



Comprehensive ANNUAL FINANCIAL REPORT

For Year Ended June 30, 2012



**San Bernardino Associated Governments
1170 W. 3rd St., 2nd Floor
San Bernardino, CA 92410
www.sanbag.ca.gov / 909.884.8276**

San Bernardino Associated Governments, CA

**Comprehensive
ANNUAL FINANCIAL REPORT**

For Year Ended June 30, 2012



Prepared by SANBAG, Finance Department

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2012

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Introductory Section

-
- San Bernardino County Transportation Commission
 - San Bernardino County Transportation Authority
 - San Bernardino County Congestion Management Agency
 - Service Authority for Freeway Emergencies
-

February 5, 2013

To the Citizens of San Bernardino County, California:

The Comprehensive Annual Financial Report of San Bernardino Associated Governments (SANBAG), California, and related agencies for the fiscal year ended June 30, 2012 is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with SANBAG. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations and cash flows of the government-wide statements and various funds of SANBAG. All disclosures necessary to enable the reader to gain an understanding of SANBAG's financial activities have been included.

The financial statements are the responsibility of SANBAG's management. Completeness and reliability of the information contained in this report is based upon a comprehensive framework of internal controls that is established for this purpose. The costs of internal control should not exceed the anticipated benefits. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Management's Discussion and Analysis (MD&A) interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variations in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of SANBAG. MD&A complements this letter of transmittal and should be read in conjunction with it.

Independent Audit. SANBAG policy requires that its financial statements be audited by a certified public accountant. McGladrey LLP, Certified Public Accountants, have issued an unqualified opinion on SANBAG's financial statements for the fiscal year ended June 30, 2012. The auditors' report on the basic financial statements and required supplementary information is included in the financial section of this report.

The independent audit of the financial statements of SANBAG was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in SANBAG's separately issued Single Audit Report.

Profile of the Government

SANBAG is a council of governments and transportation planning agency, governed by the mayors or council members of the twenty-four cities and the five members of the Board of Supervisors within San Bernardino County. SANBAG serves the residents of San Bernardino County and enjoys the membership of the County of San Bernardino and all cities and towns within the county: Adelanto, Apple Valley, Barstow, Big Bear Lake, Chino, Chino Hills, Colton, Fontana, Grand Terrace, Hesperia, Highland, Loma Linda, Montclair, Needles, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Twentynine Palms, Upland, Victorville, Yucaipa, and Yucca Valley.

Since its creation as a Council of Governments in 1973, SANBAG has been designated to serve as several additional authorities, created primarily by statute, which are all organized under the umbrella of the Council of Governments. In accordance with the reporting entity definition of the Government Accounting Standards Board, SANBAG has included the following authorities in the financial report:

County Transportation Commission. SANBAG is responsible for short and long range transportation planning within San Bernardino County, including coordination and approval of all public mass transit service, approval of all capital development projects for mass transit and highway projects, and determination of staging and scheduling of construction relative to all transportation improvement projects in the Transportation Improvement Program.

County Transportation Authority. SANBAG is responsible for administration of the voter-approved half-cent transportation transactions and use tax for funding of major freeway construction, commuter rail service, local street and road improvements, special transit service for the elderly and disabled population, and traffic management and environmental enhancement efforts.

Service Authority for Freeway Emergencies. SANBAG operates a system of call boxes on State freeways and highways within San Bernardino County.

Congestion Management Agency. SANBAG manages the performance level of the regional transportation system in a manner which ensures consideration of the impacts from new development and promotes air quality through implementation of strategies in the adopted air quality plans.

Subregional Planning Agency. SANBAG represents the San Bernardino County sub region and assists the Southern California Association of Governments in carrying out its functions as the metropolitan planning organization. SANBAG performs studies and develops consensus relative to input into regional growth forecasts, regional transportation plans, and mobile source components of the air quality plans.

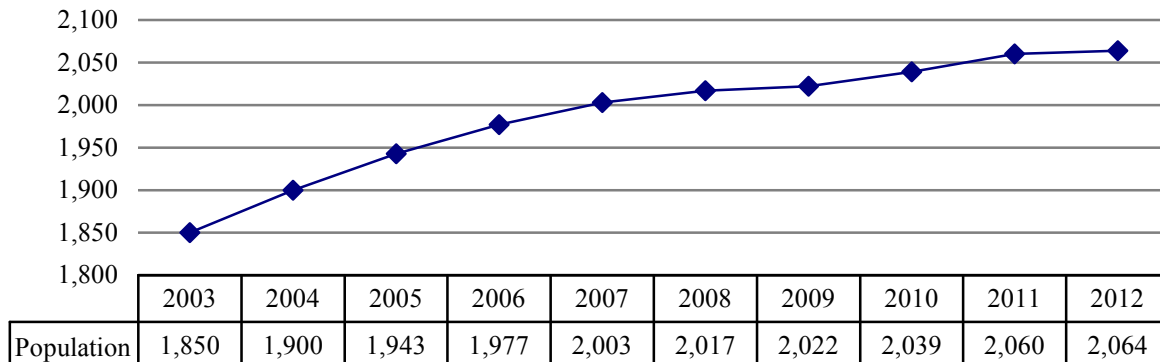
SANBAG is required to adopt a budget prior to the beginning of each fiscal year. The annual budget serves as the foundation for SANBAG's financial planning and control. The budget is prepared by funding source, program and task. The annual budget serves as the foundation for SANBAG's financial planning and control. Management may transfer resources within each task and between tasks within the same program. The Executive Director has the authority to substitute funding sources within a program, not to exceed \$1 million. Changes in the total expenditures for a program require Board approval.

Local Economy

San Bernardino County, which together with Riverside County forms the Inland Empire, has one of the largest economies in the United States. The competitive advantages of affordable housing and commercial real estate make the region an attractive magnet for new businesses and economic growth. The local economy has been gradually improving from the recent nationwide recession. This has resulted in stable population growth, gradual reduction in unemployment, increase in personal income, and increase in local revenues.

The population of San Bernardino County has grown by 11.6% over the last ten years. Although the growth slowed down in 2009 due to the economy, it has started to show a steady increase in the last few years.

**Population Growth
Last Ten Years
(In Thousands)**



The County experienced a significant increase in unemployment during the recent economic recession with an unemployment rate peaking at 14.2% in 2010. The unemployment rate has decreased to 13.2% and 12.2% in 2011 and 2012 respectively. The improvement in unemployment in recent years is still well below the pre-recession rate of 5.6% in 2007.

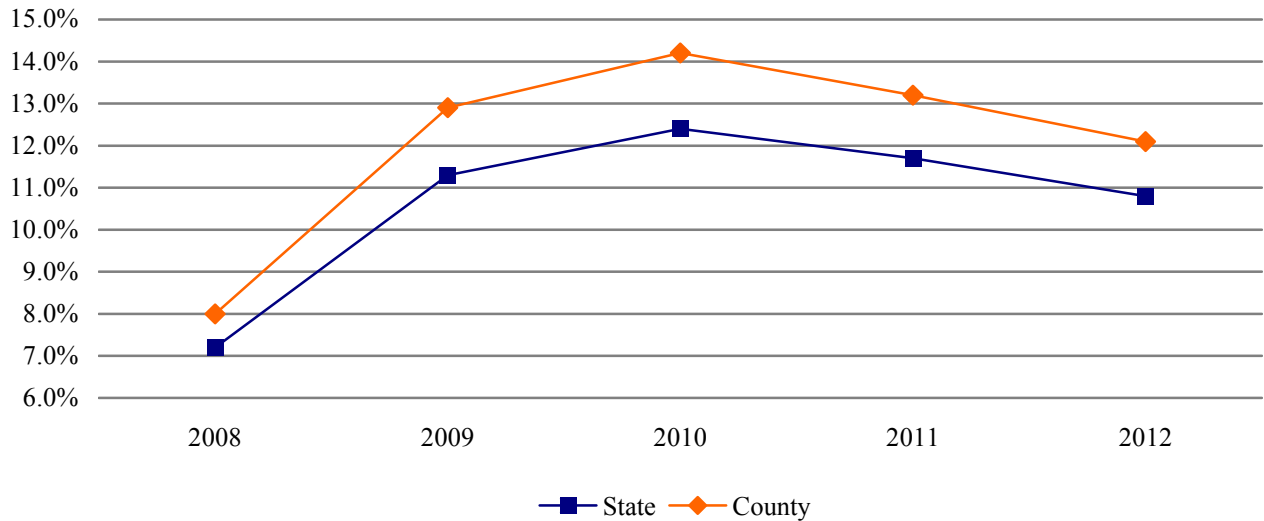
The following table summarizes the civilian labor force, employment and unemployment, and employment rate for the State of California and San Bernardino County for the calendar years 2008 through 2012. The figures for 2012 are as of nine months ending September 2012. Data for each of the years are not seasonally adjusted. Labor force data is by place of residence and includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

STATE OF CALIFORNIA AND SAN BERNARDINO COUNTY STATISTICAL AREA
Civilian Labor Force, Employment, Unemployment and Unemployment Rate-Annual Averages
(In Thousands)

	2008		2009		2010		2011		2012	
	State	County	State	County	State	County	State	County	State	County
Civilian labor force	18,203	863.3	18,208	858.3	18,316	860.7	18,385	860.6	18,425	864.2
Employment	16,890	794.5	16,145	747.4	16,052	738.9	16,226	747.1	16,445	759.5
Unemployment	1,313	68.8	2,064	110.9	2,265	121.8	2,158	113.4	1,980	104.7
Unemployment rate	7.2%	8.0%	11.3%	12.9%	12.4%	14.2%	11.7%	13.2%	10.8%	12.1%

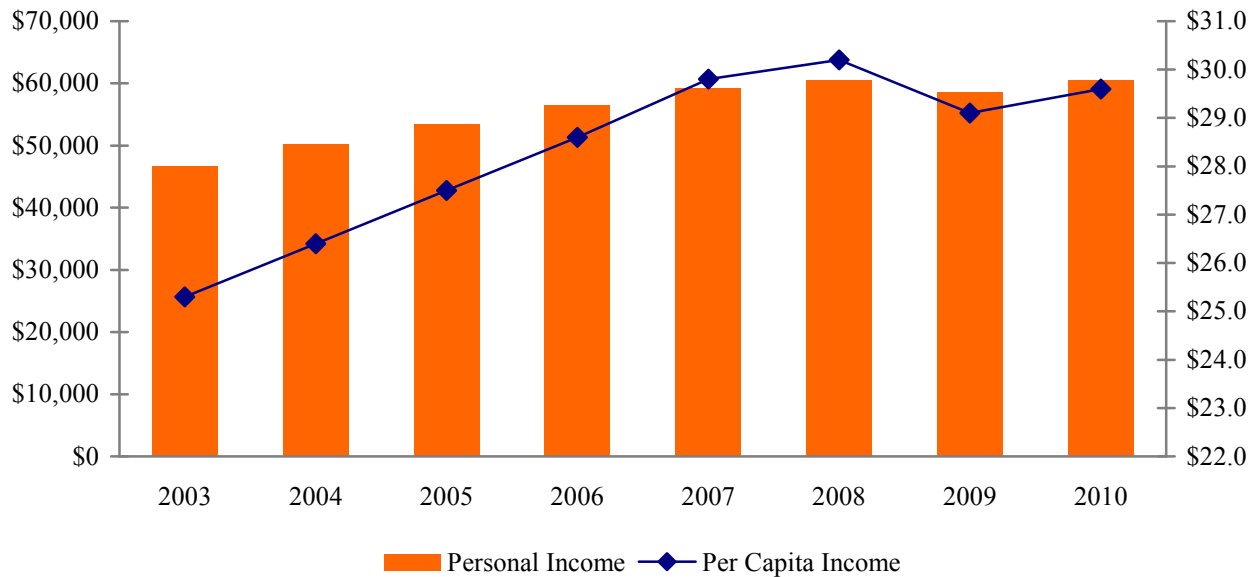
Source: Labor Market Information Division-California State Employment Development Department.

**Unemployment Rate
County versus State
Last Five Years**



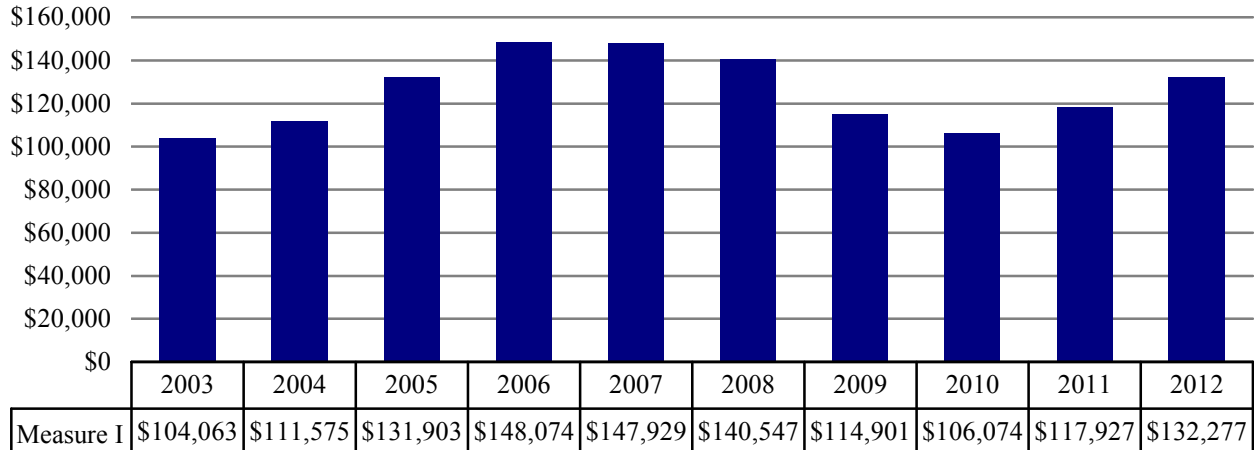
Personal income decreased from a high of \$60.6 million in 2008 to \$58.5 million 2009 because of the economic recession. Personal income increased to \$60.5 million in 2010 to indicate an improvement in the local economy. Per capita income followed a similar pattern increasing steadily from \$25,928 in 2003 to a high of \$30,220 in 2008, then decreasing to \$29,072 in 2009 and increasing to \$29,609 in 2010.

**Personal Income and Per Capita Income
Years 2003-2010
(In Thousands)**



Measure I sales tax receipts declined from a high of \$148.1 million in fiscal year 2005-2006 to a low of \$106.9 million in fiscal year 2009-2010. However, recent increase in retail sales indicates a current recovery in the inland empire region. Measure I sales tax revenue for fiscal year 2011-2012 was \$132.3 million in comparison to \$117.9 million of the prior fiscal year.

**Measure I Sales Tax
Last Ten Years
(In Thousands)**



SANBAG estimated \$122 million Measure I sales tax revenue for the fiscal year 2012-2013 budget which is a conservative number in comparison to prior years. Measure I sales tax revenue will affect future bond financing and transportation projects delivery. The economic recovery is expected to continue slowly in fiscal year 2013.

SANBAG faces ongoing challenges in providing planning and transportation support to San Bernardino County. However, the region continues to retain a sound base for future economic growth, including lower priced real estate, a large pool of skilled workers, and increasing wealth and education levels.

Long Term Planning

The new Measure I program initiated on April 1, 2010. This was the result of voters approving the extension/renewal of the local transaction and use tax in November 2004. SANBAG has adopted a strategic plan for the implementation of this 30 year extension, designed to improve transportation and goods movement. A ten-year delivery plan was recently completed which provides revenue projections; project scope, cost and schedule; escalation and inflation; financial strategy; and long-term bonding analysis. A total of 37 projects were identified in the plan at a total estimated cost in excess of \$3 billion. Funding includes \$1.3 billion from Measure I sales tax revenue, and \$1.9 billion from federal, state, and local sources.

SANBAG will continue to explore economically viable ways to advance these transportation projects so they may be enjoyed by the citizens of San Bernardino County as soon as possible. The previous 20-year Measure I concluded after collecting nearly \$1.8 billion for transportation projects.

Major Initiatives

Some of the major highlights for the year included the following:

COUNCIL OF GOVERNMENTS

Property Assessed Clean Energy Program (PACE)

SANBAG began work on the PACE program that will provide \$200 million in private investment to help residential and commercial property owners install energy efficient and water conservation improvements.

Independent Taxpayer Oversight Committee (ITOC)

The IOTC which is required with the renewal of the Measure I sales tax, gave their first report to the SANBAG Board of Directors. The report found Measure I expenditures for fiscal year 2010-2011 were consistent with the Measure I expenditure plan.

25th Annual City-County Conference

SANBAG co-sponsors the City-County Conference to bring city and county elected officials and staff together to discuss mutual concerns. The 2012 conference focused on implementation of the Countywide Vision. Attendees addressed changing demographics and possible strategies for the future.

AIR QUALITY AND TRAVELER SERVICES

Inland Empire 5-1-1 (IE511)

The IE511 system introduced its smartphone application for iPhone and Android devices. More than 5,500 users downloaded the application which provides real time traffic information, commute planning and rideshare information.

Alternative Fuel Truck Fleet

During the year, Ryder System, Inc. ordered over 200 compressed natural gas (CNG) and liquid natural gas (LNG) vehicles as part of the Department of Energy and California Energy C grant program administered by SANBAG.

Inland Empire Traffic Management Center (TMC)

SANBAG provided \$6 million for the completion of the TMC (LEED Certified project). The facility opened in June 2012 and is located at the junction of I-15 and SR-210. It will be a central operations center monitoring area freeways.

TRANSIT AND PASSENGER RAIL

SBX Bus Rapid Transit

Construction commenced on the Bus Rapid Transit project that will run from the California State University San Bernardino to the Loma Linda University Medical Center.

Metrolink Pedestrian Undercrossing

The Rancho Cucamonga Metrolink Pedestrian Undercrossing was dedicated in October 2011. The tunnel under the tracks is well-lighted and provides safe passage for commuter rail passengers.

Victor Valley Transit Authority (VVTA) Facility

In April 2012, SANBAG and officials throughout the region joined VVTA for the dedication of the new LEED Certified (Gold) facility. The state-of-the-art facility serves as both administrative offices and maintenance facility for the entire VVTA fleet.

MAJOR PROJECT DELIVERY

Colton Crossing Rail-to-Rail Grade Separation

Construction commenced on this historical railroad crossing located south of the I-10 freeway in Colton, where the Union Pacific and BNSF rail lines have crossed for more than 100 years. The \$200 million project is in progress and is scheduled to be completed in late 2013.

I-10 Westbound Widening, Yucaipa to Redlands

Construction is underway on the west bound lanes of the freeway. The project is expected to be completed in spring of 2013.

North Milliken Grade Separation, Ontario

Construction is moving quickly on the railroad crossing over Milliken Avenue in Ontario. It is scheduled to be completed in early 2013.

I-10/Citrus and Cherry interchanges, Fontana

A joint groundbreaking ceremony was held 2012. Construction has begun on the Citrus interchange and construction will commence in late summer on the Cherry interchange. Both are expected to be completed in two years.

I-10/Riverside Interchange, Rialto

Demolition of the old bridge reconstruction of the new bridge was completed. A celebration was held in November 2011 in conjunction with the City of Rialto's centennial celebration.

I-215/State route 210 Gary Moon Memorial Interchange

This is phase IV of the major I-215 freeway reconstruction project through the City of San Bernardino. The northbound I-215 to westbound SR 210 was opened in December 2011. A dedication ceremony held on June 8, 2012 to commemorate the naming of the freeway interchange the "Gary Moon Memorial Interchange". Gary Moon was SANBAG's Director of Freeway Construction from 1990 to 2003 and a Senate bill adopted in 2007 named the interchange after him.

Hunts Lane Grade Separation, Colton/San Bernardino

A groundbreaking ceremony was held in May, 2012 for the overcrossing above the Union Pacific railroad tracks on Hunts Lane, located between the cities of Colton and San Bernardino. It is to be completed in 2014.

Signal Synchronization Project

Tiers 1 and 2 of the valley-wide signal timing system were completed. Work continues for tiers 3 and 4. The project improves the efficiency and overall operation of local streets. It has coordinated more than 650 intersections covering 150 miles of roadway, 48 interchanges, and three state highways. Upon completion of the project, more than 1,200 signals throughout the valley will have been coordinated, setting the national standard for optimizing local street operation.

I-15/Rancho Road Interchange, Hesperia

Phase 2 of 3 for the interchange project. Construction commenced in October 2012 and will be completed in the fall of 2014.

I-15/La Mesa-Nisqualli Interchange

Construction is underway following a groundbreaking ceremony in January 2012. The interchange project will provide a new east/west cross-over point for local traffic. The project is scheduled to be completed in the summer of 2013.

I-215 Widening Project

The premier project through central San Bernardino is 7.5 miles long and costs \$723 million. Reconstruction of the 50 year old section of the I-215 is approaching its final year of construction. It includes construction of 15 bridges, 34 new ramps, expansion from 6 lanes to 10 lanes, and construction of two major connectors.

Awards and Acknowledgements

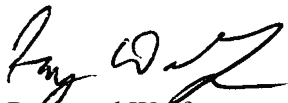
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to state and local governments for their comprehensive annual financial reports (CAFR). In order to be awarded a Certificate of Achievement, the government needs to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.


SANBAG is submitting its CAFR for the award program for the first time. We believe our CAFR meets the Certificate of Achievement for Excellence in Financial Reporting Program requirements.

SANBAG has received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2011. To qualify for the award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communicative device.

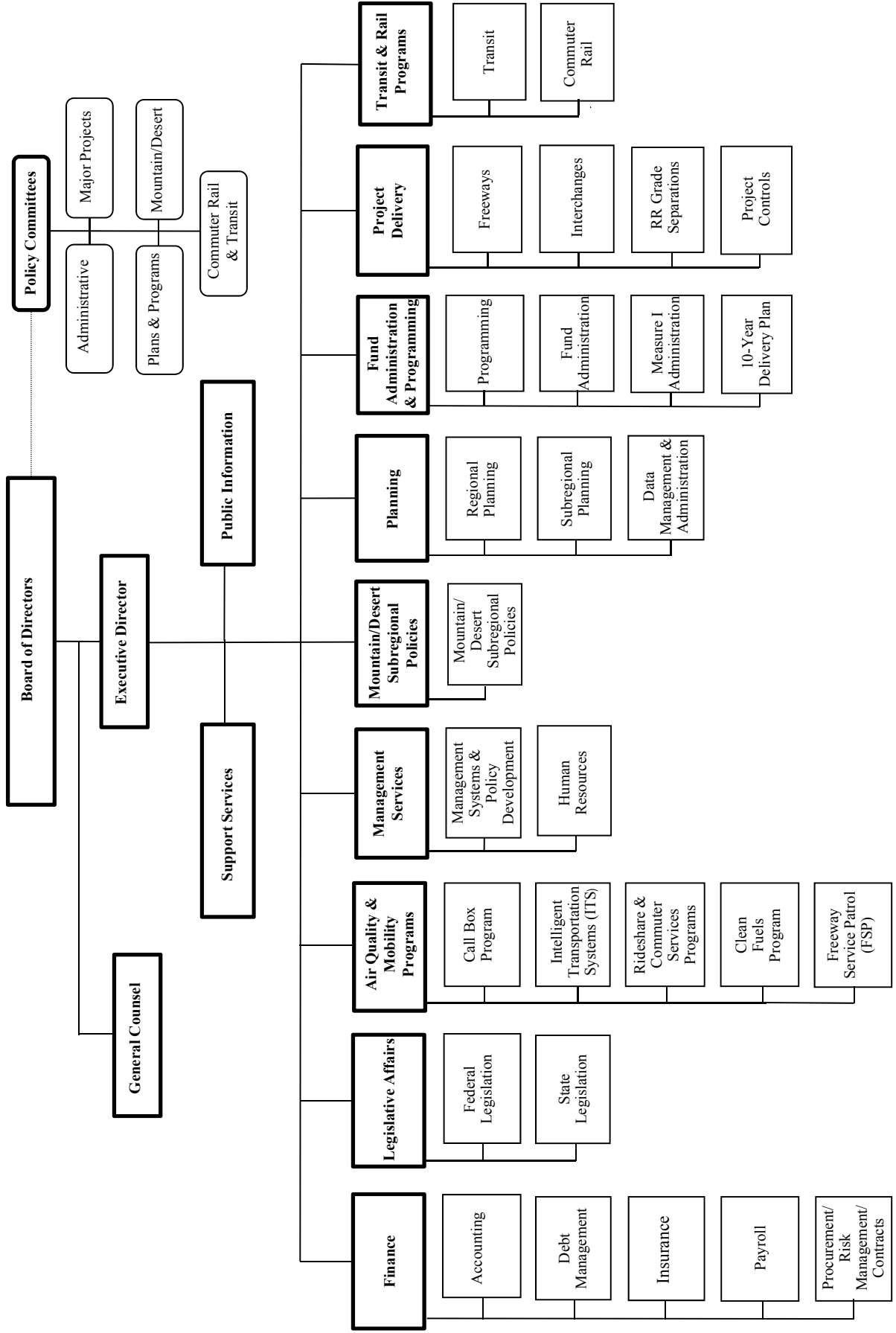
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. Special recognition is given to Hilda Flores, Accounting Manager, for the preparation of the report. Credit also must be given to the SANBAG Board of Directors for their unflinching support for maintaining the highest standards of professionalism in the management of SANBAG's finances.

