



**Comprehensive  
ANNUAL FINANCIAL REPORT  
For Year Ended June 30, 2014**



**San Bernardino Associated Governments  
1170 W. 3<sup>rd</sup> St., 2<sup>nd</sup> Floor  
San Bernardino, California 92410  
[www.sanbag.ca.gov](http://www.sanbag.ca.gov) / 909.884.8276**

**San Bernardino Associated Governments, CA**

**Comprehensive  
ANNUAL FINANCIAL REPORT**

**For Year Ended June 30, 2014**



**Prepared by SANBAG, Finance Department**

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

---

	Page <u>No.</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i
Certificate of Achievement for Excellence in Financial Reporting.....	x
Organization Chart.....	xi
List of Principal Officials.....	xii
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Balance Sheet- Governmental Funds to Statement of Net Position.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	22
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances-	
Governmental Funds to the Statement of Activities.....	25
Statement of Net Position- Proprietary Funds.....	26
Statement of Revenues, Expenses and Changes in Net Position- Proprietary Funds.....	27
Statement of Cash Flows- Proprietary Funds.....	28
Notes to the Financial Statements.....	29
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-	
General Fund.....	59
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-	
Federal Highway Special Revenue Fund.....	60
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-	
Federal Transit Administration Special Revenue Fund.....	61
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-	
State Highway Special Revenue Fund.....	62
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-	
Proposition 1B Special Revenue Fund.....	63
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-	
Local Transportation Fund Special Revenue Fund.....	64
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-	
State Transit Assistance Fund Special Revenue Fund.....	65

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

---

	Page <u>No.</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- 1990-2010 Measure I Special Revenue Fund.....	66
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- 2010-2040 Measure I Special Revenue Fund.....	67
Note to Required Supplementary Information.....	68
 Supplementary Information:	
Combining Balance Sheet- Non Major Governmental Funds.....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Non Major Governmental Funds.....	71
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- State Energy Programs Special Revenue Fund.....	72
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Service Authority for Freeway Emergencies Special Revenue Fund.....	73
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Freeway Service Patrol Special Revenue Fund.....	74
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Federal Stimulus Special Revenue Fund.....	75
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Debt Service Fund.....	76
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Capital Projects Fund.....	77
Combining Balance Sheet- 1990-2010 Measure I Special Revenue Fund.....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- 1990-2010- Measure I Special Revenue Fund.....	80
Combining Balance Sheet- 2010-2040 Measure I Special Revenue Fund.....	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- 2010-2040 Measure I Special Revenue Fund.....	88
Combining Balance Sheet- Debt Service Fund.....	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Debt Service Fund.....	95
Combining Balance Sheet- Capital Projects Fund.....	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Capital Projects Fund.....	97

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

---

	Page <u>No.</u>
<b>STATISTICAL SECTION</b>	
<b>Financial Trends:</b>	
Net Position by Component- Last Ten Fiscal Years.....	100
Changes in Net Position- Last Ten Years .....	101
Fund Balances of Governmental Funds- Last Ten Fiscal Years.....	103
Changes in Fund Balances of Governmental Funds- Last Ten Fiscal Years.....	104
<b>Revenue Capacity:</b>	
County of San Bernardino Taxable Sales by Business Group- Last Ten Fiscal Years.....	106
Direct and Overlapping Sales Tax Rates- Last Ten Fiscal Years.....	107
County of San Bernardino Principal Taxable Sales by Business Type- Current Year- And Nine Years Ago.....	108
Measure I Sales Tax Revenue by Program and Subarea- For the Year Ended June 30, 2014.....	109
<b>Debt Capacity:</b>	
Ratios of Outstanding Debt by Type- Last Ten Fiscal Years.....	110
Pledged Revenue Coverage- Last Ten Fiscal Years.....	111
<b>Demographic and Economic Information:</b>	
County of San Bernardino Demographic and Economic Statistics- Last Ten Fiscal Years.....	112
County of San Bernardino Employment Statistics by Industry- Fiscal Year 2013 and- Nine Years Prior.....	113
<b>Operating Information:</b>	
Full-time Equivalent Employees by Function- Last Ten Fiscal Years.....	114
Operating Indicators by Function- Last Ten Fiscal Years.....	115
Capital Asset Statistics by Function- Last Ten Fiscal Years.....	116



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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
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December 8, 2014

To the Citizens of San Bernardino County, California:

The Comprehensive Annual Financial Report (CAFR) of San Bernardino Associated Governments (SANBAG), California, and related agencies for the fiscal year ended June 30, 2014 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, 2014. 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.

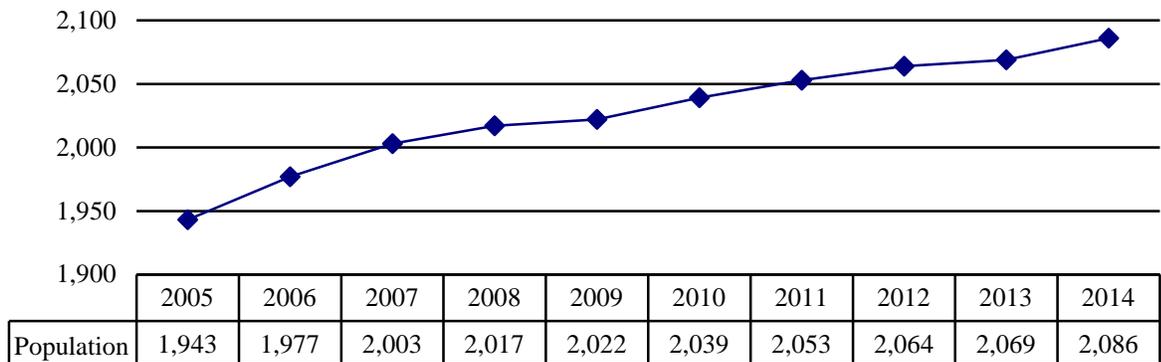
SANBAG is required to adopt a budget prior to the beginning of each fiscal year. The annual budget serves as the foundation for SANBAG's financial planning and control. The budget is prepared by funding source, program and task. Management may transfer resources within each task and between tasks within the same program and funding source. 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 improving from the recent nationwide recession. This has resulted in stable population growth, reduction in unemployment, increase in personal income, and increase in local revenues.

The population of San Bernardino County has grown by 7.4 % 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 steadily decreased over the last few years to 7.7% in 2014. This compares to the pre-recession rate of 5.6% in 2007.

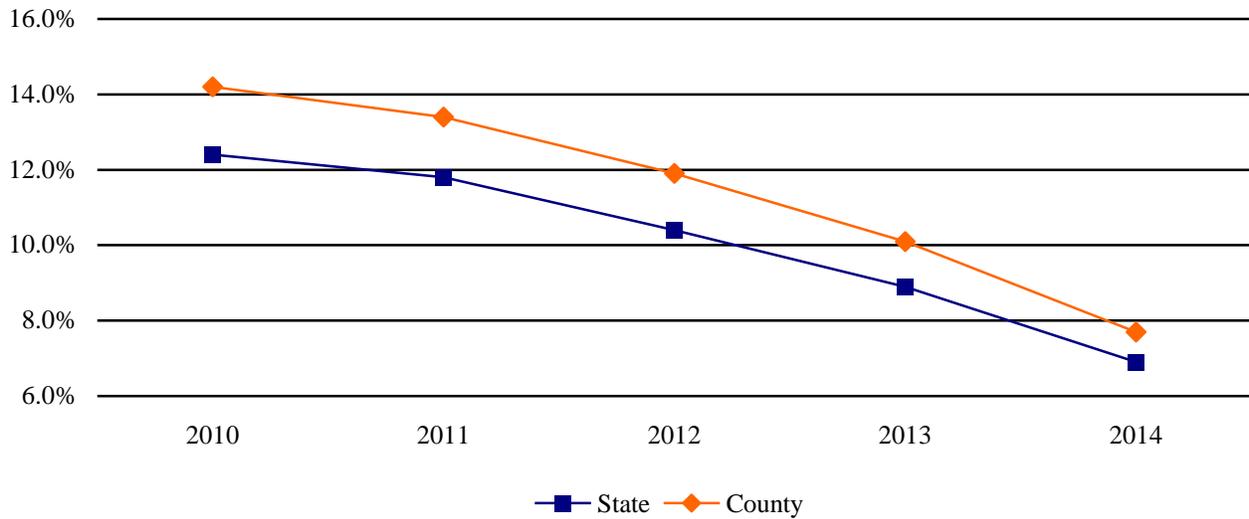
The following table summarizes the civilian labor force, employment and unemployment, and employment rate for the State of California and San Bernardino County for the calendar years 2010 through 2014. The figures for 2014 are as of nine months ending September 2014. Data for each of the years are not 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)

	2010		2011		2012		2013		2014	
	State	County								
Civilian labor force	18,336	862.5	18,418	857.8	18,519	862.2	18,597	865.1	18,759	861.6
Employment	16,068	740.4	16,250	743.3	16,590	759.8	16,933	778.1	17,459	795.3
Unemployment	2,268	122.1	2,168	114.5	1,929	102.5	1,664	87.0	1,300	66.4
Unemployment rate	12.4%	14.2%	11.8%	13.4%	10.4%	11.9%	8.9%	10.1%	6.9%	7.7%

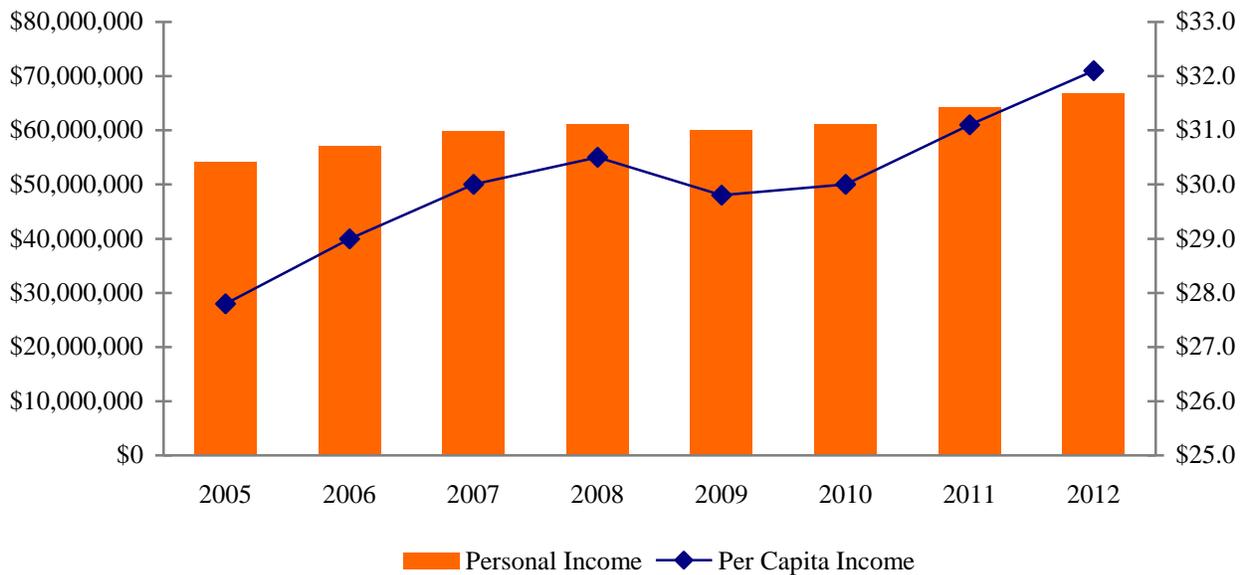
*Source: Labor Market Information Division-California State Employment Development Department.*

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



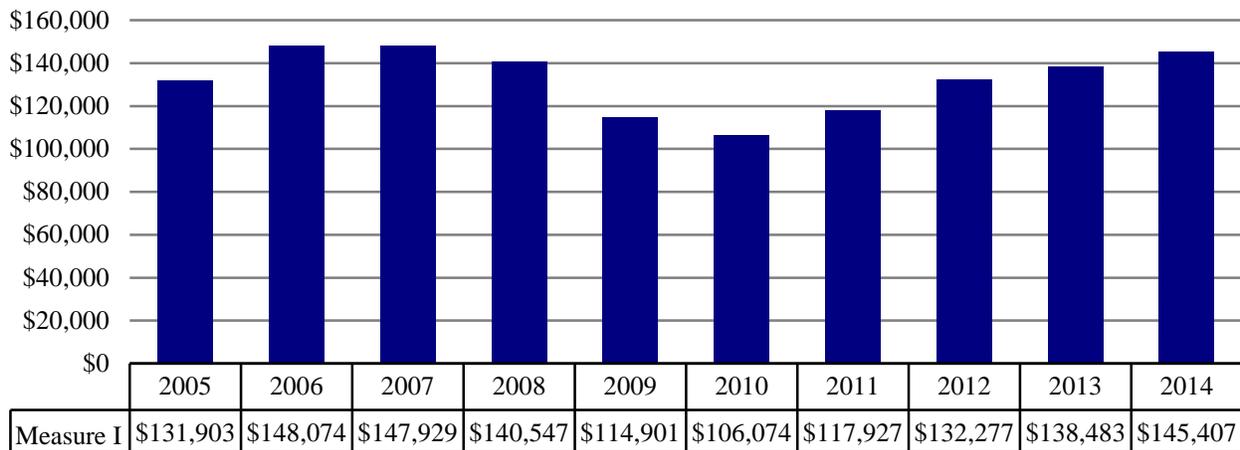
Personal income decreased from \$61.2 million in 2008 to \$60 million in 2009 because of the economic recession. The improvement in the local economy has increased personal income to \$61.1 million in 2010, \$64.2 million in 2011 and \$66.8 million in 2012. Per capita income followed a similar pattern increasing steadily from \$27,806 in 2005 to a high of \$30,524 in 2008, then decreasing to \$29,788 in 2009 and steadily increasing each year to a high of \$32,072 in 2012.

