

SAN BERNARDINO ASSOCIATED GOVERNMENTS



Then... 1973

- ▶ U.S. President: Richard Nixon
- ▶ California Governor: Ronald Reagan
- ▶ SB County population: 700,000
- ▶ Cities in County: 14
- ▶ Average gas price: \$.39/gallon
- ▶ Popular 1973 car: Ford Mustang
- ▶ Average car price: \$4,052.00
- ▶ NEWS: Middle East Oil Embargo causes gas rationing in the USA
- ▶ SANBAG office: 320 N. E St., Ste. 408

The year 2013 marks forty years of cooperative regional planning among the cities and County of San Bernardino through San Bernardino Associated Governments (SANBAG).

The inside front cover and inside/outside back cover give a brief overview of SANBAG's 40-year history.

Now... 2013

- ▶ U.S. President: Barack Obama
- ▶ California Governor: Jerry Brown
- ▶ SB County population: 2,100,000
- ▶ Cities in County: 24
- ▶ Average gas price: \$3.86/gallon
- ▶ Popular 2013 car: Honda Accord
- ▶ Average car price: \$28,400.00
- ▶ NEWS: New oil supplies tapped, electric cars, renewable energy
- ▶ SANBAG office: Santa Fe Depot

Comprehensive ANNUAL FINANCIAL REPORT

**For Year Ended
June 30, 2013**



SANBAG *Presidents*

- 1973-74 Nancy Smith, *Board of Supervisors*
- 1974-75 John McCarthy, *City of Upland*
- 1975-76 James Mayfield, *Board of Supervisors*
- 1976-77 Eileen Carter, *City of Chino*
- 1977-78 Robert Townsend, *Board of Supervisors*
- 1978-79 Chresten Knudsen, *City of Redlands*
- 1979-80 Robert Hammock, *Board of Supervisors*
- 1980-81 Homer Briggs, *City of Ontario*
- 1981-82 Cal McElwain, *Board of Supervisors*
- 1982-83 John Longville, *City of Rialto*
- 1983-84 David McKenna, *Board of Supervisors*
- 1984-85 Edward Dondelinger, *City of Adelanto*
- 1985-86 Barbara Cram Riordan, *Board of Supervisors*
- 1986-87 Frank Carpenter, *City of Upland*
- 1987-88 Jon Mikels, *Board of Supervisors*
- 1988-89 Elmer Digneo, *City of Loma Linda*
- 1989-90 Larry Walker, *Board of Supervisors*
- 1990-91 A. W. Bill Speyers, *City of Big Bear Lake*
- 1990-91 Marsha Turoci, *Board of Supervisors*
- 1991-92 Larry Rhinehart, *City of Montclair*
- 1992-93 Barbara Cram Riordan, *Board of Supervisors*
- 1993-94 Laurie Tully-Payne, *City of Highland*
- 1994-95 Jerry Eaves, *Board of Supervisors*
- 1995-96 Jim Busby, *City of Victorville*
- 1996-97 Jon Mikels, *Board of Supervisors*
- 1997-98 David Eshleman, *City of Fontana*
- 1998-99 Kathy A. Davis, *Board of Supervisors*
- 1999-00 Robert Christman, *City of Loma Linda*
- 2000-01 Dennis Hansberger, *Board of Supervisors*
- 2001-02 Jim Bagley, *City of Twentynine Palms*
- 2002-03 Bill Postmus, *Board of Supervisors*
- 2003-04 Bill Alexander, *City of Rancho Cucamonga*
- 2004-05 Paul Biane, *Board of Supervisors*
- 2005-06 Kelly Chastain, *City of Colton*
- 2006-07 Dennis Hansberger, *Board of Supervisors*
- 2007-08 Lawrence Dale, *City of Barstow*
- 2008-09 Gary Ovitt, *Board of Supervisors*
- 2009-10 Paul Eaton, *City of Montclair*
- 2010-11 Brad Mitzelfelt, *Board of Supervisors*
- 2011-12 Larry McCallon, *City of Highland*
- 2012-13 Janice Rutherford, *Board of Supervisors*
- 2013-14 Bill Jahn, *City of Big Bear Lake*

► **1973:** SANBAG was founded after the County of San Bernardino approved a Joint Powers Authority creating San Bernardino Associated Governments as a Council of Governments.

► SANBAG originally had a 19-member Board of Directors composed of representatives from 14 incorporated cities and five County Supervisors. Today, SANBAG has a 29-member Board with 24 cities and five County Supervisors.

► Public transit was the first regional issue SANBAG tackled, thanks to the Transportation Development Act, which provides local governments with a ¼-cent sales tax to fund transportation projects.

► **1975:** SANBAG adopted their Bylaws on December 3, 1975 and created a public transit agency to provide bus service throughout the San Bernardino Valley, known as Omnitrans. Eventually, six other transit agencies were formed to serve other areas of the county.

► **1976:** SANBAG was deemed San Bernardino County's Transportation Commission after lawmakers passed legislation allowing counties to develop their own transportation commissions. This became the mechanism through which federal and state transportation funds would be channeled.

► **1986:** SANBAG was designated the Service Authority for Freeway Emergencies (SAFE) in San Bernardino County, thus building the emergency call box system and later, the Freeway Service Patrol.



► **1989:** SANBAG was designated as the San Bernardino County Transportation Authority, enabling SANBAG to propose a locally-adminis-

tered major transportation investment plan to the voters.

► **1989:** SANBAG set out to pass Measure I, the local ½ cent sales tax. The first attempt in 1987 was not successful, but supporters regrouped, rebranded, and succeeded in getting Measure I, a 20-year sales tax initiative, approved in 1989. It took effect from 1990-2010. Following the passage of Measure I, one of the first major regional projects that occurred, and in which SANBAG invested, was the creation of the Southern California Regional Rail Authority, known as Metrolink. The first major construction project funded with Measure I was State Route 71, or the Chino Valley Freeway. The Measure also helped fund the expansion of the 210 Freeway from Pomona to San Bernardino, including the segment formerly called Route 30 or the "Crosstown Freeway."

► **1990:** The SANBAG Board was designated as the Board of the Congestion Management Agency for San Bernardino County.

► **1993:** The "SANBAG Futures Workshop" was held to serve as a foundation for a new and improved direction for SANBAG. Following the workshop, the Board adopted a Mission Statement on June 2, 1993 (see back page).

► **2004:** Fifteen years after the first Measure I was passed, an overwhelming 80% of San Bernardino County voters approved a 30-year extension. The new Measure I extends from 2010 to 2040.

► The first 20 years of Measure I collected \$1.8 billion for transportation projects in San Bernardino County, exceeding projections by \$500 million. SANBAG forecasts the new



San Bernardino Associated Governments, CA

**Comprehensive
ANNUAL FINANCIAL REPORT**

For Year Ended June 30, 2013



Prepared by SANBAG, Finance Department

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2013

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San Bernardino Associated Governments

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

December 10, 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, 2013 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 unmodified opinion on SANBAG's financial statements for the fiscal year ended June 30, 2013. 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.

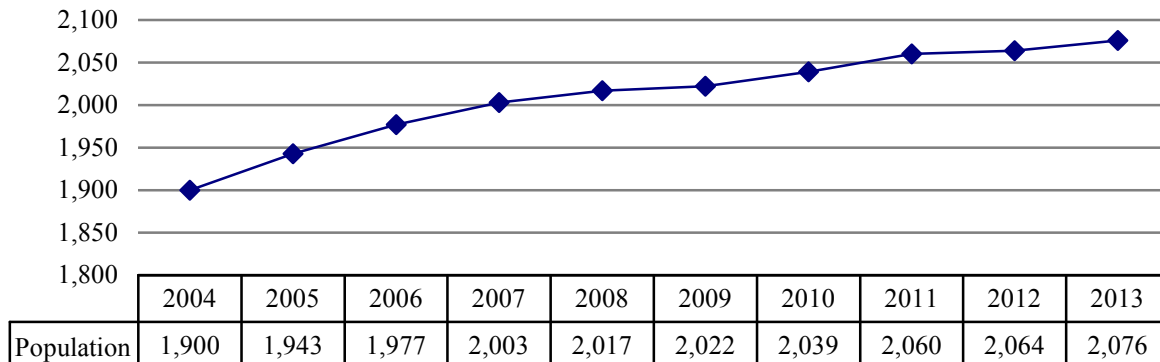
SANBAG is required to adopt a budget prior to the beginning of each fiscal year. The annual budget serves as the foundation for SANBAG's financial planning and control. The budget is prepared by funding source, program and task. Management may transfer resources within each task and between tasks within 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 9.3 % 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 12.1% and 10% in 2012 and 2013 respectively. The improvement in unemployment in recent years is still well below the pre-recession rate of 5.6% in 2007.

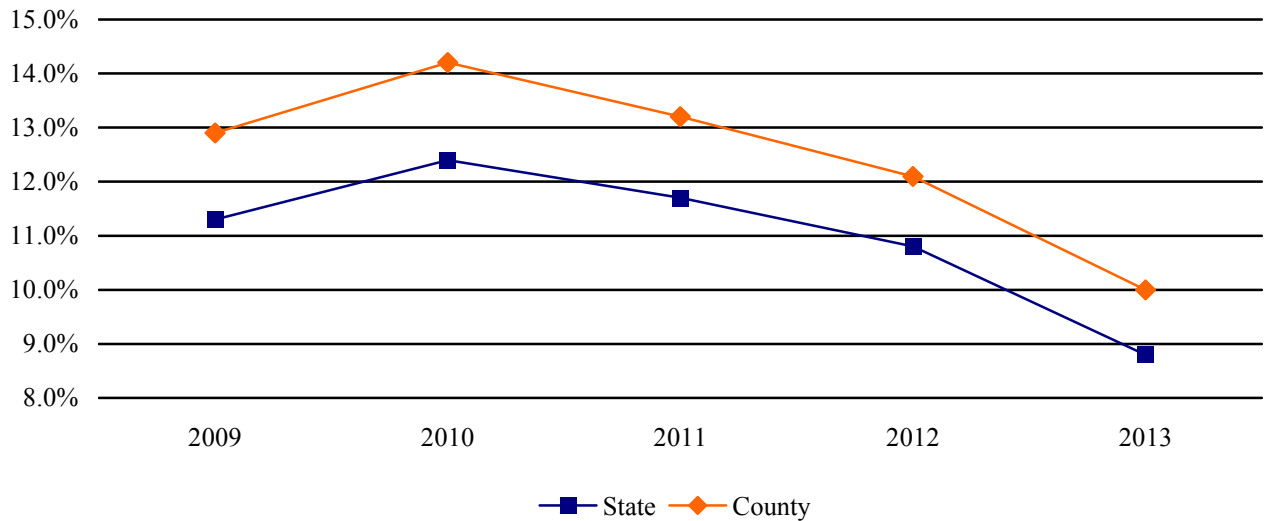
The following table summarizes the civilian labor force, employment and unemployment, and employment rate for the State of California and San Bernardino County for the calendar years 2009 through 2013. The figures for 2013 are as of eight months ending August 2013. Data for each of the years are not 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)

	2009		2010		2011		2012		2013	
	State	County	State	County	State	County	State	County	State	County
Civilian labor force	18,208	858.3	18,316	860.7	18,385	860.6	18,425	864.2	18,656	849.1
Employment	16,145	747.4	16,052	738.9	16,226	747.1	16,445	759.5	17,006	764.1
Unemployment	2,063	110.9	2,264	121.8	2,159	113.5	1,980	104.7	1,650	85.0
Unemployment rate	11.3%	12.9%	12.4%	14.2%	11.7%	13.2%	10.8%	12.1%	8.8%	10.0%

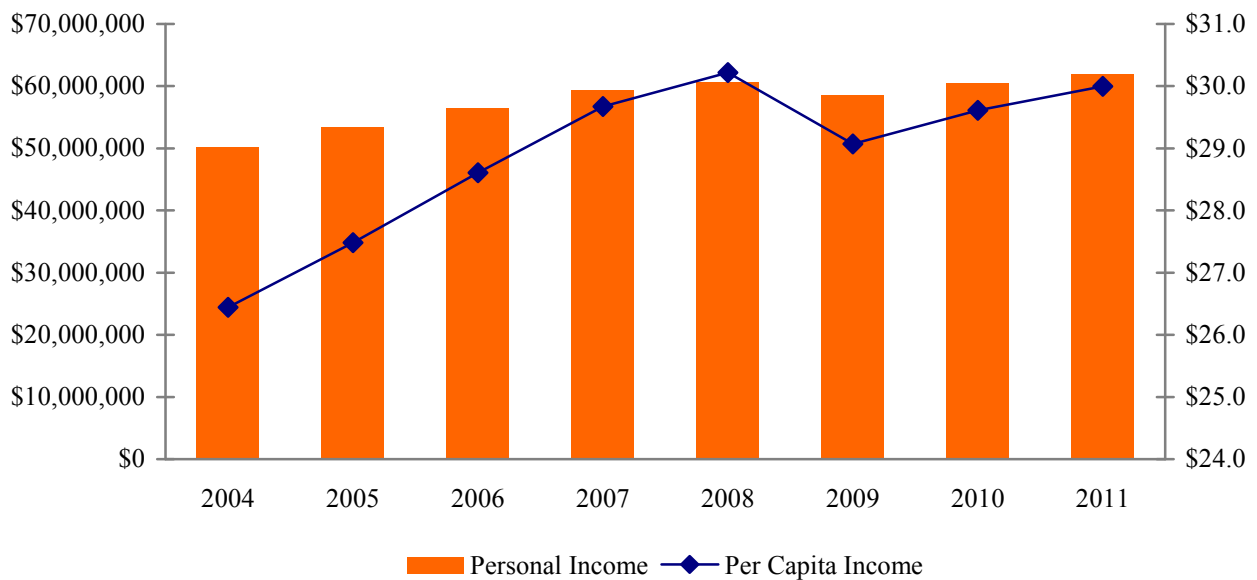
Source: Labor Market Information Division-California State Employment Development Department.

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



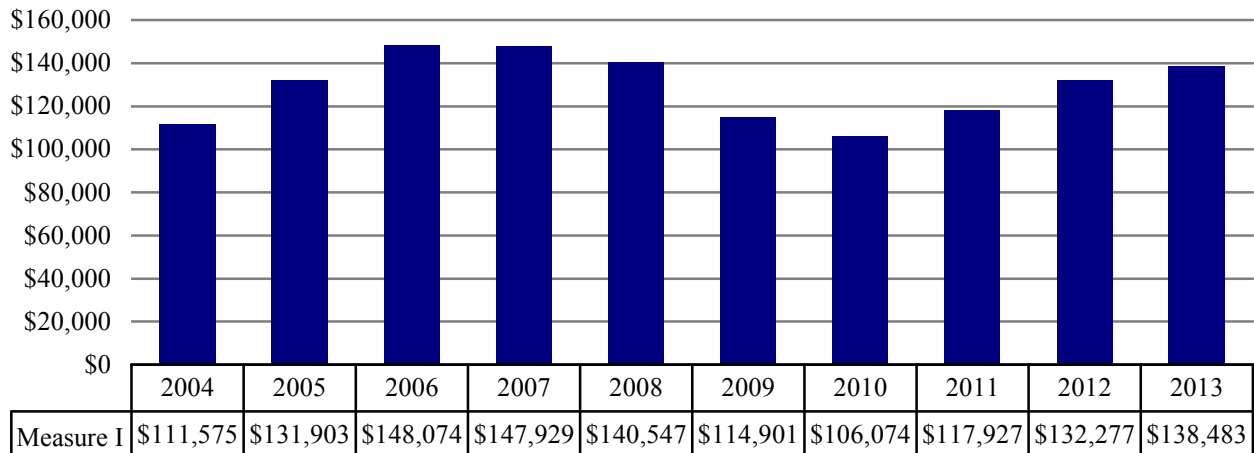
Personal income decreased from a high of \$60.6 million in 2008 to \$58.5 million 2009 because of the economic recession. Personal income increased to \$60.5 million in 2010 and \$61.9 million in 2011 to indicate an improvement in the local economy. Per capita income followed a similar pattern increasing steadily from \$26,443 in 2004 to a high of \$30,220 in 2008, then decreasing to \$29,072 in 2009 and increasing to \$29,609 and \$29,998 in 2010 and 2011 respectively.

**Personal Income and Per Capita Income
Years 2004-2011
(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 2012-2013 was \$138.5 million in comparison to \$132.3 million of the prior fiscal year.

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



SANBAG estimated \$139.4 million Measure I sales tax revenue for the fiscal year 2013-2014 budget which represents a small increase from the prior year. 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 2014.

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 was 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 implemented a PACE program that will provide an initial \$600 million in private investment to help residential and commercial property owners install energy efficient, green energy production and/or water conservation improvements.

26th 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 2013 conference focused on the changing economy and laws, and implementation of the Countywide Vision.

LEGISLATIVE AFFAIRS

Assembly Bill 1600

SANBAG supported AB 1600 which authorized the Metro Gold Line Foothill Extension Construction Authority to extend the line to the City of Montclair. The bill also established SANBAG as a non-voting member of the Authority. The extension serves as a regional transportation center and will connect the Gold Line to bus and commuter rail service in San Bernardino County. AB 1600 was passed by the State Assembly and Senate and was signed by the Governor.

AIR QUALITY AND TRAVELER SERVICES

Inland Empire 5-1-1 (IE511)

The IE511 system provides real time traffic information, commute planning and rideshare information. Travellers can access information through the 5-1-1 phone number, the IE511 website, or smartphone application for iPhone and Android devices.

Alternative Fuel Truck Fleet

During the year, Ryder System, Inc. installed 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. The project includes two natural gas facilities and maintenance center to reduce pollution by displacing diesel fueled vehicles.

REGIONAL AND SUBREGIONAL PLANNING

Regional Greenhouse Inventory and Reduction Plan

SANBAG completed a draft of the San Bernardino County Regional Greenhouse Gas Inventory and Reduction Plan in conjunction with 21 cities in the county. This was in response to Assembly Bill 32, the Global Warming Solutions Act. It identifies strategies cities have selected to reduce greenhouse gas levels from both public and private sources.

Project Development Initiative

The SANBAG Board of Directors approved a project development initiative for the top ten interchanges in the Valley Freeway Interchange Program. The initiative includes a loan program to assist local jurisdictions in financing their local development share.

TRANSIT AND PASSENGER RAIL

Vanpool Program

SANBAG, in coordination with the Victor Valley Transit Authority (VVTA), secured a Federal Transit Administration Section 5309 discretionary grant for the Victor Valley vanpool program. The program provides subsidies to participants. There are currently 103 vanpools. VVTA will be the direct recipient of the grant and will operate and manage the vanpool program.

San Bernardino Transit Center

SANBAG, in partnership with Omnitrans, completed the final design and environmental clearance for the San Bernardino Transit Center (SBTC). The SBTC will be the major hub for mass transit services in the San Bernardino Valley. The project includes twenty-two bus bays and rail platforms for the Metrolink and Redland Rail service.

Downtown San Bernardino Passenger Rail Project

SANBAG has completed the design of the Downtown San Bernardino Passenger Rail Project (DSBPRP). The DSBPRP project will extend Metrolink service from the Santa Fe Depot to the multi-modal San Bernardino Transit Center.

Eastern Maintenance Facility

SANBAG completed the design of the expansion of Metrolink's Eastern Maintenance Facility. Construction of the facility is required to implement the Downtown San Bernardino Passenger Rail Project. The project is expected to be completed next fiscal year.

Redlands Passenger Rail Project

SANBAG has initiated the preliminary design and environmental clearance for the Redlands Passenger Rail Project. The project will provide passenger rail service from the San Bernardino Transit Center to the University of Redlands.

MAJOR PROJECT DELIVERY

Colton Crossing Rail-to-Rail Grade Separation

Dedication was held on August 28, 2013 for this historical railroad crossing. The crossing is located south of the I-10 freeway in Colton where the Union Pacific and BNSF rail lines have crossed for more than 100 years. Construction on the \$200 million project will be complete in December 2013.

North Milliken Grade Separation, Ontario

A ribbon cutting ceremony was held on October 30, 2013 to celebrate the completion of the North Milliken Avenue/Union Pacific Grade Separation project.

I-10/Citrus and Cherry Interchanges, Fontana

Construction of the new bridge at Citrus Avenue and the Cherry Avenue Bridge is nearing completion. Both projects are expected to be finished in 2014.

Hunts Lane Grade Separation, Colton/San Bernardino

The overcrossing above the Union Pacific railroad tracks on Hunts Lane, located between the cities of Colton and San Bernardino, is in the construction phase. It is expected to be completed in 2014.