Sincerely,


Raymond Wolfe
Executive Director


William W. Stawarski
Chief Financial Officer

**San Bernardino Associated Governments
Organization Chart**



NOTE: During the fiscal year 2012 procurement/risk management/contracts were added to finance; programming, fund administration and the 10-year delivery plan was transferred to fund administration and programming.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
List of Principal Officials
June 30, 2012

Board of Directors

Name	Jurisdiction	Title
Larry McCallon,	Mayor-City of Highland	Board President Administrative Committee Vice-Chair
Janice Rutherford	Supervisor- County of San Bernardino	Board Vice-President Administrative Committee Chair
Cari Thomas	Major-City of Adelanto	Board Member
Rick Roelle	Council Member-Town of Apple Valley	Board Member
Julie McIntyre	Mayor Pro Tem-City of Barstow	Board Member Mountain/Desert Committee Vice-Chair
Bill Jahn	Mayor-City of Big Bear Lake	Board Member Plans and Programs Committee Chair
Dennis Yates	Mayor-City of Chino	Board Member
Ed Graham	Council Member-City of Chino Hills	Board Member
Sarah Zamora	Mayor-City of Colton	Board Member
Michael Tahan	Council Member-City of Fontana	Board Member Major Projects Committee Vice-Chair
Walt Stanckiewicz	Mayor-City of Grand Terrace	Board Member
Mike Leonard	Council Member-City of Hesperia	Board Member
Rhodes Rigsby	Mayor-City of Loma Linda	Board Member
Paul Eaton	Mayor-City of Montclair	Board Member Commuter Rail and Transit Committee Vice-Chair
Edward Paget	Mayor-City of Needles	Board Member
Alan Wapner	Council Member-City of Ontario	Board Member
L. Dennis Michael	Mayor-City of Rancho Cucamonga	Board Member Plans and Programs Vice-Chair
Pete Aguilar	Mayor-City of Redlands	Board Member
Ed Scott	Mayor Pro Tem-City of Rialto	Board Member
Patrick Morris	Mayor-City of San Bernardino	Board Member Commuter Rail and Transit Committee Chair
Jim Harris	Council Member-City of Twentynine Palms	Board Member Mountain/Desert Committee Chair
Ray Musser	Mayor-City of Upland	Board Member
Ryan McEachron	Mayor-City of Victorville	Board Member
Dick Riddell	Mayor-City of Yucaipa	Board Member Major Projects Committee Chair

SAN BERNARDINO ASSOCIATED GOVERNMENTS
List of Principal Officials
June 30, 2012

Board of Directors

Name	Jurisdiction	Title
George Huntington	Council Member-Town of Yucca Valley	Board Member
Gary Ovitt	Supervisor-County of San Bernardino	Board Member
Brad Mitzelfelt	Supervisor-County of San Bernardino	Board Member
Neil Derry	Supervisor-County of San Bernardino	Board Member
Josie Gonzales	Supervisor-County of San Bernardino	Board Member

Appointed Officials

Ray Wolfe, Executive Director
Eileen Teichert, General Counsel
Vicki Watson, Clerk of the Board
Duane Baker, Director of Management Services
William Stawarski, Chief Financial Officer
Eric Haley, Acting Director of Legislative Affairs
Vacant, Director of Planning
Mitchell Alderman, Director of Transit and Rail Programs
Garry Cohoe, Director of Project Delivery
Andrea Zureick, Director of Fund Administration and Programming



Santa Fe Super Chief locomotives parked at the Santa Fe Depot - 1989

Financial Section



Independent Auditor's Report

Board of Directors
San Bernardino Associated Governments
San Bernardino, CA

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Bernardino Associated Governments (SANBAG) as of and for the year ended June 30, 2012, which collectively comprise SANBAG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SANBAG'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of SANBAG as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, SANBAG changed its accounting policy related to revenue recognition for governmental funds. In addition, net position has been restated for the correction in reporting liabilities.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, funding progress on the postemployment defined benefit plans, and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SANBAG's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory and statistical section are presented for purposes of additional analysis and are 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 basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

McGladrey LLP

Irvine, CA
February 5, 2013

Management's Discussion and Analysis

Our discussion and analysis of the San Bernardino Associated Governments (SANBAG) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of SANBAG exceeded its liabilities at the close of the fiscal year by \$281,780,601 (*net position*).
- The unrestricted net position (deficit) of (\$20,906,687) is the result of issuance of long-term debt to finance freeways, freeway interchanges and major streets which are owned and vested by the California Department of Transportation and other local jurisdictions. Therefore, there is no corresponding asset to the long-term liability. Although SANBAG does not have sufficient current resources to cover long-term liabilities, future Measure I sales tax revenues are pledged to cover future debt service obligations.
- SANBAG's net position decreased by \$1,004,462 from the previous fiscal year as a result from operations.
- The total cost of all SANBAG's activities was \$373,930,988 for the current fiscal year. Net cost of all activities was \$211,287,617.
- The total fund balances of SANBAG's governmental funds were \$395,336,482 at the close of the fiscal year. A majority of the fund balances are restricted, committed and assigned.
- General Fund expenditures exceeded revenues and other financing sources by \$425,989 for the fiscal year ended.
- The total fund balance of the General Fund was \$16,629,352 for the fiscal year. \$149,194 was nonspendable, \$99,367 was committed and \$16,380,791 was assigned.
- SANBAG's total outstanding long-term bonded debt including unamortized premiums decreased by \$152,120,326 due to the defeasance of the Sales Tax Revenue Notes of 2009, Series A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to SANBAG's basic financial statements. SANBAG's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of SANBAG's finances, in a manner similar to a private-sector business.

Statement of Net Position

The statement of net position presents information on all of SANBAG's assets, liabilities and deferred inflows/outflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SANBAG is improving or deteriorating.

Statement of Activities

The statement of activities presents information showing how SANBAG's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

The Statement of Activities distinguish functions of SANBAG that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges or operating grants and contributions. The governmental activities of SANBAG include general-council of governments support, air quality and traveler services, transportation planning and programming, transit and passenger rail, major project delivery, and transportation fund administration. Prior fiscal years were reported in large part by disbursements to cities, subareas, transit operators and claimants, highways, professional services, contributions to other governments, and management and technical support. The change in governmental activities was attributed to the implementation of new accounting software in fiscal year 2012.

The government-wide financial statements include only the financial information for SANBAG and its component unit, SAFE itself. The government-wide financial statements can be found on pages 17-18.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SANBAG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

SANBAG maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for its major governmental funds which consist of: the general fund; federal highway, federal stimulus, state highway, proposition 1B, local transportation fund, state transit assistance fund, 1990-2010 Measure I, and 2010-2040 Measure I special revenue funds; debt service fund and capital projects fund. Information for the remaining three nonmajor governmental funds is combined into a single, aggregated presentation. Individual fund data of these nonmajor governmental funds is provided in the form of *combining statements* in the supplementary information section of the report.

SANBAG adopts an annual appropriated budget for all of the governmental funds. Budgetary comparison schedules have been provided in the required supplementary information section for the general and major special revenue funds to demonstrate compliance with the budget. Budgetary comparison schedules have been provided in the supplementary information section for the nonmajor governmental and remaining major funds.

The basic governmental fund financial statements can be found on pages 20-27 of this report.

Proprietary Funds

SANBAG only maintains one type of proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among SANBAG's various functions. SANBAG uses its internal service fund to account for the Santa Fe Depot building and for tracking any associated maintenance costs. Because this activity benefits the governmental funds, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Santa Fe Depot building and associated maintenance. Individual fund data for the internal service fund is also provided in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 28-30.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-60 of this report.

Other Information

In addition to the basic financial statements and accompanying notes to the financial statements, this report also presents certain required supplementary information concerning SANBAG's budgetary results for the general fund and major special revenue funds, progress in funding its obligation to provide pension benefits to its employees, and the note to required supplementary information. Required supplementary information can be found on pages 61-71 of this report.

Other supplementary information is presented immediately following the required supplementary information. This information includes the following:

- Combining balance sheet and statement of revenues, expenditures and changes in fund balances relating to nonmajor governmental funds.

- Budgetary comparison schedules for nonmajor special revenue governmental funds.
- Budgetary comparison schedules for remaining debt service and capital projects major funds.
- Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows for the Santa Fe Depot internal service fund.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the 1990-2010 Measure I special revenue fund.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the 2010-2040 Measure I special revenue fund.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the debt service fund.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the capital projects fund.

Supplementary information can be found on pages 74-105 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of SANBAG'S financial position. At June 30, 2012, SANBAG's assets exceeded liabilities by \$281,780,601. The following is condensed financial data related to net position at June 30, 2012 and June 30, 2011:

Condensed Statement of Net Position

	Governmental Activities	
	2012	2011
Current and other assets	\$ 481,921,544	\$ 600,516,677
Capital assets-net of depreciation	64,339,191	64,528,387
Total assets	<u>546,260,735</u>	<u>665,045,064</u>
Long-term liabilities outstanding	196,232,247	321,408,129
Other liabilities	68,247,887	55,240,873
Total liabilities	<u>264,480,134</u>	<u>376,649,002</u>
Net position:		
Net investment in capital assets	64,339,191	64,528,387
Restricted	238,348,097	514,537,080
Unrestricted	(20,906,687)	(290,669,405)
Total net position	<u>\$ 281,780,601</u>	<u>\$ 288,396,062</u>

Net Position

Net investment in capital assets represents 22.8% of the net position of SANBAG. Capital assets include the Santa Fe Depot facility, land improvements and rail operating land easements. Capital assets were acquired with the use of federal grants and local revenues and no outstanding debt was used for acquisition. SANBAG utilizes the capital assets for council of governments activities, air quality and traveler services, transportation services, transit and commuter rail services, and major highway and street projects for residents and businesses of San Bernardino County.

The largest portion of SANBAG's net position is subject to external restrictions. Restrictions include federal, state and local statutes, and bond covenants.

The unrestricted net position represent the portion of net position that can be used to finance day-to-day operations without constraints established by bond covenants, enabling legislation, or other legal requirements. Unrestricted net position (deficit) is (\$20,906,687) at June 30, 2012. This amount results in part from the impact of SANBAG's debt on the statement of net position. The deficit is the result of issuance of long-term debt to finance freeways, freeway interchanges and major streets which are owned and vested by the California Department of Transportation and other local jurisdictions. Accordingly, these capital projects are not reported as assets to offset the corresponding long-term liability.

SANBAG's net position decreased by 1,004,462 during the fiscal year as a result of expenses exceeding revenues. The total cost of SANBAG activities was \$373,930,988 for the fiscal year. Net cost of all activities was \$211,287,617. The following is condensed financial data related to changes in net position for the year ended June 30, 2012 and June 30, 2011:

Condensed Statement of Changes in Net Position

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 782,247	\$ 1,620,021
Operating grants and contributions	161,861,124	184,243,485
General revenues:		
Sales tax-Measure I	132,276,581	118,115,639
Sales tax-Local Transportation Fund	71,168,436	-
Unrestricted investment earnings	5,934,258	8,911,951
Miscellaneous	903,880	-
Total revenues	<u>372,926,526</u>	<u>312,891,096</u>

Condensed Statement of Changes in Net Position

	Governmental Activities	
	2012	2011
Expenses		
General-council of governments support	1,919,964	-
Air quality and traveler services	16,561,711	-
Transportation planning and programming	6,027,692	-
Transit and passenger rail	32,939,430	-
Major project delivery	165,717,535	-
Transportation fund administration	142,700,712	-
Interest expense	8,063,944	7,745,427
General government	-	21,251,548
Disbursements to cities, subareas, transit operators, and claimants	-	84,839,312
Contributions to other governmental agencies	-	43,729,263
Professional services	-	59,625,947
Management and technical services	-	39,979
Highways	-	62,410,680
Total expenses	<u>373,930,988</u>	<u>279,642,156</u>
Changes in net position	<u>\$ (1,004,462)</u>	<u>\$ 33,248,940</u>

NOTE: SANBAG implemented new fund accounting/financial software in 2012 which provides a different classification of revenues and expenses in fiscal year 2012 in comparison to the prior fiscal year. Sales tax-local transportation fund was reclassified as general revenue in fiscal year 2012. Previously, it was classified as program-operating grants and contributions. Vehicle registration fee revenue was reclassified to program-operating grants and contributions in 2012. It was classified as program-charges for services in the previous year. Expenses were reclassified in fiscal year 2012 to better reflect programs and functions of SANBAG. Fiscal year 2011 was not revised to reflect the classification changes in 2012.

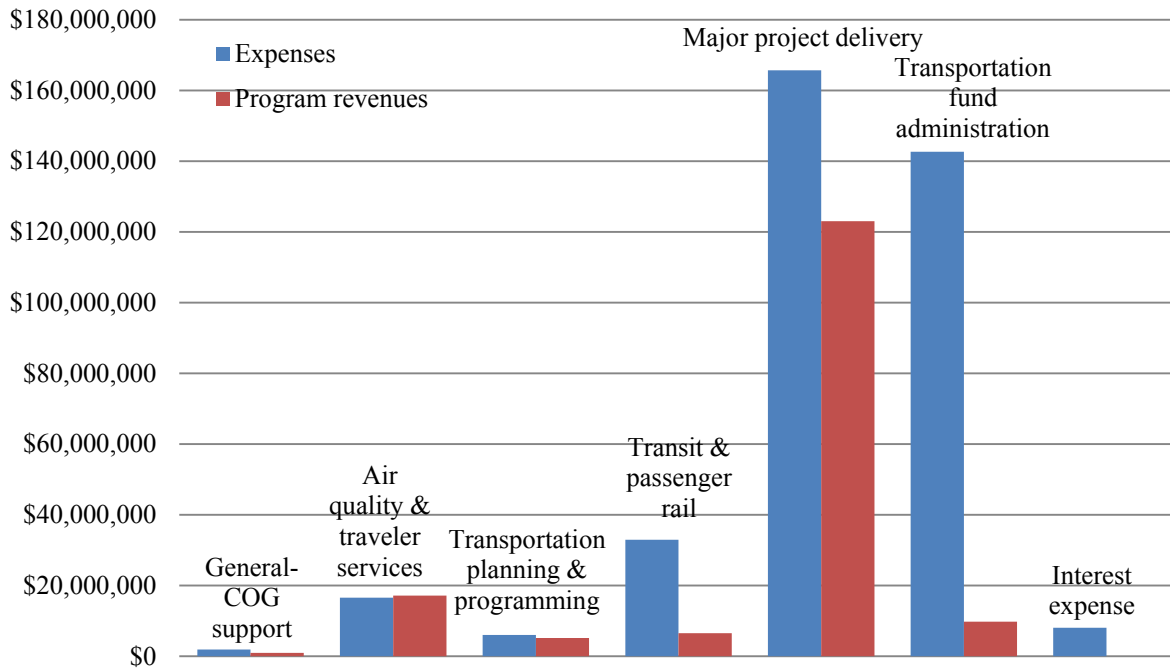
Changes in Net Position

Revenues increased by \$60,035,430 or 19.2% from the previous fiscal year. The increase in general revenues was attributed to the reclassification of the local transportation fund sales tax. Sales tax revenue from Measure I increased by \$14,160,942 from the previous fiscal year. The increase is attributed to the current increase in sales tax collections throughout the County. The decrease in interest income is directly attributed to investing less idle cash than in the prior year.

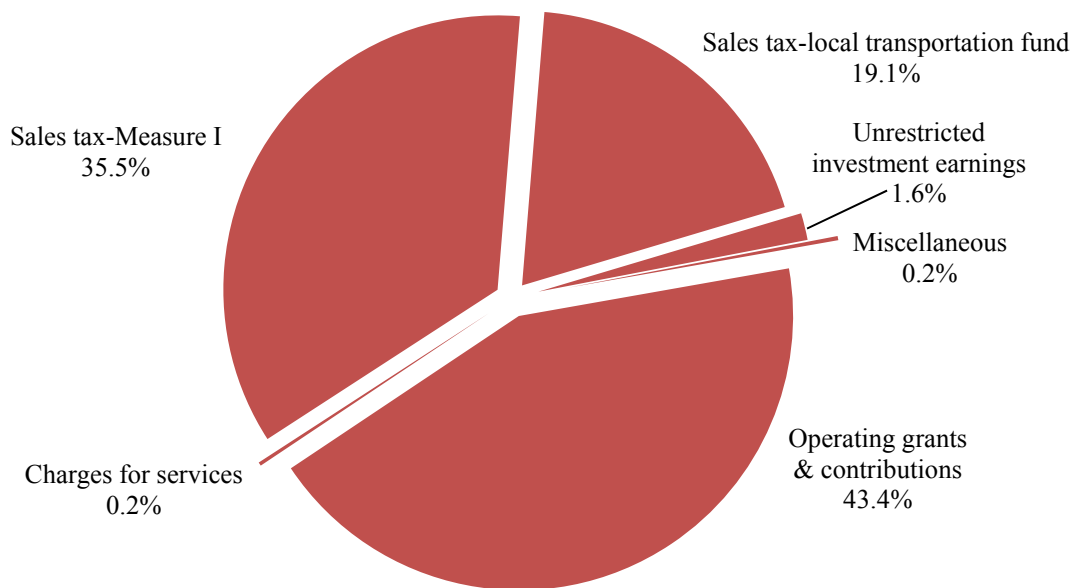
Expenses increased by \$94,288,832 or 33.7% from the previous fiscal year. The increase was primarily attributed to transit and passenger rail projects, and a larger number of major highway and street projects identified in SANBAG's ten-year delivery plan.

Net expenses is a good indication of the extent to which the services provided by SANBAG are financed from sales taxes paid by citizens and businesses of San Bernardino County as opposed to recovering the cost of these services with user fees, grants and other contributions. Air quality and traveler services; transportation planning and programming; and major project delivery recover their expenses primarily from program revenues. General-council of governments (GOG) support; transit and passenger rail; transportation fund administration; and interest expense are financed primarily from general revenues.

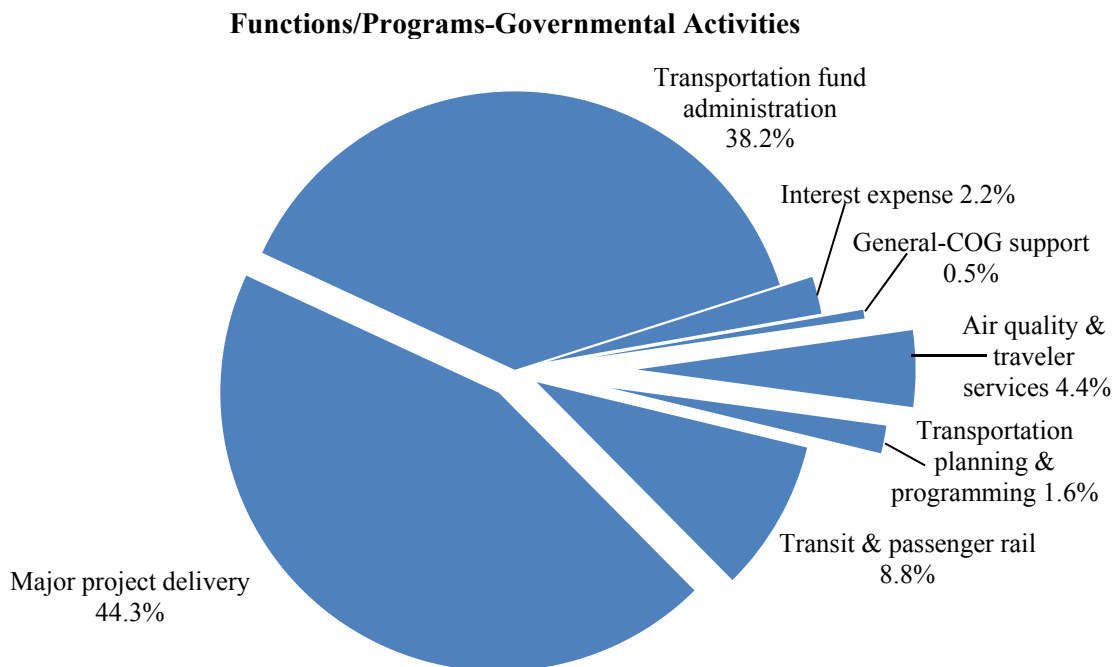
Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Measure I and local transportation fund sales tax revenues provide 54.6% of the overall revenue sources of the governmental activities. Another large source of revenue is operating grants and contributions which include various federal, state and local grants and reimbursements. SANBAG leverages the Measure I sales tax revenue by aggressively obtaining federal and state grants.



Major project delivery and transportation fund administration represents 82.5% of the programs of the governmental activities. Major project delivery provides for the freeway, freeway interchange and grade separation projects utilizing federal, state, and local revenues; and Measure I sales tax revenue. Each project is identified in the Measure I 2010-2040 expenditure and ten-year delivery plans. Transportation fund administration provides for the apportionment and allocation of Measure I sales tax, local transportation fund sales tax and state transit assistance fund revenues for various local arterial projects, project advancement agreements (*see note 7 of notes to financial statements*), transit operator support and local street pass-through payments.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

SANBAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. This information assesses SANBAG’s financing requirements. *Unassigned fund balance* is a measure of SANBAG’s net resources available for designation or spending at the end of the fiscal year. It represents the portion of the fund balance which has not been limited for a particular purpose by either an external party, SANBAG itself, or individuals that have been delegated authority to assign resources for use for certain purposes by the SANBAG’s Board of Directors.

SANBAG's governmental funds reported combined fund balances of \$395,336,482 as of June 30, 2012. This represents a \$145,097,021 decrease from the previous fiscal year. The total fund balance is either *nonspendable*, *restricted*, *committed*, *assigned* or *unassigned* as follows:

- Not in spendable form-\$149,194.
- Restricted for particular purposes-\$386,189,494.
- Committed for particular purposes-\$99,367.
- Assigned for particular purposes-\$16,380,791.
- Unassigned (deficit)-(\$7,482,364).

The unassigned deficit is primarily related to the revenue recognition (unearned revenue) of certain revenue sources.

The following is information pertaining to fund balances of the *major funds* of SANBAG.

General Fund

The general fund is the chief operating fund of SANBAG. At the end of the fiscal year, the fund balance of the general fund was \$16,629,352 which represents a \$425,989 decrease from the previous fiscal year. The total fund balance of the general fund was either *nonspendable* (\$149,194 for prepaid items), *committed* (\$99,367 for council of governments activities) or *assigned* (\$16,380,791 for general administration: planning and programming; and rail activities). The decrease in fund balance was attributed to increased spending in certain transit and rail projects.

Federal Highway Special Revenue Fund

The federal highway special revenue fund reported an unassigned fund deficit of \$5,711,148 at the end of the fiscal year. The fund primarily accounts for reimbursement of qualified program expenditures and the deficit is attributed to unearned revenue not available at June 30, 2012.

Federal Stimulus Special Revenue Fund

The federal stimulus special revenue fund reported no fund balance at the end of the fiscal year. The fund primarily accounts for reimbursement of qualified program expenditures.

State Highway Special Revenue Fund

The state highway special revenue fund reported no fund balance at the end of the fiscal year. The fund primarily accounts for reimbursement of program expenditures.

Proposition 1B Special Revenue Fund

The proposition 1B special revenue fund reported an unassigned fund deficit of \$233,729 at the end of the fiscal year. The deficit is attributed to unearned revenue not available at June 30, 2012.

Local Transportation Fund Special Revenue Fund

The local transportation fund special revenue fund had a fund balance increase of \$11,344,144 from the previous fiscal year. The total fund balance of \$94,718,235 is reported as *restricted* fund balance at June 30, 2012. The increase in fund balance was attributed to the increase in local transportation sales tax revenue.

State Transit Assistance Fund Special Revenue Fund

The fund balance of the state transit fund special revenue fund was \$51,921,599 at the end of the fiscal year which represents an \$8,562,024 increase. The fund balance is reported as *restricted* at June 30, 2012. The increase in fund balance was attributed to an increase in intergovernmental revenues and total revenues exceeding expenditures.

1990-2010 Measure I Special Revenue Fund

The 1990-2010 Measure I special revenue fund had a decrease in fund balance of \$37,422,720 from the previous fiscal year. The total fund balance of \$61,432,033 was *restricted* at June 30, 2012. The decrease is due to the drawdown of the remaining fund balance of the old Measure I program.

2010-2040 Measure I Special Revenue Fund

The 2010-2040 Measure I special revenue fund had an increase in fund balance of \$23,687,535 from the previous fiscal year. The total fund balance of \$104,084,873 was *restricted* at June 30, 2012. The increase in fund balance was largely due to an increase in Measure I sales tax revenue collections.

Debt Service Fund

At the end of the fiscal year, the fund balance of the debt service fund was \$1,061,652 which represents a \$16,471,518 decrease from the previous fiscal year. The total fund balance of the debt service fund was *restricted*. The decrease in fund balance was attributed the issuance of the 2012 sales tax revenue bonds and defeasance of the 2009 sales tax revenue note.

Capital Projects Fund

The capital projects fund had a fund balance decrease of \$136,285,217 from the previous fiscal year. The total fund balance of \$70,531,852 is reported as *restricted* fund balance at June 30, 2012. The decrease in fund balance was due to the defeasance of the 2009 sales tax revenue note.

Proprietary Funds

SANBAG maintains one proprietary fund which is an *internal service fund*. The unrestricted net position of the Santa Fe Depot internal service fund was \$3,920,315 at the end of the fiscal year. The decrease in net position of \$217,431 was attributed to rental charges not recovering operating expenses.

General Fund Budgetary Highlights

Differences between the original budget for expenditure appropriations and the final budget were \$23,257,512. The largest general fund appropriation increase was related to transit and passenger rail capital projects relating to Redlands commuter rail extension, City of Colton Metrolink commuter rail maintenance facility, extension of Metrolink commuter rail to City of San Bernardino transit center, and the sbX E Street bus rapid transit system.

During the fiscal year, actual revenues were less than budgetary estimated revenues by \$1,008,975. The decrease in revenues was primarily due from fewer charges for services revenue of \$1,267,244 in comparison to budgetary estimated amount.

Actual expenditures were less than budgetary appropriations by \$22,156,881. The most significant budgetary appropriation variance between the final budget and actual amount was attributed to transit and passenger rail program. The variance of \$20,605,048 is due to certain capital projects identified earlier that were not completed at the end of the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

SANBAG's investment in capital assets for its governmental activities as of June 30, 2012 is \$64,339,191 (net of accumulated depreciation). Capital assets include land, buildings, equipment, and vehicles. The following is a summary of capital assets (net of depreciation) at June 30, 2012 and 2011:

	Governmental Activities	
	2012	2011
Governmental activities		
Land	\$ 59,982,004	\$ 59,982,004
Buildings	4,100,821	4,249,751
Equipment and vehicles	256,366	296,632
Total capital assets	<u>\$ 64,339,191</u>	<u>\$ 64,528,387</u>

The net decrease in capital assets for the fiscal year was \$189,196. The change in capital assets is attributed to the additions of \$86,838 and depreciation of \$276,034.

Please see note 6 of the *notes to the financial statements* for more detailed description of the capital assets activity.