**Personal Income and Per Capita Income  
Years 2005-2012  
(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 strong recovery in the Inland Empire region. Measure I sales tax revenue for fiscal year 2013-2014 was \$145.4 million in comparison to \$138.5 million of the prior fiscal year.

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



SANBAG estimated \$142 million Measure I sales tax revenue for the fiscal year 2014-2015 budget representing a conservative increase from prior fiscal years. Measure I sales tax revenue will affect future bond financing and transportation project delivery. The economy is expected to be strong in fiscal year 2015 and beyond.

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 updated which provides revenue projections; project scope, cost and schedule; escalation and inflation; financial strategy; and long-term bonding analysis. Freeway, interchange, grade separation, and transit and commuter rail project costs identified in the plan are estimated to be \$5.7 billion. Funding includes \$1.7 billion from Measure I sales tax revenue, and \$4 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 detailed Measure I 2010-2040 Ten-Year Delivery Plan can be accessed on SANBAG’s web site.

## **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 in October 2014. The program will provide an initial private investment to help residential and commercial property owners install energy efficient, green energy production and/or water conservation improvements. Over 4,800 property owners have installed improvements totaling \$84 million.

#### **27<sup>th</sup> 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 2014 conference focused on using collective impact strategies to address common issues.

### **LEGISLATION AND PUBLIC INFORMATION**

#### **Legislative Affairs**

SANBAG advanced goods movement priorities through inclusion of many major freight corridors in the Federal Primary Freight Network and the participation of the Executive Director in the development of the State Freight Plan.

#### **Public Affairs**

SANBAG enhanced and revamped its website, social media initiatives, and further developed an online presence. Communication programs were also improved with technology updates.

### **AIR QUALITY AND TRAVELER SERVICES**

#### **Satellite Call Boxes**

SANBAG administers a network of 1,200 emergency call boxes along state highways throughout the 20,000 square miles of San Bernardino County. Initially call boxes were located in areas with cellular service. Many rural areas in the mountain and desert area were left without any emergency communication for motorists. Technology is now available to deploy satellite call boxes in these remote areas. The first 20 call boxes have been installed with plans for additional units to be deployed in future years.

#### **Freeway Service Patrol (FSP)**

SANBAG provides FSP services along the freeways in the urbanized area of the San Bernardino Valley. There are eight separate beats, and tow trucks patrol these beats during the morning and evening rush hours to assist motorists and remove broken down or stalled vehicles quickly to help keep traffic moving. FSP assisted almost 36,000 motorists during the year and received a 99% excellent ranking from the motorists that were assisted.

## **REGIONAL AND SUBREGIONAL PLANNING**

### **Regional Greenhouse Gas (GHG) Reduction Plan and Environmental Impact Report (EIR)**

SANBAG Adopted the GHG Reduction Plan and certified the EIR on March 5, 2014 in conjunction with 21 cities in the County. This was in response to Assembly Bill 32, the Global Warming Solutions Act. The GHG Reduction Plan and EIR are being used by the 21 cities as the basis for their individual Climate Action Plans that will help them address the requirements of AB 32.

### **Sustainability Memorandum of Understanding (MOU) with the Southern California Association of Governments (SCAG)**

SANBAG executed an MOU with SCAG outlining 16 initiatives that will help the County, region, and State reach sustainability goals outlined in AB 32, SB 375 and other related legislation. The initiatives cover active transportation, transit oriented development, complete streets, habitat conservation, energy conservation, and ongoing collaboration with other counties in the region.

## **TRANSIT AND PASSENGER RAIL**

### **San Bernardino Transit Center**

SANBAG, in partnership with Omnitrans, began construction of the San Bernardino Transit Center (SBTC). The SBTC will be the major hub for mass transit services in the San Bernardino Valley; linking the sbX bus rapid transit (BRT), fixed route bus service, service to the mountain areas, access to Metrolink rail service, and the future eastern terminus of the Redlands Passenger Rail Project.

### **Downtown San Bernardino Passenger Rail Project**

SANBAG has begun construction on the Downtown San Bernardino Passenger Rail Project (DSBPRP). The DSBPRP will extend Metrolink service approximately one mile from the current terminus at the historic Santa Fe Depot to the multi-modal San Bernardino Transit Center.

### **Redlands Passenger Rail Project**

SANBAG continued preliminary engineering and environmental clearance efforts for the Redlands Passenger Rail Project (RPRP). The project will provide passenger rail service from the San Bernardino Transit Center to the University of Redlands, with stops in between.

### **Railroad Right-of-Way Policies and Templates**

SANBAG adopted resolutions and policies to assist staff in managing the vast railroad property portfolio held by SANBAG. These policies stream-line approvals, removing bureaucratic inefficiencies, when third parties request to cross or use the railroad right-of-way. These policies also set guidelines to help generate additional revenues from the use of the right-of-way by third parties.

## **MAJOR PROJECT DELIVERY**

### **I-215 Bi-County High Occupancy Vehicle (HOV) Gap Closure, San Bernardino, Riverside**

The project adds a HOV lane in each direction from the I-10 in City of San Bernardino to the SR-91/I-215/SR-60 Junction in the City of Riverside. The project is near completion and will be open to traffic early 2015.

### **I-10 Corridor Project Development, Multiple Cities**

SANBAG is in the process of preliminary engineering, environmental and financial studies. High Occupancy Vehicle (HOV) lanes and Express lanes are being considered for this 33 mile corridor. The cost of the alternatives range from \$600 million to \$1.5 billion.

### **I-215 Widening, San Bernardino**

Construction was completed and the project was opened to traffic in January 2014. The improvements include two lanes each direction, and realignment of the freeway to eliminate fast lane on and off ramps. The landscaping for the corridor is under design and will be under construction in the near future.

### **I-10 and Tippecanoe Avenue Interchange, San Bernardino, Loma Linda**

The first phase of construction was completed in February 2014. The second phase of construction will be awarded in November 2014.

### **I-15/I-215 Devore Interchange, San Bernardino County**

The Devore interchange is the first design-build highway project in San Bernardino County and will reconfigure the interchange, add a fourth lane in each direction on the I-15 through the interchange, and add truck connectors. The improvements are scheduled to be completed and open to traffic by the end of 2016.

### **I-15 La Mesa Road/Nisqualli Road Interchange, Victorville**

The construction of the new interchange was completed and opened to traffic in September 2013.

### **I-10/Citrus Avenue Interchange, Fontana**

Construction of the new bridge at Citrus Avenue was completed and opened to traffic in August 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 near completion. It is expected to be open to traffic at the end of 2014.

## **FUND ADMINISTRATION AND PROGRAMMING**

### **Ten-Year Delivery Plan**

SANBAG approved the 2014 update to the Ten-Year Delivery Plan. The plan was developed within the policy framework established by the voter-approved Measure I Expenditure Plan. The Measure I 2010-2040 Strategic Plan provides a list of projects to be implemented during the next ten-year period. The Ten-Year Delivery Plan defines the current assumptions related to revenue forecasts and project scope, schedule, and budget and enables SANBAG to meet the requirements of bond rating agencies for the sale of bonds.

### **Awards and Acknowledgements**

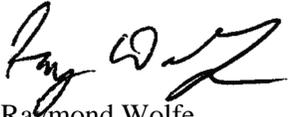
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SANBAG for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This is the second time SANBAG has received 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, 2013. 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, Chief of Accounting and Procurement, for the preparation 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

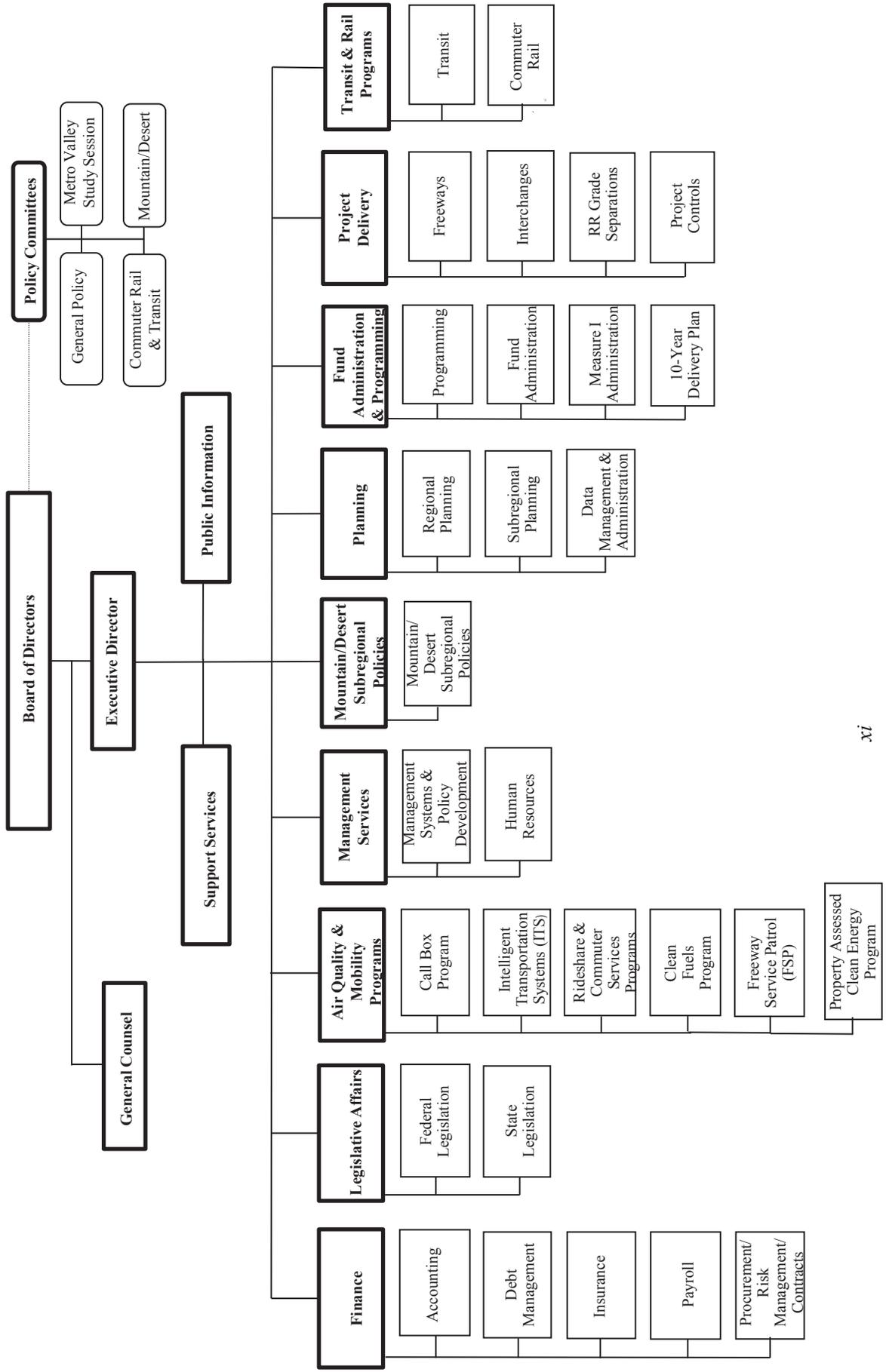
**San Bernardino Associated Governments  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

**San Bernardino Associated Governments  
Organization Chart**



SAN BERNARDINO ASSOCIATED GOVERNMENTS  
List of Principal Officials  
June 30, 2014

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**Board of Directors**

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
List of Principal Officials  
June 30, 2014

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**Appointed Officials**

Raymond 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



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



## Independent Auditor's Report

Board of Directors  
San Bernardino Associated Governments  
San Bernardino, California

### 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, 2014, 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SANBAG, as of June 30, 2014, 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 accompanying introductory and statistical sections, as listed in the table of contents, 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, California  
December 8, 2014

## 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, 2014. 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 \$339,936,303 (*net position*).
- The unrestricted net position (deficit) of (\$215,122,515) 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 \$40,590,180 from the previous fiscal year as a result from operations.
- The total cost of all SANBAG's activities was \$391,077,333 for the current fiscal year. Net cost of all activities was \$185,658,752.
- The total fund balances of SANBAG's governmental funds were \$504,820,461 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 \$1,530,701 for the fiscal year ended.
- The total fund balance of the General Fund was \$11,487,331 for the fiscal year. \$182,068 was nonspendable, \$22,211 was committed and \$11,283,052 was assigned.
- SANBAG's total outstanding long-term bonded debt including unamortized premiums increased by \$120,145,552 primarily due to the issuance of the Sales Tax Revenue Bonds of 2014, Series A.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

### ***Statement of Net Position***

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

### ***Statement of Activities***

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

The Statement of Activities distinguish functions of SANBAG that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges or operating grants and contributions. The governmental activities of SANBAG include general-council of governments support, air quality and traveler services, 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, the Service Authority for Freeway Emergencies (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 fifteen 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 transit administration, 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 four 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. 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 29-57 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, and the note to required supplementary information. Required supplementary information can be found on pages 59-68 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.