Palm Avenue Grade Separation Project, San Bernardino

Construction has recently begun on this project, which will grade separate Palm Avenue from the Burlington Northern Santa Fe (BNSF) railroad tracks. The project is expected to be complete in June 2015.

Laurel Street Grade Separation

Construction has begun on this project, which will separate Laurel Street from six railroad tracks along the BNSF corridor in the City of Colton. The project is expected to be complete in September 2015.

Awards and Acknowledgements

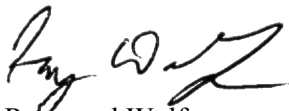
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SANBAG for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This is the first time SANBAG has received this prestigious award. 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.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, and Jane Dreher, Public Information Officer, for the preparation and design of the report. Credit also must be given to the SANBAG Board of Directors for their unfailing 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

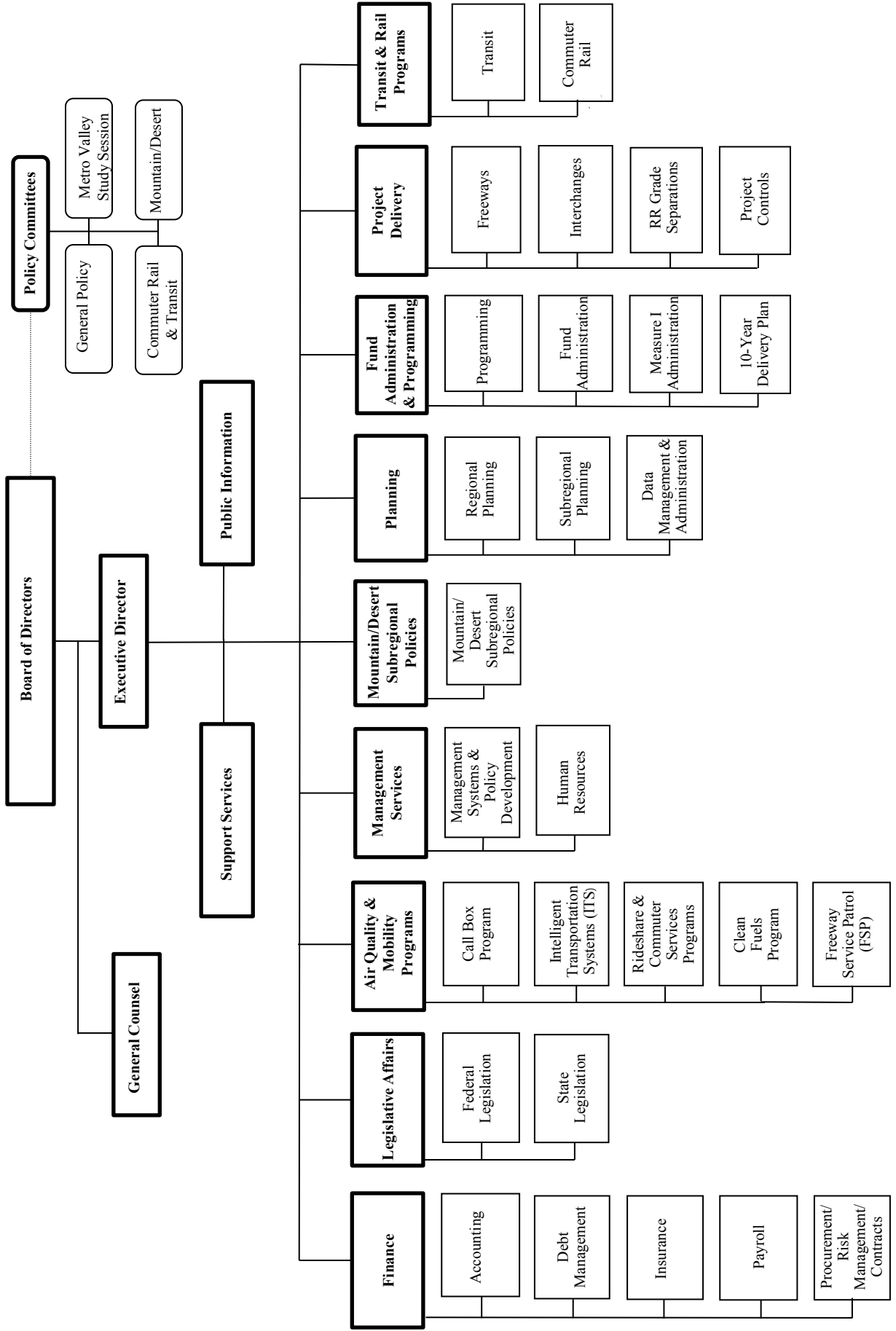
**San Bernardino
Associated Governments
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**San Bernardino Associated Governments
Organization Chart**



SAN BERNARDINO ASSOCIATED GOVERNMENTS
List of Principal Officials
June 30, 2013

Board of Directors

Name	Jurisdiction	Title
Janice Rutherford	Supervisor-County of San Bernardino	Board President
Mike Leonard	Council Member-City of Hesperia	Board Vice-President General Policy Committee Chair
Cari Thomas	Major-City of Adelanto	
Curt Emick	Mayor-Town of Apple Valley	
Julie McIntyre	Mayor Pro Tem-City of Barstow	Mountain/Desert Committee Chair
Bill Jahn	Mayor-City of Big Bear Lake	
Dennis Yates	Mayor-City of Chino	
Ed Graham	Vice Mayor-City of Chino Hills	
Frank Navarro	Council Member-City of Colton	
Michael Tahan	Council Member-City of Fontana	Metro Valley Study Session Vice-Chair Major Projects Committee Vice-Chair
Walt Stanckiewicz	Mayor-City of Grand Terrace	
Larry McCallon	Mayor-City of Highland	
Rhodes Rigsby	Mayor-City of Loma Linda	
Paul Eaton	Mayor-City of Montclair	Commuter Rail and Transit Committee Vice-Chair
Edward Paget	Mayor-City of Needles	Mountain/Desert Committee Vice-Chair
Alan Wapner	Council Member-City of Ontario	
L. Dennis Michael	Mayor-City of Rancho Cucamonga	
Pete Aguilar	Mayor-City of Redlands	
Deborah Robertson	Mayor-City of Rialto	
Patrick Morris	Mayor-City of San Bernardino	Commuter Rail and Transit Committee Chair
Jim Harris	Council Member-City of Twentynine Palms	
Ray Musser	Mayor-City of Upland	
Ryan McEachron	Mayor Pro Tem-City of Victorville	
Dick Riddell	Council Member-City of Yucaipa	Metro Valley Study Session Chair
George Huntington	Council Member-Town of Yucca Valley	
Robert A. Lovingood	Supervisor-County of San Bernardino	
James Ramos	Supervisor-County of San Bernardino	
Gary Ovitt	Supervisor-County of San Bernardino	
Josie Gonzales	Supervisor-County of San Bernardino	

SAN BERNARDINO ASSOCIATED GOVERNMENTS
List of Principal Officials
June 30, 2013

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
Wendy Strack, Director of Legislative Affairs
Steve Smith, 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



Independent Auditor's Report

Board of Directors
San Bernardino Associated Governments
San Bernardino, CA

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise SANBAG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of SANBAG as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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, budgetary comparison schedules, internal service fund statements, and combining fund financial statements, and the other information such as the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, internal service fund statements and combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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, budgetary comparison schedules, internal service fund statements and combining fund financial statements are 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
December 10, 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, 2013. 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 \$299,346,123 (*net position*).
- The unrestricted net position (deficit) of (\$62,476,583) 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 increased by \$17,565,522 from the previous fiscal year as a result from operations.
- The total cost of all SANBAG's activities was \$414,658,901 for the current fiscal year. Net cost of all activities was \$199,322,124.
- The total fund balances of SANBAG's governmental funds were \$378,595,995 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 \$3,611,320 for the fiscal year ended.
- The total fund balance of the General Fund was \$13,018,032 for the fiscal year. \$173,867 was nonspendable, \$24,425 was committed and \$12,819,740 was assigned.
- SANBAG's total outstanding long-term bonded debt including unamortized premiums decreased by \$527,588 mainly due to the amortization of the revenue bond premium.

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, regional and subregional planning, transit and passenger rail, major project delivery, and fund administration and programming.

The government-wide financial statements include only the financial information for SANBAG and its component unit, SAFE. The government-wide financial statements can be found on pages 15-16.

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 18-25 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 26-28.

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 29-56 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 57-67 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 70-101 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, 2013, SANBAG's assets exceeded liabilities by \$299,346,123. The following is condensed financial data related to net position at June 30, 2013 and June 30, 2012:

Condensed Statement of Net Position

	Governmental Activities	
	2013	2012
Current and other assets	\$ 497,199,294	\$ 481,921,544
Capital assets-net of depreciation	64,111,527	64,339,191
Total assets	<u>561,310,821</u>	<u>546,260,735</u>
Long-term liabilities outstanding	171,981,066	196,232,247
Other liabilities	89,983,632	68,247,887
Total liabilities	<u>261,964,698</u>	<u>264,480,134</u>
Net position:		
Net investment in capital assets	64,111,527	64,339,191
Restricted	297,711,179	238,348,097
Unrestricted	(62,476,583)	(20,906,687)
Total net position	<u>\$ 299,346,123</u>	<u>\$ 281,780,601</u>

Net Position

Net investment in capital assets represents 21.4% 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 (\$62,476,583) at June 30, 2013. This amount results in part from the impact of SANBAG's debt on the statement of net position. The deficit is the result of expenditures incurred for 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 increased by \$17,565,522 during the fiscal year as a result of revenues exceeding expenses. The total cost of SANBAG activities was \$414,658,901 for the fiscal year. Net cost of all activities was \$199,322,124. The following is condensed financial data related to changes in net position for the year ended June 30, 2013 and June 30, 2012:

Condensed Statement of Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 393,053	\$ 782,247
Operating grants and contributions	214,943,724	161,861,124
General revenues:		
Sales tax-Measure I	138,482,732	132,276,581
Sales tax-Local Transportation Fund	75,100,102	71,168,436
Unrestricted investment earnings	2,824,825	5,934,258
Miscellaneous	479,987	903,880
Total revenues	<u>432,224,423</u>	<u>372,926,526</u>

Condensed Statement of Changes in Net Position

	Governmental Activities	
	2013	2012
Expenses		
General-council of governments support	2,634,953	1,919,964
Air quality and traveler services	8,720,281	16,561,711
Regional and subregional planning	1,723,173	6,027,692
Transit and passenger rail	48,249,719	32,939,430
Major project delivery	236,573,382	165,717,535
Fund administration and programming	113,211,850	142,700,712
Interest expense	3,545,543	8,063,944
Total expenses	414,658,901	373,930,988
Changes in net position	17,565,522	(1,004,462)
Net position at the beginning of year	281,780,601	282,785,063
Net position at the end of year	\$ 299,346,123	\$ 281,780,601

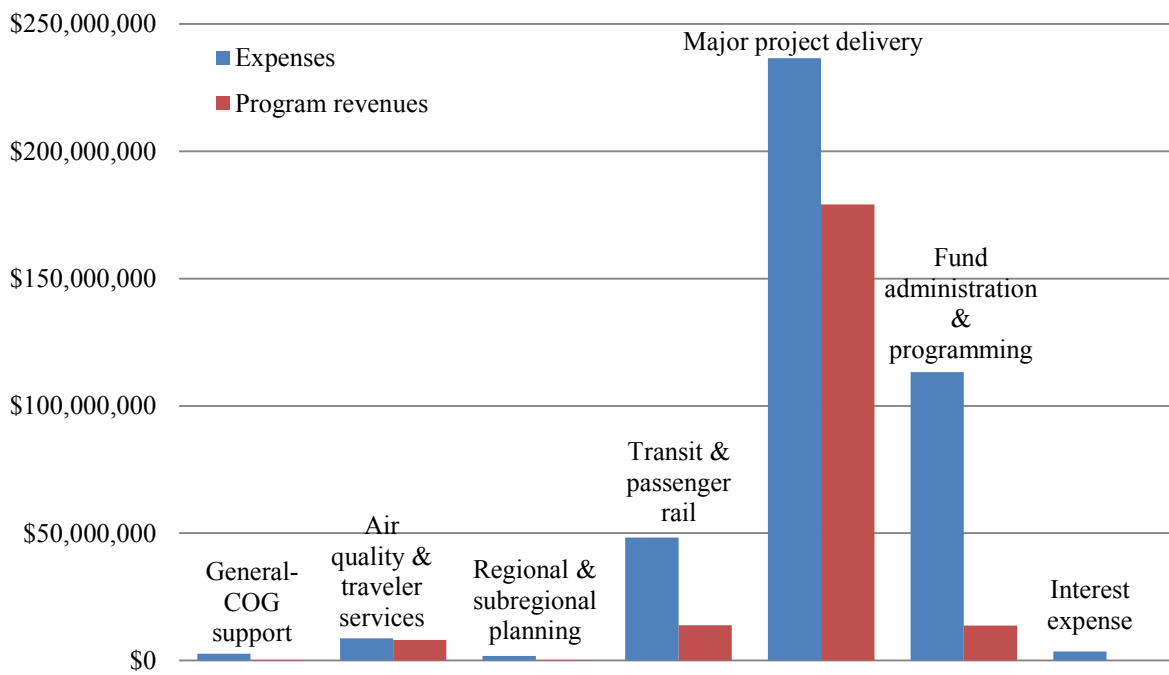
Changes in Net Position

Revenues increased by \$59,297,897 or 15.9% from the previous fiscal year. The increase is primarily attributed to a \$53,082,600 increase in federal and state operating grants and contributions and a \$6,206,151 increase in Measure I sales tax revenue. Increase in sales tax revenue reflects an improving economy throughout the County. The decrease in interest income is directly attributed to lower investment yields.

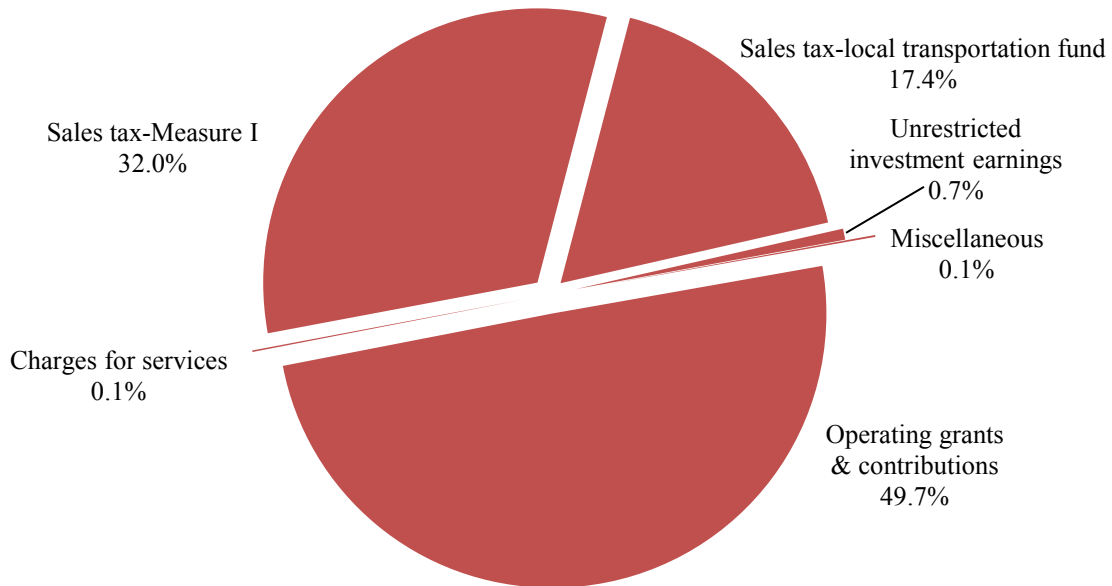
Expenses increased by \$40,727,913 or 10.9% from the previous fiscal year. The increase was primarily attributed to transit and passenger rail projects, and a larger number of major highway and street projects identified in SANBAG's ten-year delivery plan. The decrease in regional and subregional expenses is related to the reclassification of programming activities from planning to fund administration.

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; and major project delivery recover their expenses primarily from program revenues. SANBAG is very aggressive in leveraging the Measure I sales tax to obtain federal and state funds. General-council of governments (GOG) support; regional and subregional planning; transit and passenger rail; fund administration and programming; and interest expense are financed primarily from general revenues.

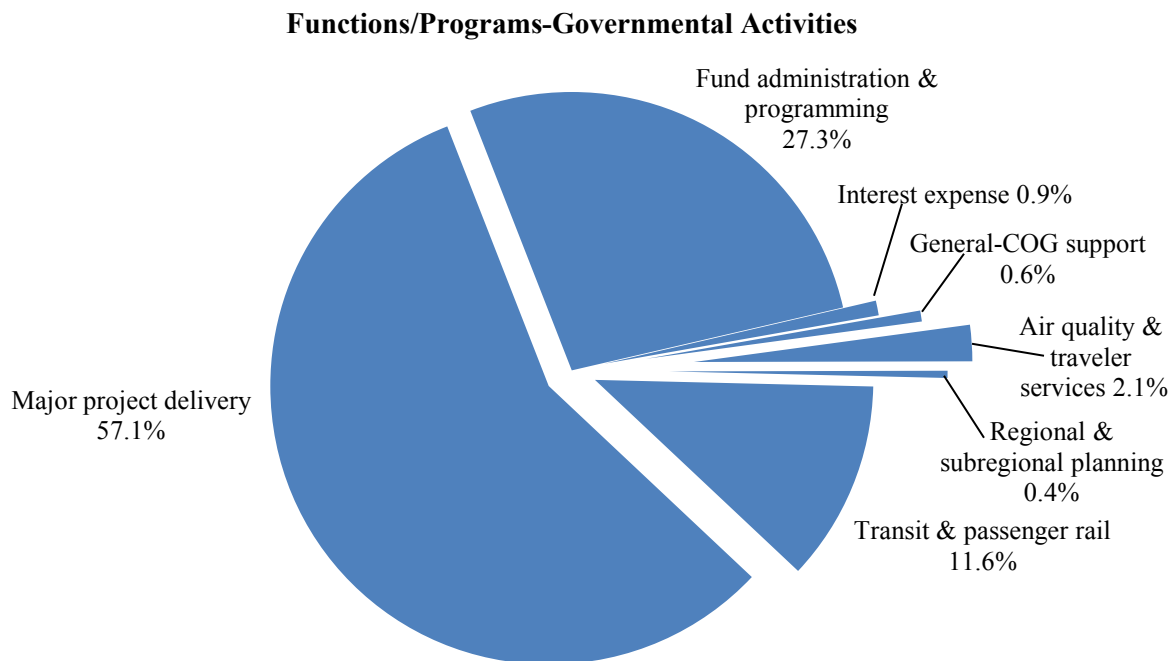
Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Measure I and local transportation fund sales tax revenues provide 49.4% 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 to obtain federal and state grants.



Major project delivery and fund administration and programming represent 84.4% 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. Fund administration and programming 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 \$378,595,995 as of June 30, 2013. This represents a \$16,740,487 decrease from the previous fiscal year. The total fund balance is either *nonspendable, restricted, committed, assigned or unassigned* as follows:

- Not in spendable form-\$173,867.
- Restricted for particular purposes-\$383,102,734.
- Committed for particular purposes-\$24,425.
- Assigned for particular purposes-\$12,819,740.
- Unassigned (deficit)-(\$17,524,771).

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 \$13,018,032 which represents a \$3,611,320 decrease from the previous fiscal year. The decrease in fund balance was attributed to increase spending in certain transit and rail projects. Total fund balance of the general fund was either *nonspendable* (\$173,867 for prepaid items), *committed* (\$24,425 for council of governments activities) or *assigned* (\$12,819,740 for general administration: regional and subregional planning; and rail activities).

Federal Highway Special Revenue Fund

The federal highway special revenue fund reported an unassigned fund deficit of \$7,757,257 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, 2013.

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 an unassigned fund deficit of \$7,447,464 at the end of the fiscal year. The fund primarily accounts for reimbursement of program expenditures and the deficit is attributed to unearned revenue not available at June 30, 2013.

Proposition 1B Special Revenue Fund

The proposition 1B special revenue fund reported an unassigned fund deficit of \$3,164 at the end of the fiscal year. The deficit is attributed to unearned revenue not available at June 30, 2013.

Local Transportation Fund Special Revenue Fund

The local transportation fund special revenue fund had a fund balance increase of \$5,320,308 from the previous fiscal year. The increase in fund balance was primarily attributed to the increase in local transportation sales tax revenue. Total fund balance of \$100,038,543 is reported as *restricted* fund balance at June 30, 2013.

