

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY
San Bernardino, California**

FINANCIAL STATEMENTS

JUNE 30, 2015

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

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An Independent CPA Firm

Board of Directors
High Desert Corridor JPA
San Bernardino, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and the General Fund of the High Desert Corridor JPA (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 *Governmental 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Authority, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
High Desert Corridor JPA
San Bernardino, California
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Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the Authority implemented GASB No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.

Huntington Beach, California
December 14, 2015

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 245,442
Due from other governments	<u>66,385</u>
Total Assets	<u>311,827</u>
<u>Liabilities</u>	
Accounts payable	16,500
Due to other governments	<u>8,309</u>
Total Liabilities	<u>24,809</u>
<u>Net position</u>	
Unrestricted	<u>287,018</u>
Total Net Position	<u><u>\$ 287,018</u></u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

Statement of Activities

For the Year Ended June 30, 2015

Function/Programs	Governmental Activities		Net (expense) Revenue and Changes in Net Position
	Expenses	Operating Grants and Contributions	
Public ways and facilities			
Professional and administrative services	\$ 100,086	165,000	64,914
Total Governmental Activities	<u>\$ 100,086</u>	<u>165,000</u>	<u>64,914</u>
General revenues:			
Interest and other income			<u>581</u>
Total General Revenues			<u>581</u>
Change in net position			65,495
Net position at beginning of year			<u>221,523</u>
Net position at end of year			<u>\$ 287,018</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

Balance Sheet
Governmental Fund

June 30, 2015

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 245,442
Due from other governments	66,385
Total Assets	<u>\$ 311,827</u>
Liabilities, Deferred Inflows or Resources and Fund Balances	
Liabilities	
Accounts payable	\$ 16,500
Due to other governments	8,309
Total Liabilities	<u>24,809</u>
Deferred Inflows of Resources:	
Unavailable revenue	<u>66,385</u>
Total Deferred Inflows of Resources	<u>66,385</u>
Fund balance:	
Unassigned	<u>220,633</u>
Total Fund Balance	<u>220,633</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 311,827</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Postion

June 30, 2015

Total Fund Balance - Governmental Fund	\$ 220,633
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Certain assets are not avaivable to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund.	<u>66,385</u>
Net Position of Governmental Activities	<u><u>\$ 287,018</u></u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund

For the Year Ended June 30, 2015

	<u>General Fund</u>
Revenues	
Intergovernmental	\$ 165,000
Investment earnings	581
	<hr/>
Total Revenues	165,581
	<hr/>
Expenditures	
Current:	
Public ways and facilities	
Services and supplies	26,394
Other charges	73,692
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Total Expenditures	100,086
	<hr/>
Net Change in Fund Balance	65,495
	<hr/>
Fund Balance - beginning	155,138
	<hr/>
Fund Balance - ending	<u><u>\$ 220,633</u></u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2015

Net Change in Fund Balance - Total Government Fund	\$ 65,495
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
None	<u>-</u>
Change in Net Position of Governmental Activities	<u>\$ 65,495</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the High Desert Corridor Joint Powers Authority conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The High Desert Corridor Joint Powers Authority (the Authority) is a Joint Powers Authority (JPA) formed pursuant to the provisions of the Government Code of the State of California, and is comprised by seven local governmental entities. These entities are the County of Los Angeles, the County of San Bernardino, and the Cities of Apple Valley, Adelanto, Palmdale, Lancaster, and Victorville. The Authority was initially formed pursuant to a Joint Powers Agreement dated November 8, 2006, which was subsequently amended on March 13, 2007.

The Authority is governed by a Board of Directors made up of nine members, including one Board of Supervisor each from San Bernardino County (First District) and the Los Angeles County (Fifth District). The San Bernardino County Board member can appoint three additional members from San Bernardino County, the City of Adelanto, the City of Victorville, the City of Hesperia, and the Town of Apple Valley. The Los Angeles County Board member can appoint three additional members from Los Angeles County, the City of Palmdale and the City of Lancaster. A ninth member is appointed jointly by the First District Supervisor of San Bernardino and the Fifth District Supervisor of Los Angeles County and appointed by action of the Board.

The Authority proposes to create and establish the High Desert Corridor, a sixty-three mile stretch of freeway connecting the Los Angeles County communities of Palmdale/Lancaster with the San Bernardino County communities of Victorville, Apple Valley, and Adelanto. Members may contribute annually to provide financial support to further the purpose of the Authority. The Authority's Board has designated the County of San Bernardino with administrative oversight of the Authority.

The accompanying financial statements reflect only the accounts of the High Desert Corridor JPA and are not intended to present the financial position of the individual members taken as a whole.

Basis of Presentation

Government-wide and fund financial statements

The Statement of Net Position and Statement of Activities display information about the primary government (the Authority).

The Statement of activities presents direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements

The fund financial statements provide information about the Authority's fund, which include only governmental funds.

The Authority reports the following major governmental fund:

The *General Fund* accounts for the activities of the government's efforts to establish the freeway connecting the Los Angeles County communities of Palmdale/Lancaster with the San Bernardino County communities of Victorville, Apple Valley, and Adelanto.

Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Interest and certain State and Federal grants are accrued when their receipt occurs within 270 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments held in the County of San Bernardino's investment pool are available on demand and are stated at amortized cost plus accrued interest, which approximates fair value. The Authority had no deposit or investment policy that addressed a specific type of risk. The County of San Bernardino Treasurer's investment pool is subject to oversight by the Treasury Oversight Committee.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due From Other Governments

Due from other governments receivables are recorded at their gross value and, where appropriate, are reduced by the portion that is considered uncollectible. Receivables consist primarily of grant claims that have been filed but not received as of year-end. Management believes its receivables balance to be fully collectible and, accordingly, no allowance for doubtful accounts has been recorded.

Deferred Inflows of Resources – Unavailable Revenues

Unavailable revenues are reported in the general fund and represent revenue received more than 270 days following year end and, therefore, unavailable to pay liabilities of the current period. Unavailable revenue received after 270 days is fully recognized as revenue in the government-wide financial statements (Note 3).

Use of Estimates

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

Fund Balances

Governmental funds report fund balances in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance classifications for governmental funds are made up of the following:

- *Nonspendable Fund Balance*: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- *Restricted Fund Balance*: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*: Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the Authority's highest level of decision making authority. The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- *Assigned Fund Balance*: Amounts are constrained by the Authority's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the Authority's Board of Directors.
- *Unassigned Fund Balance*: Is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are available for any purpose.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances (continued)

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. It is the Authority's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The Authority's Board establishes, modifies and/or rescinds fund balance commitments by passage of an ordinance or resolution.

As of June 30, 2015, the Authority's fund balance is recorded as unassigned.

New Accounting Pronouncements

The Authority adopted Statement on Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The adoption of the aforementioned pronouncements did not have a material effect on the Authority's June 30, 2015 financial statements.

Note 2: CASH AND INVESTMENTS

Cash, cash equivalents, and investments include balances of monies deposited with the San Bernardino County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the Authority's account based upon the Authority's average daily deposit balance during the allocation period. Cash, cash equivalents, and investments are shown at the fair value as of June 30, 2015.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

Note 3: DUE FROM OTHER GOVERNMENTS

Funding of the Authority's activities is provided through an agreement for reimbursement with Los Angeles County Metropolitan Transportation Agency (LACMTA). While the contract with LACMTA provides for reimbursement of operating costs related to the Authority, the contract includes a not to exceed amount of \$500,000. The original contract expired on June 30, 2011. The contract was subsequently extended through June 30, 2015. As of June 30, 2015, the Authority has accrued \$66,385, representing the remaining amount on this contract. Authority management expects to collect this amount after March 31, 2016, and thus, this amount is reported as unavailable in the governmental fund financial statements.

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4: RELATED PARTY TRANSACTIONS

The Authority uses other County of San Bernardino departments for other services, such as Authority administration. Expenditures paid to the County of San Bernardino for these services during the year were \$73,692.

Note 5: CONTINGENCIES

As of June 30, 2015, in the opinion of the Authority Administration, there are no outstanding matters which would have a significant effect on the financial position of the Authority.

Note 6: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2015, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2015

	General Fund			Variances with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental	\$ 66,385	\$ 66,385	\$ 165,000	\$ 98,615
Investment earnings	950	950	581	(369)
Total Revenues	<u>67,335</u>	<u>67,335</u>	<u>165,581</u>	<u>98,246</u>
Expenditures				
Services and supplies	12,000	12,000	26,394	(14,394)
Other charges	80,000	80,000	73,692	6,308
Total Expenditures	<u>92,000</u>	<u>92,000</u>	<u>100,086</u>	<u>(8,086)</u>
Net Change in Fund Balance	<u>\$ (24,665)</u>	<u>\$ (24,665)</u>	65,495	<u>\$ 90,160</u>
Fund Balance - beginning			<u>155,138</u>	
Fund Balance - ending			<u>\$ 220,633</u>	

HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Note 1: SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device for the General Fund. The Authority adopts and controls its budget by major object code. Expenditures may exceed an object code budget as long as overall expenditures are within the adopted budget's total appropriation. All annual appropriations lapse at fiscal year-end. The Management of the Authority prepares and submits a proposed budget to the Board of Directors for review. After reviewing the proposed budget and making such revisions as it may deem advisable, a final budget is prepared and adopted. Revisions to the adopted budget must be presented to the Board of Directors by management of the Authority and approved by resolution.

Other charges reflect the estimated reimbursement to the County of San Bernardino for a Staff Coordinator position. The 2015 adopted budget included \$12,000 for this expense for services.

OTHER REPORTS



An Independent CPA Firm

**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***

Board of Directors
High Desert Corridor JPA
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 governmental activities and General Fund of the High Desert Corridor Joint Powers Authority (the Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

Board of Directors
High Desert Corridor JPA
San Bernardino, California
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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.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.

Huntington Beach, California
December 14, 2015