- 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 69-97 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, 2014, SANBAG's assets exceeded liabilities by \$339,936,303. The following is condensed financial data related to net position at June 30, 2014 and June 30, 2013:

### Condensed Statement of Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 633,178,338	\$ 497,199,294
Capital assets-net of depreciation	68,787,689	64,111,527
Total assets	<u>701,966,027</u>	<u>561,310,821</u>
Long-term liabilities outstanding	274,242,550	171,981,066
Other liabilities	87,787,174	89,983,632
Total liabilities	<u>362,029,724</u>	<u>261,964,698</u>
Net position:		
Net investment in capital assets	68,787,689	64,111,527
Restricted	486,271,129	297,711,179
Unrestricted	(215,122,515)	(62,476,583)
Total net position	<u>\$ 339,936,303</u>	<u>\$ 299,346,123</u>

### Net Position

Net investment in capital assets represents 20.3% 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 general-council of governments support 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 (\$215,122,515) at June 30, 2014. 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 \$40,590,180 during the fiscal year as a result of revenues exceeding expenses. The total cost of SANBAG activities was \$391,077,333 for the fiscal year. Net cost of all activities was \$185,658,752. The following is condensed financial data related to changes in net position for the year ended June 30, 2014 and June 30, 2013:

### Condensed Statement of Changes in Net Position

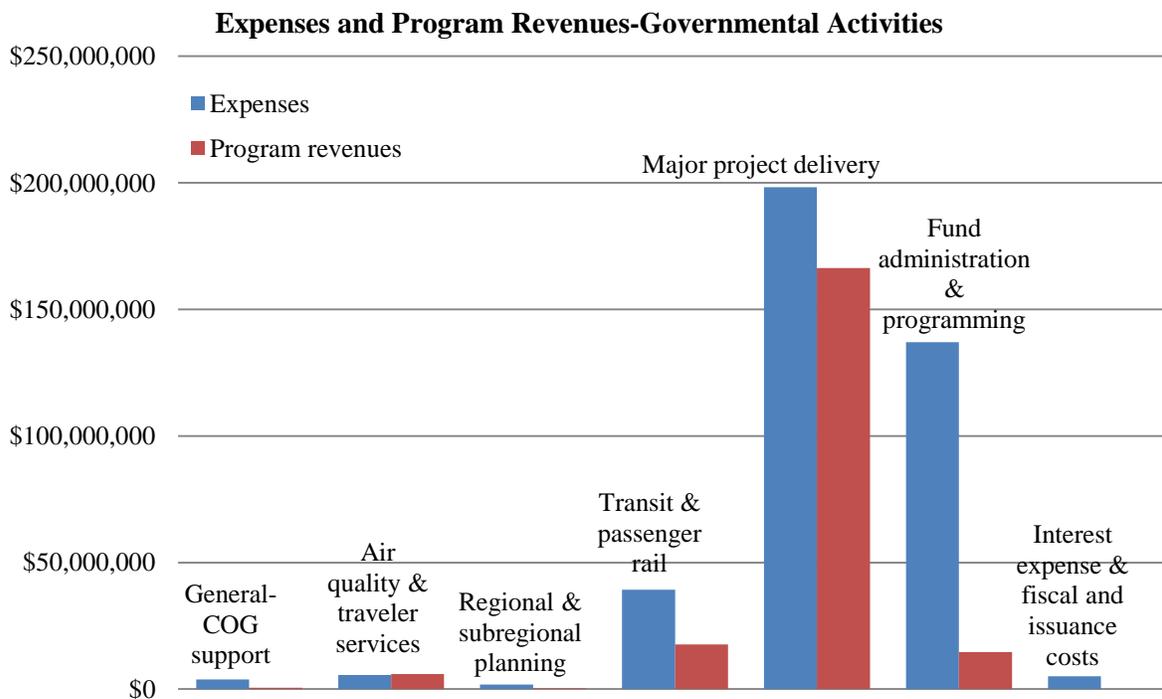
	Governmental Activities	
	2014	2013
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 612,541	\$ 393,053
Operating grants and contributions	204,806,040	214,943,724
General revenues:		
Sales tax-Measure I	145,407,342	138,482,732
Sales tax-Local Transportation Fund	79,559,209	75,100,102
Unrestricted investment earnings	165,733	2,824,825
Miscellaneous	1,116,648	479,987
Total revenues	431,667,513	432,224,423
<b>Expenses</b>		
General-council of governments support	3,825,691	2,634,953
Air quality and traveler services	5,626,177	8,720,281
Regional and subregional planning	1,810,171	1,723,173
Transit and passenger rail	39,297,811	48,249,719
Major project delivery	198,290,514	236,573,382
Fund administration and programming	137,111,875	113,211,850
Interest expense	4,857,250	3,545,543
Fiscal and issuance costs	257,844	-
Total expenses	391,077,333	414,658,901
Change in net position	40,590,180	17,565,522
Net position at the beginning of year	299,346,123	281,780,601
Net position at the end of year	\$ 339,936,303	\$ 299,346,123

### Changes in Net Position

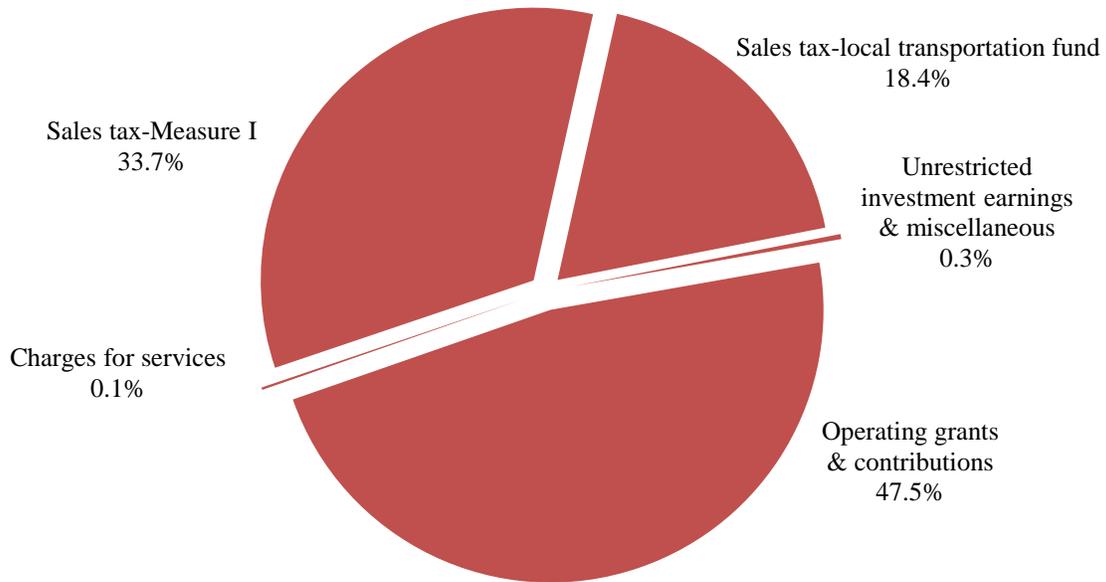
Revenues decreased by \$556,910 from the previous fiscal year. The decrease is primarily attributed to net decreases in federal and state operating grants and contributions, and unrestricted investment earnings offset with increases in sales tax and other revenue. Federal and state operating and contributions decrease of \$10,137,684 are related to less reimbursable expenditures in the transit and passenger rail, and major project delivery programs. The decrease of \$2,659,092 in unrestricted investment earnings is related to a negative fair value investment adjustment at June 30, 2014. Increase of \$11,383,718 in Measure I and local transportation fund sales tax revenue reflects an improving economy throughout the County.

Expenses decreased by \$23,581,568 or 5.7% from the previous fiscal year. The decrease was primarily attributed to less transit and passenger rail and major highway and street capital project expenditures. The increase in fund administration and programming expenses is related to the acceleration of project advancement payments to various jurisdictions (see note 8 of the *notes to financial statements*).

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 and fiscal and issuance costs are financed primarily from general revenues.

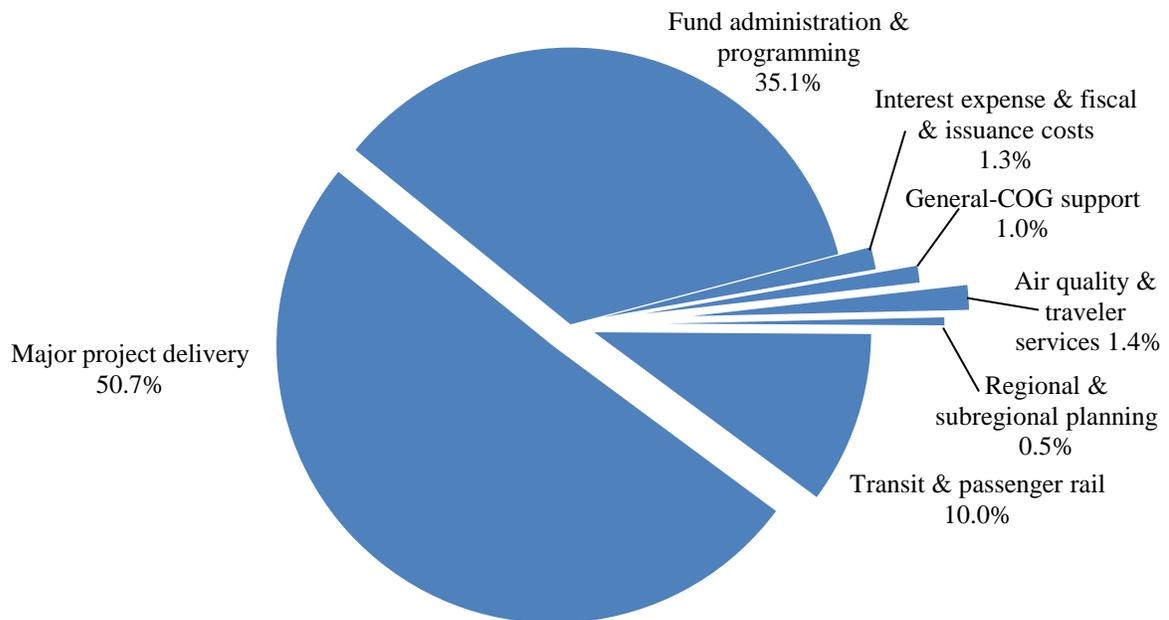


### Revenue Sources-Governmental Activities



Measure I and local transportation fund sales tax revenues provide 52.1% 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.

### Functions/Programs-Governmental Activities



Major project delivery and fund administration and programming represent 85.8% 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 8 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 \$504,820,461 as of June 30, 2014. This represents a \$126,224,466 increase from the previous fiscal year. The total fund balance is either *nonspendable, restricted, committed, assigned or unassigned* as follows:

- Not in spendable form-\$182,068.
- Restricted for particular purposes-\$508,391,977.
- Committed for particular purposes-\$22,211.
- Assigned for particular purposes-\$11,283,052.
- Unassigned (deficit)-(\$15,058,847).

The unassigned deficit is primarily related to deferred inflows of resources-unavailable grants and local reimbursements. Future grants local reimbursements billings will offset the deficit.

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 \$11,487,331 which represents a \$1,530,701 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* (\$182,068 for prepaid items), *committed* (\$22,211 for council of governments activities) or *assigned* (\$11,283,052 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 \$2,113,266 at the end of the fiscal year. The fund primarily accounts for reimbursement of qualified program expenditures and the deficit is attributed to deferred inflows of resources-unavailable grant and local reimbursements at June 30, 2014.

### ***Federal Transit Administration Special Revenue Fund***

The federal transit administration 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 \$8,935,864 at the end of the fiscal year. The fund primarily accounts for reimbursement of program expenditures and the deficit is attributed to deferred inflows of resources-unavailable grant and local reimbursements at June 30, 2014.

### ***Proposition 1B Special Revenue Fund***

The proposition 1B special revenue fund had a fund balance increase of \$10,147,450 from the previous fiscal year. The increase is due to certain capital projects in major project delivery not expending revenues available at June 30, 2014. Total fund balance of \$10,144,286 is reported as restricted fund balance at June 30, 2014.