State Transit Assistance Fund Special Revenue Fund

The fund balance of the state transit fund special revenue fund was \$50,553,294 at the end of the fiscal year which represents a \$1,368,305 decrease. The decrease in fund balance was attributed larger local jurisdiction allocations which resulted in expenditures exceeding revenues. Total fund balance is reported as *restricted* at June 30, 2013.

1990-2010 Measure I Special Revenue Fund

The 1990-2010 Measure I special revenue fund had a decrease in fund balance of \$19,037,983 from the previous fiscal year. The total fund balance of \$42,394,050 was *restricted* at June 30, 2013. 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 \$39,508,460 from the previous fiscal year. The total fund balance of \$143,593,333 was *restricted* at June 30, 2013. The increase in fund balance was largely due to an increase in Measure I sales tax revenue collections and the timing of certain capital improvement outlays.

Debt Service Fund

At the end of the fiscal year, the fund balance of the debt service fund was \$1,387,788 which represents a \$326,136 increase from the previous fiscal year. The total fund balance of the debt service fund was *restricted*.

Capital Projects Fund

The capital projects fund had a fund balance decrease of \$29,186,600 from the previous fiscal year. The total fund balance of \$41,345,252 is reported as *restricted* fund balance at June 30, 2013. The decrease in fund balance was due to the progress of various capital projects.

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 \$1,679 at the end of the fiscal year. The decrease in net position of \$185,150 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 \$11,589,206. The largest general fund appropriation increase was primarily attributed 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 more than budgetary estimated revenues by \$797,920. The increase in revenues was primarily due from charges for services revenue of \$251,916 and interest of \$376,165 in comparison to budgetary estimated amount.

Actual expenditures were less than budgetary appropriations by \$12,903,385. The most significant budgetary appropriation variance between the final budget and actual amount was attributed to transit and passenger rail program. The variance of \$10,745,206 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, 2013 is \$64,111,527 (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, 2013 and 2012:

	Capital Assets (net of depreciation)	
	Governmental Activities	
	2013	2012
Governmental activities		
Land	\$ 59,982,004	\$ 59,982,004
Buildings	3,921,228	4,100,821
Equipment and vehicles	208,295	256,366
Total capital assets	<u>\$ 64,111,527</u>	<u>\$ 64,339,191</u>

The net decrease in capital assets for the fiscal year was \$227,664. The change in capital assets is attributed to the net of additions of \$60,607 and depreciation of \$288,271.

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, 2013 and 2012:

	Governmental Activities	
	2013	2012
Governmental activities		
Sales tax revenue bonds	\$ 100,261,590	\$ 100,789,178
Total outstanding bonded debt	<u>\$ 100,261,590</u>	<u>\$ 100,789,178</u>

The decrease of outstanding debt from the previous year was attributed to the decrease of unamortized premium on revenue bonds payable.

The 2012 sales tax 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 04-02 in 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 0.6% from the previous year.
- Personal income and personal income per capita increased by 2.5% and 1.3%, respectively from 2010 to 2011 (only information available).
- Unemployment rate for the County decreased from 12.1% to 10% 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, \$132.3 million in 2012, and \$138.4 million in 2013. This represents a 30.4% increase since fiscal year 2010.

Estimated 2013/2014 budget revenues are \$614.9 million in comparison to \$585.3 million of the previous year. Measure I sales tax revenues are estimated to be \$139.4 million in comparison to \$122 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 2013/2014 are \$733.1 million. The largest portion of the budget is related to the major projects delivery program of \$351.4 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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and investments	\$ 282,993,921
Accrued interest receivable	393,218
Sales taxes receivable	39,267,920
Accounts receivable	2,321,125
Intergovernmental receivable	119,752,207
Deposit receivable	685,500
Prepaid items	173,867
Cash and investments-restricted	51,611,536
Capital assets not being depreciated-land	59,982,004
Capital assets, net of depreciation:	
Buildings	3,921,228
Equipment and vehicles	208,295
Total assets	561,310,821
Liabilities	
Liabilities:	
Accounts payable	51,061,583
Accrued liabilities	270,249
Accrued interest payable	1,283,696
Intergovernmental payable	34,566,050
Unearned revenue	2,802,054
Long-term liabilities:	
Due within one year	10,806,281
Due in more than one year	161,174,785
Total liabilities	261,964,698
Net position	
Net investment in capital assets	64,111,527
Restricted for:	
Traveler services	2,404,388
Freeway projects	51,325,229
Major street projects	52,537,126
Commuter rail	10,220,309
Transit services	15,976,323
Traffic management and project development	14,655,967
Transportation development act	150,591,837
Unrestricted (deficit)	(62,476,583)
Total net position	\$ 299,346,123

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Activities
For the Year Ended June 30, 2013

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	\$ 2,634,953	\$ 393,053	\$ 151,135	\$ (2,090,765)
Air quality and traveler services	8,720,281	-	8,001,631	(718,650)
Regional and subregional planning	1,723,173	-	66,857	(1,656,316)
Transit and passenger rail	48,249,719	-	13,860,316	(34,389,403)
Major project delivery	236,573,382	-	179,135,815	(57,437,567)
Fund administration and programming	113,211,850	-	13,727,970	(99,483,880)
Interest expense	3,545,543	-	-	(3,545,543)
Total governmental activities	<u>\$ 414,658,901</u>	<u>\$ 393,053</u>	<u>\$ 214,943,724</u>	<u>(199,322,124)</u>
General revenues:				
				138,482,732
				75,100,102
				2,824,825
				479,987
				<u>216,887,646</u>
				17,565,522
				<u>281,780,601</u>
				<u>\$ 299,346,123</u>

See accompanying notes to financial statements



The I-10/Riverside Avenue Interchange in Rialto, CA, was designed to replicate the famous Rialto Bridge in Venice, Italy. The City of Rialto selected the unique design to commemorate the city's Centennial Celebration in 2011.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Balance Sheet
Governmental Funds
June 30, 2013

	Special Revenue		
	General	Federal Highway	Federal Stimulus
Assets			
Cash and investments	\$ 16,084,875	\$ -	\$ -
Accrued interest receivable	36,851	959	-
Sales taxes receivable	253,435	-	-
Accounts receivable	25,800	-	-
Intergovernmental receivable	214	32,260,334	6,679,542
Deposit receivable	-	435,479	-
Due from other funds	-	-	-
Prepaid items	173,867	-	-
Advances to other funds	-	-	-
Cash and investments-restricted	-	-	-
Total assets	<u>\$ 16,575,042</u>	<u>\$ 32,696,772</u>	<u>\$ 6,679,542</u>
Liabilities and fund balances (deficits)			
Liabilities:			
Accounts payable	\$ 2,555,263	\$ 7,840,547	\$ 1,467,989
Accrued liabilities	228,784	-	-
Intergovernmental payable	739,926	726,857	11,654
Due to other funds	3,824	24,129,368	5,199,899
Advances from other funds	-	-	-
Unearned revenue	29,213	-	-
Total liabilities	<u>3,557,010</u>	<u>32,696,772</u>	<u>6,679,542</u>
Deferred inflows of resources	-	7,757,257	-
Total liabilities and deferred inflows of resources	<u>3,557,010</u>	<u>40,454,029</u>	<u>6,679,542</u>
Fund balances (deficits):			
Nonspendable-Prepaid items	173,867	-	-
Restricted:			
Traveler services	-	-	-
Freeway projects	-	-	-
Major street projects	-	-	-
Commuter rail	-	-	-
Transit services	-	-	-
Traffic management and project development	-	-	-
Transportation development act	-	-	-
Debt service	-	-	-
Committed-Council of governments	24,425	-	-
Assigned:			
General administration	7,076,856	-	-
Regional and subregional planning	1,209,976	-	-
Rail	4,532,908	-	-
Unassigned (deficits)	-	(7,757,257)	-
Total fund balances (deficits)	<u>13,018,032</u>	<u>(7,757,257)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 16,575,042</u>	<u>\$ 32,696,772</u>	<u>\$ 6,679,542</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
\$ -	\$ -	\$ 86,022,446	\$ 46,226,233	\$ 46,341,057	\$ 86,063,678	\$ -
-	-	88,648	46,598	48,699	169,014	-
-	-	13,924,410	-	-	25,090,075	-
-	-	-	-	158,109	428	-
16,122,634	30,622,644	-	4,283,502	390	-	-
4,413	-	-	-	188,107	-	-
-	-	3,039	-	-	73,205,394	-
-	-	-	-	-	-	-
-	-	-	-	-	418,509	-
-	-	-	-	-	-	1,387,788
<u>\$ 16,127,047</u>	<u>\$ 30,622,644</u>	<u>\$ 100,038,543</u>	<u>\$ 50,556,333</u>	<u>\$ 46,736,362</u>	<u>\$ 184,947,098</u>	<u>\$ 1,387,788</u>
\$ 9,121,841	\$ 15,762,856	\$ -	\$ -	\$ 2,393,735	\$ 3,102,435	\$ -
-	-	-	-	19,597	17,772	-
817	4,100	-	-	1,928,980	38,233,558	-
7,004,389	13,321,811	-	3,039	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,127,047</u>	<u>29,088,767</u>	<u>-</u>	<u>3,039</u>	<u>4,342,312</u>	<u>41,353,765</u>	<u>-</u>
<u>7,447,464</u>	<u>1,537,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,574,511</u>	<u>30,625,808</u>	<u>-</u>	<u>3,039</u>	<u>4,342,312</u>	<u>41,353,765</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	80,611,670	-
-	-	-	-	27,201,114	37,322,000	-
-	-	-	-	-	10,220,309	-
-	-	-	-	7,198,078	8,778,245	-
-	-	-	-	7,994,858	6,661,109	-
-	-	100,038,543	50,553,294	-	-	-
-	-	-	-	-	-	1,387,788
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(7,447,464)	(3,164)	-	-	-	-	-
<u>(7,447,464)</u>	<u>(3,164)</u>	<u>100,038,543</u>	<u>50,553,294</u>	<u>42,394,050</u>	<u>143,593,333</u>	<u>1,387,788</u>
<u>\$ 16,127,047</u>	<u>\$ 30,622,644</u>	<u>\$ 100,038,543</u>	<u>\$ 50,556,333</u>	<u>\$ 46,736,362</u>	<u>\$ 184,947,098</u>	<u>\$ 1,387,788</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Balance Sheet
Governmental Funds
June 30, 2013

	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ -	\$ 2,255,632	\$ 282,993,921
Accrued interest receivable	65	2,384	393,218
Sales taxes receivable	-	-	39,267,920
Accounts receivable	2,136,788	-	2,321,125
Intergovernmental receivable	27,857,514	1,925,433	119,752,207
Deposit receivable	57,501	-	685,500
Due from other funds	-	-	73,208,433
Prepaid items	-	-	173,867
Advances to other funds	-	-	418,509
Cash and investments-restricted	<u>50,223,748</u>	<u>-</u>	<u>51,611,536</u>
Total assets	<u>\$ 80,275,616</u>	<u>\$ 4,183,449</u>	<u>\$ 570,826,236</u>
Liabilities and fund balances (deficits)			
Liabilities:			
Accounts payable	\$ 8,622,157	\$ 192,615	\$ 51,059,438
Accrued liabilities	3,564	532	270,249
Intergovernmental payable	3,542,087	73,698	45,261,677
Due to other funds	22,038,514	1,511,413	73,212,257
Advances from other funds	418,509	-	418,509
Unearned revenue	<u>2,770,358</u>	<u>803</u>	<u>2,800,374</u>
Total liabilities	<u>37,395,189</u>	<u>1,779,061</u>	<u>173,022,504</u>
Deferred inflows of resources	<u>1,535,175</u>	<u>930,800</u>	<u>19,207,737</u>
Total liabilities and deferred inflows of resources	<u>38,930,364</u>	<u>2,709,861</u>	<u>192,230,241</u>
Fund balances (deficits):			
Nonspendable-Prepaid items	-	-	173,867
Restricted:			
Traveler services	-	2,404,388	2,404,388
Freeway projects	12,169,364	-	92,781,034
Major street projects	30,561,974	-	95,085,088
Commuter rail	-	-	10,220,309
Transit services	-	-	15,976,323
Traffic management and project development	-	-	14,655,967
Transportation development act	-	-	150,591,837
Debt service	-	-	1,387,788
Committed-Council of governments	-	-	24,425
Assigned:			
General administration	-	-	7,076,856
Regional and subregional planning	-	-	1,209,976
Rail	-	-	4,532,908
Unassigned (deficits)	<u>(1,386,086)</u>	<u>(930,800)</u>	<u>(17,524,771)</u>
Total fund balances (deficits)	<u>41,345,252</u>	<u>1,473,588</u>	<u>378,595,995</u>
Total liabilities and fund balances	<u>\$ 80,275,616</u>	<u>\$ 4,183,449</u>	<u>\$ 570,826,236</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, 2013

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

Fund balances-total governmental funds (page 22)	\$ 378,595,995
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,378,041
Revenues applicable to governmental activities that are not available in the current period and, therefore, are not reported in the funds.	19,206,057
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	3,735,165
Accrued interest payable applicable to governmental activities is not due and payable in the current period and, therefore, is not reported in the funds	(1,283,696)
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	(543,685)
Intergovernmental payable	(60,480,164)
Revenue bonds payable	(91,880,000)
Unamortized premium on revenue bonds	(8,381,590)
Net position of governmental activities	\$ 299,346,123

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, 2013

	General	Special Revenue	
		Federal Highway	Federal Stimulus
Revenues			
Sales tax-Measure I	\$ 1,384,827	\$ -	\$ -
Sales tax-local transportation fund	-	-	-
Intergovernmental	142,248	35,619,644	31,699,932
Charges for services	257,204	-	-
Special assessments	135,849	-	-
Investment earnings	376,165	4,434	-
Miscellaneous	25,354	-	-
Total revenues	<u>2,321,647</u>	<u>35,624,078</u>	<u>31,699,932</u>
Expenditures			
Current:			
General-council of governments support	1,492,800	-	-
Air quality and traveler services	6,810	1,425,112	3,715,777
Regional and subregional planning	829,040	-	-
Transit and passenger rail	30,984,530	-	-
Major project delivery	-	36,036,540	27,984,155
Fund administration and programming	2,194,265	-	-
Debt service-interest	-	-	-
Capital outlay	60,607	-	-
Total expenditures	<u>35,568,052</u>	<u>37,461,652</u>	<u>31,699,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,246,405)</u>	<u>(1,837,574)</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in	29,635,085	80,000	-
Transfers out	-	(288,535)	-
Total other financing sources (uses)	<u>29,635,085</u>	<u>(208,535)</u>	<u>-</u>
Net change in fund balances	(3,611,320)	(2,046,109)	-
Fund balances (deficits) beginning of year	16,629,352	(5,711,148)	-
Fund balances (deficits) end of year	<u>\$ 13,018,032</u>	<u>\$ (7,757,257)</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,097,905	\$ -
-	-	75,100,102	-	-	-	-
20,164,018	53,489,847	-	13,723,170	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,136,620	676,653	59,456	425,285	8
-	-	3,039	-	431,657	-	-
<u>20,164,018</u>	<u>53,489,847</u>	<u>76,239,761</u>	<u>14,399,823</u>	<u>491,113</u>	<u>137,523,190</u>	<u>8</u>
-	-	-	-	320,762	361,295	-
-	-	-	-	192,469	1,067,056	-
-	-	-	-	827,276	-	-
-	-	-	-	1,409,541	12,250,852	-
27,611,482	53,489,847	-	-	9,618,217	28,074,502	-
-	-	51,540,949	5,511,547	7,444,790	59,684,205	-
-	-	-	-	-	-	3,851,087
-	-	-	-	-	-	-
<u>27,611,482</u>	<u>53,489,847</u>	<u>51,540,949</u>	<u>5,511,547</u>	<u>19,813,055</u>	<u>101,437,910</u>	<u>3,851,087</u>
<u>(7,447,464)</u>	<u>-</u>	<u>24,698,812</u>	<u>8,888,276</u>	<u>(19,321,942)</u>	<u>36,085,280</u>	<u>(3,851,079)</u>
-	230,565	-	-	364,813	8,962,016	4,177,215
-	-	(19,378,504)	(10,256,581)	(80,854)	(5,538,836)	-
-	230,565	(19,378,504)	(10,256,581)	283,959	3,423,180	4,177,215
(7,447,464)	230,565	5,320,308	(1,368,305)	(19,037,983)	39,508,460	326,136
-	(233,729)	94,718,235	51,921,599	61,432,033	104,084,873	1,061,652
<u>\$ (7,447,464)</u>	<u>\$ (3,164)</u>	<u>\$ 100,038,543</u>	<u>\$ 50,553,294</u>	<u>\$ 42,394,050</u>	<u>\$ 143,593,333</u>	<u>\$ 1,387,788</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues and Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Sales tax-Measure I	\$ -	\$ -	\$ 138,482,732
Sales tax-local transportation fund	-	-	75,100,102
Intergovernmental	36,008,075	2,874,430	193,721,364
Charges for services	-	-	257,204
Special assessments	-	-	135,849
Investment earnings	142,001	4,203	2,824,825
Miscellaneous	-	19,937	479,987
Total revenues	<u>36,150,076</u>	<u>2,898,570</u>	<u>411,002,063</u>
Expenditures			
Current:			
General-council of governments support	-	13,688	2,188,545
Air quality and traveler services	-	2,313,057	8,720,281
Regional and subregional planning	66,857	-	1,723,173
Transit and passenger rail	3,604,796	-	48,249,719
Major project delivery	53,758,639	-	236,573,382
Fund administration and programming	-	-	126,375,756
Debt service-interest	-	-	3,851,087
Capital outlay	-	-	60,607
Total expenditures	<u>57,430,292</u>	<u>2,326,745</u>	<u>427,742,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,280,216)</u>	<u>571,825</u>	<u>(16,740,487)</u>
Other Financing Sources (Uses)			
Transfers in	1,055,632	-	44,505,326
Transfers out	(8,962,016)	-	(44,505,326)
Total other financing sources (uses)	<u>(7,906,384)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(29,186,600)	571,825	(16,740,487)
Fund balances (deficits) beginning of year	70,531,852	901,763	395,336,482
Fund balances (deficits) end of year	<u>\$ 41,345,252</u>	<u>\$ 1,473,588</u>	<u>\$ 378,595,995</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
 For the Year Ended June 30, 2013

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)	\$ (16,740,487)
<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	60,607
Depreciation	(125,318)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	10,036,656
<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	(135,939)
Changes in intergovernmental payable	24,349,609
Amortization of premium on sales tax revenue notes	527,588
Change in accrued interest on sales tax revenue bonds	(222,044)
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	<u>(185,150)</u>
Change in net position of governmental activities	<u>\$ 17,565,522</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Net Position
Proprietary Funds
June 30, 2013

	Governmental Activities
	Internal Service Fund
Assets	
Current assets-due from other funds	\$ 3,824
Noncurrent assets	
Capital assets:	
Land	284,929
Buildings	4,857,904
Equipment	30,092
Less accumulated depreciation	(1,439,439)
Total noncurrent assets	3,733,486
Total assets	3,737,310
Liabilities	
Current liabilities-accounts payable	2,145
Net position	
Net investment in capital assets	3,733,486
Unrestricted	1,679
Total net position	\$ 3,735,165

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, 2013

	Governmental Activities
	Internal Service Fund
Operating revenues	
Rental charges:	
SANBAG	\$ 320,101
Metrolink	34,824
SCAG	16,824
Other	3,833
Total operating revenues	375,582
Operating expenses	
Supplies, maintenance and other	397,779
Depreciation	162,953
Total operating expenses	560,732
Operating income (loss)	(185,150)
Net position at beginning of year	3,920,315
Net position at end of year	\$ 3,735,165

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Governmental Activities
	Internal Service Fund
Cash Flows from operating activities	
Receipts from customers and users:	
SANBAG	\$ 320,101
Metrolink	34,824
SCAG	16,824
Other	3,833
Payments to suppliers and service providers	(399,458)
Net cash provided by (used for) operating activities	(23,876)
Cash and investments at beginning of year	23,876
Cash and investments at end of year	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (185,150)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	162,953
Increase in due from other funds	(3,824)
Increase in accounts payable	2,145
Net cash provided by (used for) operating activities	\$ (23,876)

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. *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 certain 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.

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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* accounts for 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 8 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.

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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 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, such as sales tax, 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 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, long-term project advance agreements 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.

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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, 2013, no expenditures exceeded appropriations.

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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 three months 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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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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

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. Deferred inflows of resources is to record revenue not recognized due to timing of cash receipts.

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 following:

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/deferred outflows 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/deferred inflows attributable to these assets reduce the balance of this category.

