

**SANTA BARBARA  
METROPOLITAN TRANSIT DISTRICT**

**COMPLIANCE REPORTS**

**JUNE 30, 2012**

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2012

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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  
Santa Barbara Metropolitan Transit District  
Santa Barbara, California

We have audited the financial statements of Santa Barbara Metropolitan Transit District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. 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 the District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District'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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*McGowan Guntermann*

November 30, 2012



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### Independent Auditor's Report on State Compliance

We have audited Santa Barbara Metropolitan Transit District (the District)'s compliance with the State of California's *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Agencies* (Program) issued by the State of California Department of Transportation (Caltrans) applicable to the District's Transportation Development Act funding for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following:

| Operator Compliance Requirements   | Public Utilities Code, Section | Conclusion |
|--|--------------------------------|------------|
| The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller. Report is due 90 days after end of fiscal year (Sept. 28/29), or 110 days (Oct. 19/20) if filed electronically (Internet).                                  | 99243                          | Complied   |
| The operator has submitted annual fiscal and compliance audits to the RTPA and to the State Controller within 180 days following the end of the fiscal year (Dec. 27), or has received the appropriate 90-day extension by the RTPA allowed by law.  | 99245                          | Complied   |
| The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1 following a CHP inspection of the operator's terminal.  | 99251 B                        | Complied   |
| The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.  | 99261                          | Complied   |
| The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s). | 99266                          | Complied   |

|   |  |          |
|---|--|----------|
| The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee. | 99247  | Complied |
| If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating costs at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenues to operating costs of at least equal to three-twentieths (15 percent), if so determined by the RTPA.   | 99268.2,<br>99268.3,<br>99268.12,<br>99270.1                   | Complied |
| The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA which will fully fund the retirement system within 40 years.   | 99271  | Complied |
| If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.  | California<br>Code of<br>Regulations,<br>Section<br>6754(a)(3) | Complied |

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 the Transportation Development Act, issued by Caltrans. Those standards and the Transportation Development Act, issued by Caltrans require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Program. An audit includes examining, on a test basis, evidence about the District's 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Program for the year ended June 30, 2012.

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA).

Additionally, section 8879.23 (h) directs that \$1 billion dollars be deposited in the Transit System Safety, Security and Disaster Response Account. This section further directs that \$100 hundred million dollars be made available upon appropriation by the legislature to entities for eligible transit system safety, security and disaster response projects. These funds are available to the California Department of Transportation for intercity rail projects and to transit operations in California 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.

As of June 30, 2012, all Proposition 1B funds received (\$6,232,228 during year ended June 30, 2012) and expended were verified in the course of our current and previous audits as follows:

|                     | <u>PTMISEA</u>      | <u>OHS</u>        | <u>Total</u>        |
|---------------------|---------------------|-------------------|---------------------|
| Proceeds received:  | \$ 9,728,477        | \$ 999,551        | \$10,728,028        |
| Interest earned     | 6,837               | 828               | 7,665               |
| Expenditures        | <u>(3,761,000)</u>  | <u>(480,483)</u>  | <u>(4,241,483)</u>  |
| Unexpended proceeds | <u>\$ 5,974,314</u> | <u>\$ 519,896</u> | <u>\$ 6,494,210</u> |

Nothing came to our attention that caused us to believe the District failed to comply with the applicable bond act and state accounting requirements. 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.

This report is intended solely for the information and use of the board of directors, management, and the Transportation Commission of the State of California, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*McGowan Guntermann*

November 30, 2012



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Independent Auditor's 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  
and Schedule of Expenditures of Federal Awards

Board of Directors  
Santa Barbara Metropolitan Transit District  
Santa Barbara, California

Compliance

We have audited the Santa Barbara Metropolitan Transit District's ( the District) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (*OMB*) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's 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 the District's 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 the District's compliance with those requirements.

In our opinion, the District 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, 2012.

## Internal Control Over Compliance

The management of the District 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 the District's 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 the District's 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the board of directors, management, and federal awarding and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*McGowan Guntermann*

November 30, 2012

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE   | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>GRANT<br>NUMBER | FEDERAL<br>EXPENDITURES |
|---|---------------------------|----------------------------|-------------------------|
| U.S. DEPARTMENT OF TRANSPORTATION –<br>Federal Transit Administration |                           |                            |                         |
| Operating Grant   | 20.507                    | CA-90-Y958-00              | \$ 4,263,231            |
| Operating/Capital Grant   | 20.507                    | CA-90-Y035-02              | 354,376                 |
| ARRA – Capital Assistance   | 20.507                    | CA-96-X033                 | <u>82,599</u>           |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                                  |                           |                            | <u>\$ 4,700,206</u>     |

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2012

**Note 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Santa Barbara Metropolitan Transit District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2012

**Section I—Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: **unqualified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **none reported**

No instances of noncompliance material to financial statements were disclosed by the audit.

*Federal Awards*

Internal control over major programs:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **none reported**

Type of auditor’s report issued on compliance for major programs: **unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **No**

Identification of major programs:

CFDA Number

20.507

Name of Federal Program or Cluster

U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration

Dollar threshold used to distinguish between type A and type B programs: **\$300,000**

Auditee qualified as low-risk auditee? **Yes**

**Section II—Financial Statement Findings**

None

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2012

**Section III—Federal Award Findings and Questioned Costs**

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2011

**Section III—Federal Award Findings and Questioned Costs**

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2011