### ***Local Transportation Fund Special Revenue Fund***

The local transportation fund special revenue fund had a fund balance decrease of \$2,699,816 from the previous fiscal year. The decrease in fund balance was primarily attributed to larger transfers to the general fund for general administrative, planning and rail expenditures. Total fund balance of \$97,338,727 is reported as *restricted* fund balance at June 30, 2014.

### ***State Transit Assistance Fund Special Revenue Fund***

The fund balance of the state transit fund special revenue fund was \$55,570,946 at the end of the fiscal year which represents a \$5,017,652 increase. The increase in fund balance was attributed to less transfers to the general fund for general administrative and transit expenditures. Total fund balance is reported as *restricted* at June 30, 2014.

### ***1990-2010 Measure I Special Revenue Fund***

The 1990-2010 Measure I special revenue fund had a decrease in fund balance of \$12,667,354 from the previous fiscal year. The total fund balance of \$29,726,696 was *restricted* at June 30, 2014. 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 \$36,955,773 from the previous fiscal year. The total fund balance of \$180,549,106 was *restricted* at June 30, 2014. 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 \$12,088,397 which represents a \$10,700,609 increase from the previous fiscal year. The increase was due to the premium on the Sales Tax Revenue Bonds of 2014, Series A which was accounted for in the debt service fund. The total fund balance of the debt service fund was *restricted*.

### ***Capital Projects Fund***

The capital projects fund had a fund balance increase of \$75,098,471 from the previous fiscal year. The total fund balance of \$116,443,723 is reported as *restricted* fund balance at June 30, 2014. The increase in fund balance was due to the issuance of the Sales Tax Revenue Bonds of 2014, Series A.

### ***Proprietary Funds***

SANBAG maintains one proprietary fund which is an *internal service fund*. The unrestricted net position of the Santa Fe Depot internal service fund was \$3,070 at the end of the fiscal year. The decrease in net position of \$161,562 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 \$5,077,695. The largest general fund appropriation increase was primarily attributed to transit and passenger rail capital projects relating to Redlands commuter rail extension, extension of Metrolink commuter rail to City of San Bernardino transit center, and the sbX E Street bus rapid transit system.

During the fiscal year, actual revenues were less than budgetary estimated revenues by \$14,236,659. The decrease in revenues was primarily due to less intergovernmental revenues associated with transit and passenger project expenditures.

Actual expenditures were less than budgetary appropriations by \$27,837,419. The most significant budgetary appropriation variance between the final budget and actual amount was attributed to transit and passenger rail program. The variance of \$25,074,862 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, 2014 is \$68,787,689 (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, 2014 and 2013:

**Capital Assets  
(net of depreciation)**

	Governmental Activities	
	2014	2013
<b>Governmental activities</b>		
Land	\$ 64,763,870	\$ 59,982,004
Buildings	3,741,635	3,921,228
Equipment and vehicles	282,184	208,295
Total capital assets	<u>\$ 68,787,689</u>	<u>\$ 64,111,527</u>

The net increase in capital assets for the fiscal year was \$4,676,162. The change in capital assets is attributed to additions of \$5,001,632 and depreciation of \$325,470.

Please see note 7 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 \$202,015,000. This included the sales tax revenue bonds issued in 2012 and 2014. The following is a summary of the outstanding bonded debt (including unamortized premiums) at June 30, 2014 and 2013:

	Governmental Activities	
	2014	2013
<b>Governmental activities</b>		
Sales tax revenue bonds	<u>\$ 220,407,142</u>	<u>\$ 100,261,590</u>
Total outstanding bonded debt	<u>\$ 220,407,142</u>	<u>\$ 100,261,590</u>

The increase of outstanding debt from the previous year was attributed to the issuance of the Sales Tax Revenue Bonds of 2014, Series A.

Both the 2012 and 2014 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 8 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 continuing improvement of the local economy:

- Population of San Bernardino remains stable, increasing by 0.8% from the previous year.
- Personal income and personal income per capita increased by 3.9% and 3.1%, respectively from 2011 to 2012 (only information available).
- Unemployment rate for the County decreased from 10.1% to 7.7% from the previous year.
- 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, \$138.4 million in 2013, and \$145.4 million in 2014. This represents a 37% increase since fiscal year 2010.

Estimated 2014/2015 budget revenues are \$448.7 million in comparison to \$614.9 million of the previous year. Measure I sales tax revenues are estimated to be \$142 million in comparison to \$139.4 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 decrease in total estimated revenues is primarily due to a less federal, state, and local grants and reimbursements, and the issuance of sales tax revenue bonds in the prior fiscal year.

Budget appropriations for fiscal year 2014/2015 are \$617.7 million. The largest portion of the budget is related to the major projects delivery program of \$292.5 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, 2014

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 313,742,769
Accrued interest receivable	379,459
Sales taxes receivable	42,218,307
Accounts receivable	3,732,279
Intergovernmental receivable	106,212,276
Deposit receivable	1,174,999
Prepaid items	182,068
Loans receivable	23,878,832
Cash and investments-restricted	141,657,349
Capital assets not being depreciated-land	64,763,870
Capital assets, net of depreciation:	
Buildings	3,741,635
Equipment and vehicles	282,184
Total assets	701,966,027
<b>Liabilities</b>	
Accounts payable	27,652,507
Accrued liabilities	351,708
Accrued interest payable	2,667,667
Intergovernmental payable	55,179,283
Unearned revenue	1,936,009
Long-term liabilities:	
Due within one year	14,963,489
Due in more than one year	259,279,061
Total liabilities	362,029,724
<b>Net position</b>	
Net investment in capital assets	68,787,689
Restricted for:	
Traveler services	2,520,379
Freeway projects	120,006,878
Major street projects	132,801,633
Commuter rail	42,146,653
Transit services	20,101,955
Traffic management and project development	15,783,958
Transportation development act	152,909,673
Unrestricted (deficit)	(215,122,515)
Total net position	\$ 339,936,303

*See accompanying notes to financial statements*

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary government</b>				
Governmental activities:				
General-council of governments support	\$ 3,825,691	\$ 612,541	\$ 12,457	\$ (3,200,693)
Air quality and traveler services	5,626,177	-	5,943,748	317,571
Regional and subregional planning	1,810,171	-	276,042	(1,534,129)
Transit and passenger rail	39,297,811	-	17,614,777	(21,683,034)
Major project delivery	198,290,514	-	166,373,432	(31,917,082)
Fund administration and programming	137,111,875	-	14,585,584	(122,526,291)
Interest expense	4,857,250	-	-	(4,857,250)
Fiscal and issuance costs	257,844	-	-	(257,844)
Total governmental activities	<u>\$ 391,077,333</u>	<u>\$ 612,541</u>	<u>\$ 204,806,040</u>	<u>(185,658,752)</u>
General revenues:				
				145,407,342
				79,559,209
				165,733
				1,116,648
				<u>226,248,932</u>
				40,590,180
				<u>299,346,123</u>
				<u>\$ 339,936,303</u>

*See accompanying notes to financial statements*



*View of the Santa Fe Depot from the Mt. Vernon Overpass looking east in 2010*

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Balance Sheet  
Governmental Funds  
June 30, 2014

	Special Revenue		
	General	Federal Highway	Federal Transit Administration
<b>Assets</b>			
Cash and investments	\$ 14,487,921	\$ -	\$ -
Accrued interest receivable	21,351	484	-
Sales taxes receivable	272,847	-	-
Accounts receivable	-	4,427	599
Intergovernmental receivable	-	20,374,350	4,549,505
Deposit receivable	213,000	663,483	-
Due from other funds	-	-	-
Prepaid items	182,068	-	-
Loans receivable	-	-	-
Advances to other funds	-	-	-
Cash and investments-restricted	-	-	-
Total assets	<u>\$ 15,177,187</u>	<u>\$ 21,042,744</u>	<u>\$ 4,550,104</u>
<b>Liabilities</b>			
Accounts payable	\$ 2,772,113	\$ 5,791,279	\$ 1,038,320
Accrued liabilities	314,446	-	-
Intergovernmental payable	586,184	3,453	77,007
Due to other funds	-	15,248,012	3,434,777
Advances from other funds	-	-	-
Unearned revenue	17,113	-	-
Total liabilities	<u>3,689,856</u>	<u>21,042,744</u>	<u>4,550,104</u>
<b>Deferred inflows of resources</b>			
Unavailable grant and local reimbursements	-	2,113,266	-
<b>Fund balances (deficits)</b>			
Nonspendable-Prepaid items	182,068	-	-
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	22,211	-	-
Assigned:			
General administration	9,627,281	-	-
Regional and subregional planning	532,974	-	-
Rail	1,122,797	-	-
Unassigned (deficits)	-	(2,113,266)	-
Total fund balances (deficits)	<u>11,487,331</u>	<u>(2,113,266)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,177,187</u>	<u>\$ 21,042,744</u>	<u>\$ 4,550,104</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
\$ -	\$ -	\$ 78,376,972	\$ 49,749,237	\$ 33,245,701	\$ 129,031,536	\$ -
-	2,719	92,119	58,816	28,716	173,135	-
-	-	14,933,599	-	-	27,011,861	-
-	-	-	-	-	605	-
15,885,373	28,213,909	4,228,558	5,762,893	-	-	-
4,413	159,300	-	-	607	-	-
-	-	-	-	-	68,495,416	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,819,697	-
-	-	-	-	-	-	12,088,397
<u>\$ 15,889,786</u>	<u>\$ 28,375,928</u>	<u>\$ 97,631,248</u>	<u>\$ 55,570,946</u>	<u>\$ 33,275,024</u>	<u>\$ 229,532,250</u>	<u>\$ 12,088,397</u>
\$ 1,371,111	\$ 5,836,308	\$ -	\$ -	\$ 1,479,057	\$ 3,003,572	\$ -
-	-	-	-	1,009	15,263	-
-	126,757	292,521	-	2,068,262	45,964,309	-
14,518,675	12,136,610	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>15,889,786</u>	<u>18,099,675</u>	<u>292,521</u>	<u>-</u>	<u>3,548,328</u>	<u>48,983,144</u>	<u>-</u>
<u>8,935,864</u>	<u>131,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	96,310,469	-
-	10,144,286	-	-	20,337,366	41,207,105	-
-	-	-	-	-	16,534,949	-
-	-	-	-	2,370,557	17,731,398	-
-	-	-	-	7,018,773	8,765,185	-
-	-	97,338,727	55,570,946	-	-	-
-	-	-	-	-	-	12,088,397
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(8,935,864)	-	-	-	-	-	-
<u>(8,935,864)</u>	<u>10,144,286</u>	<u>97,338,727</u>	<u>55,570,946</u>	<u>29,726,696</u>	<u>180,549,106</u>	<u>12,088,397</u>
<u>\$ 15,889,786</u>	<u>\$ 28,375,928</u>	<u>\$ 97,631,248</u>	<u>\$ 55,570,946</u>	<u>\$ 33,275,024</u>	<u>\$ 229,532,250</u>	<u>\$ 12,088,397</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Balance Sheet  
Governmental Funds  
June 30, 2014

	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 6,384,947	\$ 2,463,385	\$ 313,739,699
Accrued interest receivable	4	2,115	379,459
Sales taxes receivable	-	-	42,218,307
Accounts receivable	3,724,680	1,968	3,732,279
Intergovernmental receivable	26,524,540	673,148	106,212,276
Deposit receivable	134,196	-	1,174,999
Due from other funds	-	-	68,495,416
Prepaid items	-	-	182,068
Loans receivable	23,878,832	-	23,878,832
Advances to other funds	-	-	4,819,697
Cash and investments-restricted	129,568,952	-	141,657,349
Total assets	<u>\$ 190,216,151</u>	<u>\$ 3,140,616</u>	<u>\$ 706,490,381</u>
<b>Liabilities</b>			
Accounts payable	\$ 6,046,089	\$ 314,658	\$ 27,652,507
Accrued liabilities	17,411	3,579	351,708
Intergovernmental payable	17,718,167	126,691	66,963,351
Due to other funds	22,982,440	174,902	68,495,416
Advances from other funds	4,819,697	-	4,819,697
Unearned revenue	1,918,490	407	1,936,010
Total liabilities	<u>53,502,294</u>	<u>620,237</u>	<u>170,218,689</u>
<b>Deferred inflows of resources</b>			
Unavailable grant and local reimbursements	<u>20,270,134</u>	<u>-</u>	<u>31,451,231</u>
<b>Fund balances (deficits)</b>			
Nonspendable-Prepaid items	-	-	182,068
Restricted:			
Traveler services	-	2,520,379	2,520,379
Freeway projects	36,938,473	-	133,248,942
Major street projects	57,903,263	-	129,592,020
Commuter rail	25,611,704	-	42,146,653
Transit services	-	-	20,101,955
Traffic management and project development	-	-	15,783,958
Transportation development act	-	-	152,909,673
Debt service	-	-	12,088,397
Committed-Council of governments	-	-	22,211
Assigned:			
General administration	-	-	9,627,281
Regional and subregional planning	-	-	532,974
Rail	-	-	1,122,797
Unassigned (deficits)	(4,009,717)	-	(15,058,847)
Total fund balances (deficits)	<u>116,443,723</u>	<u>2,520,379</u>	<u>504,820,461</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 190,216,151</u>	<u>\$ 3,140,616</u>	<u>\$ 706,490,381</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, 2014