Unrestricted

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

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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. SANBAG Policy No. 20200 adopted by the Board of Directors on August 3, 2011 establishes the standards for reporting, within the annual financial statements, unrestricted fund balance within the governmental funds: General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. As of June 30, 2013, 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. Formal action for commitments is established each year upon the adoption of the annual budget.

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:

- 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 is 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 8% 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 \$60,378,041 are as follows:

Land	\$ 59,697,075
Buildings	529,298
Equipment and vehicles	3,599,035
Less: Accumulated depreciation	<u>(3,447,367)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 60,378,041</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>\$ 3,735,165</u>
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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	\$ 543,685
Intergovernmental payable	60,480,164
Revenue bonds payable	91,880,000
Unamortized premium on revenue bonds	<u>8,381,590</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 161,285,439</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	\$ 60,607
Depreciation	<u>(125,318)</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>\$ (64,711)</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>\$ 10,036,656</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	\$ (135,939)
Changes in intergovernmental-Measure I project advancement agreements	24,349,609
Amortization of premium on sales tax revenue bonds	527,588
Changes in accrued interest on sales tax revenue bonds	<u>(222,044)</u>
Net adjustment to reduce changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 24,519,214</u>

3. DEFICIT FUND EQUITY

At June 30, 2013, the federal highway special revenue fund, a major fund, has a deficit fund balance of \$7,757,257, State Highway special revenue fund had a deficit fund balance of \$7,447,464, and the proposition 1B special revenue fund had a deficit balance of \$3,164. There were also fund balance deficits of \$930,800 in the state energy program, nonmajor special revenue fund. 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, 2013 consist of the following:

	Unrestricted			Restricted		Grand	
	Cash	Investments	Total	Investments	Total		
Cash in bank	\$ 37,139,792	\$ -	\$ 37,139,792	\$ -	\$ 37,139,792		
Petty cash	1,000	-	1,000	-	1,000		
Cash in County Treasury	-	171,800,183	171,800,183	-	171,800,183		
Local agency investment fund	-	5,167,335	5,167,335	-	5,167,335		
Investments with custodian	-	68,885,611	68,885,611	-	68,885,611		
Investments with fiscal agent	-	-	-	51,611,536	51,611,536		
Total	<u>\$ 37,140,792</u>	<u>\$ 245,853,129</u>	<u>\$ 282,993,921</u>	<u>\$ 51,611,536</u>	<u>\$ 334,605,457</u>		

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	No Limit	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	\$ 7,829,040	1.95
U.S. government sponsored enterprise securities:		
FHLB	4,992,950	1.64
FHLMC	11,268,544	3.86
FFCB	3,204,338	4.08
FNMA	15,046,973	3.05
Go Bonds	549,164	2.59
Corporate notes	25,694,744	2.25
Local agency investment fund	5,167,335	0.76
San Bernardino County pool	171,800,183	1.04
Money market mutual funds	51,911,395	N/A
Total	<u>\$ 297,464,666</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, 2013	AAA	AA	A-1/A-1+	Not Rated
U.S. Treasuries ⁽¹⁾	\$ 7,829,040	\$ -	\$ -	\$ -	\$ -
U.S. government sponsored enterprise securities	-	-	-	-	-
FHLB	4,992,950	4,992,950	-	-	-
FHLMC	11,268,544	11,268,544	-	-	-
FFCB	3,204,338	3,204,338	-	-	-
FNMA	15,046,973	15,046,973	-	-	-
Corporate notes	25,694,744	25,694,744	-	-	-
GO Bonds	549,164	-	-	549,164	-
Local agency investment fund	5,167,335	-	-	-	5,167,335
San Bernardino County pool	171,800,183	8,418,208	111,326,519	52,055,456	-
Money market mutual funds	51,911,395	51,911,395	-	-	-
Total	<u>\$ 297,464,666</u>	<u>\$ 120,537,152</u>	<u>\$ 111,326,519</u>	<u>\$ 52,604,620</u>	<u>\$ 5,167,335</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, 2013, SANBAG has bank deposits with a balance of \$41,432,388 of which \$250,000 is federally insured and the balance is collateralized in accordance with the Code.

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June 30, 2013

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. A deposit to the local transportation fund was deposited into the incorrect County account for the state transit assistance fund; therefore creating an interfund receivable and payable at year-end for \$3,039. The following are the due from and due to balances as of June 30, 2013:

SAN BERNARDINO ASSOCIATED GOVERNMENTS
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Receivable Fund	Payable Fund	Amount
2010-2040 Measure I	Federal highway	\$ 24,129,368
	Federal stimulus	5,199,899
	State highway	7,004,389
	Proposition 1B	13,321,811
	Capital projects	22,038,514
	Nonmajor	1,511,413
Internal service	General	3,824
Local transportation fund	State transit assistance fund	3,039
Total		\$ 73,212,257

SANBAG has approved an interest-bearing interfund loan for the City of Victorville La Mesa/Nisqualli interchange project based on the allocation of Victorville Measure I local streets funds. The interfund loan will not exceed \$11,894,325. The loan initiated in June 2013 and is recorded as an advance to other funds in the 2010-2040 Measure I special revenue fund and an advance from other funds in the capital projects fund. The project expenditures are recorded in the capital projects fund. The interfund loan will be recorded until the City of Victorville's share of the project cost is paid plus interest. The following are the advances to and advances from balances as of June 30, 2013:

Receivable Fund	Payable Fund	Amount
2010-2040 Measure I	Capital projects	\$ 418,509

B. Interfund Transfers

Transfers are used to 1) move funds from the local transportation fund and state transit assistance fund to the general fund for reimbursement of certain general administrative, planning and rail expenditures, 2) to transfer funds from 1990-2010 Measure I fund to federal highway fund for reduction of grant reimbursements, 3) to transfer from federal highway fund to the proposition 1B and 1990-2010 Measure I funds due to reclassification of expenditures, 4) to transfer funds from the 2010-2040 Measure I fund to the 1990-2010 Measure I fund to close the commuter rail program, 5) transfer from capital projects fund to the 2010-2040 Measure I MSI fund for expenditures incurred for grade separation projects, 6) transfer funds from 2010-2040 Measure I fund to debt service fund to record interest income and debt service payment with the trustee, Bank of New York, 7) transfer from 1990-2010 Measure I fund to capital projects fund due to reclassification of expenditures, and 8) transfer from 2010-2040 Measure I fund to the capital projects fund to record fiscal charges with the trustee, Bank of New York.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
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Transfers In Fund	Transfers Out Fund	Amount
General	Local transportation fund	\$ 19,378,504
	State transit assistance fund	10,256,581
Federal highway	1990-2010 Measure I	80,000
Proposition 1B	Federal highway	230,565
1990-2010 Measure I	Federal highway	57,970
	2010-2040 Measure I	306,843
2010-2040 Measure I	Capital projects	8,962,016
Debt service	2010-2040 Measure I	4,177,215
Capital projects	1990-2010 Measure I	854
	2010-2040 Measure I	1,054,778
Total		<u>\$ 44,505,326</u>

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Capital assets, not depreciated-land	\$ 59,982,004	\$ -	\$ -	\$ 59,982,004
Capital assets, depreciated:				
Buildings	5,387,201	-	-	5,387,201
Equipment and vehicles	3,582,587	60,607	(14,066)	3,629,128
Total capital assets, depreciated	8,969,788	60,607	(14,066)	9,016,329
Less accumulated depreciation for:				
Buildings	(1,286,380)	(179,593)	-	(1,465,973)
Equipment and vehicles	(3,326,221)	(108,678)	14,066	(3,420,833)
Total accumulated depreciation	(4,612,601)	(288,271)	14,066	(4,886,806)
Total capital assets, depreciated, net	4,357,187	(227,664)	-	4,129,523
Total capital assets, net	<u>\$ 64,339,191</u>	<u>\$ (227,664)</u>	<u>\$ -</u>	<u>\$ 64,111,527</u>

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

Governmental activities	
General government	\$ 125,318
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>\$ 288,271</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
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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 position. Bond premiums is 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, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due within</u> <u>One Year</u>
Governmental activities					
Revenue bonds payable	\$ 91,880,000	\$ -	\$ -	\$ 91,880,000	\$ -
Unamortized premium on revenue bonds payable	8,909,178	-	527,588	8,381,590	-
Compensated absences	407,746	166,666	30,727	543,685	110,654
Intergovernmental payable	<u>95,035,323</u>	<u>11,196,902</u>	<u>35,056,434</u>	<u>71,175,791</u>	<u>10,695,627</u>
Total long-term liabilities, net	<u>\$ 196,232,247</u>	<u>\$ 11,363,568</u>	<u>\$ 35,614,749</u>	<u>\$ 171,981,066</u>	<u>\$ 10,806,281</u>

Sales Tax Revenue Obligations

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 range of annual installments range from \$3,851,087 to \$6,081,637.

Sales tax revenue received for FY 2013 was \$138,482,732.

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).

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

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Year Ending, June 30,	Principal	Interest	Total
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	2,170,000	3,903,837	6,073,837
2019-2023	12,325,000	18,062,337	30,387,337
2024-2028	15,500,000	14,878,187	30,378,187
2029-2033	19,700,000	10,674,188	30,374,188
2034-2038	24,755,000	5,619,300	30,374,300
2039-2040	11,440,000	712,594	12,152,594
	<u>\$ 91,880,000</u>	<u>\$ 70,251,494</u>	<u>\$ 162,131,494</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

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
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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 2012/2013:

	Valley		Victor Valley Major Local Highways	Total
	Freeway Interchange	Major Street		
Expenditures	\$ 10,942,026	\$ 24,114,408	\$ -	\$ 35,056,434
Current liabilities	3,795,222	6,900,405	-	10,695,627
Long-term liabilities	15,532,004	44,948,160	-	60,480,164
Commitments	-	8,202,776	8,598,000	16,800,776
Total	<u>\$ 30,269,252</u>	<u>\$ 84,165,749</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, 2013.

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, 2013.

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, 2013.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
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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 \$60,480,164 was recognized as long term liabilities in fiscal year 2012/2013. 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 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, 2013 were \$150,563. The total minimum rental commitment at June 30, 2013 is due as follows:

Year Ending June 30,	Amount
2014	\$ <u>125,835</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 7.77% to 13.51% 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 25.77%. SANBAG has elected to pay the employees' portion of contributions. SANBAG's contributions to SBCERA for the years ended June 30, 2013 was \$1,651,425 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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Ended June 30,	Contribution Rate	APC	Obligation
2011	100%	\$ 1,189,213	-
2012	100%	1,298,355	-
2013	100%	1,651,425	-

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
2011	0%	\$ 12,666	-
2012	0%	13,736	-
2013	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, 2013, 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 approximately \$862 million at June 30, 2013.

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. An extension to June 30, 2014 was approved by SANBAG Board on April 11, 2013. 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 remaining outstanding commitments as of June 30, 2013 are \$717,182.

<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, 2013, the following short-term liabilities were recognized:

Jurisdiction	Due to Other Governments
Needles	\$ 13,544
City of San Bernardino	<u>5,498</u>
Total	<u>\$ 19,042</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 2012-2013.

12. PTMISEA FUNDING

As of June 30, 2013, 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, 2013, 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. Disbursements were not incurred during the fiscal year.

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. During the past three fiscal years, there has been no settlements in excess of covered amounts.

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 \$7,685,781 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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2013

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, defense and indemnity of these claims. In June 2011, another such case arose when a bicyclist was struck and killed allegedly by a Metrolink train near a train station owned by SANBAG. The bicyclist's estate sued SANBAG for an unspecified sum of damages. SANBAG tendered this case for defense and indemnity to SCRRA under the JPA. SCRRA accepted SANBAG's tender. 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 in 2004 associated with the new State Route 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. The parties have agreed to present the dispute to a mediator in December 2013. If the case does not settle during mediation, it is set for trial in July 2014. It is still premature to evaluate fully the merits of the case.

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.

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 (see note 17 for final resolution).

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2013

16. GASB PRONOUNCEMENTS

Effective in Future Periods

GASB Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from issuance of pronouncement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and pronouncement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of Statement 64 are effective for financial statements for periods beginning after December 15, 2012, 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 determined that GASB 68 will require an additional liability, but have not yet determined the dollar effect on the financial statements.

GASB Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date, an amendment to GASB Statement No. 68*. The objective is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plan prior to implementation. This Statement is effective, simultaneously with GASB Statement No. 68, for fiscal years beginning after June 15, 2014.

17. SUBSEQUENT EVENT

SANBAG and The California Department of Transportation (Caltrans) reached a resolution on July 17, 2013 relating to the incurred cost audit for the period July 1, 2008 to December 31, 2009 (see note 15). SANBAG paid Caltrans \$573,428 on September 6, 2013 and SANBAG agreed to take corrective actions on improving procurement practices and procedures.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax-Measure I	\$ 1,220,000	\$ 1,220,000	\$ 1,384,827	\$ 164,827
Intergovernmental	150,000	22,217	142,248	120,031
Charges for services	9,600	5,288	257,204	251,916
Special assessments	144,127	126,222	135,849	9,627
Investment earnings	-	-	376,165	376,165
Miscellaneous	100,000	150,000	25,354	(124,646)
Total revenues	<u>1,623,727</u>	<u>1,523,727</u>	<u>2,321,647</u>	<u>797,920</u>
Expenditures				
Current:				
General-council of governments support	2,586,434	2,209,013	1,492,800	716,213
Air quality and traveler services	34,266	9,725	6,810	2,915
Regional and subregional planning	1,067,854	1,018,235	829,040	189,195
Transit and passenger rail	30,087,609	41,729,736	30,984,530	10,745,206
Fund administration and programming	2,918,179	3,316,839	2,194,265	1,122,574
Capital outlay	187,889	187,889	60,607	127,282
Total expenditures	<u>36,882,231</u>	<u>48,471,437</u>	<u>35,568,052</u>	<u>12,903,385</u>
Excess (deficiency) of revenues over (under) expenditures	(35,258,504)	(46,947,710)	(33,246,405)	13,701,305
Other Financing Sources				
Transfers in	37,433,973	37,433,973	29,635,085	(7,798,888)
Net change in fund balances	2,175,469	(9,513,737)	(3,611,320)	5,902,417
Fund balances beginning of year	16,629,352	16,629,352	16,629,352	-
Fund balances end of year	<u>\$ 18,804,821</u>	<u>\$ 7,115,615</u>	<u>\$ 13,018,032</u>	<u>\$ 5,902,417</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 103,753,341	\$ 89,073,466	\$ 35,619,644	\$ (53,453,822)
Investment earnings	-	-	4,434	4,434
Total revenues	<u>103,753,341</u>	<u>89,073,466</u>	<u>35,624,078</u>	<u>(53,449,388)</u>
Expenditures				
Current:				
Air quality and traveler services	1,760,334	1,522,334	1,425,112	97,222
Major project delivery	96,281,859	81,839,984	36,036,540	45,803,444
Total expenditures	<u>98,042,193</u>	<u>83,362,318</u>	<u>37,461,652</u>	<u>45,900,666</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,711,148</u>	<u>5,711,148</u>	<u>(1,837,574)</u>	<u>(7,548,722)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	80,000	80,000
Transfers out	-	-	(288,535)	(288,535)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(208,535)</u>	<u>(208,535)</u>
Net change in fund balances	5,711,148	5,711,148	(2,046,109)	(7,757,257)
Fund balances (deficits) beginning of year	<u>(5,711,148)</u>	<u>(5,711,148)</u>	<u>(5,711,148)</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,757,257)</u>	<u>\$ (7,757,257)</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 38,436,435	\$ 39,044,135	\$ 31,699,932	\$ (7,344,203)
Expenditures				
Current:				
Air quality and traveler services	3,108,450	3,716,150	3,715,777	373
Major project delivery	35,327,985	35,327,985	27,984,155	7,343,830
Total expenditures	38,436,435	39,044,135	31,699,932	7,344,203
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances beginning of year	-	-	-	-
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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 50,335,260	\$ 58,099,766	\$ 20,164,018	\$ (37,935,748)
Expenditures				
Current-major project delivery	50,335,260	58,099,766	27,611,482	30,488,284
Total expenditures	50,335,260	58,099,766	27,611,482	30,488,284
Excess (deficiency) of revenues over (under) expenditures	-	-	(7,447,464)	(7,447,464)
Fund balances (deficits) beginning of year	-	-	-	-
Fund balances (deficits) end of year	\$ -	\$ -	\$ (7,447,464)	\$ (7,447,464)

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 128,120,863	\$ 149,809,258	\$ 53,489,847	\$ (96,319,411)
Expenditures				
Current:				
Transit and passenger rail	70,069	1,529,382	-	1,529,382
Major project delivery	<u>127,817,065</u>	<u>148,046,147</u>	<u>53,489,847</u>	<u>94,556,300</u>
Total expenditures	<u>127,887,134</u>	<u>149,575,529</u>	<u>53,489,847</u>	<u>96,085,682</u>
Excess (deficiency) of revenues over (under) expenditures	233,729	233,729	-	(233,729)
Other Financing Sources				
Transfers in	-	-	230,565	230,565
Net change in fund balances	233,729	233,729	230,565	(3,164)
Fund balances (deficits) beginning of year	<u>(233,729)</u>	<u>(233,729)</u>	<u>(233,729)</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,164)</u>	<u>\$ (3,164)</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax-local transportation fund	\$ 65,949,951	\$ 65,949,951	\$ 75,100,102	\$ 9,150,151
Investment earnings	-	-	1,136,620	1,136,620
Miscellaneous	-	-	3,039	3,039
Total revenues	<u>65,949,951</u>	<u>65,949,951</u>	<u>76,239,761</u>	<u>10,289,810</u>
Expenditures				
Current-fund administration and programming	<u>83,337,751</u>	<u>84,137,751</u>	<u>51,540,949</u>	<u>32,596,802</u>
Excess (deficiency) of revenues over (under) expenditures	(17,387,800)	(18,187,800)	24,698,812	42,886,612
Other Financing Sources (Uses)				
Transfers out	<u>(24,397,766)</u>	<u>(24,397,766)</u>	<u>(19,378,504)</u>	<u>5,019,262</u>
Net change in fund balances	(41,785,566)	(42,585,566)	5,320,308	47,905,874
Fund balances beginning of year	<u>94,718,235</u>	<u>94,718,235</u>	<u>94,718,235</u>	<u>-</u>
Fund balances end of year	<u>\$ 52,932,669</u>	<u>\$ 52,132,669</u>	<u>\$ 100,038,543</u>	<u>\$ 47,905,874</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 14,101,952	\$ 14,101,952	\$ 13,723,170	\$ (378,782)
Investment earnings	-	676,652	676,653	1
Total revenues	<u>14,101,952</u>	<u>14,778,604</u>	<u>14,399,823</u>	<u>(378,781)</u>
Expenditures				
Current-fund administration and programming	<u>26,330,985</u>	<u>26,330,985</u>	<u>5,511,547</u>	<u>20,819,438</u>
Excess (deficiency) of revenues over (under) expenditures	(12,229,033)	(11,552,381)	8,888,276	20,440,657
Other Financing Sources (Uses)				
Transfers out	<u>(13,036,207)</u>	<u>(13,036,207)</u>	<u>(10,256,581)</u>	<u>2,779,626</u>
Net change in fund balances	(25,265,240)	(24,588,588)	(1,368,305)	23,220,283
Fund balances beginning of year	<u>51,921,599</u>	<u>51,921,599</u>	<u>51,921,599</u>	<u>-</u>
Fund balances end of year	<u>\$ 26,656,359</u>	<u>\$ 27,333,011</u>	<u>\$ 50,553,294</u>	<u>\$ 23,220,283</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 648,040	\$ 648,040	\$ 59,456	\$ (588,584)
Miscellaneous	-	-	431,657	431,657
Total revenues	<u>648,040</u>	<u>648,040</u>	<u>491,113</u>	<u>(156,927)</u>
Expenditures				
Current:				
General-council of governments support	322,488	446,982	320,762	126,220
Air quality and traveler services	-	203,928	192,469	11,459
Regional and subregional planning	846,435	988,995	827,276	161,719
Transit and passenger rail	1,443,941	1,443,941	1,409,541	34,400
Major project delivery	31,295,413	32,817,123	9,618,217	23,198,906
Fund administration and programming	<u>8,118,413</u>	<u>8,118,413</u>	<u>7,444,790</u>	<u>673,623</u>
Total expenditures	<u>42,026,690</u>	<u>44,019,382</u>	<u>19,813,055</u>	<u>24,206,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,378,650)</u>	<u>(43,371,342)</u>	<u>(19,321,942)</u>	<u>24,049,400</u>
Other Financing Sources (Uses)				
Transfers in	-	-	364,813	364,813
Transfers out	-	-	(80,854)	(80,854)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>283,959</u>	<u>283,959</u>
Net change in fund balances	(41,378,650)	(43,371,342)	(19,037,983)	24,333,359
Fund balances beginning of year	<u>61,432,033</u>	<u>61,432,033</u>	<u>61,432,033</u>	<u>-</u>
Fund balances end of year	<u>\$ 20,053,383</u>	<u>\$ 18,060,691</u>	<u>\$ 42,394,050</u>	<u>\$ 24,333,359</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax-Measure I	\$ 120,780,000	\$ 120,780,000	\$ 137,097,905	\$ 16,317,905
Investment earnings	750,770	750,770	425,285	(325,485)
Total revenues	<u>121,530,770</u>	<u>121,530,770</u>	<u>137,523,190</u>	<u>15,992,420</u>
Expenditures				
Current:				
General-council of governments support	497,377	2,430,877	361,295	2,069,582
Air quality and traveler services	1,114,292	1,089,292	1,067,056	22,236
Regional and subregional planning	200,000	200,000	-	200,000
Transit and passenger rail	16,040,863	16,444,763	12,250,852	4,193,911
Major project delivery	58,445,194	49,906,083	28,074,502	21,831,581
Fund administration and programming	60,938,418	63,363,417	59,684,205	3,679,212
Total expenditures	<u>137,236,144</u>	<u>133,434,432</u>	<u>101,437,910</u>	<u>31,996,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,705,374)</u>	<u>(11,903,662)</u>	<u>36,085,280</u>	<u>47,988,942</u>
Other Financing Sources (Uses)				
Transfers in	-	14,246,534	8,962,016	(5,284,518)
Transfers out	<u>(3,892,911)</u>	<u>(3,892,911)</u>	<u>(5,538,836)</u>	<u>(1,645,925)</u>
Total other financing sources (uses)	<u>(3,892,911)</u>	<u>10,353,623</u>	<u>3,423,180</u>	<u>(6,930,443)</u>
Net change in fund balances	(19,598,285)	(1,550,039)	39,508,460	41,058,499
Fund balances beginning of year	<u>104,084,873</u>	<u>104,084,873</u>	<u>104,084,873</u>	<u>-</u>
Fund balances end of year	<u>\$ 84,486,588</u>	<u>\$ 102,534,834</u>	<u>\$ 143,593,333</u>	<u>\$ 41,058,499</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Funding Progress-SBCERA
June 30, 2013
(In thousands)

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, 2013	\$ 7,204,918	\$ 9,088,636	\$ 1,883,718	79.27%	\$ 1,262,752	149.18%
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%

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.

