation Fund, Article 8	1,616,585
Federal Transit Administration, Section 5311	300,267
Measure I	359,120
Net (decrease) in fair value of investments	(15,402)
Total Non-operating Revenues	<u>2,260,570</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(250,821)
CAPITAL CONTRIBUTIONS:	
Local Transportation Fund, Capital	<u>10,265</u>
CHANGE IN NET POSITION	(240,556)
Net Position at Beginning of Year	<u>2,847,371</u>
Net Position at End of Year	<u><u>\$ 2,606,815</u></u>

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:

Cash received from fares	\$ 158,982
Payments to employees	(467,420)
Payments to vendors for services	<u>(2,253,199)</u>
Net cash used in operating activities	<u>(2,561,637)</u>

Cash flows from non-capital financing activities:

Operating grants received	4,925,186
Payments on borrowing from City of Barstow	<u>(2,373,814)</u>
Net cash provided by non-capital financing activities	<u>2,551,372</u>

Cash flows from capital and related financing activities:

Receipt of capital grants	<u>10,265</u>
Net cash provided by capital and related financing activities	<u>10,265</u>
Net increase in cash and cash equivalents	-

Cash and cash equivalents, beginning of year	<u>-</u>
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Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
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Reconciliation of operating loss to net cash used in operating activities:

Operating (loss)	<u>\$ (2,511,391)</u>
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Adjustments to reconcile operating (loss) to net cash used in operating activities:

Depreciation expense	240,556
Changes in assets and liabilities:	
(Decrease) in liabilities:	
Accounts payable and accrued liabilities	<u>(290,802)</u>
Total Adjustments	<u>(50,246)</u>

Net cash used in operating activities	<u><u>\$ (2,561,637)</u></u>
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Non-cash investing activities include:

Net decrease in the fair value of investments	\$ (15,402)
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See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1 – GENERAL INFORMATION

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

Article 8

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

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

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

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

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Measurement Focus and Basis of Accounting

The TDA fund of the City is an enterprise fund and maintains its records on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows.

Cash and Investments

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

Grants

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

Capital Assets

Capital assets are stated at historical cost or estimated historical cost where no historical records exist. Donated assets are stated at fair value on the date donated. Equipment purchased in excess of \$20,000 is capitalized if it has an expected useful life of three years or more. Construction on street, road, site improvements, and flood control projects of a permanent nature and in excess of \$100,000 are capitalized as infrastructure.

Capital assets are depreciated using the straight-line method. Depreciation is charged as an expense against operations. Estimated useful lives, in years, for depreciable assets are as follows:

Machinery and equipment	3-15 years
Infrastructure	25 years

Estimates

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

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Operating and Non-Operating Revenue

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

Operating Expenses

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

New Accounting Pronouncements- Effective in Future Years

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. Management has not determined the effect of the statement.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. Management has not determined the effect of the statement.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the 2016-2017 fiscal year. Management has not determined the effect of the statement.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the 2017-2018 fiscal year. Management has not determined the effect of the statement.

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

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

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. Management has not determined the effect of the statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. Management has not determined the effect of that statement.

NOTE 3 – FEDERAL, STATE AND LOCAL GRANTS

Federal Assistance

Under the provision of the Federal Transit Administration (FTA), funds are available to the City for preventive maintenance, security, and various capital costs. Total FTA revenue recognized during the fiscal year ended June 30, 2015 was \$300,267. As of June 30, 2015, the FTA revenue was a receivable within the Transit Fund.

Measure I

Under the provisions of San Bernardino Associated Governments, funds are available to the City for Senior and Disabled Transit services. Total Measure I Senior and Disabled Transit Program revenues recognized during the fiscal year ended June 30, 2015 was \$359,120.