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

Fund balances-total governmental funds (page 22)	\$ 504,820,461
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,217,156
Revenues recognized for governmental activities that are not available in the current period and, therefore, are not reported in the funds.	31,451,231
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	3,573,603
Accrued interest payable applicable to governmental activities is not due and payable in the current period and, therefore, is not reported in the funds	(2,667,667)
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	(567,658)
Project advance agreements	(41,483,681)
Revenue bonds payable	(202,015,000)
Unamortized premium on revenue bonds	<u>(18,392,142)</u>
Net position of governmental activities	<u>\$ 339,936,303</u>

*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, 2014

	Special Revenue		
	General	Federal Highway	Federal Transit Administration
<b>Revenues</b>			
Sales tax-Measure I	\$ 1,454,073	\$ -	\$ -
Sales tax-local transportation fund	-	-	-
Intergovernmental	3,600	43,091,082	5,324,438
Charges for services	483,490	-	-
Special assessments	129,051	-	-
Investment earnings (loss)	(197,873)	2,322	-
Miscellaneous	1,075,059	-	-
Total revenues	<u>2,947,400</u>	<u>43,093,404</u>	<u>5,324,438</u>
<b>Expenditures</b>			
Current:			
General-council of governments support	2,190,689	-	-
Air quality and traveler services	3,802	1,522,809	-
Regional and subregional planning	857,210	-	-
Transit and passenger rail	20,069,719	-	5,324,438
Major project delivery	-	35,942,097	-
Fund administration and programming	1,942,041	-	-
Debt Service:			
Interest	-	-	-
Fiscal and issuance costs	-	-	-
Capital outlay	4,795,370	-	-
Total expenditures	<u>29,858,831</u>	<u>37,464,906</u>	<u>5,324,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,911,431)</u>	<u>5,628,498</u>	<u>-</u>
<b>Other financing sources (uses)</b>			
Transfers in	25,380,730	15,493	-
Transfers out	-	-	-
Sales tax revenue bonds issued	-	-	-
Premium on sales tax revenue bonds issued	-	-	-
Total other financing sources (uses)	<u>25,380,730</u>	<u>15,493</u>	<u>-</u>
Net change in fund balances	(1,530,701)	5,643,991	-
Fund balances (deficits) beginning of year	13,018,032	(7,757,257)	-
Fund balances (deficits) end of year	<u>\$ 11,487,331</u>	<u>\$ (2,113,266)</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,953,269	\$ -
-	-	79,559,209	-	-	-	-
21,750,760	59,795,654	-	14,240,230	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	18,518	(561,223)	(330,718)	204,710	1,017,049	1
-	-	-	-	-	-	-
<u>21,750,760</u>	<u>59,814,172</u>	<u>78,997,986</u>	<u>13,909,512</u>	<u>204,710</u>	<u>144,970,318</u>	<u>1</u>
-	-	-	-	150,889	444,084	-
-	-	-	-	42,558	821,857	-
246,414	-	-	-	642,089	34,832	-
-	1,473,620	-	-	4,693,295	4,263,427	-
22,650,992	46,582,239	-	-	6,505,172	25,016,996	-
341,754	-	60,015,270	5,193,662	665,863	63,866,461	-
-	-	-	-	-	-	4,163,338
-	-	-	-	-	-	2,324
-	-	-	-	-	12,846	-
<u>23,239,160</u>	<u>48,055,859</u>	<u>60,015,270</u>	<u>5,193,662</u>	<u>12,699,866</u>	<u>94,460,503</u>	<u>4,165,662</u>
<u>(1,488,400)</u>	<u>11,758,313</u>	<u>18,982,716</u>	<u>8,715,850</u>	<u>(12,495,156)</u>	<u>50,509,815</u>	<u>(4,165,661)</u>
-	-	-	-	-	1,321,851	4,165,659
-	(1,610,863)	(21,682,532)	(3,698,198)	(172,198)	(14,875,893)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	10,700,611
-	(1,610,863)	(21,682,532)	(3,698,198)	(172,198)	(13,554,042)	14,866,270
(1,488,400)	10,147,450	(2,699,816)	5,017,652	(12,667,354)	36,955,773	10,700,609
(7,447,464)	(3,164)	100,038,543	50,553,294	42,394,050	143,593,333	1,387,788
<u>\$ (8,935,864)</u>	<u>\$ 10,144,286</u>	<u>\$ 97,338,727</u>	<u>\$ 55,570,946</u>	<u>\$ 29,726,696</u>	<u>\$ 180,549,106</u>	<u>\$ 12,088,397</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Statement of Revenues and Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Sales tax-Measure I	\$ -	\$ -	\$ 145,407,342
Sales tax-local transportation fund	-	-	79,559,209
Intergovernmental	24,715,647	4,474,986	173,396,397
Charges for services	-	-	483,490
Special assessments	-	-	129,051
Investment earnings (loss)	117	12,830	165,733
Miscellaneous	-	-	1,075,059
Total revenues	<u>24,715,764</u>	<u>4,487,816</u>	<u>400,216,281</u>
<b>Expenditures</b>			
Current:			
General-council of governments support	681,198	12,457	3,479,317
Air quality and traveler services	-	3,235,151	5,626,177
Regional and subregional planning	29,626	-	1,810,171
Transit and passenger rail	3,473,312	-	39,297,811
Major project delivery	61,593,018	-	198,290,514
Fund administration and programming	4,875,570	-	136,900,621
Debt Service:			
Interest	-	-	4,163,338
Fiscal and issuance costs	255,520	-	257,844
Capital outlay	-	193,417	5,001,633
Total expenditures	<u>70,908,244</u>	<u>3,441,025</u>	<u>394,827,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,192,480)</u>	<u>1,046,791</u>	<u>5,388,855</u>
<b>Other financing sources (uses)</b>			
Transfers in	12,486,050	-	43,369,783
Transfers out	(1,330,099)	-	(43,369,783)
Sales tax revenue bonds issued	110,135,000	-	110,135,000
Premium on sales tax revenue bonds issued	-	-	10,700,611
Total other financing sources (uses)	<u>121,290,951</u>	<u>-</u>	<u>120,835,611</u>
Net change in fund balances	75,098,471	1,046,791	126,224,466
Fund balances (deficits) beginning of year	<u>41,345,252</u>	<u>1,473,588</u>	<u>378,595,995</u>
Fund balances (deficits) end of year	<u>\$ 116,443,723</u>	<u>\$ 2,520,379</u>	<u>\$ 504,820,461</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, 2014

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

Net changes in fund balances-total governmental funds (page 24)	\$ 126,224,466
<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	5,001,633
Depreciation	(162,518)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	12,245,175
<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	(23,973)
Changes in project advancement agreements	18,996,482
Issuance of sales tax revenue bonds	(110,135,000)
Premium on sales tax revenue bonds	(10,700,611)
Amortization of premium on sales tax revenue notes	690,059
Change in accrued interest on sales tax revenue bonds	(1,383,971)
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>(161,562)</u>
Change in net position of governmental activities	<u>\$ 40,590,180</u>

*See accompanying notes to financial statements*

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	Governmental Activities
	Internal Service Fund
<b>Assets</b>	
Current assets	
Cash and investments	\$ 3,070
Noncurrent assets	
Capital assets:	
Land	284,929
Buildings	4,857,904
Equipment	30,092
Less accumulated depreciation	(1,602,392)
Total noncurrent assets	3,570,533
Total assets	3,573,603
<b>Net position</b>	
Net investment in capital assets	3,570,533
Unrestricted	3,070
Total net position	\$ 3,573,603

*See accompanying notes to financial statements*

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

	Governmental Activities
	Internal Service Fund
<b>Operating revenues</b>	
Rental charges:	
SANBAG	\$ 309,415
Metrolink	38,726
SCAG	18,138
Other	6,443
Total operating revenues	372,722
<b>Operating expenses</b>	
Supplies, maintenance and other	371,331
Depreciation	162,953
Total operating expenses	534,284
Operating income (loss)	(161,562)
Net position at beginning of year	3,735,165
Net position at end of year	\$ 3,573,603

*See accompanying notes to financial statements*

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2014

	Governmental Activities
	Internal Service Fund
<b>Cash Flows from operating activities</b>	
Receipts from customers and users:	
SANBAG	\$ 309,415
Metrolink	38,726
SCAG	18,138
Other	6,443
Payments to suppliers and service providers	(369,652)
Net cash provided by (used for) operating activities	3,070
Cash and investments at beginning of year	-
Cash and investments at end of year	\$ 3,070
 <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ (161,562)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	162,953
Decrease in due from other funds	3,824
Decrease in accounts payable	(2,145)
Net cash provided by (used for) operating activities	\$ 3,070

*See accompanying notes to financial statements*

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 and is included as blended component unit due to its governing body is the same as the governing body of SANBAG and there is financial benefit relationship between SANBAG and SAFE. Separate financial statements are not issued for SAFE.

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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

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**B. 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 a 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.

**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 component 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 a 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:

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

***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 Transit Administration Special Revenue Fund***

This *special revenue fund* accounts for revenues and expenditures related to the Federal Transit Administration program.

***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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

***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.

***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.

***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.

**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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

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

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, 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.

Sales taxes and intergovernmental revenues are recognized as revenues when measureable and eligibility requirements are met. Investment earnings are recognized when earned. All other revenue items are considered to be measureable 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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

- 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.

*Excess of Expenditures over Appropriations*

For fiscal year ended June 30, 2014, no expenditures exceeded appropriations.

**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.

*Receivables*

Receivables consist of accrued interest, sales taxes, accounts, intergovernmental, deposits and loans. The majority of the outstanding balances are attributed to various federal, state, and local reimbursements. Allowances for uncollectible accounts are reviewed on all types of receivables. Allowances are based on collection experience and management's evaluation of the current status of existing receivables. Management has determined no allowance is required for receivables.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

***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. Capital assets that are not retained are expensed.

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

***Major Project Delivery Expenditure/Expense***

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 expenditures are recorded in the governmental funds and major project delivery program expenses in the Statement of net assets. Outstanding bonds issued do not impact the calculation of net investment in capital 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.

***Unearned Revenue***

Unearned revenue in the governmental funds represents restricted amounts received for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have 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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

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 are to record revenue for amounts that have not met the available criteria.

***Net Position Use Assumption***

The net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. 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 balance for this category.

***Fund Balance Flow Assumptions***

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

***Fund Balance Policies***

Fund balance classifications of governmental funds are based primarily on the extent to which SANBAG is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. 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, 2014, fund balances for governmental funds are made up of the following:

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

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 (approval) action of SANBAG’s highest level of decision-making authority (ordinance), the SANBAG Board of Directors. Commitments may be changed only by SANBAG Board of Directors, anytime during the fiscal year, taking the same formal action that originally imposed the constraint.

Assigned

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

Unassigned

Unassigned is the residual amounts not contained in other classifications. This category is used if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. Unassigned includes residual amounts for the General Fund and only residual deficits in the other governmental funds.

**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 are restricted to meeting the operational and capital requirements of a particular program or function.

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

***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/I-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.

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.

***Long-Term Debt***

In the government-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed as incurred.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

In the fund financial statements, governmental fund types report the face amount of debt issued as an other financing source. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and any related premium are reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as a reduction of proceeds.

***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**

**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 \$65,217,156 are as follows:

Land	\$ 64,478,941
Buildings	529,297
Equipment and vehicles	3,818,802
Less: Accumulated depreciation	<u>(3,609,884)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 65,217,156</u>

**3. DEFICIT FUND EQUITY**

At June 30, 2014, the federal highway special revenue fund has a deficit fund balance of \$2,143,531 and State Highway special revenue fund had a deficit fund balance of \$8,935,864, both major funds. 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 deferred inflows of resources. The fund balance deficits will be offset with future collections of unavailable revenue.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

**4. CASH AND INVESTMENTS**

Cash and investments at June 30, 2014 consist of the following:

	Unrestricted		Restricted Investments	Grand Total
	Cash	Investments		
Cash in bank	\$ 62,161,609	\$ -	\$ 62,161,609	\$ 62,161,609
Petty cash	1,000	-	1,000	1,000
Cash in County Treasury	-	174,629,916	174,629,916	174,629,916
Local agency investment fund	-	6,917,745	6,917,745	6,917,745
Investments with custodian	-	70,032,499	70,032,499	70,032,499
Investments with fiscal agent	-	-	-	141,657,349
Total	<u>\$ 62,162,609</u>	<u>\$ 251,580,160</u>	<u>\$ 313,742,769</u>	<u>\$ 455,400,118</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:

Investment Type	Maturity	Maximum	
		Percentage of Portfolio	Investment in One Issuer
U.S. treasuries	5 years	No Limit	No Limit
U.S. agencies	5 years	No Limit	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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

Investment Type	Amount Reported	Weighted Average Maturity (in Years)
U.S. Treasuries	\$ 17,255,148	2.84
U.S. government sponsored enterprise securities:		
FHLMC	12,088,333	2.50
FNMA	13,139,515	2.56
Go Bonds	1,352,142	1.97
Corporate notes	25,583,321	1.71
Local agency investment fund	6,917,745	0.64
San Bernardino County pool	174,629,916	1.17
Money market mutual funds	142,271,389	N/A
Total	<u>\$ 393,237,509</u>	

**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, 2014	AAA	AA	A-1/A-1+	Not Rated
U.S. Treasuries <sup>(1)</sup>	\$ 17,255,148	\$ -	\$ -	\$ -	\$ -
U.S. government sponsored enterprise securities	-	-	-	-	-
FHLMC	12,088,333	-	12,088,333	-	-
FNMA	13,139,515	-	13,139,515	-	-
Corporate notes	25,583,321	-	21,208,656	4,374,665	-
GO Bonds	1,352,142	-	553,966	798,176	-
Local agency investment fund	6,917,745	-	-	-	6,917,745
San Bernardino County pool	174,629,916	8,556,866	113,160,185	52,912,865	-
Money market mutual funds	142,271,389	142,271,389	-	-	-
Total	<u>\$ 393,237,509</u>	<u>\$ 150,828,255</u>	<u>\$ 160,150,655</u>	<u>\$ 58,085,706</u>	<u>\$ 6,917,745</u>

<sup>(1)</sup> Exempt from disclosure.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

---

**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, 2014, SANBAG has bank deposits with a balance of \$69,494,540 of which \$250,000 is federally insured and the balance is collateralized in accordance with the Code.