Valuation Date June 30, 2013

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, 2011, 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, 2013 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.

* Includes inflation at 3.50%.

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

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, 2013, no expenditures exceeded appropriations.



The Colton Crossing Rail-to-Rail Grade Separation raised the East/West Union Pacific railroad tracks over the North/South BNSF tracks. For more than 100 years, this historic crossing required trains coming from either direction to stop and allow the other train to pass through the train intersection. This project was considered a major accomplishment as it improves goods movement and reduces congestion and emissions. It was dedicated in August 2013.

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, 2013

	Special Revenue			Total Nonmajor Governmental Funds
	State Energy Programs	Service Authority for Freeway Emergencies	Freeway Service Patrol	
Assets				
Cash and investments	\$ -	\$ 2,255,632	\$ -	\$ 2,255,632
Accrued interest receivable	-	2,384	-	2,384
Intergovernmental receivable	930,800	300,962	693,671	1,925,433
Total assets	<u>\$ 930,800</u>	<u>\$ 2,558,978</u>	<u>\$ 693,671</u>	<u>\$ 4,183,449</u>
Liabilities and fund balances (deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 96,900	\$ 95,715	\$ 192,615
Accrued liabilities	-	532	-	532
Intergovernmental payable	-	56,355	17,343	73,698
Due to other funds	930,800	-	580,613	1,511,413
Unearned revenue	-	803	-	803
Total liabilities	<u>930,800</u>	<u>154,590</u>	<u>693,671</u>	<u>1,779,061</u>
Deferred inflows of resources	<u>930,800</u>	<u>-</u>	<u>-</u>	<u>930,800</u>
Total liabilities and deferred inflows of resources	<u>1,861,600</u>	<u>154,590</u>	<u>693,671</u>	<u>2,709,861</u>
Fund balances (deficits):				
Restricted-traveler services	-	2,404,388	-	2,404,388
Unassigned	<u>(930,800)</u>	<u>-</u>	<u>-</u>	<u>(930,800)</u>
Total fund balances (deficits)	<u>(930,800)</u>	<u>2,404,388</u>	<u>-</u>	<u>1,473,588</u>
Total liabilities and fund balances	<u>\$ 930,800</u>	<u>\$ 2,558,978</u>	<u>\$ 693,671</u>	<u>\$ 4,183,449</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue			Total Nonmajor Governmental Funds
	State Energy Programs	Service Authority for Freeway Emergencies	Freeway Service Patrol	
Revenues				
Intergovernmental	\$ -	\$ 1,691,285	\$ 1,183,145	\$ 2,874,430
Investment earnings	-	4,203	-	4,203
Miscellaneous	-	19,937	-	19,937
Total revenues	<u>-</u>	<u>1,715,425</u>	<u>1,183,145</u>	<u>2,898,570</u>
Expenditures				
Current:				
General-council of governments support	-	13,688	-	13,688
Air quality and traveler services	-	1,149,078	1,163,979	2,313,057
Total expenditures	<u>-</u>	<u>1,162,766</u>	<u>1,163,979</u>	<u>2,326,745</u>
Excess (deficiency) of revenues over (under) Expenditures	-	552,659	19,166	571,825
Fund balances (deficits) beginning of year	<u>(930,800)</u>	<u>1,851,729</u>	<u>(19,166)</u>	<u>901,763</u>
Fund balances (deficits) end of year	<u>\$ (930,800)</u>	<u>\$ 2,404,388</u>	<u>\$ -</u>	<u>\$ 1,473,588</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current-air quality and traveler services	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances (deficits) beginning of year	(930,800)	(930,800)	(930,800)	-
Fund balances (deficits) end of year	<u>\$ (930,800)</u>	<u>\$ (930,800)</u>	<u>\$ (930,800)</u>	<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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,684,950	\$ 1,464,001	\$ 1,691,285	\$ 227,284
Investment earnings	-	-	4,203	4,203
Miscellaneous	-	-	19,937	19,937
Total revenues	<u>1,684,950</u>	<u>1,464,001</u>	<u>1,715,425</u>	<u>251,424</u>
Expenditures				
Current:				
General-council of governments support	25,000	25,000	13,688	11,312
Air quality and traveler services	<u>1,442,318</u>	<u>1,229,406</u>	<u>1,149,078</u>	<u>80,328</u>
Total expenditures	<u>1,467,318</u>	<u>1,254,406</u>	<u>1,162,766</u>	<u>91,640</u>
Excess (deficiency) of revenues over (under) expenditures	217,632	209,595	552,659	343,064
Fund balances beginning of year	<u>1,851,729</u>	<u>1,851,729</u>	<u>1,851,729</u>	-
Fund balances end of year	<u>\$ 2,069,361</u>	<u>\$ 2,061,324</u>	<u>\$ 2,404,388</u>	<u>\$ 343,064</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,303,810	\$ 1,200,773	\$ 1,183,145	\$ (17,628)
Expenditures				
Current-air quality and traveler services	<u>1,284,644</u>	<u>1,181,607</u>	<u>1,163,979</u>	<u>17,628</u>
Excess (deficiency) of revenues over (under) expenditures	19,166	19,166	19,166	-
Fund balances (deficits) beginning of year	<u>(19,166)</u>	<u>(19,166)</u>	<u>(19,166)</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 8	\$ 8
Expenditures				
Debt service-interest	<u>3,851,087</u>	<u>3,851,087</u>	<u>3,851,087</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(3,851,087)	(3,851,087)	(3,851,079)	8
Other Financing Sources				
Transfers in	<u>3,982,911</u>	<u>3,982,911</u>	<u>4,177,215</u>	<u>194,304</u>
Net change in fund balances	131,824	131,824	326,136	194,312
Fund balances beginning of year	<u>1,061,652</u>	<u>1,061,652</u>	<u>1,061,652</u>	<u>-</u>
Fund balances end of year	<u>\$ 1,193,476</u>	<u>\$ 1,193,476</u>	<u>\$ 1,387,788</u>	<u>\$ 194,312</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 68,288,702	\$ 75,721,804	\$ 36,008,075	\$ (39,713,729)
Investment earnings	-	-	142,001	142,001
Total revenues	<u>68,288,702</u>	<u>75,721,804</u>	<u>36,150,076</u>	<u>(39,571,728)</u>
Expenditures				
Current:				
Regional and subregional planning	-	100,000	66,857	33,143
Transit and passenger rail	3,570,729	8,602,864	3,604,796	4,998,068
Major project delivery	113,833,988	101,631,748	53,758,639	47,873,109
Total expenditures	<u>117,404,717</u>	<u>110,334,612</u>	<u>57,430,292</u>	<u>52,904,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,116,015)</u>	<u>(34,612,808)</u>	<u>(21,280,216)</u>	<u>13,332,592</u>
Other Financing Sources (Uses)				
Transfers in	-	-	1,055,632	1,055,632
Transfers out	-	(14,246,534)	(8,962,016)	5,284,518
Total other financing sources (uses)	<u>-</u>	<u>(14,246,534)</u>	<u>(7,906,384)</u>	<u>6,340,150</u>
Net change in fund balances	(49,116,015)	(48,859,342)	(29,186,600)	19,672,742
Fund balances beginning of year	<u>70,531,852</u>	<u>70,531,852</u>	<u>70,531,852</u>	<u>-</u>
Fund balances end of year	<u>\$ 21,415,837</u>	<u>\$ 21,672,510</u>	<u>\$ 41,345,252</u>	<u>\$ 19,672,742</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, 2013

	Santa Fe Depot
Assets	
Current assets-due from other funds	\$ 3,824
Noncurrent assets	
Capital assets:	
Land	284,929
Buildings	4,857,904
Equipment	30,092
Less accumulated depreciation	(1,439,439)
Total noncurrent assets	3,733,486
Total assets	3,737,310
Liabilities	
Current liabilities-accounts payable	2,145
Net position	
Net investment in capital assets	3,733,486
Unrestricted	1,679
Total net position	\$ 3,735,165

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues, Expenses and Changes in Net Position
Internal Service Fund
For the Year Ended June 30, 2013

	Santa Fe Depot
Operating revenues	
Rental charges:	
SANBAG	\$ 320,101
Metrolink	34,824
SCAG	16,824
Other	3,833
Total operating revenues	375,582
Operating expenses	
Supplies, maintenance and other	397,779
Depreciation	162,953
Total operating expenses	560,732
Operating income (loss)	(185,150)
Net position at beginning of year	3,920,315
Net position at end of year	\$ 3,735,165

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Cash Flows
Internal Service Fund
For the Year Ended June 30, 2013

	Santa Fe Depot
Cash Flows from operating activities	
Receipts from customers and users:	
SANBAG	\$ 320,101
Metrolink	34,824
SCAG	16,824
Other	3,833
Payments to suppliers and service providers	(399,458)
Net cash provided by (used for) operating activities	(23,876)
Cash and investments at beginning of year	23,876
Cash and investments at end of year	\$ -
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (185,150)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	162,953
Increase in due from other funds	(3,824)
Increase in accounts payable	2,145
Net cash provided by (used for) operating activities	\$ (23,876)



The historic Santa Fe Depot in San Bernardino is home to SANBAG offices on the second floor. Following many years of abandonment in the 1990s, the building experienced severe deterioration. Thanks to a historic preservation grant, the building was restored in 2004, at which time SANBAG moved into the building.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Combing Balance Sheet
 1990-2010 Measure I Special Revenue Fund
 June 30, 2013

	Valley Major Projects	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancement
Assets				
Cash and investments	\$ 30,362,898	\$ 156,705	\$ 6,758,947	\$ 8,630,647
Accrued interest receivable	32,305	-	7,145	9,123
Accounts receivable	158,109	-	-	-
Intergovernmental receivable	390	-	-	-
Deposit receivable	188,107	-	-	-
Total assets	<u>\$ 30,741,809</u>	<u>\$ 156,705</u>	<u>\$ 6,766,092</u>	<u>\$ 8,639,770</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 2,166,985	\$ 156,705	\$ -	\$ 70,045
Accrued liabilities	18,173	-	-	1,424
Intergovernmental payable	1,355,537	-	-	573,443
Total liabilities	<u>3,540,695</u>	<u>156,705</u>	<u>-</u>	<u>644,912</u>
Fund balances-restricted	<u>27,201,114</u>	<u>-</u>	<u>6,766,092</u>	<u>7,994,858</u>
Total liabilities and fund balances	<u>\$ 30,741,809</u>	<u>\$ 156,705</u>	<u>\$ 6,766,092</u>	<u>\$ 8,639,770</u>

<u>Victor Valley Elderly & Disabled Transit</u>	<u>Mountain Elderly & Disabled Transit</u>	<u>North Desert Elderly & Disabled Transit</u>	<u>Morongo Basin Elderly & Disabled Transit</u>	<u>Colorado River Elderly & Disabled Transit</u>	<u>Total 1990-2010 Measure I</u>
\$ 306,293	\$ 27,149	\$ 88,941	\$ 90	\$ 9,387	\$ 46,341,057
97	29	-	-	-	48,699
-	-	-	-	-	158,109
-	-	-	-	-	390
-	-	-	-	-	188,107
<u>\$ 306,390</u>	<u>\$ 27,178</u>	<u>\$ 88,941</u>	<u>\$ 90</u>	<u>\$ 9,387</u>	<u>\$ 46,736,362</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,393,735
-	-	-	-	-	19,597
-	-	-	-	-	1,928,980
-	-	-	-	-	4,342,312
306,390	27,178	88,941	90	9,387	42,394,050
<u>\$ 306,390</u>	<u>\$ 27,178</u>	<u>\$ 88,941</u>	<u>\$ 90</u>	<u>\$ 9,387</u>	<u>\$ 46,736,362</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, 2013

	Valley Major Projects	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancement
Revenues				
Investment earnings	\$ 37,448	\$ -	\$ 10,455	\$ 11,224
Miscellaneous	-	-	-	-
Total Revenues	<u>37,448</u>	<u>-</u>	<u>10,455</u>	<u>11,224</u>
Expenditures				
Current:				
General-council of governments support	48,251	-	-	272,511
Air quality and traveler services	-	-	-	192,469
Regional and subregional planning	-	-	-	827,276
Transit and passenger rail	-	1,409,541	-	-
Major project delivery	8,784,702	-	-	833,515
Fund administration and programming	7,444,790	-	-	-
Total Expenditures	<u>16,277,743</u>	<u>1,409,541</u>	<u>-</u>	<u>2,125,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,240,295)</u>	<u>(1,409,541)</u>	<u>10,455</u>	<u>(2,114,547)</u>
Other Financing Sources (Uses)				
Transfers in:				
Federal Highway Special Revenue Fund	57,970	-	-	-
2010-2040 Measure I Special Revenue Fund	-	306,843	-	-
Transfers out:				
Federal Highway Special Revenue Fund	(80,000)	-	-	-
Capital Projects Fund	(854)	-	-	-
Total other financing sources (uses)	<u>(22,884)</u>	<u>306,843</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(16,263,179)	(1,102,698)	10,455	(2,114,547)
Fund balances beginning of year	43,464,293	1,102,698	6,755,637	10,109,405
Fund balances end of year	<u>\$ 27,201,114</u>	<u>\$ -</u>	<u>\$ 6,766,092</u>	<u>\$ 7,994,858</u>

<u>Victor Valley Elderly & Disabled Transit</u>	<u>Mountain Elderly & Disabled Transit</u>	<u>North Desert Elderly & Disabled Transit</u>	<u>Morongo Basin Elderly & Disabled Transit</u>	<u>Colorado River Elderly & Disabled Transit</u>	<u>Total 1990-2010 Measure I</u>
\$ 254	\$ 75	\$ -	\$ -	\$ -	\$ 59,456
<u>306,136</u>	<u>27,103</u>	<u>88,941</u>	<u>90</u>	<u>9,387</u>	<u>431,657</u>
<u>306,390</u>	<u>27,178</u>	<u>88,941</u>	<u>90</u>	<u>9,387</u>	<u>491,113</u>
-	-	-	-	-	320,762
-	-	-	-	-	192,469
-	-	-	-	-	827,276
-	-	-	-	-	1,409,541
-	-	-	-	-	9,618,217
-	-	-	-	-	7,444,790
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,813,055</u>
<u>306,390</u>	<u>27,178</u>	<u>88,941</u>	<u>90</u>	<u>9,387</u>	<u>(19,321,942)</u>
-	-	-	-	-	57,970
-	-	-	-	-	306,843
-	-	-	-	-	(80,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(854)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,959</u>
<u>306,390</u>	<u>27,178</u>	<u>88,941</u>	<u>90</u>	<u>9,387</u>	<u>(19,037,983)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,432,033</u>
<u>\$ 306,390</u>	<u>\$ 27,178</u>	<u>\$ 88,941</u>	<u>\$ 90</u>	<u>\$ 9,387</u>	<u>\$ 42,394,050</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2013

	Valley Freeway Projects	Valley Freeway Interchanges	Valley Major Street	Valley Local Street
Assets				
Cash and investments	\$ 18,817,605	\$ 10,381,463	\$ 12,507,182	\$ -
Accrued interest receivable	69,186	11,369	36,517	-
Accounts receivable	428	-	-	-
Sales taxes receivable	5,821,052	2,207,985	4,014,519	4,014,519
Due from other funds	51,166,880	-	22,038,514	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 75,875,151</u>	<u>\$ 12,600,817</u>	<u>\$ 38,596,732</u>	<u>\$ 4,014,519</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,386,194	\$ 760,998	\$ 100,848	\$ -
Accrued liabilities	4,742	982	562	-
Intergovernmental payable	4,405,423	6,608,471	16,816,870	4,014,519
Total liabilities	5,796,359	7,370,451	16,918,280	4,014,519
Fund balances-restricted	70,078,792	5,230,366	21,678,452	-
Total liabilities and fund balances	<u>\$ 75,875,151</u>	<u>\$ 12,600,817</u>	<u>\$ 38,596,732</u>	<u>\$ 4,014,519</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>
\$ 9,474,399	\$ 3,193,807	\$ 3,419,124	\$ 5,003,229	\$ 10,043,920	\$ -
10,340	3,375	3,614	5,288	10,618	-
-	-	-	-	-	-
1,605,807	401,452	1,605,807	401,452	557,438	1,516,232
-	-	-	-	-	-
-	-	-	-	-	418,509
<u>\$ 11,090,546</u>	<u>\$ 3,598,634</u>	<u>\$ 5,028,545</u>	<u>\$ 5,409,969</u>	<u>\$ 10,611,976</u>	<u>\$ 1,934,741</u>
\$ 351,952	\$ -	\$ -	\$ 11,616	\$ -	\$ -
-	-	-	8,510	-	-
518,285	-	950,763	83,288	-	1,934,741
870,237	-	950,763	103,414	-	1,934,741
10,220,309	3,598,634	4,077,782	5,306,555	10,611,976	-
<u>\$ 11,090,546</u>	<u>\$ 3,598,634</u>	<u>\$ 5,028,545</u>	<u>\$ 5,409,969</u>	<u>\$ 10,611,976</u>	<u>\$ 1,934,741</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2013

	Victor Valley Senior & Disabled Transit	Victor Valley Project Development/ Traffic Management	North Desert Major Local Highway	North Desert Local Street
Assets				
Cash and investments	\$ 386,946	\$ 791,931	\$ 3,348,937	\$ -
Accrued interest receivable	635	837	3,540	-
Accounts receivable	-	-	-	-
Sales taxes receivable	111,488	44,595	323,621	880,249
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 499,069</u>	<u>\$ 837,363</u>	<u>\$ 3,676,098</u>	<u>\$ 880,249</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ 17,066	\$ 310,472	\$ -
Accrued liabilities	-	-	792	-
Intergovernmental payable	-	66,180	-	880,249
Total liabilities	-	83,246	311,264	880,249
Fund balances-restricted	<u>499,069</u>	<u>754,117</u>	<u>3,364,834</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 499,069</u>	<u>\$ 837,363</u>	<u>\$ 3,676,098</u>	<u>\$ 880,249</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>
\$ 419,674	\$ 332,289	\$ 156,528	\$ -	\$ 7,047	\$ 12,523
539	351	166	-	17	13
-	-	-	-	-	-
64,724	25,890	8,747	23,793	1,749	700
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 484,937</u>	<u>\$ 358,530</u>	<u>\$ 165,441</u>	<u>\$ 23,793</u>	<u>\$ 8,813</u>	<u>\$ 13,236</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	16,280	-	23,793	-	-
-	16,280	-	23,793	-	-
484,937	342,250	165,441	-	8,813	13,236
<u>\$ 484,937</u>	<u>\$ 358,530</u>	<u>\$ 165,441</u>	<u>\$ 23,793</u>	<u>\$ 8,813</u>	<u>\$ 13,236</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2013

