

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

Independent Auditors' Reports,  
Basic Financial Statements,  
Required Supplementary Information,  
and Other Reports

**For the Fiscal Year Ended June 30, 2012**

**HIGH DESERT CORRIDOR JPA  
For the Fiscal Year Ended June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
High Desert Corridor JPA  
San Bernardino, California

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, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Authority's management. 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 *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 14 through 15 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.

Management has omitted the *Management's Discussion and Analysis* section 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.

Varrinck, Trine, Day & Co. LLP

Rancho Cucamonga, California  
June 27, 2013

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY**

**STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

**ASSETS**

Cash and investments	\$	347,592
Interest receivable		328
Total Assets		<u>347,920</u>

**LIABILITIES**

Accounts payable		605
Due to other governments		21,666
Total Liabilities		<u>22,271</u>

**NET ASSETS**

Unrestricted	\$	<u><u>325,649</u></u>
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See accompanying notes to the basic financial statements.

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY**  
**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
<b>FUNCTIONS/PROGRAMS</b>			
Public Ways & Facilities:			
Professional and administrative services	\$ 124,459	\$ -	\$ (124,459)
Total Governmental Activities	\$ 124,459	\$ -	(124,459)
General revenues:			
Interest and other income			1,482
Total General Revenues			1,482
Change in Net Assets			(122,977)
Net Assets - Beginning of Year			448,626
Net Assets - End of Year			\$ 325,649

See accompanying notes to the basic financial statements.

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY**

**BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 347,592
Interest receivable	328
Total Assets	<u>\$ 347,920</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 605
Due to other governments	21,666
Total Liabilities	<u>22,271</u>
Fund Balance:	
Unassigned	325,649
Total Fund Balance	<u>325,649</u>
Total Liabilities and Fund Balance	<u>\$ 347,920</u>

See accompanying notes to the basic financial statements.

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 236,586
Investment earnings	1,482
Total Revenues	<u>238,068</u>
EXPENDITURES	
Current:	
Public Ways and Facilities -	
Professional services	9,956
Other charges	111,135
Total Expenditures	<u>121,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,977</u>
Beginning Fund Balance	<u>208,672</u>
Ending Fund Balance	<u>\$ 325,649</u>

See accompanying notes to the basic financial statements.

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balance - Total Governmental Fund \$ 116,977

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Revenues in the Statement of Activities that do not  
provide current financial resources are not reported as  
revenues in the fund.

Amounts collected in the current fiscal year were previously recognized as  
revenues in the Statement of Activities but were reported as revenues in the  
fund financial statements, previously deferred in the prior fiscal year fund  
financial statements. (236,586)

Amounts collected in the current fiscal year were less than amounts accrued  
in the prior fiscal year. (3,368)

Change in Net Assets of Governmental Activities \$ (122,977)

See accompanying notes to the basic financial statements.

# HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### NOTE 1 – REPORTING ENTITY

#### **Authorized Legislation and Organization**

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 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, or 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 County 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.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

##### *Government–Wide Financial Statements*

The Statement of Net Assets 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 THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### NOTE 2 – 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 at the time liabilities are incurred, regardless of when the related cash flows take place. 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 funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 provided, 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 the 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 THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

#### Use of Estimates

The preparation of 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.

#### Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance 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. As of June 30, 2012, fund balances for government funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: amounts held for perpetuity and prepaid amounts.
- *Restricted Fund Balances* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority. Commitments may be changed or lifted only by the adoption of a Board Resolution.
- *Assigned Fund Balance* – comprises amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. Intent is expressed by 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.

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, 2012, the Authority's fund balance is recorded as unassigned.

# HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

#### **New Effective Accounting Pronouncements**

##### *Governmental Accounting Standards Board Statement No. 57*

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. This Statement is effective for the year ended June 30, 2012. The Authority has determined that this Statement is not applicable.