Debt Administration

At the end of the fiscal year, SANBAG had total long-term bonded debt of \$91,880,000. This included the sales tax revenue bonds issued on March 1, 2012. The following is a summary of the outstanding bonded debt (including unamortized premiums) at June 30, 2012 and 2011:

	Governmental Activities	
	2012	2011
Governmental activities		
Sales tax revenue notes	\$ -	\$ 252,909,504
Sales tax revenue bonds	100,789,178	-
Total outstanding bonded debt	<u>\$ 100,789,178</u>	<u>\$ 252,909,504</u>

The decrease of outstanding debt from the previous year was attributed to the defeasance of the Sales Tax Revenue Notes of 2009 Series A. The revenue notes were due to mature on May 1, 2012 and were defeased with existing funding sources and the issuance of the Sales Tax Revenue Bonds of 2012, Series A as follows:

Estimated Sources and Use of Funds

Source of funds

Par amount of Sales Tax Revenue Bonds of 2012, Series A	\$	91,880,000
Revenue bond premium		9,042,588
Existing amounts held by trustee		237,594,343
Contribution from SANBAG		12,203,180
Total source of funds	\$	350,720,111

Use of funds

Deposit to escrow account	\$	255,722,248
Deposit to project fund		94,100,000
Costs of issuance		897,863
Total use of funds	\$	350,720,111

The funds in the escrow account were used to pay the outstanding principal of \$250,000,000 and interest relating to the 2009 revenue note. The project fund deposit will be used to finance major highway and street projects.

The 2012 revenue bonds were awarded a credit rating of “AAA” from Standard & Poor’s, “AA+” from Fitch Ratings and “Aa2” from Moody’s Investors Services.

The voters of San Bernardino County approved Ordinance 04-01 on November 2004 which authorized debt not to exceed the total amount of the 2010-2040 Measure I sales tax.

Please see note 7 of the *notes to the financial statements* for more detail description of long-term liabilities.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

SANBAG continues to evaluate revenue forecasts and provide the assumptions for future budgets. The following leading economic indicators show the local economy improving from the “Great Recession” of 2007:

- Population of San Bernardino remains stable, increasing by 0.2% from the previous year.
- Personal income and personal income per capita increased by 3.3% and 1.8%, respectively from 2009 to 2010 (only information available).
- Unemployment rate for the County decreased from 13.2% to 12.1% from the previous year. This is still considerably higher than the pre-recession unemployment rate of 5.6%.

- Measure I sales tax revenue continues to increase each year. Measure I sales tax revenue was \$106.1 million in 2010, \$117.9 million in 2011, and \$132.3 million in 2012. This represents a 24.7% increase since fiscal year 2010.

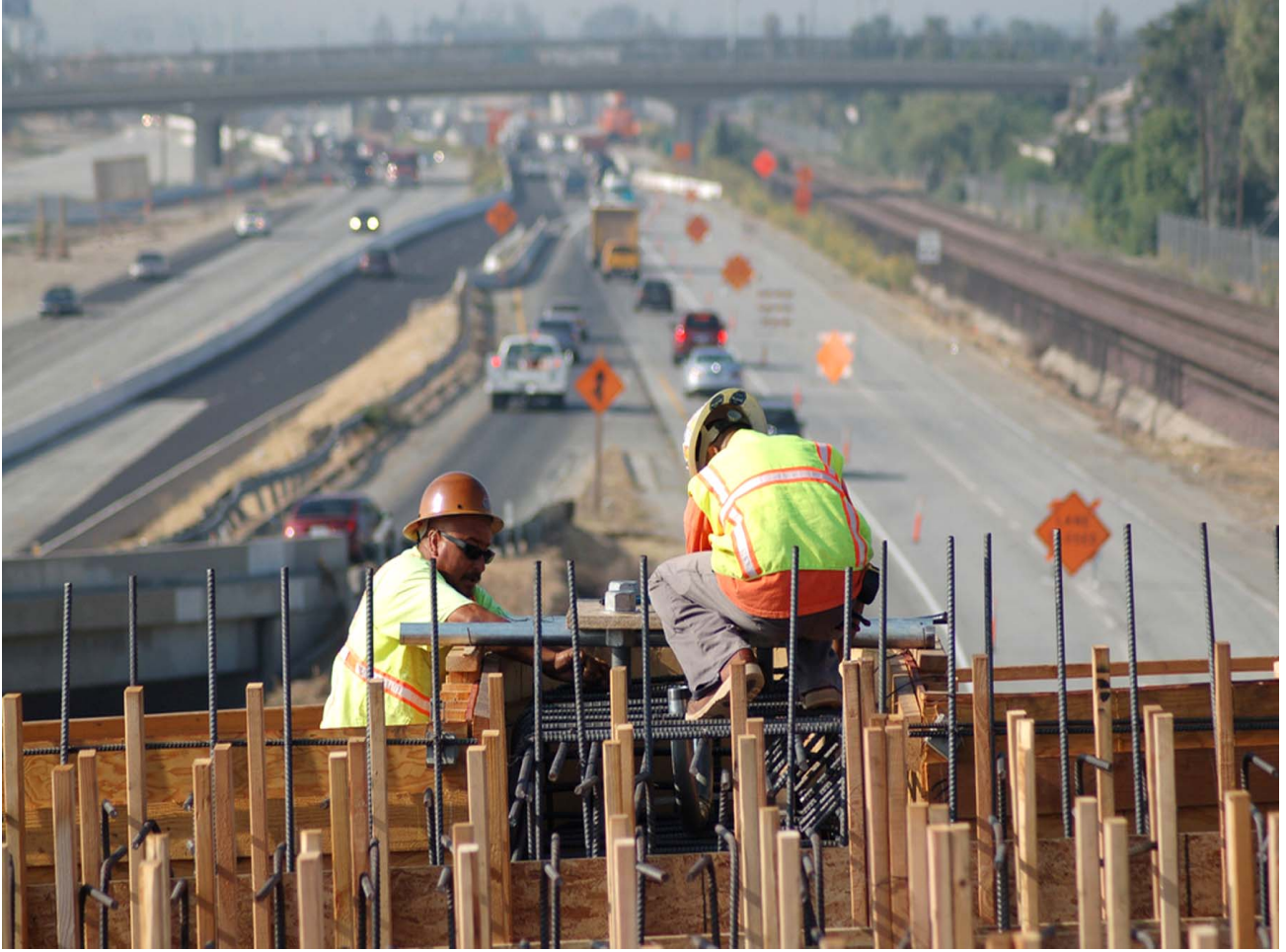
Estimated 2012/2013 budget revenues are \$585.3 million in comparison to \$463.1 million of the previous year. Measure I sales tax revenues are estimated to be \$122 million in comparison to \$111.6 million of the prior year. SANBAG continues to be conservative in Measure I sales tax projections to ensure adequate reserves for future contingencies and economic swings. The increase in total estimated revenues is primarily due to a greater use of federal, state, and local grants and reimbursements.

Budget appropriations for fiscal year 2012/2013 are \$738.8 million. The largest portion of the budget is related to the major projects delivery program of \$499.3 million. The adopted budget is balanced utilizing existing restricted fund balances including bond proceeds.

On both a federal and state level, there is continuing uncertainty regarding the fiscal condition of the economy and its impact on federal and state transportation funding. SANBAG continues to study innovative financing alternatives and aggressively searches for other federal and state financing programs to support its current projects. Please refer to the *transmittal letter-major initiatives*.

Requests for Information

This financial report is designed to provide a general overview of SANBAG's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, San Bernardino Associated Governments, 1170 W 3rd St., Second Floor, 92410-1715.



Creating jobs is an added benefit to SANBAG rebuilding aging infrastructure in the county.

Basic Financial Statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Net Position
June 30, 2012

	Governmental Activities
Assets	
Cash and investments	\$ 281,567,896
Accrued interest receivable	544,061
Sales taxes receivable	38,564,897
Accounts receivable	1,043,913
Intergovernmental receivable	78,517,323
Prepaid items	149,194
Cash and investments-restricted	81,534,260
Capital assets not being depreciated-land	59,982,004
Capital assets, net of depreciation:	
Buildings	4,100,821
Equipment and vehicles	256,366
Total assets	546,260,735
Liabilities	
Liabilities:	
Accounts payable	43,009,125
Accrued liabilities	73,868
Accrued interest payable	1,061,652
Intergovernmental payable	22,666,370
Unearned revenue	1,436,872
Long-term liabilities:	
Due within one year	10,270,872
Due in more than one year	185,961,375
Total liabilities	264,480,134
Net position	
Net investment in capital assets	64,339,191
Restricted for:	
Traveler services	1,870,895
Freeways projects	25,848,611
Major street projects	30,078,869
Commuter rail	6,486,844
Transit services	12,409,958
Traffic management systems	15,013,086
Transportation development act	146,639,834
Unrestricted (deficit)	(20,906,687)
Total net position	\$ 281,780,601

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government				
Governmental activities:				
General-council of governments support	\$ 1,919,964	\$ 782,247	\$ 165,768	\$ (971,949)
Air quality and traveler services	16,561,711	-	17,152,381	590,670
Transportation planning and programming	6,027,692	-	5,186,887	(840,805)
Transit and passenger rail	32,939,430	-	6,542,841	(26,396,589)
Major project delivery	165,717,535	-	123,035,142	(42,682,393)
Transportation fund administration	142,700,712	-	9,778,105	(132,922,607)
Interest expense	8,063,944	-	-	(8,063,944)
Total governmental activities	<u>\$ 373,930,988</u>	<u>\$ 782,247</u>	<u>\$ 161,861,124</u>	<u>(211,287,617)</u>
General revenues:				
				132,276,581
				71,168,436
				5,934,258
				903,880
				<u>210,283,155</u>
				<u>(1,004,462)</u>
				288,396,062
				<u>(5,610,999)</u>
				282,785,063
				<u>\$ 281,780,601</u>

See accompanying notes to financial statements



Metrolink trains now pass over the Haven Avenue Grade Separation in Rancho Cucamonga, which is just one of many new grade separation projects in SANBAG's service area.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Balance Sheet
Governmental Funds
June 30, 2012

	Special Revenue		
	General	Federal Highway	Federal Stimulus
Assets			
Cash and investments	\$ 19,280,592	\$ -	\$ -
Accrued interest receivable	52,167	737	-
Sales taxes receivable	248,630	-	-
Accounts receivable	202	2,633	-
Intergovernmental receivable	68,132	17,254,723	18,269,868
Due from other funds	-	-	-
Prepaid items	149,194	-	-
Cash and investments-restricted	-	-	-
Total assets	<u>\$ 19,798,917</u>	<u>\$ 17,258,093</u>	<u>\$ 18,269,868</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,979,293	\$ 6,066,654	\$ 5,933,572
Accrued liabilities	29,535	-	-
Intergovernmental payable	160,110	603,268	6,888
Due to other funds	864,903	10,588,171	12,329,408
Unearned revenue	135,724	5,711,148	-
Total liabilities	<u>3,169,565</u>	<u>22,969,241</u>	<u>18,269,868</u>
Fund balances:			
Nonspendable-Prepaid items	149,194	-	-
Restricted:			
Traveler services	-	-	-
Freeway projects	-	-	-
Major street projects	-	-	-
Commuter rail	-	-	-
Transit services	-	-	-
Traffic management systems	-	-	-
Transportation development act	-	-	-
Debt service	-	-	-
Committed-Council of governments	99,367	-	-
Assigned:			
General administration	8,741,032	-	-
Planning and programming	635,146	-	-
Rail	7,004,613	-	-
Unassigned	-	(5,711,148)	-
Total fund balances	<u>16,629,352</u>	<u>(5,711,148)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 19,798,917</u>	<u>\$ 17,258,093</u>	<u>\$ 18,269,868</u>

See accompanying notes to financial statements

Special Revenue						
State Highway	Proposition 1B	Local Transportation Fund	State Transit Assistance Fund	1990-2010 Measure I	2010-2040 Measure I	Debt Service
\$ -	\$ -	\$ 82,570,828	\$ 49,078,111	\$ 68,109,445	\$ 56,811,788	\$ 3,000
-	-	100,480	64,390	74,937	150,678	-
-	-	13,701,949	-	-	24,614,318	-
2,762	-	-	-	495,128	24	-
8,264,606	12,139,738	-	3,215,554	-	395,335	-
-	-	864,903	-	-	53,425,309	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,061,652
<u>\$ 8,267,368</u>	<u>\$ 12,139,738</u>	<u>\$ 97,238,160</u>	<u>\$ 52,358,055</u>	<u>\$ 68,679,510</u>	<u>\$ 135,397,452</u>	<u>\$ 1,064,652</u>
\$ 3,852,511	\$ 5,101,308	\$ -	\$ -	\$ 5,120,498	\$ 4,382,221	\$ 3,000
-	-	-	-	26,685	13,991	-
-	-	2,519,925	436,456	2,100,294	26,908,195	-
4,414,857	5,504,553	-	-	-	8,172	-
-	1,767,606	-	-	-	-	-
<u>8,267,368</u>	<u>12,373,467</u>	<u>2,519,925</u>	<u>436,456</u>	<u>7,247,477</u>	<u>31,312,579</u>	<u>3,000</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	66,034,523	-
-	-	-	-	43,464,293	22,108,227	-
-	-	-	-	1,102,698	5,384,146	-
-	-	-	-	6,755,637	5,654,296	-
-	-	-	-	10,109,405	4,903,681	-
-	-	94,718,235	51,921,599	-	-	-
-	-	-	-	-	-	1,061,652
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(233,729)	-	-	-	-	-
-	(233,729)	94,718,235	51,921,599	61,432,033	104,084,873	1,061,652
<u>\$ 8,267,368</u>	<u>\$ 12,139,738</u>	<u>\$ 97,238,160</u>	<u>\$ 52,358,055</u>	<u>\$ 68,679,510</u>	<u>\$ 135,397,452</u>	<u>\$ 1,064,652</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Balance Sheet
Governmental Funds
June 30, 2012

	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 4,025,493	\$ 1,664,763	\$ 281,544,020
Accrued interest receivable	98,527	2,145	544,061
Sales taxes receivable	-	-	38,564,897
Accounts receivable	543,164	-	1,043,913
Intergovernmental receivable	12,228,138	6,681,229	78,517,323
Due from other funds	-	-	54,290,212
Prepaid items	-	-	149,194
Cash and investments-restricted	80,472,608	-	81,534,260
Total assets	<u>\$ 97,367,930</u>	<u>\$ 8,348,137</u>	<u>\$ 536,187,880</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 5,368,968	\$ 5,201,100	\$ 43,009,125
Accrued liabilities	1,380	2,277	73,868
Intergovernmental payable	123,813	12,971	32,871,920
Due to other funds	19,301,235	1,278,913	54,290,212
Unearned revenue	2,040,682	951,113	10,606,273
Total liabilities	<u>26,836,078</u>	<u>7,446,374</u>	<u>140,851,398</u>
Fund balances:			
Nonspendable-Prepaid items	-	-	149,194
Restricted:			
Traveler services	-	1,851,729	1,851,729
Freeway projects	17,841,973	-	83,876,496
Major street projects	53,277,400	-	118,849,920
Commuter rail	-	-	6,486,844
Transit services	-	-	12,409,933
Traffic management systems	-	-	15,013,086
Transportation development act	-	-	146,639,834
Debt service	-	-	1,061,652
Committed-Council of governments	-	-	99,367
Assigned:			
General administration	-	-	8,741,032
Planning and programming	-	-	635,146
Rail	-	-	7,004,613
Unassigned	(587,521)	(949,966)	(7,482,364)
Total fund balances	<u>70,531,852</u>	<u>901,763</u>	<u>395,336,482</u>
Total liabilities and fund balances	<u>\$ 97,367,930</u>	<u>\$ 8,348,137</u>	<u>\$ 536,187,880</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2012

Amounts reported for *governmental activities* in the statement of net position (page 17) are different because:

Fund balances-total governmental funds (page 22)	\$ 395,336,482
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,442,752
Revenues applicable to governmental activities that are not available in the current period and, therefore, are not reported in the funds.	9,169,401
Internal service fund is used by management to account for the operating revenues and expenses of Santa Fe Depot. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position	3,920,315
Accrued interest payable applicable to governmental activities is not due and payable in the current period and, therefore, is not reported in the funds	(1,061,652)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The long-term liabilities consist of the following:	
Compensated absences payable	(407,746)
Intergovernmental payable	(84,829,773)
Revenue bonds payable	(91,880,000)
Unamortized premium on revenue bonds	(8,909,178)
Net position of governmental activities	\$ 281,780,601

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue		
	General	Federal Highway	Federal Stimulus
Revenues			
Sales tax-Measure I	\$ 1,322,766	\$ -	\$ -
Sales tax-local transportation fund	-	-	-
Intergovernmental	152,599	22,308,842	37,684,253
Charges for services	652,873	-	-
Special assessments	129,374	-	-
Investment earnings	177,976	-	-
Miscellaneous	-	-	-
Total revenues	<u>2,435,588</u>	<u>22,308,842</u>	<u>37,684,253</u>
Expenditures			
Current:			
General-council of governments support	1,389,075	-	-
Air quality and traveler services	9,778	1,350,616	3,686,117
Transportation planning and programming	993,056	1,754,849	-
Transit and passenger rail	11,875,124	-	-
Major project delivery	-	18,619,929	33,980,000
Transportation fund administration	571,904	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Fiscal and issuance costs	-	-	-
Capital outlay	73,818	-	-
Total expenditures	<u>14,912,755</u>	<u>21,725,394</u>	<u>37,666,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,477,167)</u>	<u>583,448</u>	<u>18,136</u>
Other Financing Sources (Uses)			
Transfers in	12,051,178	-	-
Transfers out	-	-	-
Sales tax revenue bonds issued	-	-	-
Premium on sales tax revenue bonds issued	-	-	-
Total other financing sources (uses)	<u>12,051,178</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(425,989)</u>	<u>583,448</u>	<u>18,136</u>
Fund balances beginning of year	14,865,412	(21,415,247)	-
Accumulative effect of accounting change	2,189,929	15,120,651	(18,136)
Fund balances beginning of year, as restated	<u>17,055,341</u>	<u>(6,294,596)</u>	<u>(18,136)</u>
Fund balances end of year	<u>\$ 16,629,352</u>	<u>\$ (5,711,148)</u>	<u>\$ -</u>

See accompanying notes to financial statements

Special Revenue						
State Highway	Proposition 1B	Local Transportation Fund	State Transit Assistance Fund	1990-2010 Measure I	2010-2040 Measure I	Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,953,815	\$ -
-	-	71,168,436	-	-	-	-
23,996,922	17,022,805	-	13,210,148	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	338,733	192,187	634,160	485,269	3,910,721
-	-	864,903	17,762	-	-	-
<u>23,996,922</u>	<u>17,022,805</u>	<u>72,372,072</u>	<u>13,420,097</u>	<u>634,160</u>	<u>131,439,084</u>	<u>3,910,721</u>
-	-	-	-	-	473,582	-
-	-	-	-	601,646	635,013	-
981,139	1,105,508	-	-	1,076,386	116,754	-
-	-	-	-	6,204,964	10,450,069	-
22,977,936	15,611,793	-	-	15,732,731	18,890,206	-
34,510	-	50,553,850	3,280,973	9,237,973	61,957,137	-
-	-	-	-	-	-	250,000,000
-	-	-	-	-	-	11,461,155
-	-	-	-	-	-	10
-	-	-	-	-	-	-
<u>23,993,585</u>	<u>16,717,301</u>	<u>50,553,850</u>	<u>3,280,973</u>	<u>32,853,700</u>	<u>92,522,761</u>	<u>261,461,165</u>
<u>3,337</u>	<u>305,504</u>	<u>21,818,222</u>	<u>10,139,124</u>	<u>(32,219,540)</u>	<u>38,916,323</u>	<u>(257,550,444)</u>
-	-	-	-	-	-	241,286,470
-	-	(10,474,078)	(1,577,100)	(5,203,180)	(15,228,788)	(101,130,132)
-	-	-	-	-	-	91,880,000
-	-	-	-	-	-	9,042,588
-	-	(10,474,078)	(1,577,100)	(5,203,180)	(15,228,788)	241,078,926
<u>3,337</u>	<u>305,504</u>	<u>11,344,144</u>	<u>8,562,024</u>	<u>(37,422,720)</u>	<u>23,687,535</u>	<u>(16,471,518)</u>
-	-	81,211,844	43,359,575	84,277,776	76,917,128	17,533,170
(3,337)	(539,233)	2,162,247	-	14,576,977	3,480,210	-
<u>(3,337)</u>	<u>(539,233)</u>	<u>83,374,091</u>	<u>43,359,575</u>	<u>98,854,753</u>	<u>80,397,338</u>	<u>17,533,170</u>
<u>\$ -</u>	<u>\$ (233,729)</u>	<u>\$ 94,718,235</u>	<u>\$ 51,921,599</u>	<u>\$ 61,432,033</u>	<u>\$ 104,084,873</u>	<u>\$ 1,061,652</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues and Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Sales tax-Measure I	\$ -	\$ -	\$ 132,276,581
Sales tax-local transportation fund	-	-	71,168,436
Intergovernmental	28,897,428	11,278,692	154,551,689
Charges for services	-	-	652,873
Special assessments	-	-	129,374
Investment earnings	194,314	898	5,934,258
Miscellaneous	-	21,215	903,880
Total revenues	<u>29,091,742</u>	<u>11,300,805</u>	<u>365,617,091</u>
Expenditures			
Current:			
General-council of governments support	-	17,969	1,880,626
Air quality and traveler services	-	10,278,541	16,561,711
Transportation planning and programming	-	-	6,027,692
Transit and passenger rail	4,409,273	-	32,939,430
Major project delivery	41,243,316	-	167,055,911
Transportation fund administration	-	-	125,636,347
Debt Service:			
Principal	-	-	250,000,000
Interest	-	-	11,461,155
Fiscal and issuance costs	-	-	10
Capital outlay	-	-	73,818
Total expenditures	<u>45,652,589</u>	<u>10,296,510</u>	<u>611,636,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,560,847)</u>	<u>1,004,295</u>	<u>(246,019,609)</u>
Other Financing Sources (Uses)			
Transfers in	109,358,920	-	362,696,568
Transfers out	(229,083,290)	-	(362,696,568)
Sales tax revenue bonds issued	-	-	91,880,000
Premium on sales tax revenue bonds issued	-	-	9,042,588
Total other financing sources (uses)	<u>(119,724,370)</u>	<u>-</u>	<u>100,922,588</u>
Net change in fund balances	<u>(136,285,217)</u>	<u>1,004,295</u>	<u>(145,097,021)</u>
Fund balances beginning of year	207,852,403	1,107,166	505,709,227
Accumulative effect of accounting change	(1,035,334)	(1,209,698)	34,724,276
Fund balances beginning of year as restated	206,817,069	(102,532)	540,433,503
Fund balances end of year	<u>\$ 70,531,852</u>	<u>\$ 901,763</u>	<u>\$ 395,336,482</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2012

Amounts reported for *governmental activities* in the statement of activities (page 18) are different because:

Net changes in fund balances-total governmental funds (page 26)	\$ (145,097,021)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The adjustments for capital outlay and depreciation expenses are as follows:</p>	
Capital outlay	73,818
Depreciation	(113,081)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
	8,480,114
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The adjustments for the issuance and repayment of long-term debt are as follows:</p>	
Changes in compensated absences	325,471
Changes in intergovernmental payable	(17,064,365)
Principal payments on sales tax revenue bonds	250,000,000
Issuance of sales tax revenue bonds	(91,880,000)
Premium on sales tax revenue bonds	(8,909,178)
Amortization of premium on sales tax revenue notes	2,909,504
Amortization of issuance costs on sales tax revenue notes	(363,612)
Change in accrued interest on sales tax revenue bonds	851,319
<p>Internal service fund is used by management to account for the operating revenues and expenses of Santa Fe Depot. The net revenue of the internal service fund is reported with governmental activities</p>	
	(217,431)
Change in net position of governmental activities	\$ (1,004,462)

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Net Position
Proprietary Funds
June 30, 2012

	Governmental Activities
	Internal Service Fund
Assets	
Current assets-cash and investments	\$ 23,876
Noncurrent assets	
Capital assets:	
Land	284,929
Buildings	4,857,904
Equipment	30,092
Less accumulated depreciation	(1,276,486)
Total noncurrent assets	3,896,439
Total assets	3,920,315
Net position	
Net investment in capital assets	3,896,439
Unrestricted	23,876
Total net position	\$ 3,920,315

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2012

	Governmental Activities
	Internal Service Fund
Operating revenues	
Rental charges:	
SANBAG	\$ 270,438
Metrolink	34,824
SCAG	27,622
Other	7,595
Total operating revenues	340,479
Operating expenses	
Supplies, maintenance and other	394,957
Depreciation	162,953
Total operating expenses	557,910
Operating income (loss)	(217,431)
Net position at beginning of year	4,137,746
Net Position at end of year	\$ 3,920,315

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Governmental Activities
	Internal Service Fund
Cash Flows from operating activities	
Receipts from customers and users:	
SANBAG	\$ 270,438
Metrolink	34,824
SCAG	27,622
Other	7,595
Payments to suppliers and service providers	(394,957)
Net cash provided by (used for) operating activities	(54,478)
Cash flows from capital and related financing activities	
Acquisition of capital assets	(13,020)
Net increase (decrease) in cash and investments	(67,498)
Cash and investments at beginning of year	91,374
Cash and investments at end of year	\$ 23,876
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (217,431)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	162,953
Net cash provided by (used for) operating activities	\$ (54,478)

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other exchange transactions, are reported separately from *business-type activities*, which rely to significant extent on fees and charges to external customers for support. The *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

San Bernardino Associated Governments (SANBAG) was established in 1973 for the purpose of improving and coordinating governmental services on a countywide subregional basis. SANBAG acts as the San Bernardino County Transportation Commission (the Commission), established in 1977 under Division 12 (commencing with Section 130000) of the Public Utilities Code to provide transportation planning and programming at the local level. Funding for the Commission is provided from transportation funds and federal grant programs administered through the California Department of Transportation.

SANBAG also serves as the San Bernardino County Transportation Authority (the Authority), established under Division 19 (commencing with Section 18000) of the Public Utilities Code. The Authority is responsible for carrying out the provisions of the Ordinance, as described below, including the collection and allocation of Measure I tax revenue. The Ordinance was adopted by the voters of San Bernardino County (the County) and provides for the imposition of a transactions and use tax for transportation purposes, including but not limited to, the administration of the Authority and the construction, maintenance, improvement and operation of local streets, roads and highways, state highways and freeways, and public transit systems. These purposes include expenditures for planning, environmental reviews, engineering and design costs, and related right-of-way acquisitions. They also include, but are not limited to, debt service on bonds and expenses in connection with the issuance of bonds.

The sales tax was originally imposed over a 20-year period from April 1, 1990 through March 31, 2010. On November 2, 2004, the County's voters approved a 30-year renewal of Measure I through March 2040.