**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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

**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 funds maintain a temporary negative cash balance.

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 following are the due from and due to balances as of June 30, 2014:

Receivable Fund	Payable Fund	Amount
2010-2040 Measure I	Federal highway	\$ 15,248,012
	Federal transit administration	3,434,777
	State highway	14,518,675
	Proposition 1B	12,136,610
	Capital projects	22,982,440
	Nonmajor governmental	174,902
Total		<u>\$ 68,495,416</u>

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 street funds. The interfund loan amount as of June 30, 2014 is \$4,709,199. The interfund 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.

Similar interfund loan arrangement was entered with the City of Colton. The loan amount as of June 30 2014 is \$110,498. The interfund loan between 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.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

The following are the advances to and advances from balances as of June 30, 2014:

Receivable Fund	Payable Fund	Amount
2010-2040 Measure I	Capital projects	\$ 4,819,697

**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 to federal highway fund from 1990-2010 Measure I fund for reduction of grant reimbursements, 3) to transfer funds to the 2010-2040 Measure I fund from the 1990-2010 Measure I fund to close the commuter rail program, 4) transfer from Proposition 1B and capital projects fund to the 2010-2040 Measure I fund for expenditures incurred for grade separation projects, 5) 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, 6) transfer from Proposition 1B to capital projects fund due to reclassification of expenditures for grade separation project, 7) transfer from 2010-2040 Measure I fund to local projects capital project fund to record premium from the 2014 bond issuance and transfer interest earned from Bank of New York, and 8) transfer from local projects fund to bond funds to correct prior year expenditure of grade separation projects.

On December 4, 2013, SANBAG Board approved receivable contract with Caltrans to receive up to \$5,000,000 from the California Public Utilities Commission (CPUC) for Section 190 funds for the Palm Avenue Grade Separation Project. CPUC allows SANBAG to apply prior year's expenditures; Therefore a transfer was recorded in 2010-2040 MSI for \$1,034,068 and Capital Projects, Major street bond fund, for \$576,795 and transfer out from CPUC fund for \$1,610,863.

Transfers In Fund	Transfers Out Fund	Amount
General	Local transportation fund	\$ 21,682,532
	State transit assistance fund	3,698,198
Federal highway 2010-2040 Measure I	1990-2010 Measure I	15,493
	Proposition 1B	1,034,068
	1990-2010 Measure I	156,705
Debt service	Capital projects	131,078
	2010-2040 Measure I	4,165,659
Capital projects	Proposition 1B	576,795
	2010-2040 Measure I	10,710,234
	Capital projects	1,199,021
Total		\$ 43,369,783

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

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**6. Loans to Other Jurisdictions**

SANBAG entered into loan agreements with jurisdictions for various projects.

Jurisdiction:	
City of Victorville	\$ 4,709,199
City of Colton	110,498
City of Hesperia	11,304,135
City of Ontario	7,755,000
	<u>\$ 23,878,832</u>

Per cooperative Agreement C11200, Section III, Article 7 with the City of Victorville for the La Mesa/ Nisqualli interchange project, SANBAG is authorized to withhold disbursements of 2010-2040 Measure I local streets and roads funds necessary to pay the City's share of construction invoices plus interest. These funds are to be withheld until the City can contribute additional funds to the escrow account or until the City's share of the construction cost plus interest has been paid to SANBAG. Interest is calculated annually on the unpaid balance at the same rate as applied to the State of California. The outstanding loan balance as of June 30, 2014 is \$4,709,199.

Per Policy 40005 VFI 23-1, SANBAG entered into a 2010-2040 Measure I Valley freeway interchange program term loan agreement with the City of Colton for the I-10 Pepper Interchange Project. Loan will not-to-exceed the amount of \$164,266.67 which is two-thirds of the estimated local share of project costs. The outstanding loan balance as of June 30, 2014 is \$110,498.

Per Agreement C12219 with the City of Hesperia for the Ranchero Road Interchange Project, SANBAG will lend the City's remaining balance of project costs, estimated at \$23,158,448 if the City is unable to pay at the completion of the project. The first payment is due 24 months after the acceptance of the project by Caltrans. Subsequent payments will be made annually and if the City fails to make the annual payment, SANBAG is authorized to withhold the City's Measure I local street funds and apply the amounts towards the loan. The outstanding balance of the loan as of June 30, 2014 is \$11,304,135.

Per Agreements with City of Ontario C13104, South Milliken Avenue Grade Separation, and C13105, North Vineyard Avenue Grade separation, SANBAG agreed for an advancement of Measure I contribution in accordance with Measure I Strategic Plan Policy 40006, VMS-7. The total advanced amount for C13104 is \$4,393,469 for South Milliken Avenue Grade Separation and \$3,361,531 for North Vineyard Avenue Grade Separation Project. The outstanding balance of the loan as of June 30, 2014 is \$7,755,000. The advance will be reduced as expenditures are incurred for the public share cost of the project.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
<b>Governmental activities</b>				
Capital assets, not depreciated-land	\$ 59,982,004	\$ 4,781,866	\$ -	\$ 64,763,870
Capital assets, depreciated:				
Buildings	5,387,201	-	-	5,387,201
Equipment and vehicles	<u>3,629,128</u>	<u>219,766</u>	-	<u>3,848,894</u>
Total capital assets, depreciated	<u>9,016,329</u>	<u>219,766</u>	-	<u>9,236,095</u>
Less accumulated depreciation for:				
Buildings	(1,465,973)	(179,593)	-	(1,645,566)
Equipment and vehicles	<u>(3,420,833)</u>	<u>(145,877)</u>	-	<u>(3,566,710)</u>
Total accumulated depreciation	<u>(4,886,806)</u>	<u>(325,470)</u>	-	<u>(5,212,276)</u>
Total capital assets, depreciated, net	<u>4,129,523</u>	<u>(105,704)</u>	-	<u>4,023,819</u>
Total capital assets, net	<u>\$ 64,111,527</u>	<u>\$ 4,676,162</u>	<u>\$ -</u>	<u>\$ 68,787,689</u>

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

<b>Governmental activities</b>		
General government		\$ 162,517
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>\$ 325,470</u>

**8. LONG-TERM LIABILITIES**

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities 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, 2014:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due within <u>One Year</u>
<b>Governmental activities</b>					
Revenue bonds payable	\$ 91,880,000	\$ 110,135,000	\$ -	\$ 202,015,000	\$ 1,910,000
Unamortized premium on revenue bonds payable	8,381,590	10,700,611	690,059	18,392,142	1,188,024
Compensated absences	543,685	115,198	91,225	567,658	81,397
Project advancement agreements	<u>71,175,791</u>	<u>35,056,434</u>	<u>52,964,475</u>	<u>53,267,750</u>	<u>11,784,068</u>
Total long-term liabilities, net	<u>\$ 171,981,066</u>	<u>\$ 156,007,243</u>	<u>\$ 53,745,759</u>	<u>\$ 274,242,550</u>	<u>\$ 14,963,489</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

**Sales Tax Revenue Obligations**

The combined maturities for the sales tax revenue bonds payable are as follows:

Year Ending, June 30,	Principal	Interest	Total
2015	\$ 1,910,000	\$ 8,856,259	\$ 10,766,259
2016	1,990,000	9,222,050	11,212,050
2017	2,845,000	9,122,550	11,967,550
2018	3,365,000	9,016,300	12,381,300
2019	3,860,000	8,893,650	12,753,650
2020-2024	24,065,000	41,743,102	65,808,102
2025-2029	34,420,000	35,039,753	69,459,753
2030-2034	48,350,000	25,186,678	73,536,678
2035-2039	65,690,000	12,395,239	78,085,239
2040	15,520,000	686,657	16,206,657
	<u>\$ 202,015,000</u>	<u>\$ 160,162,240</u>	<u>\$ 362,177,240</u>

***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<sup>st</sup> and September 1<sup>st</sup> 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 debt maturities to amortize the 2012 sales tax revenue bonds payable included in the governmental activities are as follows:

Year Ending, June 30,	Principal	Interest	Total
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	2,260,000	3,817,037	6,077,037
2020-2024	12,880,000	17,507,937	30,387,937
2025-2029	16,250,000	14,125,187	30,375,187
2030-2034	20,665,000	9,710,863	30,375,863
2035-2039	25,830,000	4,544,888	30,374,888
2040	5,835,000	240,694	6,075,694
	<u>\$ 91,880,000</u>	<u>\$ 66,088,156</u>	<u>\$ 157,968,156</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

***Sales Tax Revenue Bonds of 2014, Series A***

The sales tax revenue bonds of \$110,135,000 are tax exempt and were issued by the San Bernardino County Transportation Authority on March 18, 2014. Interest is payable semiannually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year at rates of interest ranging from 3% to 5% and yield rates ranging from 0.40% to 3.85%. Principal on the bonds will begin on March 1, 2017 and are due each year thereafter through 2040. The range of annual debt service payments range from \$4,692,922 to \$10,130,963. The estimated source and use of funds:

**Sources of funds**

Par amount of series 2014 bonds	\$ 110,135,000
Net original issue premium	10,700,611
Total sources	<u>\$ 120,835,611</u>

**Use of Funds**

Deposit to 2014 bond project fund	\$ 109,304,380
Deposit to 2014 capitalized interest account	10,700,611
Deposit to 2014 cost of issuance fund	830,620
Total uses	<u>\$ 120,835,611</u>

The project fund will finance transportation freeway interchange, grade separation and passenger rail projects. 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 debt maturities for the 2014 sales tax revenue bonds payable included in the governmental activities are as follows:

Year Ending, June 30,	Principal	Interest	Total
2015	\$ -	\$ 4,692,922	\$ 4,692,922
2016	-	5,135,113	5,135,113
2017	755,000.00	5,135,113	5,890,113
2018	1,195,000.00	5,112,463	6,307,463
2019	1,600,000.00	5,076,613	6,676,613
2020-2024	11,185,000.00	24,235,165	35,420,165
2025-2029	18,170,000.00	20,914,565	39,084,565
2030-2034	27,685,000.00	15,475,815	43,160,815
2035-2039	39,860,000.00	7,850,352	47,710,352
2040	9,685,000.00	445,963	10,130,963
	<u>\$ 110,135,000</u>	<u>\$ 94,074,084</u>	<u>\$ 204,209,084</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Notes to the Financial Statements  
June 30, 2014

Financial covenant for sales tax revenue bonds is illustrated below:

Sales Tax Revenue Fiscal Year Ended <u>June 30, 2014</u>	Maximum Annual <u>Debt Service</u>	Debt Coverage <u>Ratio</u>
\$ 145,407,342	\$ 16,206,656	8.97 X

**Conduit Debt**

Beginning in October 2013, SANBAG issued bonds for the Property Assessed Clean Energy Program. Third party, property owners, assume sole responsibility for repayment of the debt, and SANBAG has no obligation for the repayment of the bonds. The outstanding balance as of June 30, 2014 is \$57,143,261.

**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 liability activities that took place in fiscal year 2013/2014:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due within <u>One Year</u>
Valley freeway interchange	\$ 19,327,227	\$ 10,942,026	\$ 12,981,308	\$ 17,287,945	\$ 4,045,881
Valley major street	51,848,564	24,114,408	39,983,167	35,979,805	7,738,187
Total Project Adv Agreements	<u>\$ 71,175,791</u>	<u>\$ 35,056,434</u>	<u>\$ 52,964,475</u>	<u>\$ 53,267,750</u>	<u>\$ 11,784,068</u>

The following summarizes the declared projects with Project Advancement Agreements:

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2014

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

June 30, 2014

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 Sevaime	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	(18,000,000)	(4,068,000)
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.