##### *Governmental Accounting Standards Board Statement No. 64*

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement is effective for the year ended June 30, 2012. The Authority has determined that this Statement is not applicable.

#### **Future Accounting Pronouncements**

##### *Governmental Accounting Standards Board Statement No. 60*

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The Authority has not determined its effect on the financial statements.

##### *Governmental Accounting Standards Board Statement No. 61*

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The Authority has not determined its effect on the financial statements.

##### *Governmental Accounting Standards Board Statement No. 62*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Authority has not determined its effect on the financial statements.

# HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

#### Future Accounting Pronouncements, (Continued)

##### *Governmental Accounting Standards Board Statement No. 65*

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Authority has not determined its effect on the financial statements.

##### *Governmental Accounting Standards Board Statement No. 66*

GASB Statement No. 66, *Technical Corrections-2012 – an amendment of GASB Statements No. 10 and No. 62*. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The Statement is effective for the periods beginning after December 15, 2012. The Authority has not determined its effect on the financial statements.

##### *Governmental Accounting Standards Board Statement No. 67*

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The Statement is effective for the periods beginning after June 15, 2013. The Authority has not determined its effect on the financial statements.

##### *Governmental Accounting Standards Board Statement No. 68*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The Statement is effective for the periods beginning after June 15, 2014. The Authority has not determined its effect on the financial statements.

##### *Governmental Accounting Standards Board Statement No. 69*

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The primary purpose of this Statement is to improve accounting and financial reporting by state and local governments' combinations and disposals of government operations. The Statement is effective for the periods beginning after December 15, 2013. The Authority has not determined its effect on the financial statements.

# HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

#### Future Accounting Pronouncements, (Continued)

*Governmental Accounting Standards Board Statement No. 70*

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. The Authority has not determined its effect on the financial statements.

### NOTE 3 – CASH AND INVESTMENTS

Cash and cash equivalents includes the cash balance 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 and cash equivalents are shown at the fair value as of June 30, 2012.

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 4 – FEDERAL AND STATE GRANTS

From time to time the Authority may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

### NOTE 5 - CONTINGENCIES

On-going funding of 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, and as of June 10, 2013, has not been extended. There is approximately \$175,340 remaining on this contract. Authority management is currently working with LACMTA on allowing for an extension to provide continued reimbursement. As a result, no amounts have been accrued for the year ending June 30, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY**

**SCHEDULE OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2012  
GENERAL FUND**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 158,000	\$ 158,000	\$ 236,586	\$ 78,586
Investment earnings	4,000	4,000	1,482	(2,518)
Total Revenues	<u>162,000</u>	<u>162,000</u>	<u>238,068</u>	<u>76,068</u>
<b>EXPENDITURES</b>				
Current:				
Professional services	60,780	60,780	9,956	50,824
Travel and related costs	3,000	3,000	-	3,000
Other charges	<u>123,000</u>	<u>123,000</u>	<u>111,135</u>	<u>11,865</u>
Total Expenditures	<u>186,780</u>	<u>186,780</u>	<u>121,091</u>	<u>65,689</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(24,780)</u>	<u>(24,780)</u>	<u>116,977</u>	<u>141,757</u>
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>	<u>\$ (24,780)</u>	<u>\$ (24,780)</u>	<u>\$ 116,977</u>	<u>\$ 141,757</u>

See accompanying note to the required supplementary information.

**HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 – SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND 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. All annual appropriations lapse at fiscal year-end. The Management of the Authority prepare and submit 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 REPORTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
High Desert Corridor JPA  
San Bernardino, California

We have audited financial statements of the governmental activities and the General Fund of the High Desert Corridor JPA Authority (the Authority) for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 27, 2013. Our report noted that the Authority did not present Management's Discussion and Analysis (MD&A). 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 Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 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.

Our consideration of 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 previously.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

Vaurinik, Trine, Day & Co. LLP

Rancho Cucamonga, California  
June 27, 2013