Blended Component Unit

SANBAG also acts as the San Bernardino County Service Authority for Freeway Emergencies (SAFE), which was established by Section 2550 of the California Streets and Highways Code, authorizing the Board of Supervisors of the county and the city councils with a majority of the incorporated population to establish a service authority for freeway emergencies. The primary purpose of the authority is to implement and maintain the operation of an emergency motorist aid system. In 1986 the Board of Supervisors of the County and the cities with a majority of the incorporated population established SAFE. Funding for SAFE is provided from an additional vehicle registration fee on vehicles registered in the County. SAFE is presented as a special revenue fund. Separate financial statements are not issued for SAFE.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2012

The accounting policies of SANBAG conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

C. Basis of Presentation – Government-wide Financial Statements

The *Statement of Net Position* and *Statement of Activities* report information on all the activities of the primary government (including blended component units) and discretely presented component units. SANBAG has no discretely presented components units. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other exchange transactions, are reported separately from business-type activities, which rely to significant extent on fees and charges to external customers for support. SANBAG does not have any business-type activities.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function and allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

D. Basis of Presentation – Fund Financial Statements

The underlying accounting system of SANBAG is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental and proprietary funds (including blended component units) are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate. SANBAG currently has no fiduciary funds.

Major funds are categorized based on relative size and other factors. Certain governmental funds are classified as a major fund even though it does not meet the size criteria. SANBAG believes these funds are important to the financial statement users.

SANBAG reports the following major governmental funds:

General Fund

The *general fund* is the general operating fund of SANBAG and accounts for the financial resources not required to be accounted in another fund.

Federal Highway Special Revenue Fund

The *special revenue fund* accounts for revenues and expenditures related to the federal highway surface transportation, congestion mitigation and air quality, transportation enhancement activities, projects of national and regional significance, and demonstration high priority programs.

Federal Stimulus Special Revenue Fund

This *special revenue fund* accounts for the American Recovery and Reinvestment Act (ARRA) federal highway infrastructure investment grants and ARRA federal department of energy clean cities grant revenues.

State Highway Special Revenue Fund

The *special revenue fund* accounts for revenues and expenditures related to the state highway traffic congestion relief; regional improvement; interregional improvement; longer life pavement; state highway operations and protection; planning, programming and monitoring; public transportation account programs.

Proposition 1B Special Revenue Fund

This *special revenue fund* revenues and expenditures related to state corridor mobility improvement; trade corridor improvement fund; public transportation modernization, improvements and services enhancement account; traffic light synchronization; state and local partnership; and transit systems safety security disaster recovery programs.

Local Transportation Fund Special Revenue Fund

The *special revenue fund* serves as a depository for the ¼ cent of the 7.75 cent retail sales tax collected in San Bernardino County. Revenues accounted for in this fund are distributed to local jurisdictions and transit agencies based on annual apportionments.

State Transit Assistance Fund Special Revenue Fund

This *special revenue fund* serves as a depository for the State Development Act revenue to be disbursed to local transit agencies and operators. Distribution of funds is based on annual adopted apportionments.

1990-2010 Measure I Special Revenue Fund

The *special revenue fund* accounts for the ½ cent Measure I sales tax approved by the voters of San Bernardino County in November 1989. Ordinance No. 89-1 established the expenditure plan for the distribution of tax revenues to the subareas of the county.

2010-2040 Measure I Special Revenue Fund

The *special revenue fund* accounts for the extension of the ½ cent Measure I sales tax approved by the voters of San Bernardino County in November 2004. Ordinance No. 04-01 established the expenditure plan for the distribution of tax revenues to the subareas of the county.

Debt Service Fund

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on the sales tax revenue bonds.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2012

Capital Projects Fund

The *capital projects fund* accounts for local reimbursements and contributions, and sales tax revenue bond proceeds for transportation and transit improvement projects.

SANBAG reports the following major proprietary fund:

Internal Service Fund

The *internal service fund* is the only proprietary fund reported by SANBAG. It accounts for the maintenance and operation of the Santa Fe Depot.

Additionally, SANBAG reports the following non-major funds:

State Energy Programs Special Revenue Fund

This *special revenue fund* accounts for revenues from the state alternative and renewable fuel technology program.

Service Authority for Freeway Emergencies Special Revenue Fund

This *special revenue fund* accounts for a portion of the motor vehicle registration fees received from the Department of Motor Vehicles for emergency call boxes to assist motorists.

Freeway Service Patrol Special Revenue Fund

This *special revenue fund* accounts for state funding for the freeway service patrol program. The program covers eight beats operating along sixty-five centerline miles of highway in the Valley area. Contract expenditures include technical communications, California Highway Patrol, and various tow agreements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resource*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SANBAG considers revenues to be available if they are collected within 180 days (see Note 16) of the end of the current fiscal period. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt is reported as other financing sources.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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Sales taxes, intergovernmental revenues and investment earnings associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount received during the period is within the availability period. All other revenue items are considered to be measureable and available when cash is received by SANBAG.

The Internal Service Fund is SANBAG's only proprietary fund. The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered.

F. Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, debt service and capital projects funds. Appropriations are prepared by fund, program and task.

Budget Amendments

When it becomes necessary to modify the adopted budget, the amendment procedure depends on the type of change that is needed.

Administrative Budget Amendments

There are three types of administrative budget amendments that do not result in an increase to the overall program budget. The first two require approval of the program/task manager and the Chief Financial Officer. The third requires approval of the Executive Director.

- 1) Transfers from one line item to another within the task budget and fund, or changes between tasks within the same program and fund.
- 2) Reallocation of budget salary costs and revenues from one program to another within the same fund.
- 3) Substitution of one approved fund and or grant for another approved fund and or grant within a program, not to exceed \$1 million.

Board Approved Amendments

A Board approval is required for all other budget amendments including increases in the total program appropriations or revenues.

Formal budgetary integration is employed as a management control device during the year. Commitments for material and services, such as purchase orders and contracts, are recorded as encumbrances to assist controlling expenditures. All unused appropriations and encumbrances lapse at year end. Certain encumbrances are re-appropriated and become part of the subsequent year's budget.

Excess of Expenditures over Appropriations

For fiscal year ended June 30, 2012, no expenditures exceeded appropriations.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash and Investments

Cash and investments include amounts in demand deposits, bank investment contracts, money market mutual funds and cash on deposit with the County of San Bernardino Treasury and the Local Agency Investment Fund (LAIF). Securities purchased with a maturity date greater than 90 days at the date of acquisition have been classified as investments.

Restricted investments represent unexpended proceeds, interest earnings thereon and reserve amounts of sales tax revenues bonds. Under related bond resolutions and indentures, any remaining bond proceeds are restricted for the use of future construction of improvements to the respective projects, for debt service or for reserve requirements. The majority of these proceeds are held by trustees and fiscal agents.

Cash in the County Treasury and LAIF is carried at fair value based on the value of each participating dollar as provided by the County Treasurer and LAIF. The fair value of SANBAG's position in the County pool and LAIF is the same as the value of the pool shares. Investments in U.S. Government and agency securities are carried at fair value based on quoted market prices. Money market mutual funds are carried at fair value based on the fund's share price.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by SANBAG as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Freeway, freeway interchange, grade separation construction, and certain purchases of right of way property, for which title vests with California Department of Transportation and other entities, are included in the major project delivery program expenditures. These infrastructure expenditures are not recorded as a capital asset because SANBAG does not have title to the assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Building, equipment and furniture, and vehicles of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Useful Life</u>
Buildings	39 years
Equipment and furniture	5 - 7 years
Vehicles	5 years

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Unearned Revenue

Unearned revenue in the governmental funds represents amounts due to SANBAG which are measurable but not yet available. In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned.

Deferred Outflows/Inflows of Resources

SANBAG implemented in fiscal year 2012 GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidelines for deferred outflows of resources and deferred inflows of resources and their effects on SANBAG's net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. SANBAG currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

SANBAG has implemented in fiscal year 2012 GASB Statement No. 65, *Items previously reported as Assets and Liabilities*.

Net Position Flow Assumption

The net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by SANBAG or through external restrictions by creditors, grantors or laws or regulations of other governments. SANBAG first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

SANBAG's government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as the followings:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted

This category represents assets subject to external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Outstanding liabilities attributable to these assets reduce the balance of this category.

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Unrestricted

This category represents net position not restricted for any project or other purposes. Outstanding liabilities attributable to these assets reduce the balance of this category.

Fund Balance Flow Assumptions

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Fund Balance Policies

Fund balance classifications of governmental funds are based primarily on the extent to which SANBAG 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 governmental funds are made up of the following:

Nonspendable

This category includes amounts that are either (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, inventories and prepaid amounts and may also include long-term receivables.

Restricted

This includes amounts with constraints on their use that either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

This category includes amounts that can only be used for the specific purposes determined by formal action of SANBAG’s highest level of decision-making authority, the SANBAG Board of Directors. Commitments may be changed only by SANBAG Board of Director’s taking the same formal action that originally imposed the constraint.

Assigned

This includes amounts that are constrained by SANBAG’s intent to be used for specific purposes. The intent can be expressed by either the highest level of decision making, or by a body or an official to which the Board has delegated the authority. The Chief Financial Officer is the delegated authority.

Unassigned

Unassigned is the residual amounts not contained in other classifications. This category is used if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

H. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include:

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- 1) Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program or function.
- 2) Grants and contributions that are restricted to meeting the operational and capital requirements of a particular program or function.

Taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Sales Tax-Measure I

In November 2004, San Bernardino County voters approved an extension of the Measure I sales tax. San Bernardino County is authorized to impose a half-cent retail transaction and use tax applicable in the incorporated and unincorporated territory of the County of San Bernardino for a period of thirty years. SANBAG, acting as the Authority, is authorized to administer the programs as described in the Measure.

One-percent of the Measure I sales tax revenue is deducted for general administration of the Measure I program. The balance is allocated to six separate subareas of the county: San Bernardino Valley, Victor Valley, North Desert, Colorado River, Morongo Basin, and Mountain. The San Bernardino Valley Subarea includes not only allocations for local jurisdictions, but also allocations for freeway projects, freeway interchange projects, major street projects, Metrolink/rail, express bus/bus rapid transit, senior and disabled transit, and traffic management systems. The remaining subareas include allocations for major local highways, local streets, senior and disabled transit, and project development and traffic management.

Three percent of the revenue generated in the San Bernardino Valley and the Victor Valley subareas will be reserved in advance of other allocations specified in the plan for funding of the I-15-215 interchange in Devore, I-15 widening through Cajon Pass, and truck lane development.

Revenue generated in each subarea is returned to that subarea for projects identified in expenditure plans. Revenue from the tax can only be used for transportation improvement and traffic management programs as authorized in the Measure and the Expenditure Plan as set forth in Ordinance No. 04-01.

Sales Tax-Local Transportation Plan

The Transportation Development Act (TDA) authorizes the creation of a Local Transportation Fund (LTF) in each county for the transportation purposes specified in the "Mills-Alquist Deddeh Act," also known as the Transportation Development Act, Public Utilities Code Section 99200.

Revenues to the Local Transportation Funds are derived from the quarter cent of the 7.75% cent retail sales tax collected countywide. The quarter cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county. There is a three-step process for disbursement of these funds: (1) apportionment, (2) allocation, and (3) disbursement.

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After determining amounts allocated for planning and administrative purposes, funds are allocated for pedestrian/bicycle projects, support of transit operation and capital projects and in the mountain/desert region for street and road improvements.

Compensated Absences

Regular, full-time employees earn vacation at the rate of 10 to 20 days per year based upon length of service. Vested accumulated vacation leave that is expected to be payable from available resources is reported as a liability of the general fund, if matured, for example, as a result of employee retirements or terminations. The unmatured portion is included with long-term debt in the government-wide financial statements.

Sick leave is recorded as expenditures in the general fund when taken by the employee. Employees who accrue in excess of 500 hours can convert them 2:1 into vacation leave. This amount is accrued at fiscal year-end as a liability reported in the government-wide financial statements. Converted sick leave, due and payable at year end, is reported in the general fund.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the governmental-wide statement of net position.

One element of the reconciliation explains “capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the net adjustment of \$60,442,752 are as follows:

Land	\$ 59,697,075
Buildings	529,298
Equipment and vehicles	3,552,492
Less: Accumulated depreciation	<u>(3,336,113)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 60,442,752</u>

Another element of the reconciliation explains “internal service funds used by management to account for the operating revenues and expenses of Santa Fe Depot. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.”

Net adjustment to increase <i>fund balance - total governmental funds</i> arrive at <i>net position - governmental activities</i>	<u>\$ 3,920,315</u>
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Notes to the Financial Statements

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A final element of the reconciliation explains “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The long-term liabilities consist of the following:

Compensated absences	\$ 407,746
Intergovernmental payable	84,829,773
Revenue bonds payable	91,880,000
Unamortized premium on revenue bonds	<u>8,909,178</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 186,026,697</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of assets is allocated over their estimated useful lives and reported as depreciation.”

Capital outlay	\$ 73,818
Depreciation	<u>(113,081)</u>
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (39,263)</u>

Another element of the reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.”

Net adjustment to increase <i>changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 8,480,114</u>
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Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The adjustments for the issuance and repayment of long-term debt are as follows:”

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Changes in compensated absences	\$ 325,471
Changes in intergovernmental-Measure I project advancement agreements	(17,064,365)
Principal payments on sales tax revenue notes	250,000,000
Issuance of sales tax revenue bonds	(91,880,000)
Premium on sales tax revenue bonds	(8,909,178)
Amortization of premium on sales tax revenue bonds	2,909,504
Amortization of issuance costs on sales tax revenue bonds	(363,612)
Changes in accrued interest on sales tax revenue bonds	851,319
Net adjustment to reduce <i>changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 135,869,139

3. DEFICIT FUND EQUITY

At June 30, 2012, the federal highway special revenue fund, a major fund, has a deficit fund balance of \$5,711,148 and the proposition 1B special revenue fund, also a major fund, had a deficit fund balance of \$233,729 . There were also fund balance deficits of \$930,800 and \$19,166 in the state energy programs and freeway service patrol nonmajor special revenue funds respectively. The deficits are attributed to certain grants from federal and state agencies not received before the revenue recognition criteria of 180 days and are recorded as unearned revenue. The fund balance deficits will be offset with future collections of unearned revenue.

4. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 consist of the following:

	Unrestricted			Restricted Investments	Grand Total
	Cash	Investments	Total		
Cash in bank	\$ 20,676,494	\$ -	\$ 20,676,494	\$ -	\$ 20,676,494
Petty cash	1,000	-	1,000	-	1,000
Cash in County Treasury	-	168,463,004	168,463,004	-	168,463,004
Local agency investment fund	-	24,131,426	24,131,426	-	24,131,426
Investments with custodian	-	68,295,972	68,295,972	-	68,295,972
Investments with fiscal agent	-	-	-	81,534,260	81,534,260
Total	\$ 20,677,494	\$ 260,890,402	\$ 281,567,896	\$ 81,534,260	\$ 363,102,156

Investments Authorized

SANBAG maintains cash and investments in accordance with its investment policy. The investment policy complies with, or is more restrictive than, applicable state statutes. SANBAG's investment policy authorizes investments in the following:

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Investment Type	Maturity	Maximum	
		Percentage of Portfolio	Investment in One Issuer
U.S. Treasuries	5 years	100%	No Limit
U.S. agencies	5 years	100%	40%
California & Other State Municipals	5 years	20%	10%
Commercial paper	270 days	25%	3%
Negotiable certificates of deposit	5 years	30%	3%
Repurchase agreements	30 days	20%	No Limit
Bankers' acceptances	180 days	40%	3%
Medium-term corporate notes	5 years	30%	3%
County pooled investment funds	N/A	None	No Limit
Local agency investment fund	N/A	Lessor of 60% or \$50 million	No Limit
Money Market Funds	N/A	20%	10%

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements.

Disclosure Related to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that SANBAG manages its exposure to interest rate risk is by purchasing a combination of short-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. SANBAG monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Investment Type	Amount Reported	Weighted Average Maturity (in Years)
U.S. Treasuries	\$ 24,869,772	1.11
U.S. government sponsored enterprise securities:		
FHLB	5,085,006	1.49
FHLMC	9,122,810	1.48
FNMA	10,056,662	2.59
Corporate notes	19,026,025	2.72
Local agency investment fund	24,131,426	0.74
San Bernardino County pool	168,463,004	0.98
Money market mutual funds	81,669,957	N/A
Total	<u>\$ 342,424,662</u>	

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Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the Standard & Poor's credit ratings for SANBAG's investments:

Investment Type	Total as of June 30, 2012	AAA	AA	A-1/A-1+	Not Rated
U.S. Treasuries ⁽¹⁾	\$ 24,869,772	\$ -	\$ -	\$ -	\$ -
U.S. government sponsored enterprise securities	-	-	-	-	-
FHLB	5,085,006	5,085,006	-	-	-
FHLMC	9,122,810	9,122,810	-	-	-
FNMA	10,056,662	10,056,662	-	-	-
Corporate notes	19,026,025	19,026,025	-	-	-
Local agency investment fund	24,131,426	-	-	-	24,131,426
San Bernardino County pool	168,463,004	8,423,150	109,500,953	50,538,901	-
Money market mutual funds	81,669,957	81,669,957	-	-	-
Total	<u>\$ 342,424,662</u>	<u>\$ 133,383,610</u>	<u>\$ 109,500,953</u>	<u>\$ 50,538,901</u>	<u>\$ 24,131,426</u>

⁽¹⁾ Exempt from disclosure.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and SANBAG's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

SANBAG uses an independent third-party custodian/safekeeper to domicile the securities in its portfolio. SANBAG uses Union Bank as its third-party safekeeping servicer, and prevents custodial/safekeeping risk by having all securities purchased and owned by SANBAG registered in the name of SANBAG, separated from other client securities portfolios, and segregated from securities owned by the bank.

As of June 30, 2012, SANBAG has bank deposits with a balance of \$24,138,425 of which \$250,000 is federally insured and the balance is collateralized in accordance with the Code.

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California Local Agency Investment Fund

SANBAG is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and is not registered with the Securities and Exchange Commission. The fair value of SANBAG's investments in this pool is reported in the accompanying financial statements at amounts based upon SANBAG's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

San Bernardino County Treasury Pool

SANBAG is a voluntary participant in the San Bernardino County Treasury Pool. An Investment Oversight Committee has been established by the County, which acts as regulator of the pool. The funds in the County Treasury are pooled with those of other entities in the County and invested. These pooled funds are carried at fair market value. Fair market value as provided by the County, is based on quoted market prices and/or direct bids, when needed, from government dealer and some variable or floating rate items.

5. INTERFUND TRANSACTIONS

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended are separately reported in the respective funds' operating statements as transfers in/out.

Activity between funds that is representative of lending/borrowing arrangements at the end of the fiscal year is referred to as "due to/from other funds" or "advances to/from other funds." Due to/from other funds are recorded when negative cash balances result due to expenditures exceeding revenues in a fund.

Transactions between SANBAG funds and the Internal Service fund are accounted for as revenues and expenditures or expenses in the funds involved.

A. Interfund Receivables and Payables

Operating receivables and payables between funds are classified as due from or due to other funds. Negative individual fund cash and investment balances are offset by a due from other funds in the 2010-2040 Measure I special revenue fund. The negative cash balances are due to expenditures exceeding revenues at the end of the fiscal year. The following are the due from and due to balances as of June 30, 2012:

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Receivable Fund	Payable Fund	Amount
2010-2040 Measure I	Federal highway	\$ 10,588,171
	Federal stimulus	12,329,408
	State highway	4,414,857
	Proposition 1B	5,504,553
	2010-2040 Measure I	8,172
	Capital projects	19,301,235
	Nonmajor governmental	1,278,913
Local transportation fund	General	<u>864,903</u>
Total		<u>\$ 54,290,212</u>

B. Interfund Transfers

Transfers are used to 1) move revenues from the local transportation fund and state transit assistance fund to the general fund for reimbursement of certain general administrative, planning and rail expenditures and 2) to move revenues from the 1990-2010 Measure I and 2010-2040 Measure I funds to the debt service and capital projects funds relating to the refinancing of the 2009A Sales tax Revenue Notes and the issuance of the 2012A Sales Tax Revenue Bonds.

Transfers In Fund	Transfers Out Fund	Amount
General	Local transportation fund	\$ 10,474,078
	State Transit Assistance fund	1,577,100
Debt service	1990-2010 Measure I	5,203,180
	2010-2040 Measure I	7,000,000
	Capital projects	229,083,290
Capital projects	2010-2040 Measure I	8,228,788
	Debt service	<u>101,130,132</u>
Total		<u>\$ 362,696,568</u>

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Capital assets, not depreciated-land	\$ 59,982,004	\$ -	\$ -	\$ 59,982,004
Capital assets, depreciated:				
Buildings	5,374,181	13,020	-	5,387,201
Equipment and vehicles	3,508,769	73,818	-	3,582,587
Total capital assets, depreciated	<u>8,882,950</u>	<u>86,838</u>	<u>-</u>	<u>8,969,788</u>

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	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Less accumulated depreciation for:				
Buildings	(1,124,430)	(161,950)	-	(1,286,380)
Equipment and vehicles	(3,212,137)	(114,084)	-	(3,326,221)
Total accumulated depreciation	(4,336,567)	(276,034)	-	(4,612,601)
Total capital assets, depreciated, net	4,546,383	(189,196)	-	4,357,187
Total capital assets, net	<u>\$ 64,528,387</u>	<u>\$ (189,196)</u>	<u>\$ -</u>	<u>\$ 64,339,191</u>

Depreciation expense was charged to programs/functions of the government as follows:

Governmental activities		
General government		\$ 113,081
Capital assets held by the government's internal service fund are charged to the general government program based on the usage of the assets		<u>162,953</u>
Total depreciation expense-governmental activities		<u>\$ 276,034</u>

7. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due within One Year
Governmental activities					
Revenue notes payable	\$ 250,000,000	\$ -	\$ 250,000,000	\$ -	\$ -
Unamortized premium on revenue notes payable	2,909,504	-	2,909,504	-	-
Revenue bonds payable	-	91,880,000	-	91,880,000	-
Unamortized premium on revenue bonds payable	-	9,042,588	133,410	8,909,178	-
Compensated absences	733,217	103,273	428,744	407,746	65,322
Intergovernmental payable	67,765,408	38,466,817	11,196,902	95,035,323	10,205,550
Total long-term liabilities, net	<u>\$ 321,408,129</u>	<u>\$ 139,492,678</u>	<u>\$ 264,668,560</u>	<u>\$ 196,232,247</u>	<u>\$ 10,270,872</u>

Intergovernmental payable additions include short-term portion of \$10,205,550 not accrued in prior years (see Note 16).

SAN BERNARDINO ASSOCIATED GOVERNMENTS
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Sales Tax Revenue Obligations

Sales Tax Revenue Notes of 2009, Series A

The sales tax revenue notes of \$250,000,000 were issued by the San Bernardino County Transportation Authority on May 1, 2009 with interest rates ranging from 3.5%-5.0%. The following short-term credit ratings were assigned:

- 1) Standard & Poor's Ratings Group "SP-1+",
- 2) Moody's Investor Service "MIG 1", and
- 3) Fitch Ratings Inc. "F1+".

The notes were due to mature on May 1, 2012 and were defeased with existing funding sources and the issuance of the Sales Tax Revenue Bonds of 2012, Series A. There was no economic gain or loss.

Sales Tax Revenue Bonds of 2012, Series A

The sales tax revenue bonds of \$91,880,000 are tax exempt and were issued by the San Bernardino County Transportation Authority on March 28, 2012. Interest is payable semiannually on March 1 and September 1 of each year at rates of interest ranging from 4% to 5% and yield rates ranging from 0.53% to 3.46%. Principal on the bonds will begin on March 1, 2015 and are due each year thereafter through 2032. The estimated source and use of funds including the defeasance of the Sales Tax Revenue Notes of 2009, Series A are as follows:

Source of funds

Par amount of series 2012 bonds	\$ 91,880,000
Net original issue premium	9,042,588
Amount held by prior trustee	237,594,343
Contribution from SANBAG	<u>12,203,180</u>
Total sources	<u><u>\$ 350,720,111</u></u>

Use of funds

Deposit to escrow account	\$ 255,722,248
Deposit to project fund	94,100,000
Costs of issuance	<u>897,863</u>
Total uses	<u><u>\$ 350,720,111</u></u>

The project fund will finance transportation projects in the Measure I major streets and Cajon pass programs. The following credit ratings were assigned to the revenue bonds:

- 1) Standard & Poor's Ratings Group "AAA" (stable),
- 2) Moody's Investor Service "Aa2" (stable), and
- 3) Fitch Ratings Inc. "AA+" (stable).

SAN BERNARDINO ASSOCIATED GOVERNMENTS
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The annual requirements to amortize the sales tax revenue bonds payable included in the governmental activities are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 3,851,087	\$ 3,851,087
2014	-	4,163,338	4,163,338
2015	1,910,000	4,163,338	6,073,338
2016	1,990,000	4,086,938	6,076,938
2017	2,090,000	3,987,437	6,077,437
2018-2022	11,815,000	18,569,537	30,384,537
2023-2027	14,785,000	15,595,437	30,380,437
2028-2032	18,760,000	11,612,187	30,372,187
2033-2037	23,710,000	6,666,863	30,376,863
2038-2040	16,820,000	1,406,419	18,226,419
	<u>\$ 91,880,000</u>	<u>\$ 74,102,581</u>	<u>\$ 165,982,581</u>

Intergovernmental Payable

Project Advancement Agreements

In December 2005, the SANBAG Board approved a project advancement strategy that would allow agencies to advance the SANBAG Nexus Study interchange, arterial and grade separation projects to construction prior to the availability of Measure I 2010-2040 revenues. Projects eligible for advancement include projects defined in the SANBAG Nexus study in the urban areas of the county or projects defined in the Measure I 2010-2040 Expenditure Plan in the non-urban areas of the County.

SANBAG has entered into 25 Project Advancement Agreements with local jurisdictions that total \$127,101,001 for Freeway Interchange Projects, Major Street Projects and Victor Valley Major Local Highways Projects. The purpose of these agreements is to allow cities to use their own local (non-SANBAG) funds to construct eligible projects immediately, with the understanding that SANBAG will reimburse cities for eligible project expenditures at a later date with Measure I 2010-2040 revenue.

Revenue from Measure I 2010-2040 designated for the Freeway Interchange and Major Streets Projects Programs is available beyond 2010. The reimbursement schedule is determined in the Measure I 2010-2040 Strategic Plan. Said allowable project expenditures will not be reimbursed until sufficient Measure I 2010-2040 revenue exists to fund those eligible project reimbursements and until the cities have satisfied any and all necessary project requirements.