NOTE 4 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 4 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS, (CONTINUED)

A. Section 6634

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

The computation of unearned revenue for 2015 is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2014	\$ 165,670	\$ -	\$ 165,670
Gross receipts:			
Local Transportation Fund, Article 8-CITY	530,481	-	530,481
Local Transportation Fund, Article 8-County	1,139,472	-	1,139,472
Federal Transportation Admin, Section 5311	300,267	-	300,267
Measure I	359,120	-	359,120
Interest Income, Net of Fair Value Adjustment	(15,402)	-	(15,402)
Fares	158,982	-	158,982
Capital Fund Receipts	-	124,898	124,898
Total gross receipts	<u>2,472,920</u>	<u>124,898</u>	<u>2,597,818</u>
		-	
Operating expenses, less depreciation	(2,419,552)	-	(2,419,552)
Capital Acquisition	<u>-</u>	<u>(10,265)</u>	<u>(10,265)</u>
Receipts over (under) expenses in current period	53,368	114,633	168,001
Amounts received in excess of costs as of June 30, 2015	<u>\$ 219,038</u>	<u>\$ 114,633</u>	<u>\$ 333,671</u>
Amount unearned at June 30, 2015	<u>\$ 219,038</u>	<u>\$ 114,633</u>	<u>\$ 333,671</u>

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 4 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS, (CONTINUED)

B. SANBAG Resolution 94-005

On July 1, 1993, SANBAG adopted Resolution 94-005 which requires a ratio of fare revenues to operating cost at least equal to 10%.

The fare ratio as of June 30, 2015, is calculated as follows:

Operating expenses	\$ 2,670,373
Less: depreciation	(240,556)
Adjusted operating expenses	<u>\$ 2,429,817</u>
Fare revenue	<u>\$ 158,982</u>
Fare ratio	<u>6.54%</u>

Pursuant to Section 99268.19, an operator may satisfy the required fare ratio by supplementing its fare revenues with local funds. The City used Measure I Revenues of \$359,120 to supplement fare revenues and satisfy the fare ratio requirement as of June 30, 2015.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, is as follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Nondepreciable assets:				
Construction in progress	\$ 2,636,796	\$ -	\$ (2,636,796)	\$ -
Depreciable assets:				
Equipment	3,640,008	-	-	3,640,008
Infrastructure	-	2,636,796	-	2,636,796
Total Capital Assets Being Depreciated	<u>3,640,008</u>	<u>2,636,796</u>	<u>-</u>	<u>6,276,804</u>
Accumulated Depreciation:				
Equipment	(3,429,433)	(154,421)	-	(3,583,854)
Infrastructure	-	(86,135)	-	(86,135)
Total Accumulated Depreciation	<u>(3,429,433)</u>	<u>(240,556)</u>	<u>-</u>	<u>(3,669,989)</u>
Total Capital Assets, net	<u>\$ 2,847,371</u>	<u>\$ 2,396,240</u>	<u>\$ (2,636,796)</u>	<u>\$ 2,606,815</u>

NOTE 6 – DUE TO CITY OF BARSTOW

At June 30, 2015, the TDA Fund had short term borrowings from the City’s Investment Pool in the amount of \$184,469.

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 7 – RECEIVABLES

Receivables are made up of operating grants as follows:

Federal Transit Administration Section 5311- Operating	\$	300,267
Local Transportation Fund		529,719
Other		528
Total	\$	<u>830,514</u>

NOTE 8 – SUBSEQUENT EVENT

As of July 1, 2015, the City of Barstow (City) entered into a Joint Powers Agreement (JPA) with the County of San Bernardino and the Cities of Victorville, Adelanto, Hesperia, and the Town of Apple Valley, also known as Victor Valley Transit Authority (VVTA). The original JPA was created in 1974 and amended on July 1, 2015 to include the City of Barstow. VVTA will act as the agency which will provide transit services as requested by the member agencies and will serve the transit needs of the High Desert Region, including the City of Barstow. The City of Barstow will contribute the use of its assets (buses and related equipment) but retain full and separate ownership of these assets for a period of two years. The City of Barstow will continue to record these assets and related depreciation and VVTA will not absorb any assets or liabilities of the City of Barstow. All future transit operation revenues and expenses will be recorded by VVTA.



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 AND TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 8 (TDA Fund) Fund of the City of Barstow, California, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015. Our report included an emphasis of matter paragraph stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015. In addition, our report included an other matter paragraph stating that the financial statements do not include Management's Discussion and Analysis.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's TDA financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino Associated Governments, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Rancho Cucamonga, California
December 21, 2015

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDING
YEAR ENDED JUNE 30, 2015**

<u>Finding</u>	<u>Condition/Program</u>	<u>Status</u>
2014-001	Fares did not meet required ratio	Implemented