	Valley		Victor Valley Major Local Highways	Total
	Freeway Interchange	Major Street		
	Cash payments on projects	\$ 12,981,308		
Current liabilities	4,045,881	7,738,187	-	11,784,068
Long-term liabilities	13,242,063	28,241,619	-	41,483,682
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, 2014.

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, 2014.

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, 2014.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2014

Commitments are possible obligations in which SANBAG would reserve funds in the future to meet the liability when they are recognized. A total of \$41,483,682 was recognized as long term liabilities in fiscal year 2013/2014. 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.

**9. PENSION OBLIGATIONS**

**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 27.69%. SANBAG has elected to pay the employees' portion of contributions. SANBAG's contributions to SBCERA for the years ended June 30, 2014 was \$1,861,853 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:

Fiscal Year Ended June 30,	Employer Contribution Rate	APC	Net Pension Obligation
2012	100%	\$ 1,298,355	\$ -
2013	100%	1,651,425	-
2014	100%	1,861,853	-

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2014

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
2012	100%	\$ 13,736	\$ -
2013	100%	13,784	-
2014	100%	1,498	-

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, 2014, 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 \$706 million at June 30, 2014.

*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 amounts paid and incurred on stimulus projects have been paid in full and are as follows:

<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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2014

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	\$ 31,400,000

As of June 30, 2014, the following short-term liabilities were recognized:

Jurisdiction	Due to Other Governments
City of San Bernardino	\$ 221,145

***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.

***Encumbrances***

Encumbrances lapse at year-end and are rebudgeted the following fiscal year.

**11. PTMISEA FUNDING**

As of June 30, 2014, San Bernardino Associated Governments (SANBAG) received a total of \$17,149,369 in Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds and are accounted for in the Proposition 1B fund. 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), Metrolink positive train control by SCRRA \$(3,309,525), Metrolink parking lot expansion (\$1,500,000), for San Bernardino Downtown Passenger Rail Project (\$6,419,844). A total of \$3,307,084 has been received in Transit System Safety Security Disaster Discovery fund and recorded as fund balance in the Prop 1B fund. \$1,375,000 was disbursed during Fiscal Year 2007-2008, \$4,125,000 was disbursed during Fiscal Year 2009-2010, \$3,659,456 was disbursed during Fiscal Year 2010-11, and \$1,043,757.72 was disbursed during Fiscal Year 2013-2014.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2014

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**12. 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, general liability (\$10,000 self-insured retention), 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.

**13. 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 members 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 \$11,442,000 during fiscal year 2013-2014 for its share of Metrolink capital and operating costs. The expenditures are recorded in SANBAG's general fund for LTF rail, in Transit and passenger rail program. Separate financial statements are prepared by and available from the SCRRA at One Gateway Plaza, Floor 12, Los Angeles, California 90012.

**14. 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.

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 presented the dispute to a mediator in 2014. The terms of a settlement agreement disposing of the case are being finalized.

Incidents and accidents at or near several SANBAG project locations have given rise to various claims and lawsuits alleging personal injuries and property damage. 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 other 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.

**15. I-15/RANCHERO ROAD INTERCHANGE-HESPERIA**

This project provides a new interchange at a cost of \$58 million. The project suffered a setback when the false work for the concrete bridge caught fire. The false had to be replaced, but the columns and abutments that were in place were salvaged. Construction has been expedited which has allowed the scheduled completion to be within two months of the original date. It is anticipated that the cost of all damages will be covered by insurance.

**16. COUNCIL OF GOVERNMENTS-PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM**

SANBAG implemented a PACE program in October 2013. This program provides financing for property owners to install energy efficiency, green energy production or water conservation improvements. Since its start, over \$84 million in these projects have been installed for over 4,800 property owners (See note 8 for additional information). SANBAG collects an administration fee and is recorded in the general fund.

**17. GASB PRONOUNCEMENTS**

**Effective in Future Periods**

***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 a material 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.



*Crews from the Interstate 215 Bi-County HOV Project work on the newly formed aesthetic retaining walls between Interstate 10 and State Route 60.*

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual  
General Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Sales tax-Measure I	\$ 1,394,000	\$ 1,394,000	\$ 1,454,073	\$ 60,073
Intergovernmental	103,863	14,784,209	3,600	(14,780,609)
Charges for services	2,388,162	16,338	483,490	467,152
Special assessments	202,826	202,826	129,051	(73,775)
Investment earnings (loss)	-	-	(197,873)	(197,873)
Miscellaneous	752,246	786,686	1,075,059	288,373
Total revenues	<u>4,841,097</u>	<u>17,184,059</u>	<u>2,947,400</u>	<u>(14,236,659)</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	2,629,378	3,389,778	2,190,689	1,199,089
Air quality and traveler services	31,425	31,425	3,802	27,623
Regional and subregional planning	1,363,963	1,363,963	857,210	506,753
Transit and passenger rail	41,637,512	45,144,581	20,069,719	25,074,862
Fund administration and programming	2,118,911	2,929,137	1,942,041	987,096
Capital outlay	4,837,366	4,837,366	4,795,370	41,996
Total expenditures	<u>52,618,555</u>	<u>57,696,250</u>	<u>29,858,831</u>	<u>27,837,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(47,777,458)</u>	<u>(40,512,191)</u>	<u>(26,911,431)</u>	<u>13,600,760</u>
<b>Other financing sources (uses)</b>				
Transfers in	40,160,139	40,160,139	25,380,730	(14,779,409)
Transfers out	-	(424)	-	424
Total other financing sources (uses)	<u>40,160,139</u>	<u>40,159,715</u>	<u>25,380,730</u>	<u>(14,778,985)</u>
Net change in fund balances	(7,617,319)	(352,476)	(1,530,701)	(1,178,225)
Fund balances beginning of year	13,018,032	13,018,032	13,018,032	-
Fund balances end of year	<u>\$ 5,400,713</u>	<u>\$ 12,665,556</u>	<u>\$ 11,487,331</u>	<u>\$ (1,178,225)</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 88,915,845	\$ 63,562,801	\$ 43,091,082	\$ (20,471,719)
Investment earnings	-	-	2,322	2,322
Total revenues	<u>88,915,845</u>	<u>63,562,801</u>	<u>43,093,404</u>	<u>(20,469,397)</u>
<b>Expenditures</b>				
Current:				
Air quality and traveler services	2,863,990	1,807,490	1,522,809	284,681
Transit and passenger rail	10,921,226	-	-	-
Major project delivery	75,130,629	61,755,311	35,942,097	25,813,214
Total expenditures	<u>88,915,845</u>	<u>63,562,801</u>	<u>37,464,906</u>	<u>26,097,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>5,628,498</u>	<u>5,628,498</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	15,493	15,493
Transfers out	<u>-</u>	<u>(30,266)</u>	<u>-</u>	<u>30,266</u>
Total other financing sources (uses)	<u>-</u>	<u>(30,266)</u>	<u>15,493</u>	<u>45,759</u>
Net change in fund balances	-	(30,266)	5,643,991	5,674,257
Fund balances (deficits) beginning of year	<u>(7,757,257)</u>	<u>(7,757,257)</u>	<u>(7,757,257)</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ (7,757,257)</u>	<u>\$ (7,757,257)</u>	<u>\$ (2,113,266)</u>	<u>\$ 5,674,257</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual  
Federal Transit Administration Special Revenue Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 7,500,000	\$ 23,400,401	5,324,438	\$ (18,075,963)
<b>Expenditures</b>				
Current-transit and passenger rail	7,500,000	23,400,401	5,324,438	18,075,963
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances beginning of year	-	-	-	-
Fund balances end of year	\$ -	\$ -	\$ -	\$ -

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 33,885,649	\$ 49,834,943	\$ 21,750,760	\$ (28,084,183)
<b>Expenditures</b>				
Current:				
Regional and subregional planning		246,418	246,414	4
Major project delivery	33,876,613	59,776,535	22,650,992	37,125,543
Fund administration and programming	-	341,756	341,754	2
Total expenditures	<u>33,876,613</u>	<u>60,364,709</u>	<u>23,239,160</u>	<u>37,125,549</u>
Excess (deficiency) of revenues over (under) expenditures	9,036	(10,529,766)	(1,488,400)	9,041,366
Fund balances (deficits) beginning of year	<u>(7,447,464)</u>	<u>(7,447,464)</u>	<u>(7,447,464)</u>	-
Fund balances (deficits) end of year	<u>\$ (7,438,428)</u>	<u>\$ (17,977,230)</u>	<u>\$ (8,935,864)</u>	<u>\$ 9,041,366</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 92,823,946	\$ 97,623,254	\$ 59,795,654	\$ (37,827,600)
Investment earnings	-	-	18,518	18,518
Total revenues	<u>92,823,946</u>	<u>97,623,254</u>	<u>59,814,172</u>	<u>(37,809,082)</u>
<b>Expenditures</b>				
Current:				
Transit and passenger rail	20,571,611	22,256,906	1,473,620	20,783,286
Major project delivery	<u>72,252,335</u>	<u>75,436,417</u>	<u>46,582,239</u>	<u>28,854,178</u>
Total expenditures	<u>92,823,946</u>	<u>97,693,323</u>	<u>48,055,859</u>	<u>49,637,464</u>
Excess (deficiency) of revenues over (under) expenditures	-	(70,069)	11,758,313	11,828,382
<b>Other financing sources</b>				
Transfers out	-	-	(1,610,863)	(1,610,863)
Net change in fund balances	-	(70,069)	10,147,450	10,217,519
Fund balances (deficits) beginning of year	<u>(3,164)</u>	<u>(3,164)</u>	<u>(3,164)</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ (3,164)</u>	<u>\$ (73,233)</u>	<u>\$ 10,144,286</u>	<u>\$ 10,217,519</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Sales tax-local transportation fund	\$ 94,858,102	\$ 94,858,102	\$ 79,559,209	\$ (15,298,893)
Investment earnings (loss)	-	-	(561,223)	(561,223)
Total revenues	<u>94,858,102</u>	<u>94,858,102</u>	<u>78,997,986</u>	<u>(15,860,116)</u>
<b>Expenditures</b>				
Current-fund administration and programming	<u>94,858,102</u>	<u>96,855,402</u>	<u>60,015,270</u>	<u>36,840,132</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,997,300)	18,982,716	20,980,016
<b>Other financing sources (uses)</b>				
Transfers out	<u>(34,513,206)</u>	<u>(34,513,206)</u>	<u>(21,682,532)</u>	<u>12,830,674</u>
Net change in fund balances	(34,513,206)	(36,510,506)	(2,699,816)	33,810,690
Fund balances beginning of year	<u>100,038,543</u>	<u>100,038,543</u>	<u>100,038,543</u>	<u>-</u>
Fund balances end of year	<u>\$ 65,525,337</u>	<u>\$ 63,528,037</u>	<u>\$ 97,338,727</u>	<u>\$ 33,810,690</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 50,648,971	\$ 50,648,971	\$ 14,240,230	\$ (36,408,741)
Investment earnings (loss)	-	-	(330,718)	(330,718)
Total revenues	<u>50,648,971</u>	<u>50,648,971</u>	<u>13,909,512</u>	<u>(36,739,459)</u>
<b>Expenditures</b>				
Current-fund administration and programming	<u>50,648,971</u>	<u>34,710,747</u>	<u>5,193,662</u>	<u>29,517,085</u>
Excess (deficiency) of revenues over (under) expenditures	-	15,938,224	8,715,850	(7,222,374)
<b>Other financing sources (uses)</b>				
Transfers out	<u>(14,779,409)</u>	<u>(14,779,409)</u>	<u>(3,698,198)</u>	<u>11,081,211</u>
Net change in fund balances	(14,779,409)	1,158,815	5,017,652	3,858,837
Fund balances beginning of year	<u>50,553,294</u>	<u>50,553,294</u>	<u>50,553,294</u>	<u>-</u>
Fund balances end of year	<u>\$ 35,773,885</u>	<u>\$ 51,712,109</u>	<u>\$ 55,570,946</u>	<u>\$ 3,858,837</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 204,710	\$ 204,710
Total revenues	<u>-</u>	<u>-</u>	<u>204,710</u>	<u>204,710</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	69,265	216,965	150,889	66,076
Air quality and traveler services	82,000	43,000	42,558	442
Regional and subregional planning	801,363	809,169	642,089	167,080
Transit and passenger rail	6,726,196	5,726,196	4,693,295	1,032,901
Major project delivery	15,669,815	14,611,411	6,505,172	8,106,239
Fund administration and programming	<u>-</u>	<u>724,942</u>	<u>665,863</u>	<u>59,079</u>
Total expenditures	<u>23,348,639</u>	<u>22,131,683</u>	<u>12,699,866</u>	<u>9,431,817</u>
Excess (deficiency) of revenues over (under) expenditures	(23,348,639)	(22,131,683)	(12,495,156)	9,636,527
<b>Other financing sources (uses)</b>				
Transfers out	<u>-</u>	<u>(172,198)</u>	<u>(172,198)</u>	<u>-</u>
Net change in fund balances	(23,348,639)	(22,303,881)	(12,667,354)	9,636,527
Fund balances beginning of year	<u>42,394,050</u>	<u>42,394,050</u>	<u>42,394,050</u>	<u>-</u>
Fund balances end of year	<u>\$ 19,045,411</u>	<u>\$ 20,090,169</u>	<u>\$ 29,726,696</u>	<u>\$ 9,636,527</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Sales tax-Measure I	\$ 139,400,000	\$ 139,400,000	\$ 143,953,269	\$ 4,553,269
Investment earnings	-	-	1,017,049	1,017,049
Total revenues	<u>139,400,000</u>	<u>139,400,000</u>	<u>144,970,318</u>	<u>5,570,318</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	507,501	444,739	444,084	655
Air quality and traveler services	773,401	822,401	821,857	544
Regional and subregional planning	-	80,000	34,832	45,168
Transit and passenger rail	14,918,530	31,349,484	4,263,427	27,086,057
Major project delivery	51,129,073	38,468,240	25,016,996	13,451,244
Fund administration and programming	78,260,073	74,593,542	63,866,461	10,727,081
Capital outlay	-	12,846	12,846	-
Total expenditures	<u>145,588,578</u>	<u>145,771,252</u>	<u>94,460,503</u>	<u>51,310,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,188,578)</u>	<u>(6,371,252)</u>	<u>50,509,815</u>	<u>56,881,067</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	1,321,851	1,321,851
Transfers out	<u>(8,320,340)</u>	<u>(14,875,900)</u>	<u>(14,875,893)</u>	<u>7</u>
Total other financing sources (uses)	<u>(8,320,340)</u>	<u>(14,875,900)</u>	<u>(13,554,042)</u>	<u>1,321,858</u>
Net change in fund balances	<u>(14,508,918)</u>	<u>(21,247,152)</u>	<u>36,955,773</u>	<u>58,202,925</u>
Fund balances beginning of year	<u>143,593,333</u>	<u>143,593,333</u>	<u>143,593,333</u>	<u>-</u>
Fund balances end of year	<u>\$ 129,084,415</u>	<u>\$ 122,346,181</u>	<u>\$ 180,549,106</u>	<u>\$ 58,202,925</u>