The following summarizes the declared projects with Project Advancement Agreements:

SAN BERNARDINO ASSOCIATED GOVERNMENTS
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Measure I 2010-2040 Program	Location	Project	Cost Estimate	Measure I Share
Victor Valley MLH	Hesperia	I-15 Ranchero Interchange	\$ 39,005,000	\$ 8,598,000
Valley Freeway Interchange	Yucaipa	I-10 at Oak Glen/Live Oak	18,403,246	6,286,672
Valley Freeway Interchange	Fontana	I-15 at Duncan Canyon Rd	18,000,000	4,068,000
Valley Freeway Interchange	Rialto	I-10 at Riverside Avenue	30,400,000	17,382,581
Valley Freeway Interchange	SB County	I-10 Pepper Ave	10,000,000	6,600,000
Valley Major Street	Chino	Chino Avenue	4,565,000	2,236,850
Valley Major Street	Chino	Kimball Ave	6,661,000	3,263,890
Valley Major Street	Chino	Pine & Mill Creek	181,000	88,690
Valley Major Street	Chino	Pine & West Preserve Loop	181,000	88,690
Valley Major Street	Chino	Fern & Riverside Dr	201,000	98,490
Valley Major Street	Chino Hills	Peyton Dr	15,167,000	8,202,776
Valley Major Street	Fontana	Baseline Ave	7,550,000	5,134,000
Valley Major Street	Fontana	Cherry Ave	3,110,000	2,114,800
Valley Major Street	Fontana	Foothill Ave	7,400,000	5,032,000
Valley Major Street	Fontana	Sierra Ave	7,800,000	5,304,000
Valley Major Street	Fontana	Jurupa Ave	12,000,000	8,160,000
Valley Major Street	Fontana	Citrus Ave	4,000,000	2,720,000
Valley Major Street	Fontana	Walnut Ave	4,200,000	2,856,000
Valley Major Street	Fontana	So. Highland Ave	4,000,000	2,720,000
Valley Major Street	Fontana	Cypress Ave	20,000,000	10,245,502
Valley Major Street	Highland	Greenspot Rd	2,710,000	523,416
Valley Major Street	Highland	9th Street	26,587	-
Valley Major Street	Highland	9th Street	98,662	-
Valley Major Street	Highland	9th Street	506,424	-
Valley Major Street	Highland	TDA Art 3	92,694	92,694
Valley Major Street	R Cucamonga	Haven Ave	15,910,000	13,856,000
Valley Major Street	R Cucamonga	Haven Ave	6,000,000	4,260,000
Valley Major Street	R Cucamonga	Church St	1,152,000	817,920
Valley Major Street	R Cucamonga	4th & Richmond	158,000	112,180
Valley Major Street	R Cucamonga	4th & Utica	158,000	112,180
Valley Major Street	R Cucamonga	6th & Buffalo	158,000	112,180
Valley Major Street	R Cucamonga	6th & Utica	158,000	112,180
Valley Major Street	R Cucamonga	Archibald & Banyan	158,000	112,180
Valley Major Street	R Cucamonga	Archibald & San Bernardino	158,000	112,180
Valley Major Street	R Cucamonga	Archibald & Victoria	158,000	112,180
Valley Major Street	R Cucamonga	Arrow & Center	158,000	112,180
Valley Major Street	R Cucamonga	Banyan & Wardman Bullock	158,000	112,180
Valley Major Street	R Cucamonga	Carnelian & Wilson	158,000	112,180
Valley Major Street	R Cucamonga	Church & Elm	158,000	112,180
Valley Major Street	R Cucamonga	Day Creek & Madrigal	158,000	112,180
Valley Major Street	R Cucamonga	Foothill & Cornwall	158,000	112,180
Valley Major Street	R Cucamonga	Foothill & East Ave	158,000	112,180
Valley Major Street	R Cucamonga	Foothill & Malachite	158,000	112,180
Valley Major Street	R Cucamonga	Haven & Trademark	158,000	112,180
Valley Major Street	R Cucamonga	Haven & Wilson	158,000	112,180

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Measure I 2010-2040 Program	Location	Project	Cost Estimate	Measure I Share
Valley Major Street	R Cucamonga	Hermosa & Church	158,000	112,180
Valley Major Street	R Cucamonga	Wilson & San Sevaine	158,000	112,180
Valley Major Street	R Cucamonga	Wilson & Wardman Bullock	158,000	112,180
Valley Major Street	Rialto	Willow Ave	395,000	237,000
Valley Major Street	Rialto	Merrill Ave & Willow Ave	282,000	169,200
Valley Major Street	Rialto	Cactus Ave & Walnut Ave	282,000	169,200
Valley Major Street	Rialto	Cactus & Randall Ave	282,000	169,200
Valley Major Street	Rialto	Riverside Ave & Alder Ave	282,000	169,200
Valley Major Street	Yucaipa	Yucaipa Blvd	2,898,400	1,224,750
Valley Major Street	Yucaipa	Oak Glen Rd	500,000	345,000
Valley Major Street	Yucaipa	Oak Glen Rd	1,800,000	1,242,000
Valley Major Street	Yucaipa	Wildwood Canyon Rd	551,605	380,880
Adjustment - Project removed from PAA:			249,753,618	127,101,001
Valley Freeway Interchange	Fontana	I-15 at Duncan Canyon Rd	<u>(18,000,000)</u>	<u>(4,068,000)</u>
Total project advancement agreements commitment			<u>\$ 231,753,618</u>	<u>\$ 123,033,001</u>

Measure I 2010-2040 collections began April 1, 2010. Based on the Measure I 2010-2040 Strategic Plan 40% of available receipts received for the Freeway Interchange and Major Streets Programs, and 20% of available receipts received for the Victor Valley Major Local Highway Projects, would be used for reimbursement of the Project Advancement Agreements. As determined in the Measure I 2010-2040 Strategic Plan, reimbursements for Project Advancement Agreements begin when sufficient Measure I 2010-2040 revenues exists to fund those eligible project reimbursements and the cities have satisfied any and all necessary project requirements. It is currently estimated that the reimbursement of current Project Advancement Agreements will be completed within 8 to 12 years from the start of Measure I 2010-2040.

The following summarizes the financial activities that took place in fiscal year 2011/2012:

	Valley		Victor Valley Major Local Highways	Total
	Freeway Interchange	Major Street		
Expenditures	\$ 3,894,935	\$ 7,301,967	\$ -	\$ 11,196,902
Current liabilities	3,621,324	6,584,226	-	10,205,550
Long-term liabilities	22,752,994	62,076,779	-	84,829,773
Commitments	-	8,202,776	8,598,000	16,800,776
Total	<u>\$ 30,269,253</u>	<u>\$ 84,165,748</u>	<u>\$ 8,598,000</u>	<u>\$ 123,033,001</u>

Expenditures are amounts paid through the fiscal year and represent current year liquidations of the overall long term liability through the use of available Measure I sales tax revenues collected as of June 30, 2012.

Current liabilities are accrued expenses whose liquidation can be reasonably expected through the use of existing Measure I sales tax revenues collected as of June 30, 2012.

Long term liabilities are accrued expenses whose liquidation would be expected through the use of collection of future Measure I sales tax revenues beyond June 30, 2012.

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Commitments are possible obligations in which SANBAG would reserve funds in the future to meet the liability when they are recognized. A total of \$84,829,773 was recognized as long term liabilities in fiscal year 2011/2012. The total remaining commitments is \$16,800,776,

Rebatable Arbitrage

SANBAG is obligated to calculate arbitrage rebates on all existing sales tax revenue obligations. There was no rebatable arbitrage liability.

8. LEASE OBLIGATIONS

SANBAG leases various office spaces under operating leases expiring in June 2012. In addition, SANBAG leases a copier under a five-year lease agreement expiring in July 2014. The leases provide that the lessee shall pay all insurance and maintenance. The total rental expenditures included in the financial statements for the year ended June 30, 2012 were \$181,148. The total minimum rental commitment at June 30, 2012 is due as follows:

Year Ending June 30,	Amount
2013	\$ 10,479
2014	3,229
	<u>\$ 13,708</u>

9. PENSION OBLIGATIONS and SUBSEQUENT EVENT

San Bernardino County Employees Retirement Association (SBCERA)

Plan Description

SANBAG contributes to the San Bernardino County Employees' Retirement Association (SBCERA), a cost-sharing, multiple-employer, defined benefit pension plan. SBCERA provides members with retirement, death, disability and cost-of-living benefits. SBCERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to San Bernardino County Employees' Retirement Association, 195 North Arrowhead Avenue, San Bernardino, California, 92425-0014.

Funding Policy

General members are required to contribute 7.42% to 12.95% of their annual compensation to SBCERA. SANBAG is required to make periodic contributions to SBCERA in amounts that are estimated to remain a constant percentage of covered employee compensation such that, when combined with covered employees' contributions, will fully provide for all covered employees' benefits by the time they retire. The current employer rate is 22.38%. SANBAG has elected to pay the employees' portion of contributions. SANBAG's contributions to SBCERA for the years ended June 30, 2012 was \$1,298,355 which equal the required contributions for the year. The actuarial methods and assumptions are those adopted by the SBCERA Board of Retirement.

SANBAG's annual pension cost (APC), percentage of APC contributed, and net pension obligation for the plan of the current years and each of the two preceding years were as follows:

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Fiscal Year Ended June 30,	APC	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 1,116,950	100%	\$ -
2011	1,189,213	100%	-
2012	1,298,355	100%	-

Beginning January 1, 2013 AB340-California Public Employees' Pension Reform Act (PEPRA) added a new tier for new members. The main changes were in the contribution rates, benefit formula, final average salary, availability to purchase retirement credit, and period of service.

California Public Employees' Retirement System (CalPERS)

Plan Description

SANBAG contributed to the California Public Employees' Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan. The plan is part of the Inactive Agency Risk Pool. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The plan includes three retirees from SANBAG. PERS acts as a common investment and administrative agent for participating entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Funding Policy

Participants in the plan have already retired from SANBAG and are not actively contributing to the plan. Initial unfunded liabilities are amortized over a closed period that depends on the date of entry into PERS. Subsequent plan amendments are amortized as a level of the percentage of pay over a closed 20-year period. All gains and losses are tracked and amortized over a rolling 30-year period with the exception of gains and losses in fiscal years 2009-10, 2010-11 and 2011-2012 in which each year's gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

In February 2010 the PERS Board adopted a resolution requiring additional contributions for any plan or pool if their cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

SANBAG's annual pension cost (APC), percentage of APC contributed, and net pension obligation for the plan of the current years and each of the two preceding years were as follows:

Fiscal Year Ended June 30,	Employer Contribution Rate	APC	Net Pension Obligation
2010	0%	\$ 12,666	\$ -
2011	0%	13,736	-
2012	0%	13,784	-

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SANBAG is currently not an active participant; therefore, employer contribution rate is 0% and a set dollar amount for annual contributions is provided by CalPERS.

10. COMMITMENTS

Transportation

Outstanding Contracts

As of June 30, 2012, SANBAG had contracted, subject to future Board appropriation, for professional and special services for various transportation projects, including transit studies, right-of-way purchases and construction, which have not yet been rendered. The aggregate amount committed under these contracts is \$943,589,485 at June 30, 2012.

Local Stimulus Program

On July 1, 2009, the SANBAG board approved a Local Stimulus Program that would distribute \$31.4 million to the County and cities of San Bernardino County. The intent of this program was to maximize the American Recovery and Reinvestment Act (ARRA) funds SANBAG received on the I-215 project. The distribution of the \$31.4 million was based on a per capita basis. The caveat to this method of distribution is that every jurisdiction is to receive a minimum allocation of \$300,000. The minimum was established to allow jurisdictions with a small population base the opportunity to complete a meaningful transportation project.

The \$31.4 million is a reallocation of Measure I Major Projects fund balance and fiscal year 2009/2010 Measure I Major Projects funds from the I-215 project to the Local Stimulus Program. Local agencies have 36 months from the date of the Local Stimulus Program Allocation Letter to complete their projects and submit invoices for reimbursement. If the agencies fail to submit reimbursement requests or incur the necessary project costs, then the available funding would be re-allocated back into the SANBAG Measure I pool.

The outstanding commitments as of June 30, 2012 are \$8,110,653.

<u>Project Location</u>	<u>Cost</u>
Adelanto	\$ 400,678
Apple Valley	990,333
Barstow	343,238
Big Bear Lake	300,000
Chino	1,193,217
Chino Hills	1,115,987
Colton	732,660
Fontana	2,679,518
Grand Terrace	300,000
Hesperia	1,250,076
Highland	742,413

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Project Location	Cost
Loma Linda	320,642
Montclair	523,993
Needles	300,000
Ontario	2,455,073
Rancho Cucamonga	2,519,544
Redlands	1,015,637
Rialto	1,417,889
San Bernardino	2,898,703
San Bernardino County	2,050,000
San Bernardino County	3,769,705
Twentynine Palms	437,067
Upland	1,063,679
Victorville	1,551,410
Yucaipa	727,458
Yucca Valley	301,080
Total commitments	<u>\$ 31,400,000</u>

As of June 30, 2012, the following short-term liabilities were recognized:

Jurisdiction	Due to Other Governments
Fontana	\$ 1,090,179
Montclair	243,993
Apple Valley	31,809
Barstow	343,238
Grand Terrace	34,133
Total	<u>\$ 1,743,352</u>

Retention Payable

SANBAG's policy is not to include cash and remove retention payable upon release of funds to an escrow account. The amount relating to the retention is recognized as expense when the liability is incurred.

11. MEASURE I SHORT-TERM CASH FLOW BORROWING

The adopted Measure I 2010-2040 Strategic Plan allows for cash flow borrowing between the Valley Freeway, Valley Interchange, Valley Major Streets, Valley Metrolink/Rail, Valley Express Bus/BRT Transit, Valley Traffic Management Systems, Mountain/Desert Project Development and Transportation Management Systems, Mountain/Desert Major Local Highway, and Cajon Pass programs. The cash flow borrowing is used to expedite project delivery and reduce borrowing costs; it will not adversely impact funds that would otherwise be available to a Measure I subarea or program. Cash flow borrowing is also allowed from Measure I 1990-2010 Valley Major Projects to the aforementioned Measure I 2010-2040 programs.

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Cash flow borrowing needs are identified each year during the annual budgeting process. The amount borrowed will be reflected in the adopted budget and recorded, and be recorded as an Advances To and Advances From the impacted Measure I programs.

Repayment of the advanced funding is limited to within five years after the initial borrowing. Extensions, additional cash flow borrowings during the fiscal year, or other exceptions will require additional approval from the Board of Directors.

In fiscal year 2010-2011, the Measure I Valley Freeway special revenue fund advanced \$12,503,251 to the capital projects fund. The short-term borrowing was repaid with the issuance of the Sales Tax Revenue Bonds of 2012, Series A. There was no short-term cash flow borrowing in fiscal year 2011-2012.

12. PTMISEA FUNDING

As of June 30, 2012, San Bernardino Associated Governments (SANBAG) received a total of \$9,229,525 in Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds. These funds are designated to be used for the purchase of three rail cars by SCRRA for Metrolink operations \$(5,500,000), replacement paratransit vehicles by SANBAG-City of Barstow \$(420,000), and metrolink positive train control by SCRRA \$(3,309,525). As of June 30, 2012, the funds are accounted for in the Proposition 1B fund. In addition, \$1,459,313 in Transit System Safety Security Disaster Discovery fund \$1,459,313 was received and recorded as fund balance in the Prop 1B fund. \$3,659,456 was disbursed during FY 2010-11, \$4,125,000 was disbursed in fiscal year 2009-2010, and \$1,375,000 was disbursed in fiscal year 2007-2008.

13. RISK MANAGEMENT

SANBAG is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. SANBAG purchases commercial insurance coverage for automobile (\$1,000 deductible-physical damage), primary crime (\$20,000 deductible), excess crime (\$20,000 deductible), general liability (\$10,000 deductible-per occurrence), property (\$10,000 deductible), public officials (\$100,000 deductible), excess liability, and worker compensation. Workers compensation limits are statutory by the State of California.

14. JOINT VENTURE

SANBAG is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in June 1992. The SCRRA's Board consists of one member from the Ventura County Transportation Commission; two each from the Orange County Transit Authority, SANBAG and the Riverside County Transportation Commission; and four members from Los Angeles County Metropolitan Transportation Authority. The SCRRA is responsible for implementing and operating a regional commuter rail system (Metrolink) in five Southern California counties. As a member of the SCRRA, SANBAG makes capital and operating contributions for its pro rata share of rail lines servicing the County of San Bernardino. SANBAG expended \$9,552,158 during fiscal year 2012-2013 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by and available from the SCRRA at One Gateway Plaza, Floor12, Los Angeles, California 90012.

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15. CONTINGENCIES

In the ordinary course of business, SANBAG is exposed to claims, asserted or unasserted, that may arise from its performance under contractual agreements and other matters. In the opinion of management, settlement of such claims, if any, will not have a material adverse effect on SANBAG's financial position, results of operations or liquidity.

As discussed in Note 14, SANBAG is a member of the Southern California Regional Rail Authority (SCRRA) through a Joint Exercise of Powers Agreement (JPA). The purpose of SCRRA is to plan, design, construct and administer the operation of regional rail lines serving the member agencies. It is noted that prior to FY09-10, SCRRA, the operator of Metrolink, was involved in accidents that resulted in a number of claims. SANBAG tendered the defense to SCRRA and SCRRA subsequently accepted the tender and defense and indemnity of these claims. In March 2010, another such case arose from an individual claiming that SANBAG negligently owned, maintained, or operated the train which struck her and suffered injuries that have resulted in medical expenses exceeding \$400,000. This claim has been tendered for defense and indemnity to SCRRA under the Joint Powers Authority Agreement between SANBAG and SCRRA. As of September 30, 2011, the claim has since ran its 2-year statute of limitations to file an action and no lawsuit has served on SANBAG. It is premature to evaluate fully the merits of these cases at this time.

The San Bernardino County Flood Control District is suing SANBAG, Caltrans and the City of Rialto regarding what is called the Cactus Basin Channel. This litigation stems from a dispute regarding certain flood control improvement facilities that were constructed for the new 210 Freeway project in the City of Rialto. The District alleges that these improvements have resulted in an overburdening of certain basins owned and operated by the District. The District is claiming damages of as much as \$65 million to improve the basins. As of early 2010, all parties and the court have agreed that this case should be heard after the Colonies related trial. The current trial date is January 31, 2014. The case remains active, but it is still premature to evaluate fully the merits of the case.

San Bernardino County and the San Bernardino County Flood Control District have filed a suit for indemnity, contribution and declaratory relief against SANBAG, Caltrans, and the City of Upland. This litigation stems from a dispute regarding the 20th Street Storm Drain facility related to the construction of the 210 freeway that has arisen in a quiet title action and a separate inverse condemnation action the Colonies brought against the District and/or the County. The Plaintiffs seek indemnification and damages for a \$102 million settlement they entered with the Colonies. As of late 2011, the California Attorney General and the San Bernardino County District Attorney have charge through indictments that the initial \$102 million settlement in 2007 was the product of bribes and conspiracy involving County Officials, with one former County supervisor who pled guilty to taking bribes. SANBAG has raised these corruption issues as a defense, and has made a motion to stay the case pending the criminal proceedings. The trial currently is set for March 15, 2013. The case will remain extremely active in near future with SANBAG intends to vigorously oppose the lawsuit; as such, it is premature to evaluate fully the merits of the case at this time.

Certain claims involving disputed construction and right of way acquisitions costs have arisen in the ordinary course of business. Additionally, SANBAG is a defendant in various lawsuits. Although the outcome of these matters is not presently determinable, management does not expect that the resolution of these matters will have a material adverse impact on the financial condition of SANBAG.

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The California Department of Transportation (Caltrans) recently conducted an incurred cost audit on costs reimbursed to SANBAG during the period July 1, 2008 to December 31, 2009, totaling \$47.8 million for work performed under 21 agreements with Caltrans. The audit was performed to determine whether the costs were supported and in compliance with the agreement provisions and State and federal regulations. The audit findings indicated some of the reimbursed costs were not adequately supported. SANBAG has provided initial responses to Caltrans and still is disputing some of the findings. It is not known what the financial impact will be at this time.

16. PRIOR PERIOD AND ACCOUNTING CHANGE ADJUSTMENTS

The prior period and accounting change adjustments are attributed to a change in the revenue recognition in the governmental funds (see Note 1-E *Measurement Focus and Basis of Accounting*) and recognizing the liability in the government-wide statements for the short-term portion of the Project Advance Agreements (see Note 7, Intergovernmental Payable).

Revenues are now considered to be available when they are collected within 180 days. This change was made to better reflect the comparability with similar organizations and to better reflect the consistency of revenues from the State and related organizations. Beginning fund balances of the general fund; federal highway, federal stimulus, state highway, proposition 1B, local transportation fund, 1990-2010 Measure I, 2010-2040 Measure I special revenue funds; capital projects fund; and nonmajor governmental funds are restated to reflect the accumulative effect of the revenue availability change relating to a portion of the unearned revenue reported in the prior fiscal year.

Beginning net position of the government-wide statements is restated with a prior period adjustment to recognize the short-term portion liability of the Project Advance Agreements that was not recognized in prior years.

SANBAG has recorded the accumulated effect of the accounting change to the following governmental fund beginning fund balances:

	Fund Balances Beginning of Year	Accounting Change	Fund Balances Beginning of Year, as Restated
General fund	\$ 14,865,412	\$ 2,189,929	\$ 17,055,341
Special revenue funds:			
Federal highway	(21,415,247)	15,120,651	(6,294,596)
Federal stimulus	-	(18,136)	(18,136)
State highway	-	(3,337)	(3,337)
Proposition 1B	-	(539,233)	(539,233)
Local transportation fund	81,211,844	2,162,247	83,374,091
1990-2010 Measure I	84,277,776	14,576,977	98,854,753
2010-2040 Measure I	76,917,128	3,480,210	80,397,338
Capital projects fund	207,852,403	(1,035,334)	206,817,069
Nonmajor governmental funds	1,107,166	(1,209,698)	(102,532)

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2012

The government wide financial statements were restated due to prior year's non-recognition of short-term liabilities for the Project Advance Agreements.

<u>Net Position</u> <u>Beginning of Year</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Net Position</u> <u>Beginning of Year,</u> <u>as Restated</u>
\$ 288,396,062	\$ (5,610,999)	\$ 282,785,063

17. GASB PRONOUNCEMENTS

Effective in Future Periods

GASB Statement No. 61

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This statement is not effective until June 30, 2013. SANBAG has not determined its effect on the financial statements.

GASB Statement No. 62

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective in fiscal year 2012-2013. This statement incorporates certain accounting and financing reporting guidance into GASB's authoritative literature, included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989, FASB statements and Interpretations that do not conflict with or contradict GASB pronouncements.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2012

However, governments can apply post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. SANBAG has not determined its effect on the financial statements.

GASB Statement No. 64

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB 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 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. SANBAG has not determined its effect on the financial statements.

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. The 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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. SANBAG has not determined its effect on the financial statements.