	<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	\$ 1,292,933	\$ -	\$ 4,357	\$ 127,475
Accrued interest receivable	1,368	-	4	135
Accounts receivable	-	-	-	-
Sales taxes receivable	110,239	299,851	22,048	8,819
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 1,404,540</u>	<u>\$ 299,851</u>	<u>\$ 26,409</u>	<u>\$ 136,429</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Intergovernmental payable	450,000	299,851	-	8,311
Total liabilities	450,000	299,851	-	8,311
Fund balances-restricted	954,540	-	26,409	128,118
Total liabilities and fund balances	<u>\$ 1,404,540</u>	<u>\$ 299,851</u>	<u>\$ 26,409</u>	<u>\$ 136,429</u>

<u>Mountain Major Local Highway</u>	<u>Mountain 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>
\$ 1,377,072	\$ -	\$ 66,154	\$ 110,166	\$ 4,788,917	\$ 86,063,678
1,456	-	70	116	9,460	169,014
-	-	-	-	-	428
81,884	222,724	16,377	6,551	689,763	25,090,075
-	-	-	-	-	73,205,394
-	-	-	-	-	418,509
<u>\$ 1,460,412</u>	<u>\$ 222,724</u>	<u>\$ 82,601</u>	<u>\$ 116,833</u>	<u>\$ 5,488,140</u>	<u>\$ 184,947,098</u>
\$ -	\$ -	\$ -	\$ -	\$ 163,289	\$ 3,102,435
-	-	-	-	2,184	17,772
913,655	222,724	-	-	20,155	38,233,558
913,655	222,724	-	-	185,628	41,353,765
546,757	-	82,601	116,833	5,302,512	143,593,333
<u>\$ 1,460,412</u>	<u>\$ 222,724</u>	<u>\$ 82,601</u>	<u>\$ 116,833</u>	<u>\$ 5,488,140</u>	<u>\$ 184,947,098</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, 2013

	Valley Freeway Projects	Valley Freeway Interchanges	Valley Major Street	Valley Local Street
Revenues				
Sales tax-Measure I ⁽¹⁾	\$ 31,267,456	\$ 11,860,070	\$ 21,563,763	\$ 21,563,763
Investment earnings	242,495	22,263	62,485	-
Total Revenues	<u>31,509,951</u>	<u>11,882,333</u>	<u>21,626,248</u>	<u>21,563,763</u>
Expenditures				
Current:				
General-council of governments support	358,924	-	972	-
Air quality and traveler services	-	-	-	-
Transit and passenger rail	-	-	-	-
Major project delivery	18,553,770	6,543,325	955,003	-
Fund administration and programming	-	4,215,158	14,907,903	21,563,763
Total Expenditures	<u>18,912,694</u>	<u>10,758,483</u>	<u>15,863,878</u>	<u>21,563,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,597,257</u>	<u>1,123,850</u>	<u>5,762,370</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in:				
2010-2040 Measure I Special Revenue Fund	-	-	8,962,016	-
Transfers out:				
1990-2010 Measure I Special Revenue Fund	-	-	-	-
Debt Service Fund	-	-	(1,708,481)	-
Capital Projects Fund	-	-	(431,404)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,822,131</u>	<u>-</u>
Net change in fund balances	12,597,257	1,123,850	12,584,501	-
Fund balances beginning of year	<u>57,481,535</u>	<u>4,106,516</u>	<u>9,093,951</u>	<u>-</u>
Fund balances end of year	<u>\$ 70,078,792</u>	<u>\$ 5,230,366</u>	<u>\$ 21,678,452</u>	<u>\$ -</u>

⁽¹⁾ Total sales tax-Measure I of \$138,482,732 less 1% of \$1,384,827 for Measure I administration accounted for in the General Fund (page 22)

<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>
\$ 8,625,505	\$ 2,156,376	\$ 8,625,505	\$ 2,156,376	\$ 3,766,321	\$ 10,244,394
20,877	6,170	8,238	9,420	18,747	-
<u>8,646,382</u>	<u>2,162,546</u>	<u>8,633,743</u>	<u>2,165,796</u>	<u>3,785,068</u>	<u>10,244,394</u>
-	-	-	-	498	-
-	-	-	785,650	-	-
3,503,376	1,121,792	6,684,262	-	-	-
-	-	-	1,057	-	-
-	-	-	-	-	10,244,394
<u>3,503,376</u>	<u>1,121,792</u>	<u>6,684,262</u>	<u>786,707</u>	<u>498</u>	<u>10,244,394</u>
<u>5,143,006</u>	<u>1,040,754</u>	<u>1,949,481</u>	<u>1,379,089</u>	<u>3,784,570</u>	<u>-</u>
-	-	-	-	-	-
(306,843)	-	-	-	-	-
-	-	-	-	(898,101)	-
-	-	-	-	(226,777)	-
<u>(306,843)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,124,878)</u>	<u>-</u>
4,836,163	1,040,754	1,949,481	1,379,089	2,659,692	-
5,384,146	2,557,880	2,128,301	3,927,466	7,952,284	-
<u>\$ 10,220,309</u>	<u>\$ 3,598,634</u>	<u>\$ 4,077,782</u>	<u>\$ 5,306,555</u>	<u>\$ 10,611,976</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, 2013

	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⁾	\$ 753,264	\$ 301,306	\$ 1,568,895	\$ 4,267,394
Investment earnings	1,103	1,526	6,146	-
Total Revenues	<u>754,367</u>	<u>302,832</u>	<u>1,575,041</u>	<u>4,267,394</u>
Expenditures				
Current:				
General-council of governments support	-	-	-	-
Air quality and traveler services	-	2,906	-	-
Transit and passenger rail	670,000	61,242	-	-
Major project delivery	-	45,171	981,476	-
Fund administration and programming	-	-	-	4,267,394
Total Expenditures	<u>670,000</u>	<u>109,319</u>	<u>981,476</u>	<u>4,267,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,367</u>	<u>193,513</u>	<u>593,565</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in:				
2010-2040 Measure I Special Revenue Fund	-	-	-	-
Transfers out:				
1990-2010 Measure I Special Revenue Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	84,367	193,513	593,565	-
Fund balances beginning of year	<u>414,702</u>	<u>560,604</u>	<u>2,771,269</u>	<u>-</u>
Fund balances end of year	<u>\$ 499,069</u>	<u>\$ 754,117</u>	<u>\$ 3,364,834</u>	<u>\$ -</u>

⁽¹⁾ Total sales tax-Measure I of \$138,482,732 less 1% of \$1,384,827 for Measure I administration accounted for in the General Fund (page 22)

<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>
\$ 313,779	\$ 125,512	\$ 49,745	\$ 135,306	\$ 9,949	\$ 3,980
935	665	302	-	35	24
<u>314,714</u>	<u>126,177</u>	<u>50,047</u>	<u>135,306</u>	<u>9,984</u>	<u>4,004</u>
-	-	-	-	-	-
278,500	-	-	-	-	-
-	16,280	-	-	11,000	-
-	-	-	-	-	-
-	-	-	135,306	-	-
<u>278,500</u>	<u>16,280</u>	<u>-</u>	<u>135,306</u>	<u>11,000</u>	<u>-</u>
<u>36,214</u>	<u>109,897</u>	<u>50,047</u>	<u>-</u>	<u>(1,016)</u>	<u>4,004</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>36,214</u>	<u>109,897</u>	<u>50,047</u>	<u>-</u>	<u>(1,016)</u>	<u>4,004</u>
<u>448,723</u>	<u>232,353</u>	<u>115,394</u>	<u>-</u>	<u>9,829</u>	<u>9,232</u>
<u>\$ 484,937</u>	<u>\$ 342,250</u>	<u>\$ 165,441</u>	<u>\$ -</u>	<u>\$ 8,813</u>	<u>\$ 13,236</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, 2013

	<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>
Revenues				
Sales tax-Measure I ⁽¹⁾	\$ 530,875	\$ 1,443,979	\$ 106,175	\$ 42,470
Investment earnings	<u>2,272</u>	<u>-</u>	<u>12</u>	<u>248</u>
Total Revenues	<u>533,147</u>	<u>1,443,979</u>	<u>106,187</u>	<u>42,718</u>
Expenditures				
Current:				
General-council of governments support	-	-	-	-
Air quality and traveler services	-	-	-	-
Transit and passenger rail	-	-	92,400	-
Major project delivery	-	-	-	-
Fund administration and programming	<u>750,000</u>	<u>1,443,979</u>	<u>-</u>	<u>8,311</u>
Total Expenditures	<u>750,000</u>	<u>1,443,979</u>	<u>92,400</u>	<u>8,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(216,853)</u>	<u>-</u>	<u>13,787</u>	<u>34,407</u>
Other Financing Sources (Uses)				
Transfers in:				
2010-2040 Measure I Special Revenue Fund	-	-	-	-
Transfers out:				
1990-2010 Measure I Special Revenue Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(216,853)</u>	<u>-</u>	<u>13,787</u>	<u>34,407</u>
Fund balances beginning of year	<u>1,171,393</u>	<u>-</u>	<u>12,622</u>	<u>93,711</u>
Fund balances end of year	<u>\$ 954,540</u>	<u>\$ -</u>	<u>\$ 26,409</u>	<u>\$ 128,118</u>

⁽¹⁾ Total sales tax-Measure I of \$138,482,732 less 1% of \$1,384,827 for Measure I administration accounted for in the General Fund (page 22)

Mountain Major Major Local Highway	Mountain Local Local Street	Mountain Senior & Disabled Transit	Mountain Project Development Traffic/ Management	Cajon Pass	Total 2010-2040 Measure I
\$ 453,802	\$ 1,234,342	\$ 90,760	\$ 36,304	\$ 3,800,539	\$ 137,097,905
2,674	-	102	214	18,332	425,285
<u>456,476</u>	<u>1,234,342</u>	<u>90,862</u>	<u>36,518</u>	<u>3,818,871</u>	<u>137,523,190</u>
-	-	-	-	901	361,295
-	-	-	-	-	1,067,056
-	-	90,500	-	-	12,250,852
-	-	-	-	994,700	28,074,502
<u>913,655</u>	<u>1,234,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,684,205</u>
<u>913,655</u>	<u>1,234,342</u>	<u>90,500</u>	<u>-</u>	<u>995,601</u>	<u>101,437,910</u>
<u>(457,179)</u>	<u>-</u>	<u>362</u>	<u>36,518</u>	<u>2,823,270</u>	<u>36,085,280</u>
-	-	-	-	-	8,962,016
-	-	-	-	-	(306,843)
-	-	-	-	(1,570,633)	(4,177,215)
-	-	-	-	(396,597)	(1,054,778)
-	-	-	-	(1,967,230)	3,423,180
<u>(457,179)</u>	<u>-</u>	<u>362</u>	<u>36,518</u>	<u>856,040</u>	<u>39,508,460</u>
<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>\$ 546,757</u>	<u>\$ -</u>	<u>\$ 82,601</u>	<u>\$ 116,833</u>	<u>\$ 5,302,512</u>	<u>\$ 143,593,333</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
Debt Service Fund
June 30, 2013

	Sales Tax Revenue Bond 2012A
Assets	
Cash and investments-restricted	\$ <u>1,387,788</u>
Liabilities and fund balances	
Fund balances-restricted	\$ <u>1,387,788</u>
Total liabilities and fund balances	\$ <u>1,387,788</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Debt Service Fund
 For the Year Ended June 30, 2013

	Sales Tax Revenue Bond 2012A
Revenues	
Investment earnings	\$ 8
Expenditures	
Debt service-interest	3,851,087
Excess (deficiency) of revenues over (under) expenditures	(3,851,079)
Other Financing Sources	
Transfers in-2010-2040 Measure I Special Revenue Fund	4,177,215
Net change in fund balances	326,136
Fund balances beginning of year	1,061,652
Fund balances end of year	\$ 1,387,788

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Combining Balance Sheet
 Capital Projects Fund
 June 30, 2013

	Local Projects	Transit Center Project	Valley Major Street Bond	Victor Valley Major Local Highway Bond	Cajon Pass Bond	Total Capital Projects
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest receivable	65	-	-	-	-	65
Accounts receivable	2,128,810	-	-	-	7,978	2,136,788
Intergovernmental receivable	26,620,077	1,237,437	-	-	-	27,857,514
Deposit receivable	57,501	-	-	-	-	57,501
Advances to other funds	-	-	-	-	-	-
Cash and investments-restricted	-	-	18,591,218	16,238,981	15,393,549	50,223,748
Total assets	\$ 28,806,453	\$ 1,237,437	\$ 18,591,218	\$ 16,238,981	\$ 15,401,527	\$ 80,275,616
Liabilities and fund balances (deficits)						
Liabilities:						
Accounts payable	\$ 6,364,310	\$ 894,016	\$ 203,887	\$ 840,722	\$ 319,222	\$ 8,622,157
Accrued liabilities	2,569	995	-	-	-	3,564
Intergovernmental payable	2,241,779	-	916,217	44,091	340,000	3,542,087
Due to other funds	16,859,839	342,426	663,576	1,599,732	2,572,941	22,038,514
Advances from other funds	418,509	-	-	-	-	418,509
Unearned revenue	2,770,358	-	-	-	-	2,770,358
Total liabilities	28,657,364	1,237,437	1,783,680	2,484,545	3,232,163	37,395,189
Deferred inflows of resources	1,535,175	-	-	-	-	1,535,175
Total liabilities and deferred inflows of resources	30,192,539	1,237,437	1,783,680	2,484,545	3,232,163	38,930,364
Fund balances (deficits):						
Restricted	-	-	16,807,538	13,754,436	12,169,364	42,731,338
Unassigned	(1,386,086)	-	-	-	-	(1,386,086)
Total fund balances (deficits)	(1,386,086)	-	16,807,538	13,754,436	12,169,364	41,345,252
Total liabilities and fund balances	\$ 28,806,453	\$ 1,237,437	\$ 18,591,218	\$ 16,238,981	\$ 15,401,527	\$ 80,275,616

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Fund
 For the Year Ended June 30, 2013

	Local Projects	Transit Center Project	Valley Major Street Bond	Victor Valley Major Local Highway Bond	Cajon Pass Bond	Total Capital Projects
Revenues						
Intergovernmental	\$ 33,823,267	\$ 2,184,808	\$ -	\$ -	\$ -	\$ 36,008,075
Investment earnings	-	-	58,079	30,530	53,392	142,001
Total revenues	33,823,267	2,184,808	58,079	30,530	53,392	36,150,076
Expenditures						
Current:						
Regional and subregional planning	66,857	-	-	-	-	66,857
Transit and passenger rail	1,419,988	2,184,808	-	-	-	3,604,796
Major project delivery	33,135,841	-	9,076,672	5,423,528	6,122,598	53,758,639
Total expenditures	34,622,686	2,184,808	9,076,672	5,423,528	6,122,598	57,430,292
Excess (deficiency) of revenues over (under) expenditures	(799,419)	-	(9,018,593)	(5,392,998)	(6,069,206)	(21,280,216)
Other Financing Sources (Uses)						
Transfers in:						
1990-2010 Measure I Special Revenue Fund	854	-	-	-	-	854
2010-2040 Measure I Special Revenue Fund	-	-	431,404	226,777	396,597	1,054,778
Transfers out:						
2010-2040 Measure I Special Revenue Fund	-	-	(8,962,016)	-	-	(8,962,016)
Total other financing sources (uses)	854	-	(8,530,612)	226,777	396,597	(7,906,384)
Net change in fund balances	(798,565)	-	(17,549,205)	(5,166,221)	(5,672,609)	(29,186,600)
Fund balances (deficits) beginning of year	(587,521)	-	34,356,743	18,920,657	17,841,973	70,531,852
Fund balances (deficits) end of year	\$ (1,386,086)	\$ -	\$ 16,807,538	\$ 13,754,436	\$ 12,169,364	\$ 41,345,252



SANBAG maintains 1,200 Call Boxes located along freeways and highways throughout San Bernardino County. From remote desert highways to freeways in busy metropolitan areas, the Call Box program provides roadside assistance to motorists. The program is funded with \$1 received from every vehicle registration in the county through the California Department of Motor Vehicles.

Statistical Section

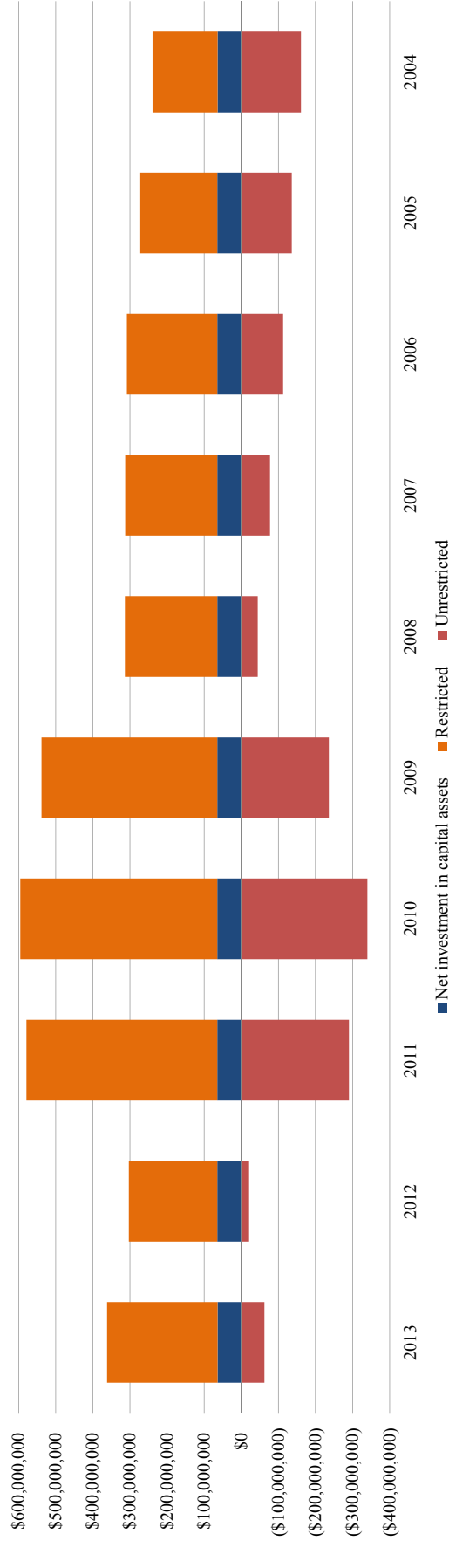
This part of the San Bernardino Associated Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial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

	<u>Page No.</u>
<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.	104
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the Agency's significant local revenue source, the Measure I sales tax.	110
<i>Debt Capacity</i>	
These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the ability to issue additional debt in the future.	114
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place.	116
<i>Operating Information</i>	
These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs.	118

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 64,111,527	\$ 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
Restricted	297,711,179	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
Unrestricted	(62,476,583)	(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)
Total governmental activities net position	\$ 299,346,123	\$ 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



SAN BERNARDINO ASSOCIATED GOVERNMENTS

Changes in Net Position
Last Ten Fiscal Years ⁽¹⁾
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
General-council of governments support	\$ 2,634,953	\$ 1,919,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Air quality and traveler services	8,720,281	16,561,711	-	-	-	-	-	-	-	-
Regional and subregional planning	1,723,173	6,027,692	-	-	-	-	-	-	-	-
Transit and passenger rail	48,249,719	32,939,430	-	-	-	-	-	-	-	-
Major project delivery	236,573,382	165,717,535	-	-	-	-	-	-	-	-
Fund administration and programming	113,211,850	142,700,712	-	-	-	-	-	-	-	-
Interest expense	3,545,543	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
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
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
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
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
Management and technical services	-	-	39,979	130,958	142,019	169,884	193,773	186,542	210,115	791,105
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
Total governmental activities expenses	414,658,901	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
Program revenues										
Government activities:										
Charges for services:										
General-council of governments support	393,053	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
Operating grants and contributions	214,943,724	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
Total governmental activities program revenues	215,336,777	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
Net (expense) revenue	<u>(199,322,124)</u>	<u>(211,287,617)</u>	<u>(93,778,650)</u>	<u>(116,238,469)</u>	<u>(87,496,756)</u>	<u>(117,013,583)</u>	<u>(117,881,639)</u>	<u>(95,652,105)</u>	<u>(79,452,520)</u>	<u>(72,547,793)</u>
Governmental activities										
General revenues										
Sales tax-Measure I	138,482,732	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
Sales tax-local transportation fund	75,100,102	71,168,436	-	-	-	-	-	-	-	-
Unrestricted investment earnings	2,824,825	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	479,987	903,880	-	-	-	-	-	-	-	-
Total governmental activities general revenues	216,887,646	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