Required Supplementary Information

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax-Measure I	\$ 1,115,770	\$ 1,115,770	\$ 1,322,766	\$ 206,996
Intergovernmental	50,939	209,230	152,599	(56,631)
Charges for services	93,311	1,920,117	652,873	(1,267,244)
Special assessments	154,507	199,446	129,374	(70,072)
Investment earnings	-	-	177,976	177,976
Total revenues	<u>1,414,527</u>	<u>3,444,563</u>	<u>2,435,588</u>	<u>(1,008,975)</u>
Expenditures				
Current:				
General-council of governments support	1,622,561	2,060,732	1,389,075	671,657
Air quality and traveler services	14,018	14,018	9,778	4,240
Transportation planning and programming	1,088,059	1,114,798	993,056	121,742
Transit and passenger rail	9,810,333	32,480,172	11,875,124	20,605,048
Transportation fund administration	1,190,226	1,312,989	571,904	741,085
Capital outlay	86,927	86,927	73,818	13,109
Total expenditures	<u>13,812,124</u>	<u>37,069,636</u>	<u>14,912,755</u>	<u>22,156,881</u>
Excess (deficiency) of revenues over (under) expenditures	(12,397,597)	(33,625,073)	(12,477,167)	21,147,906
Other Financing Sources (Uses)				
Transfers in	15,083,476	27,625,783	12,051,178	(15,574,605)
Net change in fund balances	<u>2,685,879</u>	<u>(5,999,290)</u>	<u>(425,989)</u>	<u>5,573,301</u>
Fund balances beginning of year	14,865,412	14,865,412	14,865,412	-
Accumulative effect of accounting change	-	-	2,189,929	2,189,929
Fund balances beginning of year, as restated	<u>14,865,412</u>	<u>14,865,412</u>	<u>17,055,341</u>	<u>2,189,929</u>
Fund balances end of year	<u>\$ 17,551,291</u>	<u>\$ 8,866,122</u>	<u>\$ 16,629,352</u>	<u>\$ 7,763,230</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Federal Highway Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 66,332,584	\$ 79,368,848	\$ 22,308,842	\$ (57,060,006)
Expenditures				
Current:				
Air quality and traveler services	2,309,139	1,685,626	1,350,616	335,010
Transportation planning and programming	2,310,681	3,713,464	1,754,849	1,958,615
Major project delivery	<u>61,712,764</u>	<u>73,969,758</u>	<u>18,619,929</u>	<u>55,349,829</u>
Total expenditures	<u>66,332,584</u>	<u>79,368,848</u>	<u>21,725,394</u>	<u>57,643,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>583,448</u>	<u>583,448</u>
Fund balances beginning of year	(21,415,247)	(21,415,247)	(21,415,247)	-
Accumulative effect of accounting change	<u>-</u>	<u>-</u>	<u>15,120,651</u>	<u>15,120,651</u>
Fund balances beginning of year, as restated	<u>(21,415,247)</u>	<u>(21,415,247)</u>	<u>(6,294,596)</u>	<u>15,120,651</u>
Fund balances end of year	<u>\$ (21,415,247)</u>	<u>\$ (21,415,247)</u>	<u>\$ (5,711,148)</u>	<u>\$ 15,704,099</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Federal Stimulus Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 28,468,326	\$ 41,910,887	\$ 37,684,253	\$ (4,226,634)
Expenditures				
Current:				
Air quality and traveler services	-	7,930,887	3,686,117	4,244,770
Major project delivery	28,468,326	33,980,000	33,980,000	-
Total expenditures	28,468,326	41,910,887	37,666,117	4,244,770
Excess (deficiency) of revenues over (under) expenditures	-	-	18,136	18,136
Fund balances beginning of year	-	-	-	-
Accumulative effect of accounting change	-	-	(18,136)	(18,136)
Fund balances beginning of year, as restated	-	-	(18,136)	(18,136)
Fund balances end of year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
State Highway Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 32,608,104	\$ 49,111,051	\$ 23,996,922	\$ (25,114,129)
Expenditures				
Current:				
Transportation planning and programming	801,735	2,206,288	981,139	1,225,149
Major project delivery	31,806,369	46,870,251	22,977,936	23,892,315
Transportation fund administration	-	34,512	34,510	2
Total expenditures	<u>32,608,104</u>	<u>49,111,051</u>	<u>23,993,585</u>	<u>25,117,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>3,337</u>	<u>3,337</u>
Fund balances beginning of year	-	-	-	-
Accumulative effect of accounting change	-	-	(3,337)	(3,337)
Fund balances beginning of year, as restated	-	-	(3,337)	(3,337)
Fund balances end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Proposition 1B Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 46,658,966	\$ 52,243,471	\$ 17,022,805	\$ (35,220,666)
Expenditures				
Current:				
Air quality and traveler services	2,336,033	-	-	-
Transportation planning and programming	204,713	1,225,135	1,105,508	119,627
Transit and passenger rail	-	70,069	-	70,069
Major project delivery	44,118,220	50,948,267	15,611,793	35,336,474
Total expenditures	<u>46,658,966</u>	<u>52,243,471</u>	<u>16,717,301</u>	<u>35,526,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>305,504</u>	<u>305,504</u>
Fund balances beginning of year	-	-	-	-
Accumulative effect of accounting change	-	-	(539,233)	(539,233)
Fund balances beginning of year, as restated	<u>-</u>	<u>-</u>	<u>(539,233)</u>	<u>(539,233)</u>
Fund balances end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (233,729)</u>	<u>\$ (233,729)</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Local Transportation Fund Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax-local transportation fund	\$ 60,805,959	\$ 60,805,959	\$ 71,168,436	\$ 10,362,477
Investment earnings	-	-	338,733	338,733
Miscellaneous	-	-	864,903	864,903
Total revenues	<u>60,805,959</u>	<u>60,805,959</u>	<u>72,372,072</u>	<u>11,566,113</u>
Expenditures				
Current-transportation fund administration	<u>52,977,596</u>	<u>60,805,959</u>	<u>50,553,850</u>	<u>10,252,109</u>
Excess (deficiency) of revenues over (under) expenditures	7,828,363	-	21,818,222	21,818,222
Other Financing Sources (Uses)				
Transfers out	<u>(10,607,554)</u>	<u>(10,607,554)</u>	<u>(10,474,078)</u>	133,476
Net change in fund balances	<u>(2,779,191)</u>	<u>(10,607,554)</u>	<u>11,344,144</u>	<u>21,951,698</u>
Fund balances beginning of year	83,991,035	81,211,844	81,211,844	-
Accumulative effect of accounting change	-	-	2,162,247	2,162,247
Fund balances beginning of year, as restated	<u>83,991,035</u>	<u>81,211,844</u>	<u>83,374,091</u>	<u>2,162,247</u>
Fund balances end of year	<u>\$ 81,211,844</u>	<u>\$ 70,604,290</u>	<u>\$ 94,718,235</u>	<u>\$ 24,113,945</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
State Transit Assistance Fund Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 10,792,409	\$ 10,792,409	\$ 13,210,148	\$ 2,417,739
Investment earnings	-	-	192,187	192,187
Miscellaneous	-	-	17,762	17,762
Total revenues	<u>10,792,409</u>	<u>10,792,409</u>	<u>13,420,097</u>	<u>2,627,688</u>
Expenditures				
Current-transportation fund administration	<u>6,900,000</u>	<u>9,215,309</u>	<u>3,280,973</u>	<u>5,934,336</u>
Excess (deficiency) of revenues over (under) expenditures	3,892,409	1,577,100	10,139,124	8,562,024
Other Financing Sources (Uses)				
Transfers out	<u>(1,090,322)</u>	<u>(1,577,100)</u>	<u>(1,577,100)</u>	<u>-</u>
Net change in fund balances	2,802,087	-	8,562,024	8,562,024
Fund balances beginning of year	<u>40,557,488</u>	<u>43,359,575</u>	<u>43,359,575</u>	<u>-</u>
Fund balances end of year	<u>\$ 43,359,575</u>	<u>\$ 43,359,575</u>	<u>\$ 51,921,599</u>	<u>\$ 8,562,024</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
1990-2010 Measure I Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 929,200	\$ 929,200	\$ 634,160	\$ (295,040)
Expenditures				
Current:				
Air quality and traveler services	-	701,407	601,646	99,761
Transportation planning and programming	1,660,825	1,913,564	1,076,386	837,178
Transit and passenger rail	10,227,583	12,175,717	6,204,964	5,970,753
Major project delivery	22,208,954	33,546,727	15,732,731	17,813,996
Transportation fund administration	-	16,588,336	9,237,973	7,350,363
Total expenditures	<u>34,097,362</u>	<u>64,224,344</u>	<u>32,853,700</u>	<u>32,072,051</u>
Excess (deficiency) of revenues over (under) expenditures	(33,168,162)	(63,295,144)	(32,219,540)	31,777,011
Other Financing Sources (Uses)				
Transfers out	-	(5,203,180)	(5,203,180)	-
Net change in fund balances	<u>(33,168,162)</u>	<u>(68,498,324)</u>	<u>(37,422,720)</u>	<u>31,777,011</u>
Fund balances beginning of year	84,277,776	84,277,776	84,277,776	-
Accumulative effect of accounting change	-	-	14,576,977	14,576,977
Fund balances beginning of year, as restated	<u>84,277,776</u>	<u>84,277,776</u>	<u>98,854,753</u>	<u>14,576,977</u>
Fund balances end of year	<u>\$ 51,109,614</u>	<u>\$ 15,779,452</u>	<u>\$ 61,432,033</u>	<u>\$ 46,353,988</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax-Measure I	\$ 110,461,230	\$ 110,461,230	\$ 130,953,815	\$ 20,492,585
Investment earnings	<u>556,800</u>	<u>556,800</u>	<u>485,269</u>	<u>(71,531)</u>
Total revenues	<u>111,018,030</u>	<u>111,018,030</u>	<u>131,439,084</u>	<u>20,421,054</u>
Expenditures				
Current:				
General-council of governments support	753,419	770,919	473,582	297,337
Air quality and traveler services	940,793	1,080,793	635,013	445,780
Transportation planning and programming	1,956,229	595,403	116,754	478,649
Transit and passenger rail	8,532,865	13,231,592	10,450,069	2,781,523
Major project delivery	55,782,002	66,819,525	18,890,206	47,929,319
Transportation fund administration	<u>55,501,230</u>	<u>68,643,558</u>	<u>61,957,137</u>	<u>6,686,421</u>
Total expenditures	<u>123,466,538</u>	<u>151,141,790</u>	<u>92,522,761</u>	<u>58,619,029</u>
Excess (deficiency) of revenues over (under) expenditures	(12,448,508)	(40,123,760)	38,916,323	79,040,083
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>(15,228,788)</u>	<u>(15,228,788)</u>	<u>-</u>
Net change in fund balances	<u>(12,448,508)</u>	<u>(55,352,548)</u>	<u>23,687,535</u>	<u>79,040,083</u>
Fund balances beginning of year	76,917,128	76,917,128	76,917,128	-
Accumulative effect of accounting change	<u>-</u>	<u>-</u>	<u>3,480,210</u>	<u>3,480,210</u>
Fund balances beginning of year, as restated	<u>76,917,128</u>	<u>76,917,128</u>	<u>80,397,338</u>	<u>3,480,210</u>
Fund balances end of year	<u>\$ 64,468,620</u>	<u>\$ 21,564,580</u>	<u>\$ 104,084,873</u>	<u>\$ 82,520,293</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Funding Progress-SBCERA
June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
June 30, 2012	\$ 6,789,492	\$ 8,606,577	\$ 1,817,085	78.89%	\$ 1,260,309	144.18%
June 30, 2011	6,484,507	8,189,646	1,705,139	79.18%	1,244,555	137.01%
June 30, 2010	6,367,232	7,444,986	1,077,754	85.52%	1,250,193	86.21%

Actuarial value of assets includes assets held for survivor benefits, burial allowance, general retiree subsidy, and excess reserves.

Actuarial accrued liability includes liabilities held for survivor benefits, burial allowance, general retiree subsidy, and excess earnings reserves.

For 06/30/2010 it does not reflect the transfer of \$40.6 million from the General Retiree Subsidy reserve to the current service reserve.

Valuation Date June 30, 2012

Actuarial Cost Method Entry Age Normal Actuarial Cost Method Amortization Method
Level percent of payroll (4.00% payroll growth assumed) Remaining

Amortization Period 20 years for all UAAL prior to June 30, 2002. Any changes in UAAL after Amortization Period are amortized over a 20- year closed period effective with each valuation. Effective June 30, 2012, any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).

Asset Valuation Method Market value of assets less unrecognized returns from each of the last 5 years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a 5-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of 4 years commencing with the June 30, 2012 valuation.

Actuarial Assumptions:

Investment Rate of Return * 7.75%
Projected Salary Increases ** General: 4.75% to 14.00%; Safety: 4.75% to 14.00% Cost of living
Adjustments Contingent upon CPI with a 2% maximum.

The June 30, 2012 actuarial valuation reflected the same method and assumptions as the June 30, 2011 actuarial valuation with the exceptions of the change to the remaining amortization period and the combined deferred gains and losses from the June 30, 2011 valuation to be recognized in equal amounts commencing with the June 30, 2012 valuation.

* Includes inflation at 3.50%.

** Includes inflation at 3.50%, “across the board” increases of 0.50%, plus merit and promotional increases.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Note to Required Supplementary Information
June 30, 2012

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, debt service and capital projects funds. Appropriations are prepared by fund, program and task.

Budget Amendments

When it becomes necessary to modify the adopted budget, the amendment procedure depends on the type of change that is needed.

Administrative Budget Amendments

There are three types of administrative budget amendments that do not result in an increase to the overall program budget. The first two require approval of the program/task manager and the Chief Financial Officer. The third requires approval of the Executive Director.

- 1) Transfers from one line item to another within the task budget and fund, or changes between tasks within the same program and fund.
- 2) Reallocation of budget salary costs and revenues from one program to another within the same fund.
- 3) Substitution of one approved fund and or grant for another approved fund and or grant within a program, not to exceed \$1 million.

Board Approved Amendments

A Board approval is required for all other budget amendments including increases in the total program appropriations or revenues.

Formal budgetary integration is employed as a management control device during the year. Commitments for material and services, such as purchase orders and contracts, are recorded as encumbrances to assist controlling expenditures. All unused appropriations and encumbrances lapse at year end. Certain encumbrances are re-appropriated and become part of the subsequent year's budget.

Excess of Expenditures over Appropriations

For fiscal year ended June 30, 2012, no expenditures exceeded appropriations.



*Santa Fe Depot during filming of "Changling" movie in 2007
Starring Angelina Jolie and directed by Clint Eastwood*

Supplementary Information

Non-Major Governmental Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes. Non-major governmental funds of the Agency include the following special revenue funds:

State Energy Programs accounts for expenditures relating to state grant for alternative and renewable fuel and technology program.

Service Authority for Freeway Emergencies accounts for call box expenditures relating to state service authority for freeway emergencies (SAFE) vehicle registration fees.

Freeway Service Patrol accounts for expenditures relating to state freeway service patrol (FSP) program revenue.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>State Energy Programs</u>	<u>Service Authority for Freeway Emergencies</u>	<u>Freeway Service Patrol</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and investments	\$ -	\$ 1,661,499	\$ 3,264	\$ 1,664,763
Accrued interest receivable	-	2,145	-	2,145
Intergovernmental receivable	5,413,303	311,371	956,555	6,681,229
Total assets	<u>5,413,303</u>	<u>1,975,015</u>	<u>959,819</u>	<u>8,348,137</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	4,980,559	117,240	103,301	5,201,100
Accrued liabilities	-	2,277	-	2,277
Intergovernmental payable	-	2,622	10,349	12,971
Due to other funds	432,744	-	846,169	1,278,913
Unearned revenue	930,800	1,147	19,166	951,113
Total liabilities	<u>6,344,103</u>	<u>123,286</u>	<u>978,985</u>	<u>7,446,374</u>
Fund balances:				
Restricted-traveler services	-	1,851,729	-	1,851,729
Unassigned	(930,800)	-	(19,166)	(949,966)
Total fund balances	<u>(930,800)</u>	<u>1,851,729</u>	<u>(19,166)</u>	<u>901,763</u>
Total liabilities and fund balances	<u>\$ 5,413,303</u>	<u>\$ 1,975,015</u>	<u>\$ 959,819</u>	<u>\$ 8,348,137</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	State Energy Programs	Service Authority for Freeway Emergencies	Freeway Service Patrol	
Revenues				
Intergovernmental	\$ 8,377,201	\$ 1,736,112	\$ 1,165,379	\$ 11,278,692
Investment earnings	-	898	-	898
Miscellaneous	-	21,215	-	21,215
Total revenues	<u>8,377,201</u>	<u>1,758,225</u>	<u>1,165,379</u>	<u>11,300,805</u>
Expenditures				
Current:				
General-council of governments support	-	17,969	-	17,969
Air quality and traveler services	8,176,233	917,763	1,184,545	10,278,541
Total expenditures	<u>8,176,233</u>	<u>935,732</u>	<u>1,184,545</u>	<u>10,296,510</u>
Excess (deficiency) of revenues over (under) Expenditures	<u>200,968</u>	<u>822,493</u>	<u>(19,166)</u>	<u>1,004,295</u>
Fund balances beginning of year	-	1,107,166	-	1,107,166
Accumulative effect of accounting change	(1,131,768)	(77,930)	-	(1,209,698)
Fund balances beginning of year, as restated	<u>(1,131,768)</u>	<u>1,029,236</u>	<u>-</u>	<u>(102,532)</u>
Fund balances end of year	<u>\$ (930,800)</u>	<u>\$ 1,851,729</u>	<u>\$ (19,166)</u>	<u>\$ 901,763</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
State Energy Programs Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 2,336,033	\$ 8,176,233	\$ 8,377,201	\$ 200,968
Expenditures				
Current-air quality and traveler services	<u>2,336,033</u>	<u>8,176,233</u>	<u>8,176,233</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>200,968</u>	<u>200,968</u>
Fund balances beginning of year	-	-	-	-
Accumulative effect of accounting change	<u>-</u>	<u>-</u>	<u>(1,131,768)</u>	<u>(1,131,768)</u>
Fund balances beginning of year, as restated	<u>-</u>	<u>-</u>	<u>(1,131,768)</u>	<u>(1,131,768)</u>
Fund balances end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (930,800)</u></u>	<u><u>\$ (930,800)</u></u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Service Authority for Freeway Emergencies Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,525,000	\$ 1,613,550	\$ 1,736,112	\$ 122,562
Investment earnings	-	-	898	898
Miscellaneous	-	71,400	21,215	(50,185)
Total revenues	<u>1,525,000</u>	<u>1,684,950</u>	<u>1,758,225</u>	<u>73,275</u>
Expenditures				
Current:				
General-council of governments support	25,000	25,000	17,969	7,031
Air quality and traveler services	1,500,000	1,659,950	917,763	742,187
Total expenditures	<u>1,525,000</u>	<u>1,684,950</u>	<u>935,732</u>	<u>749,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>822,493</u>	<u>822,493</u>
Fund balances beginning of year	1,107,166	1,107,166	1,107,166	-
Accumulative effect of accounting change	-	-	(77,930)	(77,930)
Fund balances beginning of year, as restated	<u>1,107,166</u>	<u>1,107,166</u>	<u>1,029,236</u>	<u>(77,930)</u>
Fund balances end of year	<u>\$ 1,107,166</u>	<u>\$ 1,107,166</u>	<u>\$ 1,851,729</u>	<u>\$ 744,563</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Freeway Service Patrol Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,329,163	\$ 1,438,657	\$ 1,165,379	\$ (273,278)
Expenditures				
Current-air quality and traveler services	<u>1,329,163</u>	<u>1,438,657</u>	<u>1,184,545</u>	<u>254,112</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(19,166)	(19,166)
Fund balances beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (19,166)</u></u>	<u><u>\$ (19,166)</u></u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 3,910,721	\$ 3,910,721
Expenditures				
Debt service:				
Principal	250,000,000	250,000,000	250,000,000	-
Interest	11,335,100	11,461,156	11,461,155	1
Fiscal and issuance costs	-	100	10	90
Total expenditures	<u>261,335,100</u>	<u>261,461,256</u>	<u>261,461,165</u>	<u>91</u>
Excess (deficiency) of revenues over (under) expenditures	(261,335,100)	(261,461,256)	(257,550,444)	3,910,812
Other Financing Sources (Uses)				
Transfers in	-	401,564,164	241,286,470	(160,277,694)
Transfers out	-	(241,025,496)	(101,130,132)	139,895,364
Sales tax revenue bonds issued	261,335,100	91,880,000	91,880,000	-
Premium on sales tax revenue bonds issued	-	9,042,588	9,042,588	-
Total other financing sources (uses)	<u>261,335,100</u>	<u>261,461,256</u>	<u>241,078,926</u>	<u>(20,382,330)</u>
Net change in fund balances	-	-	(16,471,518)	(16,471,518)
Fund balances beginning of year	<u>17,533,170</u>	<u>17,533,170</u>	<u>17,533,170</u>	<u>-</u>
Fund balances end of year	<u>\$ 17,533,170</u>	<u>\$ 17,533,170</u>	<u>\$ 1,061,652</u>	<u>\$ (16,471,518)</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 61,176,506	\$ 86,349,367	\$ 28,897,428	\$ (57,451,939)
Investment earnings	-	-	194,314	194,314
Total revenues	<u>61,176,506</u>	<u>86,349,367</u>	<u>29,091,742</u>	<u>(57,257,625)</u>
Expenditures				
Current:				
Transit and passenger rail	3,857,055	17,158,829	4,409,273	12,749,556
Major project delivery	61,057,038	84,048,632	41,243,316	42,805,316
Total expenditures	<u>64,914,093</u>	<u>101,207,461</u>	<u>45,652,589</u>	<u>55,554,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,737,587)</u>	<u>(14,858,094)</u>	<u>(16,560,847)</u>	<u>(1,702,753)</u>
Other Financing Sources (Uses)				
Transfers in	-	354,184,525	109,358,920	(244,825,605)
Transfers out	-	(338,620,090)	(229,083,290)	109,536,800
Total other financing sources (uses)	<u>-</u>	<u>15,564,435</u>	<u>(119,724,370)</u>	<u>(135,288,805)</u>
Net change in fund balances	<u>(3,737,587)</u>	<u>706,341</u>	<u>(136,285,217)</u>	<u>(136,991,558)</u>
Fund balances beginning of year	207,852,403	207,852,403	207,852,403	-
Accumulative effect of accounting change	-	-	(1,035,334)	(1,035,334)
Fund balances beginning of year, as restated	<u>207,852,403</u>	<u>207,852,403</u>	<u>206,817,069</u>	<u>(1,035,334)</u>
Fund balances end of year	<u>\$ 204,114,816</u>	<u>\$ 208,558,744</u>	<u>\$ 70,531,852</u>	<u>\$ (136,991,558)</u>

Internal Service Funds

The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Generally accepted accounting principles (GAAP) requires statement of net position items, and revenues and expenses of individual internal service funds be consolidated with the government-wide statement of net position and activities. GAAP still requires internal service funds to be presented in the financial statements.

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash flows

The only internal service fund of the Agency is the Santa Fe Depot which accounts for the accumulating and allocation of operating costs attributed to the facility.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Net Position
Internal Service Fund
June 30, 2012

	Santa Fe Depot
Assets	
Current assets-cash and investments	\$ 23,876
Noncurrent assets	
Capital assets:	
Land	284,929
Buildings	4,857,904
Equipment	30,092
Less accumulated depreciation	(1,276,486)
Total noncurrent assets	3,896,439
Total assets	3,920,315
Net position	
Net investment in capital assets	3,896,439
Unrestricted	23,876
Total net position	\$ 3,920,315

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues, Expenses and Changes in Net Position
Internal Service Fund
For the Year Ended June 30, 2012

	Santa Fe Depot
Operating revenues	
Rental charges:	
SANBAG	\$ 270,438
Metrolink	34,824
SCAG	27,622
Other	7,595
Total operating revenues	340,479
Operating expenses	
Supplies, maintenance and other	394,957
Depreciation	162,953
Total operating expenses	557,910
Operating income (loss)	(217,431)
Net position at beginning of year	4,137,746
Net Position at end of year	\$ 3,920,315

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Cash Flows
Internal Service Fund
For the Year Ended June 30, 2012

	Santa Fe Depot
Cash Flows from operating activities	
Receipts from customers and users:	
SANBAG	\$ 270,438
Metrolink	34,824
SCAG	27,622
Other	7,595
Payments to suppliers and service providers	(394,957)
Net cash provided by (used for) operating activities	(54,478)
Cash flows from capital and related financing activities	
Acquisition of capital assets	(13,020)
Net increase (decrease) in cash and investments	(67,498)
Cash and investments at beginning of year	91,374
Cash and investments at end of year	\$ 23,876
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (217,431)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	162,953
Net cash provided by (used for) operating activities	\$ (54,478)



The Morongo Basin Transit Authority's new Transit Center in Twentynine Palms is a good example of the bus/transit service projects occurring within SANBAG's jurisdiction.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Combing Balance Sheet
 1990-2010 Measure I Special Revenue Fund
 June 30, 2012

	Valley Major Projects	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancement	Total 1990-2010 Measure I
Assets					
Cash and investments	\$ 48,876,588	\$ 2,114,866	\$ 6,746,928	\$ 10,371,063	\$ 68,109,445
Accrued interest receivable	50,110	2,730	8,709	13,388	74,937
Accounts receivable	494,720	-	-	408	495,128
Total assets	<u>\$ 49,421,418</u>	<u>\$ 2,117,596</u>	<u>\$ 6,755,637</u>	<u>\$ 10,384,859</u>	<u>\$ 68,679,510</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 3,852,657	\$ 1,009,839	\$ -	\$ 258,002	\$ 5,120,498
Accrued liabilities	14,462	1,069	-	11,154	26,685
Intergovernmental payable	2,090,006	3,990	-	6,298	2,100,294
Total liabilities	5,957,125	1,014,898	-	275,454	7,247,477
Fund balances-restricted	43,464,293	1,102,698	6,755,637	10,109,405	61,432,033
Total liabilities and fund balances	<u>\$ 49,421,418</u>	<u>\$ 2,117,596</u>	<u>\$ 6,755,637</u>	<u>\$ 10,384,859</u>	<u>\$ 68,679,510</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
1990-2010 Measure I Special Revenue Fund
For the Year Ended June 30, 2012

	Valley Major Projects	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancement	Total 1990-2020 Measure I
Revenues					
Investment earnings	\$ 497,438	\$ 9,229	\$ 29,441	\$ 98,052	\$ 634,160
Expenditures					
Current:					
Air quality and traveler services	-	-	-	601,646	601,646
Transportation planning and programming	-	-	-	1,076,386	1,076,386
Transit and passenger rail	-	6,204,964	-	-	6,204,964
Major project delivery	15,732,731	-	-	-	15,732,731
Transportation fund administration	9,237,973	-	-	-	9,237,973
Total Expenditures	<u>24,970,704</u>	<u>6,204,964</u>	<u>-</u>	<u>1,678,032</u>	<u>32,853,700</u>
Excess (deficiency) of revenues over (under) expenditures	(24,473,266)	(6,195,735)	29,441	(1,579,980)	(32,219,540)
Other Financing Sources (Uses)					
Transfers out - Sales Tax Revenue Note 2009A Debt Service Fund	(5,203,180)	-	-	-	(5,203,180)
Net change in fund balances	<u>(29,676,446)</u>	<u>(6,195,735)</u>	<u>29,441</u>	<u>(1,579,980)</u>	<u>(37,422,720)</u>
Fund balances beginning of year	61,460,617	7,036,585	6,726,196	9,054,378	84,277,776
Accumulative effect of accounting change	11,680,122	261,848	-	2,635,007	14,576,977
Fund balances beginning of year, as restated	<u>73,140,739</u>	<u>7,298,433</u>	<u>6,726,196</u>	<u>11,689,385</u>	<u>98,854,753</u>
Fund balances end of year	<u>\$ 43,464,293</u>	<u>\$ 1,102,698</u>	<u>\$ 6,755,637</u>	<u>\$ 10,109,405</u>	<u>\$ 61,432,033</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2012

	<u>Valley Freeway Projects</u>	<u>Valley Freeway Interchanges</u>	<u>Valley Major Street</u>	<u>Valley Local Street</u>
Assets				
Cash and investments	\$ 5,388,224	\$ 6,114,557	\$ 14,390,567	\$ 78,983
Accrued interest receivable	68,163	7,854	34,857	-
Accounts receivable	-	-	24	-
Sales taxes receivable	5,560,839	2,109,284	3,835,061	3,835,061
Intergovernmental receivable	-	-	395,335	-
Due from other funds	47,337,779	-	6,087,530	-
Total assets	<u>\$ 58,355,005</u>	<u>\$ 8,231,695</u>	<u>\$ 24,743,374</u>	<u>\$ 3,914,044</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 868,170	\$ 581,237	\$ 593,030	\$ -
Accrued liabilities	5,157	817	989	-
Intergovernmental payable	143	3,543,125	15,055,404	3,914,044
Due to other funds	-	-	-	-
Total liabilities	873,470	4,125,179	15,649,423	3,914,044
Fund balances-restricted	57,481,535	4,106,516	9,093,951	-
Total liabilities and fund balances	<u>\$ 58,355,005</u>	<u>\$ 8,231,695</u>	<u>\$ 24,743,374</u>	<u>\$ 3,914,044</u>

<u>Valley Metrolink/ Rail Service</u>	<u>Valley Express Bus/ Bus Rapid Transit Service</u>	<u>Valley Senior & Disabled Transit</u>	<u>Valley Transportation Management Systems</u>	<u>Victor Valley Major Local Highway</u>	<u>Victor Valley Local Street</u>
\$ 5,013,558	\$ 2,171,571	\$ 974,977	\$ 3,604,867	\$ 7,375,161	\$ -
6,472	2,803	1,259	4,653	9,515	-
-	-	-	-	-	-
1,534,024	383,506	1,534,024	383,506	685,730	1,865,185
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,554,054</u>	<u>\$ 2,557,880</u>	<u>\$ 2,510,260</u>	<u>\$ 3,993,026</u>	<u>\$ 8,070,406</u>	<u>\$ 1,865,185</u>
\$ 724,270	\$ -	\$ 14,529	\$ 8,525	\$ 117,314	\$ -
-	-	-	5,860	-	-
445,638	-	367,430	51,175	808	1,865,185
-	-	-	-	-	-
1,169,908	-	381,959	65,560	118,122	1,865,185
5,384,146	2,557,880	2,128,301	3,927,466	7,952,284	-
<u>\$ 6,554,054</u>	<u>\$ 2,557,880</u>	<u>\$ 2,510,260</u>	<u>\$ 3,993,026</u>	<u>\$ 8,070,406</u>	<u>\$ 1,865,185</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2012

	Victor Valley Senior & Disabled Transit	Victor Valley Project Development/ Traffic Management	North Desert Major Local Highway	North Desert Local Street
Assets				
Cash and investments	\$ 456,801	\$ 541,473	\$ 2,544,586	\$ -
Accrued interest receivable	590	699	3,285	-
Accounts receivable	-	-	-	-
Sales taxes receivable	137,146	54,858	314,169	854,539
Intergovernmental receivable	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 594,537</u>	<u>\$ 597,030</u>	<u>\$ 2,862,040</u>	<u>\$ 854,539</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ 9,176	\$ 90,511	\$ -
Accrued liabilities	-	-	260	-
Intergovernmental payable	179,835	27,250	-	854,539
Due to other funds	-	-	-	-
Total liabilities	<u>179,835</u>	<u>36,426</u>	<u>90,771</u>	<u>854,539</u>
Fund balances-restricted	<u>414,702</u>	<u>560,604</u>	<u>2,771,269</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 594,537</u>	<u>\$ 597,030</u>	<u>\$ 2,862,040</u>	<u>\$ 854,539</u>

<u>North Desert Senior & Disabled Transit</u>	<u>North Desert Project Development/ Traffic Management</u>	<u>Colorado River Major Local Highway</u>	<u>Colorado River Local Street</u>	<u>Colorado River Senior & Disabled Transit</u>	<u>Colorado River Project Development/ Traffic Management</u>
\$ 385,392	\$ 206,953	\$ 106,700	\$ -	\$ 8,108	\$ 8,537
497	267	138	-	10	11
-	-	-	-	-	-
62,834	25,133	8,556	23,271	1,711	684
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 448,723</u>	<u>\$ 232,353</u>	<u>\$ 115,394</u>	<u>\$ 23,271</u>	<u>\$ 9,829</u>	<u>\$ 9,232</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	23,271	-	-
-	-	-	-	-	-
-	-	-	23,271	-	-
<u>448,723</u>	<u>232,353</u>	<u>115,394</u>	<u>-</u>	<u>9,829</u>	<u>9,232</u>
<u>\$ 448,723</u>	<u>\$ 232,353</u>	<u>\$ 115,394</u>	<u>\$ 23,271</u>	<u>\$ 9,829</u>	<u>\$ 9,232</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2012

	<u>Morongo Basin Major Local Highway</u>	<u>Morongo Basin Local Street</u>	<u>Morongo Basin Senior & Disabled Transit</u>	<u>Morongo Basin Project Development/ Traffic Management</u>
Assets				
Cash and investments	\$ 1,066,045	\$ -	\$ -	\$ 85,284
Accrued interest receivable	1,376	-	-	110
Accounts receivable	-	-	-	-
Sales taxes receivable	103,972	282,804	20,794	8,317
Intergovernmental receivable	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,171,393</u>	<u>282,804</u>	<u>20,794</u>	<u>93,711</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	-	-	-	-
Accrued liabilities	-	-	-	-
Intergovernmental payable	-	282,804	-	-
Due to other funds	-	-	8,172	-
Total liabilities	-	282,804	8,172	-
Fund balances-restricted	<u>1,171,393</u>	-	<u>12,622</u>	<u>93,711</u>
Total liabilities and fund balances	<u>\$ 1,171,393</u>	<u>\$ 282,804</u>	<u>\$ 20,794</u>	<u>\$ 93,711</u>

<u>Mountain Major Major Local Highway</u>	<u>Mountain Local Local Street</u>	<u>Mountain Senior & Disabled Transit</u>	<u>Mountain Project Development/ Traffic Management</u>	<u>Cajon Pass</u>	<u>Total 2010-2040 Measure I</u>
\$ 924,885	\$ -	\$ 66,582	\$ 73,990	\$ 5,223,987	\$ 56,811,788
1,194	-	86	96	6,743	150,678
-	-	-	-	-	24
77,857	211,770	15,571	6,229	677,883	24,614,318
-	-	-	-	-	395,335
-	-	-	-	-	53,425,309
<u>1,003,936</u>	<u>211,770</u>	<u>82,239</u>	<u>80,315</u>	<u>5,908,613</u>	<u>135,397,452</u>
-	-	-	-	1,375,459	4,382,221
-	-	-	-	908	13,991
-	211,770	-	-	85,774	26,908,195
-	-	-	-	-	8,172
-	211,770	-	-	1,462,141	31,312,579
<u>1,003,936</u>	<u>-</u>	<u>82,239</u>	<u>80,315</u>	<u>4,446,472</u>	<u>104,084,873</u>
<u>\$ 1,003,936</u>	<u>\$ 211,770</u>	<u>\$ 82,239</u>	<u>\$ 80,315</u>	<u>\$ 5,908,613</u>	<u>\$ 135,397,452</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues and Expenditures and Changes in Fund Balances
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2012

	Valley Freeway Projects	Valley Freeway Interchanges	Valley Major Street	Valley Local Street
Revenues				
Sales tax-Measure I ⁽¹⁾	\$ 29,693,822	\$ 11,263,174	\$ 20,478,498	\$ 20,478,498
Investment earnings	329,290	26,550	41,222	-
Total Revenues	<u>30,023,112</u>	<u>11,289,724</u>	<u>20,519,720</u>	<u>20,478,498</u>
Expenditures				
Current:				
General-council of governments support	444,772	-	9,667	-
Air quality and traveler services	-	-	-	-
Transportation planning and programming	-	-	-	-
Transit and passenger rail	-	-	-	-
Major project delivery	2,096,157	4,403,243	8,952,346	-
Transportation fund administration	-	3,894,935	12,666,333	21,107,424
Total Expenditures	<u>2,540,929</u>	<u>8,298,178</u>	<u>21,628,346</u>	<u>21,107,424</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,482,183</u>	<u>2,991,546</u>	<u>(1,108,626)</u>	<u>(628,926)</u>
Other Financing Sources (Uses)				
Transfers out:				
Sale Tax Revenue Note 2009A Debt Service Fund	(5,500,000)	(1,500,000)	-	-
Valley Freeway Bond Capital Projects Fund	(1,992,176)	-	-	-
Valley Interchange Bond Capital Projects Fund	-	(6,236,612)	-	-
Total other financing sources (uses)	<u>(7,492,176)</u>	<u>(7,736,612)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>19,990,007</u>	<u>(4,745,066)</u>	<u>(1,108,626)</u>	<u>(628,926)</u>
Fund balances beginning of year	31,626,111	9,822,883	13,752,092	-
Accumulative effect of accounting change	5,865,417	(971,301)	(3,549,515)	628,926
Fund balances beginning of year, as restated	<u>37,491,528</u>	<u>8,851,582</u>	<u>10,202,577</u>	<u>628,926</u>
Fund balances end of year	<u>\$ 57,481,535</u>	<u>\$ 4,106,516</u>	<u>\$ 9,093,951</u>	<u>\$ -</u>

⁽¹⁾ Total sales tax-Measure I of \$132,276,581 less 1% of \$1,322, 766 for Measure I administration accounted for in the General Fund (page 24)

<u>Valley Metrolink/ Rail Service</u>	<u>Valley Express Bus/ Bus Rapid Transit Service</u>	<u>Valley Senior & Disabled Transit</u>	<u>Valley Transportation Management Systems</u>	<u>Victor Valley Major Local Highway</u>	<u>Victor Valley Local Street</u>
\$ 8,191,399	\$ 2,047,850	\$ 8,191,399	\$ 2,047,849	\$ 3,651,787	\$ 9,932,860
21,878	9,475	4,255	4,610	12,338	-
<u>8,213,277</u>	<u>2,057,325</u>	<u>8,195,654</u>	<u>2,052,459</u>	<u>3,664,125</u>	<u>9,932,860</u>
19,143	-	-	-	-	-
-	-	-	508,777	-	-
-	-	-	53,724	-	-
7,472,382	1,936,953	116,617	-	-	-
-	-	-	-	152,567	-
-	-	6,751,316	-	-	10,257,429
<u>7,491,525</u>	<u>1,936,953</u>	<u>6,867,933</u>	<u>562,501</u>	<u>152,567</u>	<u>10,257,429</u>
<u>721,752</u>	<u>120,372</u>	<u>1,327,721</u>	<u>1,489,958</u>	<u>3,511,558</u>	<u>(324,569)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>721,752</u>	<u>120,372</u>	<u>1,327,721</u>	<u>1,489,958</u>	<u>3,511,558</u>	<u>(324,569)</u>
4,625,744	2,364,914	504,520	2,364,914	4,260,832	-
36,650	72,594	296,060	72,594	179,894	324,569
<u>4,662,394</u>	<u>2,437,508</u>	<u>800,580</u>	<u>2,437,508</u>	<u>4,440,726</u>	<u>324,569</u>
<u>\$ 5,384,146</u>	<u>\$ 2,557,880</u>	<u>\$ 2,128,301</u>	<u>\$ 3,927,466</u>	<u>\$ 7,952,284</u>	<u>\$ -</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues and Expenditures and Changes in Fund Balances
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2012

	Victor Valley Senior & Disabled Transit	Victor Valley Project Development Traffic/ Management	North Desert Major Local Highway	North Desert Local Street
Revenues				
Sales tax-Measure I ⁽¹⁾	\$ 730,357	\$ 292,143	\$ 1,560,813	\$ 4,245,412
Investment earnings	1,994	777	5,117	-
Total Revenues	<u>732,351</u>	<u>292,920</u>	<u>1,565,930</u>	<u>4,245,412</u>
Expenditures				
Current:				
General-council of governments support	-	-	-	-
Air quality and traveler services	-	-	-	-
Transportation planning and programming	-	63,030	-	-
Transit and passenger rail	659,263	-	-	-
Major project delivery	-	6,840	132,954	-
Transportation fund administration	-	-	-	4,417,715
Total Expenditures	<u>659,263</u>	<u>69,870</u>	<u>132,954</u>	<u>4,417,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>73,088</u>	<u>223,050</u>	<u>1,432,976</u>	<u>(172,303)</u>
Other Financing Sources (Uses)				
Transfers out:				
Sale Tax Revenue Note 2009A Debt Service Fund	-	-	-	-
Valley Freeway Bond Capital Projects Fund	-	-	-	-
Valley Interchange Bond Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>73,088</u>	<u>223,050</u>	<u>1,432,976</u>	<u>(172,303)</u>
Fund balances beginning of year	314,557	325,572	1,269,724	-
Accumulative effect of accounting change	27,057	11,982	68,569	172,303
Fund balances beginning of year, as restated	<u>341,614</u>	<u>337,554</u>	<u>1,338,293</u>	<u>172,303</u>
Fund balances end of year	<u>\$ 414,702</u>	<u>\$ 560,604</u>	<u>\$ 2,771,269</u>	<u>\$ -</u>

⁽¹⁾ Total sales tax-Measure I of \$132,276,581 less 1% of \$1,322, 766 for Measure I administration accounted for in the General Fund (page 24)

<u>North Desert Senior & Disabled Transit</u>	<u>North Desert Project Development Traffic/ Management</u>	<u>Colorado River Major Local Highway</u>	<u>Colorado River Local Street</u>	<u>Colorado River Senior & Disabled Transit</u>	<u>Colorado River Project Development Traffic/ Management</u>
\$ 312,164	\$ 124,865	\$ 49,528	\$ 134,719	\$ 9,904	\$ 3,962
484	424	175	-	37	15
<u>312,648</u>	<u>125,289</u>	<u>49,703</u>	<u>134,719</u>	<u>9,941</u>	<u>3,977</u>
-	-	-	-	-	-
126,236	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	12,508	-
-	-	-	-	-	-
-	-	-	143,008	-	-
<u>126,236</u>	<u>-</u>	<u>-</u>	<u>143,008</u>	<u>12,508</u>	<u>-</u>
186,412	125,289	49,703	(8,289)	(2,567)	3,977
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>186,412</u>	<u>125,289</u>	<u>49,703</u>	<u>(8,289)</u>	<u>(2,567)</u>	<u>3,977</u>
248,597	101,578	62,389	-	11,759	4,991
13,714	5,486	3,302	8,289	637	264
262,311	107,064	65,691	8,289	12,396	5,255
<u>\$ 448,723</u>	<u>\$ 232,353</u>	<u>\$ 115,394</u>	<u>\$ -</u>	<u>\$ 9,829</u>	<u>\$ 9,232</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2012

	Morongo Basin Major Local Highway	Morongo Basin Local Street	Morongo Basin Senior & Disabled Transit	Morongo Basin Project Development Traffic/ Management
Revenues				
Sales tax-Measure I ⁽¹⁾	\$ 527,129	\$ 1,433,768	\$ 105,424	\$ 42,169
Investment earnings	1,758	-	-	140
Total Revenues	<u>528,887</u>	<u>1,433,768</u>	<u>105,424</u>	<u>42,309</u>
Expenditures				
Current:				
General-council of governments support	-	-	-	-
Air quality and traveler services	-	-	-	-
Transportation planning and programming	-	-	-	-
Transit and passenger rail	-	-	144,429	-
Major project delivery	-	-	-	-
Transportation fund administration	-	1,475,925	-	-
Total Expenditures	<u>-</u>	<u>1,475,925</u>	<u>144,429</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>528,887</u>	<u>(42,157)</u>	<u>(39,005)</u>	<u>42,309</u>
Other Financing Sources (Uses)				
Transfers out:				
Sale Tax Revenue Note 2009A Debt Service Fund	-	-	-	-
Valley Freeway Bond Capital Projects Fund	-	-	-	-
Valley Interchange Bond Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>528,887</u>	<u>(42,157)</u>	<u>(39,005)</u>	<u>42,309</u>
Fund balances beginning of year	624,492	-	48,275	49,960
Accumulative effect of accounting change	18,014	42,157	3,352	1,442
Fund balances beginning of year, as restated	<u>642,506</u>	<u>42,157</u>	<u>51,627</u>	<u>51,402</u>
Fund balances end of year	<u>\$ 1,171,393</u>	<u>\$ -</u>	<u>\$ 12,622</u>	<u>\$ 93,711</u>

⁽¹⁾ Total sales tax-Measure I of \$132,276,581 less 1% of \$1,322, 766 for Measure I administration accounted for in the General Fund (page 24)

<u>Mountain Major Major Local Highway</u>	<u>Mountain Local Local Street</u>	<u>Mountain Senior & Disabled Transit</u>	<u>Mountain Project Development Traffic/ Management</u>	<u>Cajon Pass</u>	<u>Total 2010-2040 Measure I</u>
\$ 446,443	\$ 1,214,329	\$ 89,290	\$ 35,715	\$ 3,618,545	\$ 130,953,815
1,524	-	289	122	22,795	485,269
<u>447,967</u>	<u>1,214,329</u>	<u>89,579</u>	<u>35,837</u>	<u>3,641,340</u>	<u>131,439,084</u>
-	-	-	-	-	473,582
-	-	-	-	-	635,013
-	-	-	-	-	116,754
-	-	107,917	-	-	10,450,069
-	-	-	-	3,146,099	18,890,206
-	<u>1,243,052</u>	-	-	-	<u>61,957,137</u>
-	<u>1,243,052</u>	<u>107,917</u>	-	<u>3,146,099</u>	<u>92,522,761</u>
<u>447,967</u>	<u>(28,723)</u>	<u>(18,338)</u>	<u>35,837</u>	<u>495,241</u>	<u>38,916,323</u>
-	-	-	-	-	(7,000,000)
-	-	-	-	-	(1,992,176)
-	-	-	-	-	(6,236,612)
-	-	-	-	-	(15,228,788)
<u>447,967</u>	<u>(28,723)</u>	<u>(18,338)</u>	<u>35,837</u>	<u>495,241</u>	<u>23,687,535</u>
543,217	-	98,260	43,458	3,848,289	76,917,128
12,752	28,723	2,317	1,020	102,942	3,480,210
555,969	28,723	100,577	44,478	3,951,231	80,397,338
<u>\$ 1,003,936</u>	<u>\$ -</u>	<u>\$ 82,239</u>	<u>\$ 80,315</u>	<u>\$ 4,446,472</u>	<u>\$ 104,084,873</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
Debt Service Fund
June 30, 2012

	Sales Tax Revenue Note 2009A	Sales Tax Revenue Bond 2012A	Total Debt Service
Assets			
Cash and investments	\$ 3,000	\$ -	\$ 3,000
Cash and investments-restricted	-	1,061,652	1,061,652
Total assets	<u>\$ 3,000</u>	<u>\$ 1,061,652</u>	<u>\$ 1,064,652</u>
Liabilities and fund balances			
Accounts payable	\$ 3,000	\$ -	\$ 3,000
Fund balances-restricted	-	1,061,652	1,061,652
Total liabilities and fund balances	<u>\$ 3,000</u>	<u>\$ 1,061,652</u>	<u>\$ 1,064,652</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Fund
For the Year Ended June 30, 2012

	Sales Tax Revenue Note 2009A	Sales Tax Revenue Bond 2012A	Total Debt Service
Revenues			
Investment earnings	\$ 3,910,721	\$ -	\$ 3,910,721
Expenditures			
Debt service:			
Principal	250,000,000	-	250,000,000
Interest	11,461,155	-	11,461,155
Fiscal and issuance costs	10	-	10
Total expenditures	<u>261,461,165</u>	<u>-</u>	<u>261,461,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(257,550,444)</u>	<u>-</u>	<u>(257,550,444)</u>
Other Financing Sources (Uses)			
Transfers in:			
1990-2010 Measure I Special Revenue Fund	5,203,180	-	5,203,180
2010-2040 Measure I Special Revenue Fund	7,000,000	-	7,000,000
2009 Bond Projects Capital Projects Fund	228,021,638	-	228,021,638
Valley Major Street Bond Capital Projects Fund	-	434,216	434,216
Victor Valley Major Local Highway Bond Capital Projects Fund	-	228,255	228,255
Cajon Pass Bond Capital Projects Fund	-	399,181	399,181
Sales tax revenue bonds issued	91,880,000	-	91,880,000
Premium on sales tax revenue bonds issued	9,042,588	-	9,042,588
Transfers out:			
Valley Major Street Bond Capital Projects Fund	(41,362,224)	-	(41,362,224)
Victor Valley Major Local Highway Bond Capital Projects Fund	(21,742,978)	-	(21,742,978)
Cajon Pass Bond Capital Projects Fund	<u>(38,024,930)</u>	<u>-</u>	<u>(38,024,930)</u>
Total other financing sources (uses)	<u>240,017,274</u>	<u>1,061,652</u>	<u>241,078,926</u>
Net change in fund balances	(17,533,170)	1,061,652	(16,471,518)
Fund balances beginning of year	<u>17,533,170</u>	<u>-</u>	<u>17,533,170</u>
Fund balances end of year	<u>\$ -</u>	<u>\$ 1,061,652</u>	<u>\$ 1,061,652</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
Capital Projects Fund
June 30, 2012

	Local Projects	Transit Center Project	2009 Bond Projects
Assets			
Cash and investments	\$ -	\$ -	\$ -
Accrued interest receivable	6,067	-	-
Accounts receivable	543,164	-	-
Intergovernmental receivable	11,637,287	590,851	-
Cash and investments-restricted	-	-	-
Total assets	<u>\$ 12,186,518</u>	<u>\$ 590,851</u>	<u>\$ -</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 4,547,109	\$ 247,505	\$ -
Accrued liabilities	-	276	-
Intergovernmental payable	98,718	95	-
Due to other funds	6,087,530	342,975	-
Unearned revenue	<u>2,040,682</u>	<u>-</u>	<u>-</u>
Total liabilities	12,774,039	590,851	-
Fund balances:			
Restricted	-	-	-
Unassigned	<u>(587,521)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(587,521)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,186,518</u>	<u>\$ 590,851</u>	<u>\$ -</u>

Valley Freeway Projects Bond	Valley Freeway Interchanges Bond	Valley Major Street Bond	Victor Valley Major Local Highway Bond	Cajon Pass Bond	Total Capital Projects
\$ -	\$ -	\$ 3,905,201	\$ 120,292	\$ -	\$ 4,025,493
-	-	44,294	25,163	23,003	98,527
-	-	-	-	-	543,164
-	-	-	-	-	12,228,138
-	-	30,408,593	19,373,079	30,690,936	80,472,608
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,358,088</u>	<u>\$ 19,518,534</u>	<u>\$ 30,713,939</u>	<u>\$ 97,367,930</u>
\$ -	\$ -	\$ 1,345	\$ 571,773	\$ 1,236	\$ 5,368,968
-	-	-	1,104	-	1,380
-	-	-	25,000	-	123,813
-	-	-	-	12,870,730	19,301,235
-	-	-	-	-	2,040,682
-	-	1,345	597,877	12,871,966	26,836,078
-	-	34,356,743	18,920,657	17,841,973	71,119,373
-	-	-	-	-	(587,521)
-	-	34,356,743	18,920,657	17,841,973	70,531,852
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,358,088</u>	<u>\$ 19,518,534</u>	<u>\$ 30,713,939</u>	<u>\$ 97,367,930</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund
For the Year Ended June 30, 2012

	Local Projects	Transit Center Project	2009 Bond Projects
Revenues			
Intergovernmental	\$ 28,286,597	\$ 590,851	\$ -
Investment earnings	23,251	-	-
Total revenues	<u>28,309,848</u>	<u>590,851</u>	<u>-</u>
Expenditures			
Current:			
Transit and passenger rail	3,019,088	590,851	-
Major project delivery	25,858,751	-	-
Total expenditures	<u>28,877,839</u>	<u>590,851</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(567,991)</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in:			
2010-2040 Measure I Special Revenue Fund	-	-	-
Sales Tax Revenue Note 2009A Debt Service Fund	-	-	-
Transfers out:			
Sales Tax Revenue Note 2009A Debt Service Fund	-	-	(205,812,796)
Sales Tax Revenue Bond 2012A Debt Service Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(205,812,796)</u>
Net change in fund balances	<u>(567,991)</u>	<u>-</u>	<u>(205,812,796)</u>
Fund balances beginning of year	-	-	205,812,796
Accumulative effect of accounting change	(19,530)	-	-
Fund balances beginning of year, as restated	<u>(19,530)</u>	<u>-</u>	<u>205,812,796</u>
Fund balances end of year	<u>\$ (587,521)</u>	<u>\$ -</u>	<u>\$ -</u>

Valley Freeway Projects Bond	Valley Freeway Interchanges Bond	Valley Major Street Bond	Victor Valley Major Local Highway Bond	Cajon Pass Bond	Total Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ 19,980	\$ 28,897,428
-	-	99,993	58,946	12,124	194,314
-	-	99,993	58,946	32,104	29,091,742
-	-	326,947	171,853	300,534	4,409,273
-	121,046	375,939	1,552,801	13,334,779	41,243,316
-	121,046	702,886	1,724,654	13,635,313	45,652,589
-	(121,046)	(602,893)	(1,665,708)	(13,603,209)	(16,560,847)
1,992,176	6,236,612	-	-	-	8,228,788
-	-	41,362,224	21,742,978	38,024,930	101,130,132
-	-	-	(22,208,842)	-	(228,021,638)
-	-	(434,216)	(228,255)	(399,181)	(1,061,652)
1,992,176	6,236,612	40,928,008	(694,119)	37,625,749	(119,724,370)
1,992,176	6,115,566	40,325,115	(2,359,827)	24,022,540	(136,285,217)
(1,992,176)	(5,147,491)	(5,968,372)	21,328,213	(6,180,567)	207,852,403
-	(968,075)	-	(47,729)	-	(1,035,334)
(1,992,176)	(6,115,566)	(5,968,372)	21,280,484	(6,180,567)	206,817,069
\$ -	\$ -	\$ 34,356,743	\$ 18,920,657	\$ 17,841,973	\$ 70,531,852



New Crash Energy Management cars debuted on SANBAG's San Bernardino Metrolink line in 2010.