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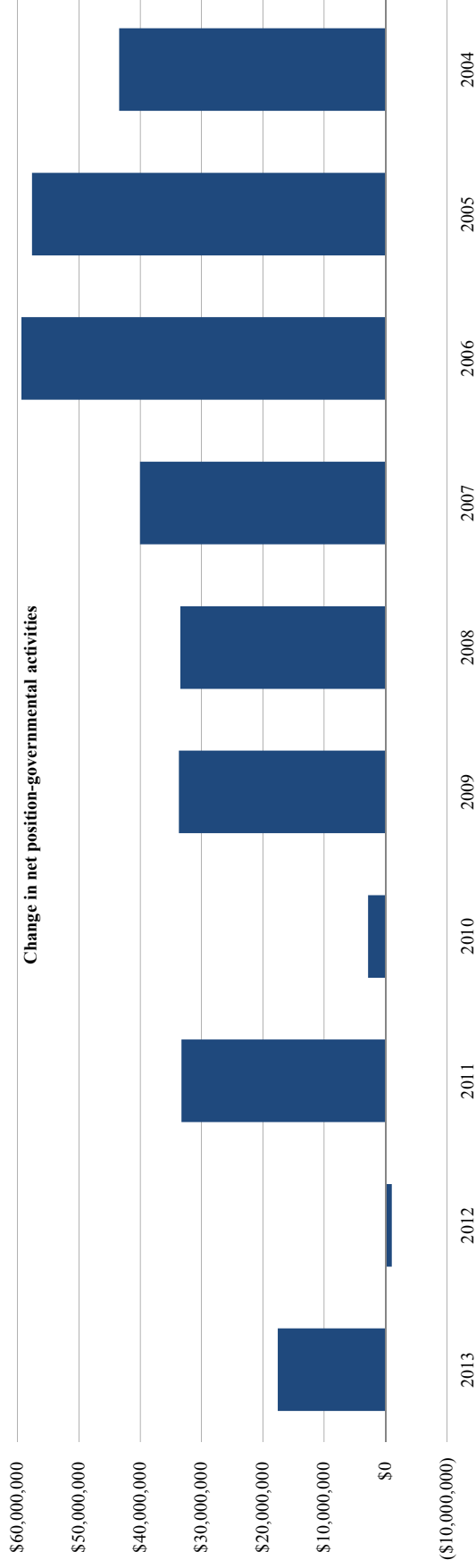
SAN BERNARDINO ASSOCIATED GOVERNMENTS

Changes in Net Position
Last Ten Fiscal Years ⁽¹⁾
(accrual basis of accounting)

(Continued)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Change in net position										
Governmental activities	\$ 17,565,522	\$ (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

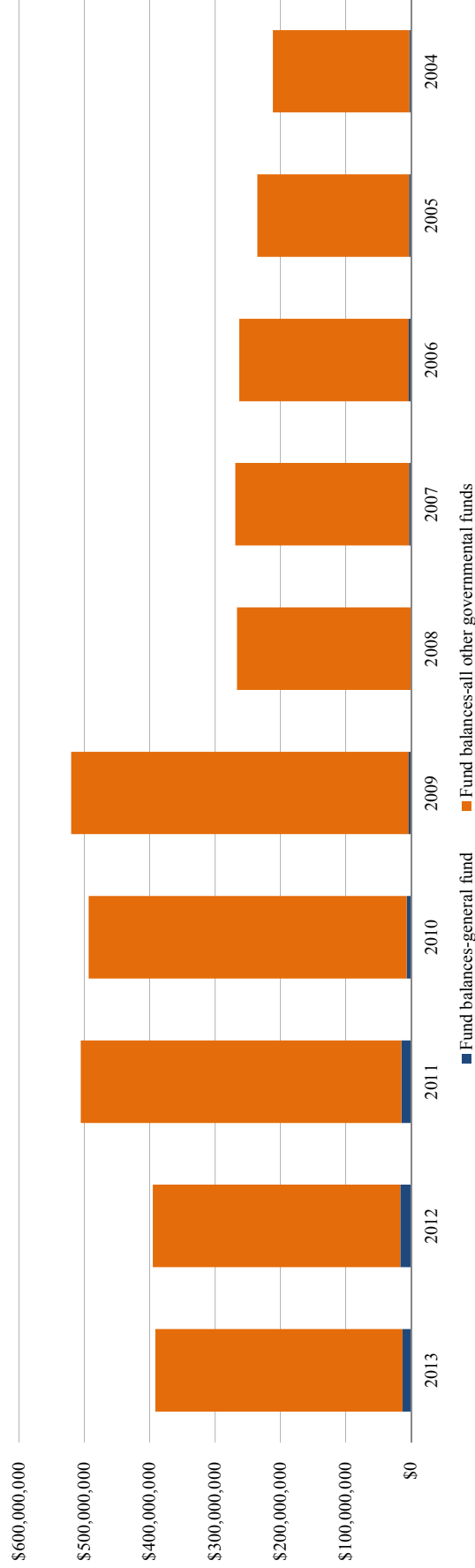
⁽¹⁾The Agency implemented new fund accounting/financial software in 2012 which provides a different classification of expenses in fiscal year 2012 in comparison to prior fiscal years. Sales tax-Local Transportation Fund revenue was reclassified as general revenue in fiscal year 2012. Previously, it was 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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General fund										
Nonspendable	\$ 173,867	\$ 149,194	\$ 129,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	24,425	99,367	-	-	-	-	-	-	-	-
Assigned	12,819,740	16,380,791	14,735,595	-	-	-	-	-	-	-
Reserved	-	-	-	3,542,942	570,067	124,535	182,722	171,144	238,930	303,811
Unreserved	-	-	-	3,038,603	2,797,428	(461,007)	3,051,576	3,324,506	2,613,064	2,292,487
Total general fund	\$ 13,018,032	\$ 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
All other governmental funds										
Restricted	\$ 383,102,734	\$ 386,189,494	\$ 526,372,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	6,055,340	-	-	-	-	-	-	-
Unassigned	(17,524,771)	(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
Unreserved	-	-	-	317,402,754	382,415,703	216,382,442	236,246,270	230,812,426	211,335,690	186,715,870
Total all other governmental funds	\$ 365,577,963	\$ 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

⁽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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Sales tax-Measure I	\$ 138,482,732	\$ 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
Sales tax-local transportation fund	75,100,102	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
Intergovernmental	193,721,364	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
Charges for services	257,204	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
Special assessments	135,849	129,374	-	-	-	-	-	-	-	-
Investment earnings	2,824,825	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
Miscellaneous	479,987	903,880	16,954,928	1,005,402	2,868,225	121,748	90,648	116,797	940,204	209,597
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
Total revenues	411,002,063	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
Expenditures										
Current:										
General-council of governments support	2,188,545	1,880,626	-	-	-	-	-	-	-	-
Air quality and traveler services	8,720,281	16,561,711	-	-	-	-	-	-	-	-
Regional and subregional planning	1,723,173	6,027,692	-	-	-	-	-	-	-	-
Transit and passenger rail	48,249,719	32,939,430	-	-	-	-	-	-	-	-
Major project delivery	236,573,382	167,055,911	-	-	-	-	-	-	-	-
Fund administration programming	126,375,756	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
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
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
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
Management and technical services	-	-	39,979	130,958	142,019	169,884	193,773	186,542	210,113	791,105
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
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
Interest	3,851,087	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
Fiscal and issuance costs	-	10	-	682,564	1,227,158	15,121	15,427	252,018	784,658	252,018
Capital outlay	60,607	73,818	699,319	350,979	98,159	363,263	57,576	111,725	1,726,560	292,678
Total expenditures	427,742,550	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
Excess (deficiency) of revenues over (under) expenditures	(16,740,487)	(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

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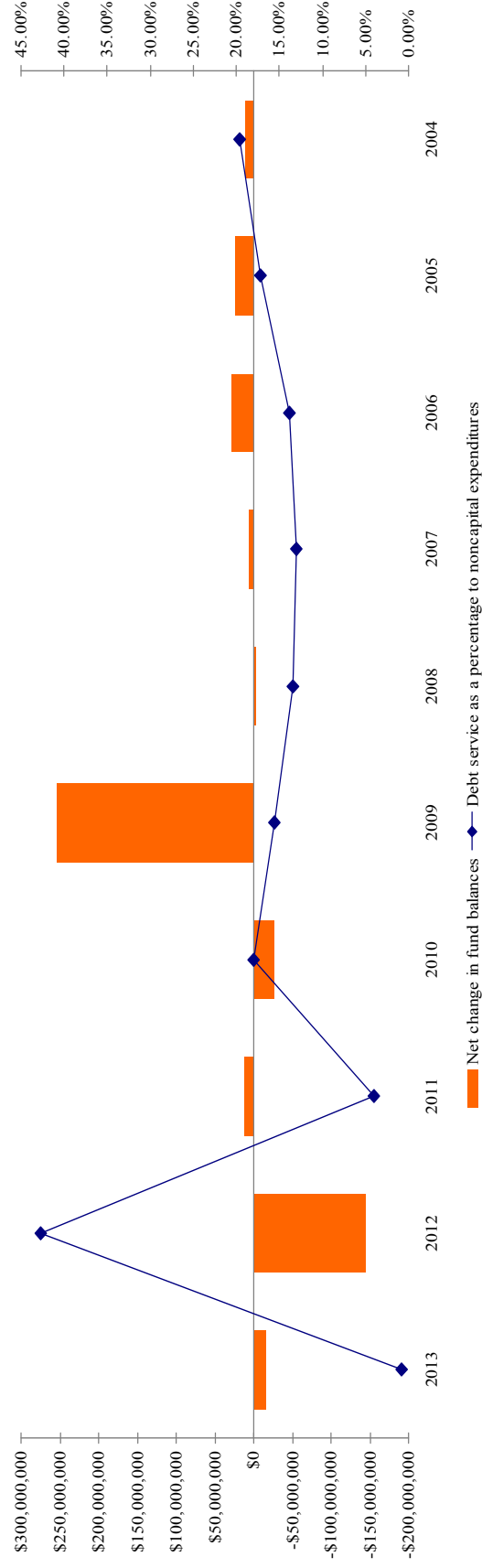
SAN BERNARDINO ASSOCIATED GOVERNMENTS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years⁽¹⁾
(modified accrual basis of accounting)

(Continued)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Other Financing Sources (Uses):										
Transfers in	44,505,326	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
Transfers out	(44,505,326)	(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)
Sales tax revenue notes issued	-	-	-	-	250,000,000	-	-	-	-	-
Sales tax revenue bonds issued	-	91,880,000	-	-	10,474,214	-	-	-	-	-
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	(16,740,487)	(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
Fund balances beginning 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
Prior period and accounting change adjustments	-	34,724,276	-	-	-	-	-	-	-	-
Fund balances beginning of year as restated	395,336,482	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
Fund balances end of year	\$ 378,595,995	\$ 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
Debt service as a percentage of noncapital expenditures ⁽²⁾	0.90%	42.75%	3.97%	18.05%	15.62%	13.49%	12.99%	13.80%	17.17%	19.66%

⁽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.

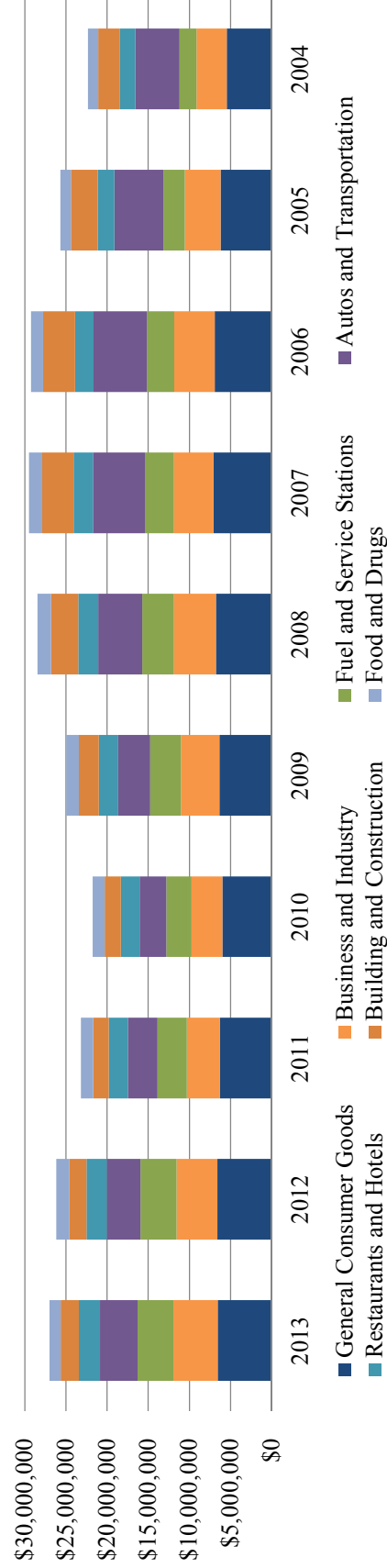


SAN BERNARDINO ASSOCIATED GOVERNMENTS
 County of San Bernardino Taxable Sales by Business Group ⁽¹⁾
 Last Ten Fiscal Years
 (In Thousands)

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
2013	\$ 6,572,565	\$ 5,365,583	\$ 4,342,153	\$ 4,572,225	\$ 2,585,174	\$ 2,202,286	\$ 1,348,689	\$ 26,988,675
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

⁽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⁾
2013	0.50%	8.00%
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%

⁽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%. In January 2013, the sales tax rate was increased by .5%.

Source: California Department of Finance/Board of Equalization

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

Business Type	2013			2004		
	Taxable Sales	Rank	Percentage of Total Taxable Sales	Taxable Sales	Rank	Percentage of Total Taxable Sales
Service stations	\$ 3,810,833	1	14.12%	\$ 1,859,867	2	8.33%
New motor vehicle dealers	2,544,172	2	9.43%	2,681,830	1	12.02%
Discount department stores	2,229,808	3	8.26%	1,681,952	3	7.54%
Restaurants-no alcohol	1,556,443	4	5.77%	1,105,140	6	4.95%
Medical/biotech	1,049,996	5	3.89%	496,189	10	2.22%
Lumber/building materials	1,045,217	6	3.87%	1,388,201	4	6.22%
Contractors	892,905	7	3.31%	1,271,983	5	5.70%
Office supplies/furniture	771,501	8	2.86%	566,301	9	2.54%
Family apparel	729,487	9	2.70%	347,245	19	1.56%
Grocery stores-liquor	714,727	10	2.65%	608,196	8	2.73%
Restaurants-liquor	703,200	11	2.61%	418,455	16	1.87%
Heavy industrial	617,245	12	2.29%	386,608	17	1.73%
Electronics/appliance stores	600,101	13	2.22%	465,705	12	2.09%
Used automotive dealers	554,601	14	2.05%	464,561	13	2.08%
Department stores	554,267	15	2.05%	719,879	7	3.23%
Specialty stores	541,011	16	2.00%	442,711	15	1.98%
Light industrial printers	521,677	17	1.93%	491,837	11	2.20%
Petroleum products/equipment	488,390	18	1.81%			
Transportation/rentals	473,699	19	1.76%	246,956	21	1.11%
Automotive supply stores	467,943	20	1.73%	358,571	18	1.61%
Home furnishings	458,561	21	1.70%	460,095	14	2.06%
Energy/utilities	423,935	22	1.57%			
Women's apparel	327,089	23	1.21%			
Electrical equipment	312,619	24	1.16%			
Trailer/auto parts	264,909	25	0.98%	306,310	20	1.37%
Restaurants-beer and wine				266,785	22	1.20%
Auto repair shops				243,813	23	1.09%
Boats/motorcycles				238,723	24	1.07%
Auto lease				228,920	25	1.03%
Total	<u>\$ 22,654,336</u>		<u>83.94%</u>	<u>\$ 17,746,833</u>		<u>79.51%</u>

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, 2013

	Special Revenue		Total
	General Fund	Funds	
Administration			
Administration	\$ 1,384,827	\$ -	\$ 1,384,827
Valley			
Freeway projects	-	31,267,456	31,267,456
Freeway interchanges	-	11,860,070	11,860,070
Major street	-	21,563,763	21,563,763
Local street	-	21,563,763	21,563,763
Metrolink/rail service	-	8,625,505	8,625,505
Express bus/bus rapid transit service	-	2,156,376	2,156,376
Senior and disabled transit	-	8,625,505	8,625,505
Transportation management systems	-	2,156,376	2,156,376
Victor Valley			
Major local highway	-	3,766,321	3,766,321
Local street	-	10,244,394	10,244,394
Senior and disabled transit	-	753,264	753,264
Project development/traffic management	-	301,306	301,306
North Desert			
Major local highway	-	1,568,895	1,568,895
Local street	-	4,267,394	4,267,394
Senior and disabled transit	-	313,779	313,779
Project development/traffic management	-	125,512	125,512
Colorado River			
Major local highway	-	49,745	49,745
Local street	-	135,306	135,306
Senior and disabled transit	-	9,949	9,949
Project development/traffic management	-	3,980	3,980
Morongo Basin			
Major local highway	-	530,875	530,875
Local street	-	1,443,979	1,443,979
Senior and disabled transit	-	106,175	106,175
Project development/traffic management	-	42,470	42,470
Mountain			
Major local highway	-	453,802	453,802
Local street	-	1,234,342	1,234,342
Senior and disabled transit	-	90,760	90,760
Project development/traffic management	-	36,304	36,304
Cajon Pass			
Cajon Pass	-	3,800,539	3,800,539
	<u>\$ 1,384,827</u>	<u>\$ 137,097,905</u>	<u>\$ 138,482,732</u>

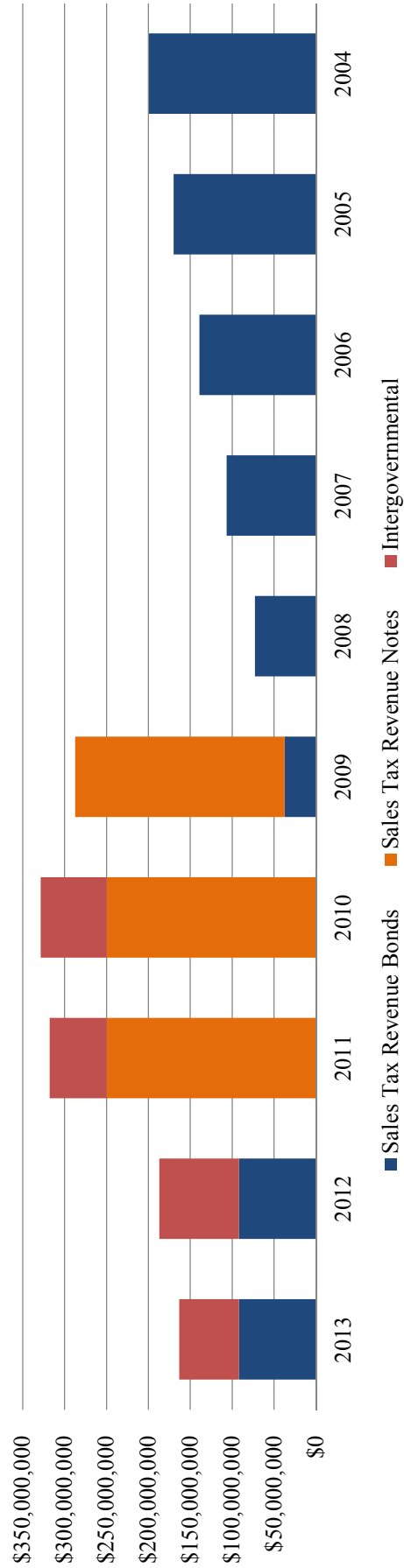
SAN BERNARDINO ASSOCIATED GOVERNMENTS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Sales Tax Revenue		Intergovernmental ⁽¹⁾	Total	Percentage of Personal Income ⁽²⁾	
	Revenue Bonds	Notes			Personal Income	Per Capita
2013	\$ 91,880,000	\$ -	\$ 71,175,791	\$ 163,055,791	NA	\$ 78.53
2012	91,880,000	-	95,035,323	186,915,323	NA	90.56
2011	-	250,000,000	67,765,408	317,765,408	0.51%	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

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 118.

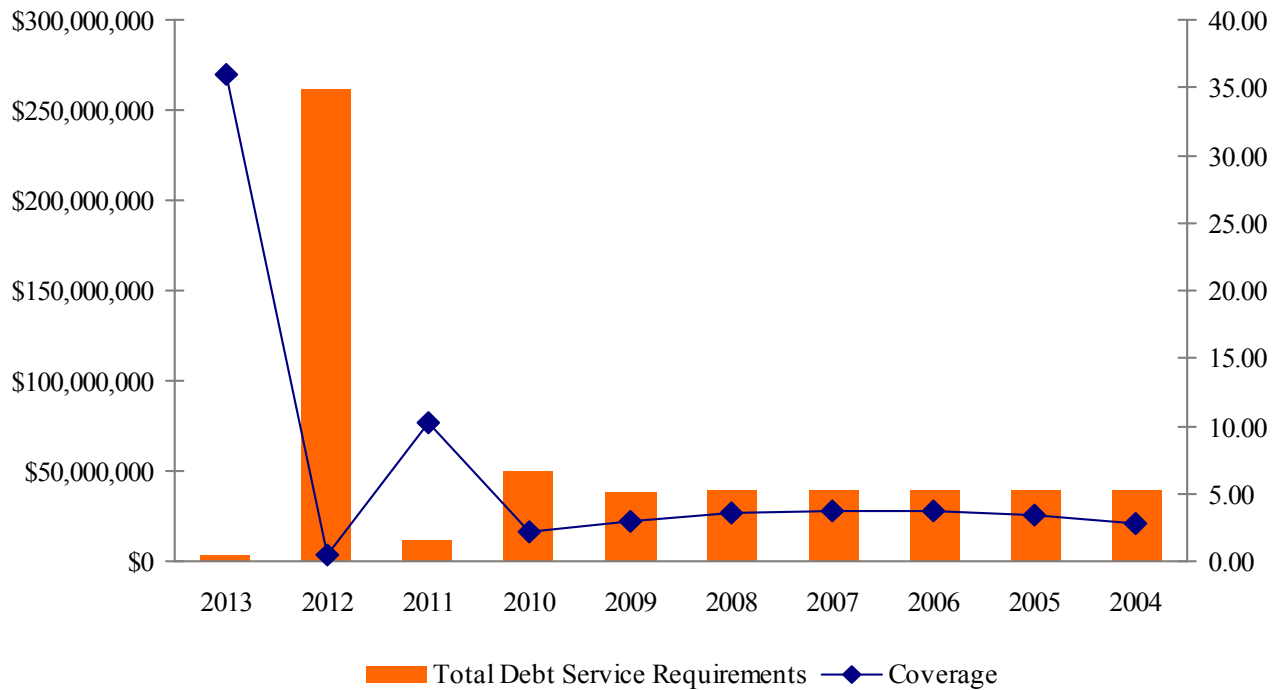


SAN BERNARDINO ASSOCIATED GOVERNMENTS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Measure I Sales Tax Revenues ⁽¹⁾	Debt Service Requirements ⁽²⁾			Coverage
		Principal	Interest	Total	
2013	\$ 138,482,732	\$ -	\$ 3,851,087	\$ 3,851,087	35.96
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

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

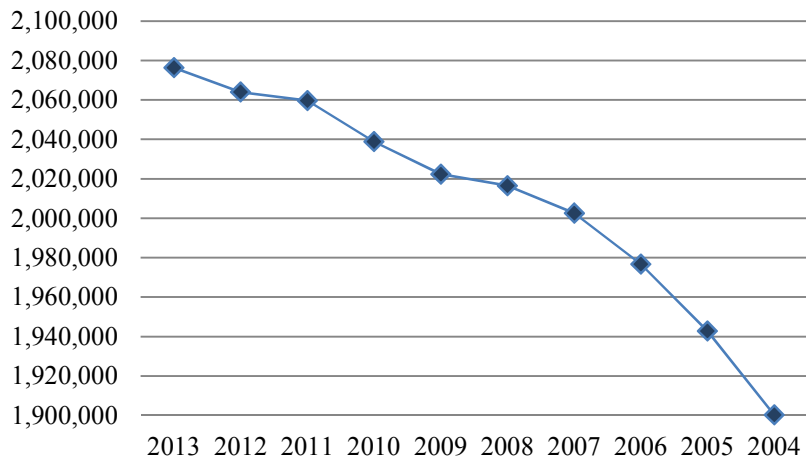
⁽²⁾ Debt service requirement for fiscal year 2012 reflects payment of Sales Tax Revenue Note, 2009A from an established escrow account relating to the issuance of the Sales Tax Revenue Bonds, 2012A.



SAN BERNARDINO ASSOCIATED GOVERNMENTS
County of San Bernardino Demographic and Economic Statistics

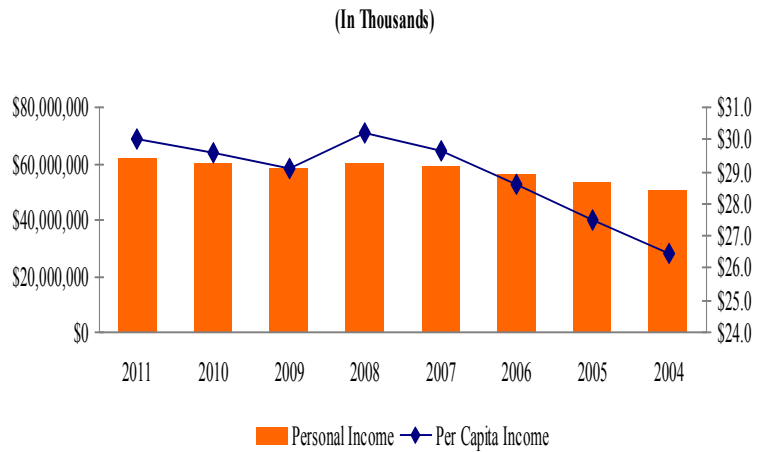
Last Ten Fiscal Years ⁽¹⁾

Year	Population
2013	2,076,274
2012	2,063,919
2011	2,059,630
2010	2,038,771
2009	2,022,319
2008	2,016,526
2007	2,002,651
2006	1,976,767
2005	1,942,734
2004	1,900,210



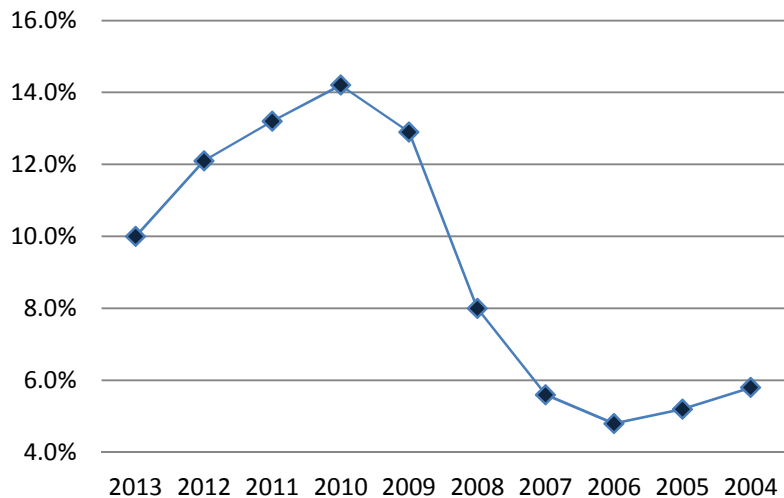
Fiscal Years 2004-2011 ⁽²⁾

Year	Personal Income (In Thousands)	Personal Per Capita Income
2011	\$ 61,957,654	\$ 29,998
2010	60,463,094	29,609
2009	58,549,659	29,072
2008	60,552,997	30,220
2007	59,296,141	29,765
2006	56,475,057	28,607
2005	53,420,562	27,481
2004	50,217,879	26,443



Last Ten Fiscal Years ⁽³⁾

Year	Unemployment Rate
2013	10.0%
2012	12.1%
2011	13.2%
2010	14.2%
2009	12.9%
2008	8.0%
2007	5.6%
2006	4.8%
2005	5.2%
2004	5.8%



⁽¹⁾ California Department of Finance. Population for fiscal year 2013 as of January 2013.

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

⁽³⁾ California Employment Development Department. Unemployment rate for fiscal year 2013 as of August 2013.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
 County of San Bernardino Employment Statistics by Industry
 Fiscal Year 2012 and Nine Years Prior ⁽¹⁾

Industry Type	2012	Percentage of Total Employment	2003	Percentage of Total Employment
Agricultural services, forestry and fishing	2,200	0.36%	4,000	0.68%
Mining	800	0.13%	700	0.12%
Construction	26,000	4.28%	38,200	6.48%
Manufacturing	47,000	7.73%	66,100	11.21%
Transportation, warehousing and public utilities	49,700	8.18%	38,000	6.44%
Wholesale trade	30,700	5.05%	27,200	4.61%
Retail trade	80,600	13.26%	72,600	12.31%
Professional and business services	72,800	11.98%	63,500	10.77%
Education and health services	80,400	13.23%	65,100	11.04%
Leisure and hospitality	57,300	9.43%	48,400	8.21%
Finance, insurance and real estate	26,800	4.41%	30,400	5.16%
Federal government-civilian	13,800	2.27%	10,700	1.81%
State government	12,500	2.06%	12,700	2.15%
Local government	86,100	14.16%	91,900	15.58%
Other services	21,200	3.49%	20,200	3.43%
Total	<u>607,900</u>	<u>100.00%</u>	<u>589,700</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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
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
General counsel	2.0	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	2.0	1.0	1.0	1.0
Finance	6.5	6.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
Legislative affairs	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
Management services	3.0	3.0	4.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0
Air quality and traveler services	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
Regional and subregional planning	4.0	4.0	9.0	9.0	9.0	8.0	6.0	6.0	7.0	7.0
Transit and passenger rail	5.0	4.0	4.0	4.0	4.0	2.0	3.0	3.0	2.0	2.0
Major project delivery	5.0	5.0	5.0	6.0	4.0	3.0	1.0	1.0	1.0	1.0
Fund administration and programming	7.0	7.0	-	-	-	-	-	-	-	-
Total full-time equivalent positions	<u>49.5</u>	<u>47.0</u>	<u>45.0</u>	<u>45.0</u>	<u>43.0</u>	<u>39.0</u>	<u>34.0</u>	<u>33.0</u>	<u>31.0</u>	<u>31.0</u>

⁽¹⁾ Authorized positions per adopted budget. Does not include contract positions for project management in major project delivery. Programming staff were reclassified from planning to fund administration in fiscal year 2012.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Air quality and traveler services										
Annual rideshare participants	1,213	1,373	1,416	1,370	2,557	1,422	2,158	2,086	1,845	1,478
Park and ride lots	19	19	17	18	18	15	15	14	14	13
Motorist assistance by freeway service patrol	30,347	35,894	36,366	84,564	34,370	42,750	29,286	12,226	N/A	N/A
Call boxes	1,224	1,224	1,192	1,245	1,343	1,395	1,438	1,502	1,573	1,538
Calls to 511	362,395	360,171	479,331	112,217	N/A	N/A	N/A	N/A	N/A	N/A
Visits to IE511.org	388,496	341,716	246,318	32,935	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
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
Transit operators		6	6	6	6	6	6	6	6	6
Major project delivery										
Freeway projects	14	17	13	12	13	14	12	8	10	12
Freeway interchange projects	14	7	6	6	6	4	5	1	1	1
Grade separation projects	10	11	11	11	7	4	3	1	1	1
Transportation fund administration										
Project advancement agreements	24	24	24	24	19	19	18	N/A	N/A	N/A
Arterial program jurisdiction master agreements	16	16	16	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Measure I Valley Major Street/Arterial allocation	\$ 4,176,710	\$ 8,400,000	\$ 6,351,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project advancement allocation-Valley interchange	\$ 4,215,200	\$ 3,830,000	\$ 2,911,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Project advancement allocation-Valley arterials	\$ 12,533,250	\$ 6,970,000	\$ 5,293,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Victor Valley Major Local Highway Allocation	\$ 10,228,575	\$ 6,305,622	\$ 14,445,025	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rural Mountain/Desert Local Highway Allocation	\$ 2,688,630	\$ 450,000	\$ 3,553,108	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Federal obligation authority redistribution received	\$ 2,851,893	\$ 3,933,579	\$ 2,722,631	-	5,582,726	-	1,835,305	-	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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
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

Measure I will collect \$5 billion during its 30 year life.

▶ **2004:** SANBAG moved out of their offices located at 472 N. Arrowhead to the second floor of the historic Santa Fe Depot, at 1170 W. 3rd Street in San Bernardino, after a major restoration investment in the Depot.

▶ For years prior to this move, four county transportation agencies, including San Bernardino, Los Angeles, Riverside, and Orange Counties, negotiated with the Santa Fe and Southern Pacific Railroads to purchase the tracks, rights, and property, including the Santa Fe Depot and yard, for \$2 billion. The Los Angeles to San Bernardino Metrolink line was the first major line with the highest ridership and is still considered the #1 line on the system.

▶ SANBAG maintains close relationships with Southern California Association of Governments (SCAG), California Department of Transportation (Caltrans), and works in cooperation with companion agencies.

▶ Although funded by SANBAG, major projects are constructed by private contractors following a rigorous and thorough bidding process. Construction management firms bid to oversee construction projects, while SANBAG assumes overall construction authority and oversight responsibility

▶ **2009:** SANBAG was granted \$128 million in Federal Stimulus funding, otherwise known as American Recovery and Reinvestment Act (ARRA) funds that were applied to the I-215 Freeway Widening Project through San Bernardino. Other ARRA funds were received for an alternative fuels project, transit, and rail.



▶ Through the years, SANBAG has partnered with Caltrans, the County, and cities to fund numerous other transportation improvements.

These projects include freeway projects, interchanges, grade separations, transit and rail projects, city and mountain local road projects.

▶ SANBAG partners with Federal and State agencies to fund projects of all sizes throughout the county. SANBAG takes advantage of special funding opportunities, such as ARRA, Proposition 1B (2006), and many other transportation funding programs.

▶ Measure I has helped SANBAG leverage those funding sources to maximize the ability to deliver transportation improvement projects.

▶ **2009:** As a result of receiving the ARRA stimulus dollars, the SANBAG Board was able to redirect \$31.4 million in funds to create a "Local Stimulus Fund" that was allocated to all cities and county regions on a per capita basis. This resulted in 101 total projects in the county.

▶ **2011:** SANBAG and the County of San Bernardino collaborated to develop the "County-wide Vision Project," identifying this region's dreams for its future.

▶ **2013:** SANBAG's Fiscal Year 2012/2013 Budget invests more than \$700 million in transportation infrastructure, services, and job creation.

▶ While transportation still dominates SANBAG's agenda, the agency maintains its role as a council of governments that helps develop solutions to regional issues, foster cooperation between the County and its cities, and serve as a long-range planning organization for the entire County.

SANBAG *Facts*

EXECUTIVE DIRECTORS:

- ▶ 1973-1996 Wes McDaniel
- ▶ 1996-2006 Norm King
- ▶ 2006-2007 Tony Grasso
- ▶ 2007-2011 Deborah Barmack
- ▶ 2011-2012 Ty Schuiling, Interim
- ▶ 2012-Present Raymond Wolfe, Ph.D.

OFFICE LOCATIONS DURING 40 YEARS:

- ▶ 320 N. E St., Andreson Building, Ste. 408
- ▶ 334 W. 3rd St., Wells Fargo Building, Ste. 401
- ▶ 444 N. Arrowhead, Ste. 101
- ▶ 472 N. Arrowhead
- ▶ Santa Fe Depot, 1170 W. 3rd St., Second Floor
- ...All located in San Bernardino, California

SANBAG SERVES IN SIX CAPACITIES:

- ▶ Council of Governments
- ▶ San Bernardino County Transportation Commission
- ▶ San Bernardino County Transportation Authority (Measure I sales tax authority)
- ▶ Service Authority for Freeway Emergencies
- ▶ Congestion Management Agency
- ▶ Subregional Planning Agency

BOARD COMMITTEES in 2013:

- ▶ General Policy
- ▶ Board of Directors Metro Valley Study Session
- ▶ Commuter Rail and Transit
- ▶ Mountain/Desert

COMMUTER RAIL/TRANSIT SYSTEMS:

- ▶ Metrolink Commuter Rail Service
- ▶ Omnitrans - serving the Valley region
- ▶ Victor Valley Transit Authority (VVTA) – serving the Victory Valley, BV LINK - serving Barstow to Victor Valley, and routes to Fort Irwin
- ▶ Mountain Area Regional Transit Authority (MARTA)
- ▶ Morongo Basin Transit Authority (MBTA)
- ▶ Needles Area Transit
- ▶ Barstow Area Transit – serving the North Desert including Big River and Trona
- ▶ Valley Transit Authority (VTrans) is dedicated to improving mobility for seniors, disabled, and persons of low income



In 2013, SANBAG not only celebrates its 40-year anniversary, but also the greatest number of construction projects and greatest dollar investment in projects in its 40-year history. SANBAG currently has an estimated \$4.4 billion worth of projects at various stages of design, development, environmental studies, or in construction. SANBAG plans, supports, and provides funding for:

- ▶ Regional freeway, interchange, and road improvements;
- ▶ Metrolink passenger rail and seven transit agencies;
- ▶ Railroad grade separations and improved goods movement;
- ▶ Congestion Management, Freeway Service Patrol, IE511, Air Quality Programs, Park 'n Ride lots, ridesharing, and call boxes; and
- ▶ Long-term transportation planning, economic development, and environmental initiatives.

Today, SANBAG departments include:

- ▶ Administration;
- ▶ Finance/Procurement;
- ▶ Fund Administration and Programming;
- ▶ General Counsel/Legal;
- ▶ Legislative and Public Affairs;
- ▶ Major Project Delivery;
- ▶ Management Services/Air Quality and Traveler Services;
- ▶ Regional and Subregional Planning/ GIS Services; and
- ▶ Transit and Passenger Rail.



The historic Santa Fe Depot is listed on the National Register of Historic Places. It provides a unique setting for people from around the county, state, and nation to meet and discuss important issues. The original Depot was built in 1886. After a major fire in 1916, it was reconstructed in 1918.

SANBAG'S GREATEST LEGACIES

San Bernardino Associated Governments has invested billions of dollars in the transportation system in the County over the past 40 years. Some of the greatest legacies SANBAG has created include:

- ▶ SANBAG became the first organization of its kind in the county to bring people together regionwide. At SANBAG, representatives of every city and county government communicate face-to-face, ultimately bringing more collaborative decision-making to a diverse county;
- ▶ A lasting legacy in San Bernardino County was the development of a unified transit system in the San Bernardino Valley in the form of Omnitrans and the establishment six other transit agencies to provide public transportation options for many residents of the county;
- ▶ Thanks to the voters approving Measure I twice, SANBAG, as a self-help county, is able to leverage State and Federal funding sources for transportation projects. With these combined funding sources, SANBAG is able to partner with our neighboring counties to provide commuter rail service through Metrolink;
- ▶ SANBAG gives San Bernardino County residents a voice in advocating for State and Federal

To enhance the quality of life for all residents, San Bernardino Associated Governments will:

- ▶ Improve cooperative regional planning
- ▶ Develop an accessible, efficient, multi-modal transportation system
- ▶ Strengthen economic development efforts
- ▶ Exert leadership in creative problem-solving

To successfully accomplish this mission, SANBAG will foster enhanced relationships among all of its stakeholders while adding to the value of local governments.

The SANBAG Board approved this Mission Statement on June 2, 1993 and reaffirmed it on March 6, 1996.

transportation funds. It also enables the region to play a significant role in the regional planning organization, the Southern California Association of Governments;

▶ SANBAG has made major investments upgrading an aged and inadequate freeway system, most of which was constructed in the 1950s; and

▶ SANBAG and the County of San Bernardino established a strong collaborative effort to create a vision for the county, partnering with representatives from the current 24 cities and five county supervisors. Nine Vision Elements were identified in 2011 as improvement opportunities for the future: Jobs/Economy, Education, Housing, Public Safety, Infrastructure, Quality of Life, Environment, Wellness, and Image.



SANBAG moved into the Depot in 2004, following a restoration. It is also home to the History and Railroad Museum, Metrolink offices, a SCAG regional office, and a café.