Statistical Section

Statistical Section

This part of the San Bernardino Associated Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

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<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	108
<i>Revenue Capacity</i>	
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SAN BERNARDINO ASSOCIATED GOVERNMENTS

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Net investment in capital assets	\$ 64,339,191	\$ 64,528,387	\$ 64,188,520	\$ 64,231,511	\$ 64,382,721	\$ 64,294,580	\$ 64,485,344	\$ 64,556,144	\$ 63,962,736	\$ 64,007,452
Restricted	238,348,097	514,537,080	531,138,805	474,046,214	248,688,547	248,608,924	243,704,215	207,449,919	174,805,298	164,327,410
Unrestricted	(20,906,687)	(290,669,405)	(340,180,203)	(236,047,637)	(44,554,894)	(77,822,795)	(113,126,372)	(136,293,171)	(160,673,980)	(193,654,901)
Total governmental activities net position	\$ 281,780,601	\$ 288,396,062	\$ 255,147,122	\$ 302,230,088	\$ 268,516,374	\$ 235,080,709	\$ 195,063,187	\$ 135,712,892	\$ 78,094,054	\$ 34,679,961

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Changes in Net Position
Last Ten Fiscal Years ⁽¹⁾
(accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General-council of governments support	\$ 1,919,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Air quality and traveler services	16,561,711	-	-	-	-	-	-	-	-	-
Transportation planning and programming	6,027,692	-	-	-	-	-	-	-	-	-
Transit and passenger rail	32,939,430	-	-	-	-	-	-	-	-	-
Major project delivery	165,717,535	-	-	-	-	-	-	-	-	-
Transportation fund administration	142,700,712	-	-	-	-	-	-	-	-	-
Interest expense	8,063,944	7,745,427	9,842,621	4,803,268	4,290,776	5,892,606	6,682,295	9,115,952	10,378,016	12,482,223
General government	-	21,251,548	16,457,877	23,556,849	18,323,011	24,669,999	10,232,248	8,848,350	5,528,026	4,616,298
Disbursements to cities, subareas, transit operators, and claimants	-	84,839,312	120,594,813	97,602,990	132,404,153	108,324,458	113,513,444	104,425,504	92,551,017	88,320,632
Contributions to other governmental agencies	-	43,729,263	33,111,444	26,169,139	22,573,481	19,672,078	16,884,868	11,066,460	12,923,115	11,751,464
Professional services	-	59,625,947	43,945,405	35,646,622	29,739,891	27,372,002	24,791,741	19,167,437	23,708,438	24,605,565
Management and technical services	-	39,979	130,958	142,019	169,884	193,773	186,542	210,115	791,105	971,893
Highways	-	62,410,680	42,335,579	26,356,468	46,850,413	81,193,204	77,867,274	44,531,970	26,356,523	43,711,281
Total governmental activities expenses	373,930,988	279,642,156	266,418,697	214,277,355	254,351,609	267,318,120	250,158,412	197,365,788	172,236,240	186,459,356
Program revenues										
Government activities:										
Charges for services:										
General-council of governments support	782,247	-	-	-	-	-	-	-	-	-
General government	-	1,620,021	1,648,539	1,667,858	1,687,899	1,693,607	1,671,851	1,575,365	1,487,896	-
Professional services	-	-	-	-	-	-	-	-	5,066,589	5,867,737
Operating grants and contributions	161,861,124	184,243,485	148,531,689	125,112,741	135,650,127	147,742,874	152,834,456	116,337,903	93,133,962	94,597,123
Total governmental activities program revenues	162,643,371	185,863,506	150,180,228	126,780,599	137,338,026	149,436,481	154,506,307	117,913,268	99,688,447	100,464,860
Net (expense) revenue										
Governmental activities:	(211,287,617)	(93,778,650)	(116,238,469)	(87,496,756)	(117,013,583)	(117,881,639)	(95,652,105)	(79,452,520)	(72,547,793)	(85,994,496)
General revenues										
Sales tax-Measure I	132,276,581	118,115,639	109,393,542	115,074,064	138,461,233	145,551,852	147,027,423	131,623,042	114,681,121	103,157,221
Sales tax-local transportation fund	71,168,436	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	5,934,258	8,911,951	9,745,049	6,133,700	11,988,570	12,313,655	7,746,517	4,924,723	1,280,765	-
Gain (loss) on disposal of capital assets	-	-	(75,000)	2,706	(555)	33,654	228,460	523,593	-	-
Miscellaneous	903,880	-	-	-	-	-	-	-	-	1,405,996
Total governmental activities general revenues	210,283,155	127,027,590	119,063,591	121,210,470	150,449,248	157,899,161	155,002,400	137,071,358	115,961,886	104,563,217
Change in net position										
Governmental activities:	\$ (1,004,462)	\$ 33,248,940	\$ 2,825,122	\$ 33,713,714	\$ 33,435,665	\$ 40,017,522	\$ 59,350,295	\$ 57,618,838	\$ 43,414,093	\$ 18,568,721

⁽¹⁾The Agency implemented new fund accounting/financial software in 2012 which provides a different classification of expenses in fiscal year 2012 in comparison to prior fiscal years. Sales tax-Local Transportation Fund revenue was reclassified as general revenue in fiscal year 2012. Previously, it was classified as program revenue-operating grants and contributions. Vehicle registration fee revenue was reclassified as program-operating grants and contributions in 2012. It was classified as general revenue-miscellaneous in 2003 and program-charges for services for the years 2004-2011. Unrestricted investment earnings was classified as program revenue in fiscal year 2003. Fiscal years 2003-2011 were not revised to reflect the classification changes in 2012.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Fund Balances of Governmental Funds
Last Ten Fiscal Years ⁽¹⁾
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General fund										
Nonspendable	\$ 149,194	\$ 129,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	99,367	-	-	-	-	-	-	-	-	-
Assigned	16,380,791	14,735,595	-	-	-	-	-	-	-	-
Reserved	-	-	3,542,942	570,067	124,535	182,722	171,144	238,930	303,811	201,870
Unreserved	-	-	3,038,603	2,797,428	(461,007)	3,051,576	3,324,506	2,613,064	2,292,487	1,649,153
Total general fund	\$ 16,629,352	\$ 14,865,412	\$ 6,581,545	\$ 3,367,495	\$ (336,472)	\$ 3,234,298	\$ 3,495,650	\$ 2,851,994	\$ 2,596,298	\$ 1,851,023
All other governmental funds										
Restricted	\$ 386,189,494	\$ 526,372,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	6,055,340	-	-	-	-	-	-	-	-
Unassigned	(7,482,364)	(41,584,482)	-	-	-	-	-	-	-	-
Reserved	-	-	169,513,698	134,486,549	50,260,055	29,787,116	28,666,689	20,977,575	22,437,143	27,133,798
Unreserved	-	-	317,402,754	382,415,703	216,382,442	236,246,270	230,812,426	211,335,690	186,715,870	172,500,483
Total all other governmental funds	\$ 378,707,130	\$ 490,843,815	\$ 486,916,452	\$ 516,902,252	\$ 266,642,497	\$ 266,033,386	\$ 259,479,115	\$ 232,313,265	\$ 209,153,013	\$ 199,634,281

⁽¹⁾ In fiscal year 2011, the Agency implemented GASB 54, *Fund Balance Reporting and Government Fund Type Definitions*. Prior year amounts have not been revised to reflect this change.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years ⁽¹⁾
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Sales tax-Measure I	\$ 132,276,581	\$ 117,927,079	\$ 106,073,764	\$ 114,901,053	\$ 140,547,350	\$ 147,929,491	\$ 148,073,689	\$ 131,902,744	\$ 111,575,283	\$ 104,063,009
Sales tax-local transportation fund	71,168,436	64,418,871	58,681,660	62,726,230	74,557,995	78,833,385	80,291,612	69,042,522	59,335,936	54,693,963
Intergovernmental	154,551,689	73,360,500	55,419,469	41,047,131	56,399,714	63,477,270	70,083,979	40,469,599	31,574,830	38,062,113
Charges for services	652,873	1,560,519	1,590,158	1,632,912	1,649,657	1,659,519	1,639,975	1,575,365	1,487,896	1,405,996
Special assessments	129,374	-	-	-	-	-	-	-	-	-
Investment earnings	5,934,258	8,911,951	9,745,049	6,133,700	11,988,570	12,313,655	7,746,517	4,924,307	1,284,521	5,562,045
Miscellaneous	903,880	16,954,928	1,005,402	2,868,225	121,748	90,648	116,797	940,204	209,597	205,291
Other local revenue	-	22,331,039	19,619,658	13,758,271	1,449,777	2,823,249	2,710,654	3,353,696	4,336,062	2,033,947
Total revenues	365,617,091	305,464,887	252,135,160	243,067,522	286,714,811	307,127,217	310,663,223	252,208,437	209,804,125	206,026,364
Expenditures										
Current:										
General-council of governments support	1,880,626	-	-	-	-	-	-	-	-	-
Air quality and traveler services	16,561,711	-	-	-	-	-	-	-	-	-
Transportation planning and programming	6,027,692	-	-	-	-	-	-	-	-	-
Transit and passenger rail	32,939,430	-	-	-	-	-	-	-	-	-
Major project delivery	167,055,911	-	-	-	-	-	-	-	-	-
Transportation fund administration	125,636,347	-	-	-	-	-	-	-	-	-
General government	-	8,349,139	8,478,933	8,467,664	7,626,794	7,546,356	7,099,718	7,066,476	4,622,557	4,542,244
Disbursements to cities, subareas, transit operators, and claimants	-	94,325,722	92,046,113	97,742,979	133,102,767	109,114,865	113,840,590	104,513,142	91,529,196	88,320,632
Contributions to other governmental agencies	-	43,729,263	33,111,444	26,169,139	22,573,481	19,672,078	16,884,868	11,066,460	12,923,115	11,751,463
Professional services	-	59,625,947	43,945,405	35,646,622	29,739,891	27,372,002	24,793,497	19,165,686	23,708,438	24,630,569
Management and technical services	-	39,979	130,958	142,019	169,884	193,773	186,542	210,113	791,105	971,893
Highways	-	62,410,680	42,335,579	26,356,468	46,850,413	81,193,204	77,972,378	44,531,245	26,252,047	43,948,269
Right of way	-	12,429,108	7,498,392	14,673,506	10,213,262	16,637,511	2,687,082	1,236,922	-	-
Debt Service:										
Principal	250,000,000	-	37,380,000	35,500,000	33,875,000	32,250,000	30,900,000	29,555,000	28,230,000	26,930,000
Interest	11,461,155	11,609,500	12,896,543	3,453,006	5,146,594	6,832,306	8,118,156	9,533,739	10,938,964	12,305,571
Fiscal and issuance costs	10	-	682,564	1,227,158	15,121	15,427	252,018	784,658	252,018	56,969
Capital outlay	73,818	699,319	350,979	98,159	363,263	57,576	111,725	1,726,560	292,678	27,872
Total expenditures	611,636,700	293,218,657	278,856,910	249,476,720	289,676,470	300,885,098	282,846,574	229,390,001	199,540,118	213,485,482
Excess (deficiency) of revenues over (under) expenditures	(246,019,609)	12,246,230	(26,721,750)	(6,409,198)	(2,961,659)	6,242,119	27,816,649	22,818,436	10,264,007	(7,459,118)

(Continued)

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years ⁽¹⁾
(modified accrual basis of accounting)

(Continued)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing Sources (Uses):										
Transfers in	362,696,568	20,063,400	45,295,381	54,831,428	56,019,243	54,757,528	65,873,997	60,770,314	49,176,318	64,280,932
Transfers out	(362,696,568)	(20,098,400)	(45,345,381)	(54,935,428)	(56,019,243)	(54,794,528)	(66,121,455)	(60,770,314)	(49,176,318)	(64,280,932)
Sales tax revenue notes issued	-	-	-	250,000,000	-	-	-	-	-	-
Premium on sales tax revenue notes issued	-	-	-	10,474,214	-	-	-	-	-	-
Sales tax revenue bonds issued	91,880,000	-	-	-	-	-	-	-	-	-
Premium on sales tax revenue bonds issued	9,042,588	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	2,706	-	87,800	240,315	597,512	-	-
Total other financing sources (uses)	100,922,588	(35,000)	(50,000)	260,372,920	-	50,800	(7,143)	597,512	-	-
Net change in fund balances	(145,097,021)	12,211,230	(26,771,750)	253,963,722	(2,961,659)	6,292,919	27,809,506	23,415,948	10,264,007	(7,459,118)
Fund balances beginning of year	505,709,227	493,497,997	520,269,747	266,306,025	269,267,684	262,974,765	235,165,259	211,749,311	201,485,304	195,525,714
Prior period and accounting change adjustments	34,724,276	-	-	-	-	-	-	-	-	13,418,708
Fund balances beginning of year as restated	540,433,503	493,497,997	520,269,747	266,306,025	269,267,684	262,974,765	235,165,259	211,749,311	201,485,304	208,944,422
Fund balances end of year	\$ 395,336,482	\$ 505,709,227	\$ 493,497,997	\$ 520,269,747	\$ 266,306,025	\$ 269,267,684	\$ 262,974,765	\$ 235,165,259	\$ 211,749,311	\$ 201,485,304
Debt service as a percentage of noncapital expenditures ⁽²⁾	42.75%	3.97%	18.05%	15.62%	13.49%	12.99%	13.80%	17.17%	19.66%	18.38%

⁽¹⁾ Other local revenue for prior years has been reclassified as either intergovernmental revenue, charges for services or special assessments in fiscal year 2012. Motor vehicle fee revenue was reclassified as intergovernmental revenue in 2012. It was classified as charges for services in prior fiscal years. The Agency implemented new fund accounting/financial software in 2012 which provides a different classification of expenditures from prior fiscal years. Fiscal years 2003-2011 were not revised to reflect the classification changes.

⁽²⁾ Debt service reflects principal and interest.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
County of San Bernardino Measure I Taxable Sales by Business Group ⁽¹⁾

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	General Consumer Goods	Business and Industry	Fuel and Service Stations	Autos and Transportation	Restaurants and Hotels	Building and Construction	Food and Drugs	Total
2012	\$ 6,608,275	\$ 4,963,637	\$ 4,383,498	\$ 4,103,357	\$ 2,452,725	\$ 2,071,598	\$ 1,584,931	\$ 26,168,021
2011	6,289,605	4,004,305	3,587,337	3,589,798	2,320,710	1,885,248	1,493,408	23,170,410
2010	5,997,062	3,729,927	3,091,808	3,227,279	2,273,645	1,975,226	1,472,450	21,767,397
2009	6,339,494	4,666,094	3,759,132	3,878,608	2,353,009	2,422,918	1,545,334	24,964,590
2008	6,794,341	5,082,731	3,836,112	5,356,831	2,427,148	3,324,437	1,629,433	28,451,034
2007	7,075,422	4,794,905	3,531,356	6,315,114	2,354,770	3,815,013	1,622,124	29,508,704
2006	6,937,119	4,889,186	3,329,033	6,480,999	2,243,665	3,886,098	1,482,210	29,248,309
2005	6,193,453	4,364,193	2,607,963	5,958,022	2,018,426	3,234,559	1,305,941	25,682,556
2004	5,456,553	3,668,249	2,088,216	5,383,486	1,844,760	2,646,228	1,231,582	22,319,072
2003	4,949,681	3,733,929	1,808,031	4,921,081	1,656,226	2,296,080	1,210,352	20,575,381

⁽¹⁾ Excludes transfers and unidentified sources.

Source: California State Board of Equalization/Hdl Companies

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Direct and Overlapping Sales Tax Rates
 Last Ten Fiscal Years

Fiscal Year	Measure I Direct Rate ⁽¹⁾	County of San Bernardino ⁽²⁾
2012	0.50%	7.75%
2011	0.50%	8.75%
2010	0.50%	8.75%
2009	0.50%	8.75%
2008	0.50%	7.75%
2007	0.50%	7.75%
2006	0.50%	7.75%
2005	0.50%	7.75%
2004	0.50%	7.75%
2003	0.50%	7.75%

⁽¹⁾ In November 1989 San Bernardino County voters approved passage of Measure I imposing a one-half of one percent sales tax for a period not to exceed twenty years. In November 2004, voters extended the Measure I sales tax for a period of thirty years.

⁽²⁾ In April 2009, the State of California increased the state sales tax rate by 1%. In July 2011, the sales tax rate was decreased by 1%.

Source: California Department of Finance/Board of Equalization

SAN BERNARDINO ASSOCIATED GOVERNMENTS
County of San Bernardino Principal Measure I Taxable Sales by Business Type
Current Year and Nine Years Ago
(In Thousands)

Business Type	2012			2003		
	Taxable Sales	Rank	Percentage of Total Taxable Sales	Taxable Sales	Rank	Percentage of Total Taxable Sales
Service stations	\$ 3,790,361	1	14.48%	\$ 1,550,455	2	7.51%
New motor vehicle dealers	2,129,332	2	8.14%	2,739,096	1	13.27%
Discount department stores	2,127,886	3	8.13%	1,547,246	3	7.50%
Restaurants-no alcohol	1,517,150	4	5.80%	947,514	7	4.59%
Light industrial/printers	950,940	5	3.63%	997,463	5	4.83%
Contractors	889,085	6	3.40%	1,107,269	4	5.37%
Lumber/building materials	885,450	7	3.38%	950,175	6	4.60%
Used automotive dealers	715,212	8	2.73%	700,142	8	3.39%
Electronics/appliance stores	710,203	9	2.71%	375,042	14	1.82%
Family apparel	698,034	10	2.67%	302,112	22	1.46%
Grocery stores-liquor	671,194	11	2.56%	587,862	10	2.85%
Specialty stores	647,383	12	2.47%	566,800	11	2.75%
Restaurants-liquor	628,318	13	2.40%	319,619	19	1.55%
Energy/utilities	594,337	14	2.27%			
Department stores	579,564	15	2.21%	671,985	9	3.26%
Petroleum products/equipment	560,335	16	2.14%	240,220	24	1.16%
Heavy industrial	539,390	17	2.06%	458,912	13	2.22%
Grocery stores-beer/wine	448,862	18	1.71%	304,485	21	1.48%
Automotive supply stores	440,889	19	1.68%	306,851	20	1.49%
Repair shop/hand tool rentals	376,383	20	1.44%	340,003	17	1.65%
Home furnishings	372,121	21	1.42%	347,893	16	1.69%
Transportation/rentals	372,077	22	1.42%	473,694	12	2.30%
Office supplies/furniture	335,962	23	1.28%	357,517	15	1.73%
Business services	331,202	24	1.27%			
Women's apparel	330,231	25	1.26%			
Restaurants-beer and wine				324,663	18	1.57%
Electrical equipment				271,566	23	1.32%
Auto repair shops				236,712	25	1.15%
Total	\$ 21,641,901		82.69%	\$ 17,025,295		82.49%

Source: California State Board of Equalization/Hdl Companies

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Measure I Sales Tax Revenue by Program and Subarea
For the Year Ended June 30, 2012

	Special Revenue		Total
	General Fund	Funds	
Administration			
Administration	\$ 1,322,766	\$ -	\$ 1,322,766
Valley			
Freeway projects	-	29,693,822	29,693,822
Freeway interchanges	-	11,263,174	11,263,174
Major street	-	20,478,498	20,478,498
Local street	-	20,478,498	20,478,498
Metrolink/rail service	-	8,191,399	8,191,399
Express bus/bus rapid transit service	-	2,047,850	2,047,850
Senior and disabled transit	-	8,191,399	8,191,399
Transportation management systems	-	2,047,849	2,047,849
Victor Valley			
Major local highway	-	3,651,787	3,651,787
Local street	-	9,932,860	9,932,860
Senior and disabled transit	-	730,357	730,357
Project development/traffic management	-	292,143	292,143
North Desert			
Major local highway	-	1,560,813	1,560,813
Local street	-	4,245,412	4,245,412
Senior and disabled transit	-	312,164	312,164
Project development/traffic management	-	124,865	124,865
Colorado River			
Major local highway	-	49,528	49,528
Local street	-	134,719	134,719
Senior and disabled transit	-	9,904	9,904
Project development/traffic management	-	3,962	3,962
Morongo Basin			
Major local highway	-	527,129	527,129
Local street	-	1,433,768	1,433,768
Senior and disabled transit	-	105,424	105,424
Project development/traffic management	-	42,169	42,169
Mountain			
Major local highway	-	446,443	446,443
Local street	-	1,214,329	1,214,329
Senior and disabled transit	-	89,290	89,290
Project development/traffic management	-	35,715	35,715
Cajon Pass			
Cajon Pass	-	3,618,545	3,618,545
	<u>\$ 1,322,766</u>	<u>\$ 130,953,815</u>	<u>\$ 132,276,581</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Sales Tax Revenue Bonds		Sales Tax Revenue Notes		Intergovernmental ⁽¹⁾	Total	Percentage of Personal Income ⁽²⁾	
	\$	\$	\$	\$				
2012	\$ 91,880,000	\$ -	\$ -	\$ 84,829,773	\$ 176,709,773	NA	\$ 85.62	
2011	-	250,000,000	67,765,408	317,765,408	NA	\$ 154.28		
2010	-	250,000,000	78,456,788	328,456,788	0.54%	\$ 161.11		
2009	37,380,000	250,000,000	-	287,380,000	0.49%	\$ 142.10		
2008	72,880,000	-	-	72,880,000	0.12%	\$ 36.14		
2007	106,755,000	-	-	106,755,000	0.18%	\$ 53.31		
2006	139,005,000	-	-	139,005,000	0.25%	\$ 70.32		
2005	169,905,000	-	-	169,905,000	0.32%	\$ 87.46		
2004	199,460,000	-	-	199,460,000	0.40%	\$ 104.97		
2003	227,690,000	-	-	227,690,000	0.49%	\$ 123.07		

Note: Details regarding the Agency's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ Intergovernmental debt not reported in financial statements prior to fiscal year 2010.

⁽²⁾ See Demographic and Economic Statistics on page 119.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Measure I Sales Tax Revenues ⁽¹⁾	Debt Service Requirements ⁽²⁾			Coverage
		Principal	Interest	Total	
2012	\$ 132,276,581	\$ 250,000,000	\$ 11,461,155	\$ 261,461,155	0.51
2011	117,927,079	-	11,609,500	11,609,500	10.16
2010	106,073,764	37,380,000	12,896,543	50,276,543	2.11
2009	114,901,053	35,500,000	3,453,006	38,953,006	2.95
2008	140,547,350	33,875,000	5,146,594	39,021,594	3.60
2007	147,929,491	32,250,000	6,832,306	39,082,306	3.79
2006	148,073,689	30,900,000	8,118,156	39,018,156	3.79
2005	131,902,744	29,555,000	9,533,739	39,088,739	3.37
2004	111,575,283	28,230,000	10,938,964	39,168,964	2.85
2003	104,063,009	26,930,000	12,305,571	39,235,571	2.65

⁽¹⁾ Measure I sales tax revenue net of Board of Equalization fees.

⁽²⁾ Debt service requirement for fiscal year 2012 reflects payment of Sales Tax Revenue Note, 2009A from an established escrow account relating to the issuance of the Sales Tax Revenue Bonds, 2012A.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 County of San Bernardino Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽²⁾	Personal Income ⁽²⁾ (In Thousands)	Unemployment Rate ⁽³⁾
2012	2,063,919	NA	NA	12.1%
2011	2,059,630	NA	NA	13.2%
2010	2,038,771	\$ 29,609	\$ 60,463,094	14.2%
2009	2,022,319	29,072	58,549,659	12.9%
2008	2,016,526	30,220	60,552,997	8.0%
2007	2,002,651	29,765	59,296,141	5.6%
2006	1,976,767	28,607	56,475,057	4.8%
2005	1,942,734	27,481	53,420,562	5.2%
2004	1,900,210	26,443	50,217,879	5.8%
2003	1,850,075	25,298	46,703,092	6.3%

⁽¹⁾ California Department of Finance. Population for fiscal year 2012 as of January 2012.

⁽²⁾ U.S. Department of Commerce-Bureau of Economic Analysis. Represents most recent information.

⁽³⁾ California Employment Development Department. Unemployment rate for fiscal year 2012 as of September 2012.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 County of San Bernardino Employment Statistics by Industry
 Fiscal Year 2011 and Nine Years Prior ⁽¹⁾

Industry Type	2011	Percentage of Total Employment	2002	Percentage of Total Employment
Agricultural services, forestry and fishing	2,100	0.35%	4,100	0.71%
Mining	600	0.10%	700	0.12%
Construction	24,500	4.11%	35,900	6.23%
Manufacturing	46,800	7.85%	65,600	11.39%
Transportation, warehousing and public utilities	48,200	8.09%	36,100	6.27%
Wholesale trade	29,500	4.95%	25,600	4.45%
Retail trade	77,800	13.06%	71,300	12.38%
Professional and business services	73,400	12.32%	60,300	10.47%
Education and health services	76,300	12.80%	62,800	10.90%
Leisure and hospitality	55,000	9.23%	48,000	8.33%
Finance, insurance and real estate	26,300	4.41%	29,400	5.11%
Federal government-civilian	14,200	2.38%	10,600	1.84%
State government	12,800	2.15%	12,700	2.21%
Local government	88,100	14.79%	92,900	16.13%
Other services	20,300	3.41%	19,900	3.46%
Total	<u>595,900</u>	<u>100.00%</u>	<u>575,900</u>	<u>100.00%</u>

⁽¹⁾ Most current information available.

Source: California Employment Development Department.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Full-time Equivalent Employees by Function⁽¹⁾
 Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General-council of governments support:										
Executive	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support services	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Public information	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
Finance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Legislative affairs	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Management services	4.0	4.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Air quality and traveler services	3.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Transportation planning and programming	9.0	9.0	9.0	9.0	8.0	6.0	6.0	7.0	7.0	7.0
Transit and passenger rail	4.0	4.0	4.0	4.0	2.0	3.0	3.0	2.0	2.0	2.0
Major project delivery	5.0	5.0	6.0	4.0	3.0	1.0	1.0	1.0	1.0	1.0
Total full-time equivalent positions	44.0	45.0	45.0	43.0	39.0	34.0	33.0	31.0	31.0	31.0

⁽¹⁾ Authorized positions per adopted budget. Does not include contract positions for project management in major project delivery.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Operating Indicators by Function ⁽¹⁾
Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Air quality and traveler services										
Annual rideshare participants	1,373	1,416	1,370	2,557	1,422	2,158	2,086	1,845	1,478	1,398
Park and ride lots	19	17	18	18	15	15	14	14	13	13
Motorist assistance by freeway service patrol	35,894	36,366	84,564	34,370	42,750	29,286	12,226	N/A	N/A	N/A
Call boxes	1,224	1,192	1,245	1,343	1,395	1,438	1,502	1,573	1,538	1,540
Calls to 511	360,171	479,331	112,217	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Visits to IE511.org	341,716	246,318	32,935	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transit and passenger rail										
Weekly commuter rail trips	12,325	11,523	11,700	13,162	12,493	11,979	11,857	11,149	10,550	10,170
Annual ridership on commuter rail	3,503,126	3,215,354	3,258,070	3,618,314	3,456,000	3,279,996	3,272,216	3,048,324	2,901,390	2,788,374
Transit operators	6	6	6	6	6	6	6	6	6	6
Major project delivery										
Freeway projects	17	13	12	13	14	12	8	10	12	13
Freeway interchange projects	7	6	6	6	4	5	1	1	1	1
Grade separation projects	11	11	11	7	4	3	1	1	1	1
Transportation fund administration										
Project advancement agreements	24	24	24	19	19	18	N/A	N/A	N/A	N/A
Arterial program jurisdiction master agreements	16	16	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Measure I Valley Major Street/Arterial allocation	\$ 8,400,000	\$ 6,351,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project advancement allocation-Valley interchange	\$ 3,830,000	\$ 2,911,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project advancement allocation-Valley arterials	\$ 6,970,000	\$ 5,293,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

⁽¹⁾ Information provided by various departments.

Note: N/A-information not available for fiscal year.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General-council of governments support										
Building-Santa Fe Depot	1	1	1	1	1	1	1	1	1	1
Sport utility vehicle	1	1	1	1	1	1	1	1	1	1
Transit and passenger rail										
Acres of commuter rail land easements	590.5	590.5	590.5	590.5	590.5	590.5	590.5	590.5	590.5	590.5
Acres of commuter rail parking land	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3



Reconstruction of the I-215 Freeway through San Bernardino spanned over seven years, from 2007-2013, at a cost of \$723 million.