*See accompanying notes to financial statements*

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Note to Required Supplementary Information  
June 30, 2014

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**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, 2014, no expenditures exceeded appropriations.

## **Non-Major Governmental Funds**

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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.

*Federal Stimulus* accounts for expenditures relating to the American Recovery and Reinvestment Act (ARRA) program revenue.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	State Energy Programs	Service Authority for Freeway Emergencies	Freeway Service Patrol	Federal Stimulus	
<b>Assets</b>					
Cash and investments	\$ -	\$ 2,463,385	\$ -	\$ -	\$ 2,463,385
Accrued interest receivable	-	2,115	-	-	2,115
Accounts receivable	-	1,968	-	-	1,968
Intergovernmental receivable	-	315,542	357,606	-	673,148
Total assets	<u>\$ -</u>	<u>\$ 2,783,010</u>	<u>\$ 357,606</u>	<u>\$ -</u>	<u>\$ 3,140,616</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 169,717	\$ 144,941	\$ -	\$ 314,658
Accrued liabilities	-	3,579	-	-	3,579
Intergovernmental payable	-	88,928	37,763	-	126,691
Due to other funds	-	-	174,902	-	174,902
Unearned revenue	-	407	-	-	407
Total liabilities	<u>-</u>	<u>262,631</u>	<u>357,606</u>	<u>-</u>	<u>620,237</u>
<b>Fund balances</b>					
Restricted-traveler services	-	2,520,379	-	-	2,520,379
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,783,010</u>	<u>\$ 357,606</u>	<u>\$ -</u>	<u>\$ 3,140,616</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	State Energy Programs	Service Authority for Freeway Emergencies	Freeway Service Patrol	Federal Stimulus	
<b>Revenues</b>					
Intergovernmental	\$ 930,800	\$ 1,806,275	\$ 1,167,729	\$ 570,182	\$ 4,474,986
Investment earnings	-	12,830	-	-	12,830
Total revenues	<u>930,800</u>	<u>1,819,105</u>	<u>1,167,729</u>	<u>570,182</u>	<u>4,487,816</u>
<b>Expenditures</b>					
Current:					
General-council of governments support	-	12,457	-	-	12,457
Air quality and traveler services	-	1,497,240	1,167,729	570,182	3,235,151
Capital outlay	-	193,417	-	-	193,417
Total expenditures	<u>-</u>	<u>1,703,114</u>	<u>1,167,729</u>	<u>570,182</u>	<u>3,441,025</u>
Excess (deficiency) of revenues over (under) expenditures	930,800	115,991	-	-	1,046,791
Fund balances (deficits) beginning of year	<u>(930,800)</u>	<u>2,404,388</u>	<u>-</u>	<u>-</u>	<u>1,473,588</u>
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ 2,520,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,520,379</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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 930,800	\$ 930,800
<b>Expenditures</b>				
Current-air quality and traveler services	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	930,800	930,800
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>\$ -</u>	<u>\$ 930,800</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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 1,718,050	\$ 1,922,950	\$ 1,806,275	\$ (116,675)
Investment earnings	-	-	12,830	12,830
Total revenues	<u>1,718,050</u>	<u>1,922,950</u>	<u>1,819,105</u>	<u>(103,845)</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	25,000	25,000	12,457	12,543
Air quality and traveler services	1,693,050	1,700,950	1,497,240	203,710
Capital outlay	-	197,000	193,417	3,583
Total expenditures	<u>1,718,050</u>	<u>1,922,950</u>	<u>1,703,114</u>	<u>219,836</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	115,991	115,991
Fund balances beginning of year	<u>2,404,388</u>	<u>2,404,388</u>	<u>2,404,388</u>	-
Fund balances end of year	<u>\$ 2,404,388</u>	<u>\$ 2,404,388</u>	<u>\$ 2,520,379</u>	<u>\$ 115,991</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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 1,303,810	\$ 1,380,272	\$ 1,167,729	\$ (212,543)
<b>Expenditures</b>				
Current-air quality and traveler services	<u>1,284,644</u>	<u>1,380,272</u>	<u>1,167,729</u>	<u>212,543</u>
Excess (deficiency) of revenues over (under) expenditures	19,166	-	-	-
Fund balances (deficits) beginning of year	-	-	-	-
Fund balances (deficits) end of year	<u>\$ 19,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 38,436,435	\$ 772,573	\$ 570,182	\$ (202,391)
<b>Expenditures</b>				
Current:				
Air quality and traveler services	3,108,450	772,573	570,182	202,391
Major project delivery	35,327,985	-	-	-
Total expenditures	38,436,435	772,573	570,182	202,391
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  
Debt Service Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
<b>Expenditures</b>				
Debt Service:				
Interest	8,320,340	8,320,340	4,163,338	4,157,002
Fiscal and issuance costs	-	-	2,324	(2,324)
Total expenditures	<u>8,320,340</u>	<u>8,320,340</u>	<u>4,165,662</u>	<u>4,154,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,320,340)</u>	<u>(8,320,340)</u>	<u>(4,165,661)</u>	<u>4,154,679</u>
<b>Other financing sources</b>				
Transfers in	4,166,840	4,166,840	4,165,659	(1,181)
Premium on sales tax revenue bonds issued	<u>10,700,611</u>	<u>10,700,611</u>	<u>10,700,611</u>	<u>-</u>
Total other financing sources (uses)	<u>14,867,451</u>	<u>14,867,451</u>	<u>14,866,270</u>	<u>(1,181)</u>
Net change in fund balances	6,547,111	6,547,111	10,700,609	4,153,498
Fund balances beginning of year	<u>1,387,788</u>	<u>1,387,788</u>	<u>1,387,788</u>	<u>-</u>
Fund balances end of year	<u>\$ 7,934,899</u>	<u>\$ 7,934,899</u>	<u>\$ 12,088,397</u>	<u>\$ 4,153,498</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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 58,167,616	\$ 54,056,558	\$ 24,715,647	\$ (29,340,911)
Investment earnings	-	-	117	117
Total revenues	<u>58,167,616</u>	<u>54,056,558</u>	<u>24,715,764</u>	<u>(29,340,794)</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	918,000	\$ 918,000	681,198	236,802
Air quality and traveler services	-	118,831	-	118,831
Regional and subregional planning	37,000	37,000	29,626	7,374
Transit and passenger rail	26,183,489	17,456,122	3,473,312	13,982,810
Major project delivery	118,738,122	133,169,048	61,593,018	71,576,030
Fund administration and programming	-	7,947,535	4,875,570	3,071,965
Debt service-fiscal and issuance costs	-	255,521	255,520	1
Total expenditures	<u>145,876,611</u>	<u>159,902,057</u>	<u>70,908,244</u>	<u>88,993,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,708,995)</u>	<u>(105,845,499)</u>	<u>(46,192,480)</u>	<u>59,653,019</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	12,486,050	12,486,050	-
Transfers out	-	(1,330,099)	(1,330,099)	-
Sales tax revenue bonds issued	<u>87,712,295</u>	<u>105,417,771</u>	<u>110,135,000</u>	<u>4,717,229</u>
Total other financing sources (uses)	<u>87,712,295</u>	<u>116,573,722</u>	<u>121,290,951</u>	<u>4,717,229</u>
Net change in fund balances	3,300	10,728,223	75,098,471	64,370,248
Fund balances beginning of year	<u>41,345,252</u>	<u>41,345,252</u>	<u>41,345,252</u>	-
Fund balances end of year	<u>\$ 41,348,552</u>	<u>\$ 52,073,475</u>	<u>\$ 116,443,723</u>	<u>\$ 64,370,248</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Combining Balance Sheet  
1990-2010 Measure I Special Revenue Fund  
June 30, 2014

	Valley Major Projects	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancement
<b>Assets</b>				
Cash and investments	\$ 23,187,416	\$ -	\$ 2,518,669	\$ 7,106,267
Accrued interest receivable	20,164	-	2,162	6,103
Deposit receivable	607	-	-	-
Total assets	<u>\$ 23,208,187</u>	<u>\$ -</u>	<u>\$ 2,520,831</u>	<u>\$ 7,112,370</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,449,499	\$ -	\$ -	\$ 29,558
Accrued liabilities	-	-	-	1,009
Intergovernmental payable	1,421,322	-	583,910	63,030
Total liabilities	2,870,821	-	583,910	93,597
<b>Fund balances</b>				
Restricted	20,337,366	-	1,936,921	7,018,773
Total liabilities and fund balances	<u>\$ 23,208,187</u>	<u>\$ -</u>	<u>\$ 2,520,831</u>	<u>\$ 7,112,370</u>

<u>Victor Valley Elderly &amp; Disabled Transit</u>	<u>Mountain Elderly &amp; Disabled Transit</u>	<u>North Desert Elderly &amp; Disabled Transit</u>	<u>Morongo Basin Elderly &amp; Disabled Transit</u>	<u>Colorado River Elderly &amp; Disabled Transit</u>	<u>Total 1990-2010 Measure I</u>
\$ 307,400	\$ 27,300	\$ 89,172	\$ 90	\$ 9,387	\$ 33,245,701
263	24	-	-	-	28,716
-	-	-	-	-	607
<u>\$ 307,663</u>	<u>\$ 27,324</u>	<u>\$ 89,172</u>	<u>\$ 90</u>	<u>\$ 9,387</u>	<u>\$ 33,275,024</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,479,057
-	-	-	-	-	1,009
-	-	-	-	-	2,068,262
-	-	-	-	-	3,548,328
<u>307,663</u>	<u>27,324</u>	<u>89,172</u>	<u>90</u>	<u>9,387</u>	<u>29,726,696</u>
<u>\$ 307,663</u>	<u>\$ 27,324</u>	<u>\$ 89,172</u>	<u>\$ 90</u>	<u>\$ 9,387</u>	<u>\$ 33,275,024</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, 2014

	Valley Major Projects	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancement
<b>Revenues</b>				
Investment earnings	\$ 141,541	\$ -	\$ 20,829	\$ 40,690
<b>Expenditures</b>				
Current:				
General-council of governments support	57,288	-	-	93,601
Air quality and traveler services	-	-	-	42,558
Regional and subregional planning	-	-	-	642,089
Transit and passenger rail	-	(156,705)	4,850,000	-
Major project delivery	6,282,138	-	-	223,034
Fund administration and programming	665,863	-	-	-
Total Expenditures	<u>7,005,289</u>	<u>(156,705)</u>	<u>4,850,000</u>	<u>1,001,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,863,748)</u>	<u>156,705</u>	<u>(4,829,171)</u>	<u>(960,592)</u>
<b>Other financing sources (uses)</b>				
Transfers out-2010-2040 Measure I Special Revenue Fund	-	(156,705)	-	(15,493)
Net change in fund balances	(6,863,748)	-	(4,829,171)	(976,085)
Fund balances beginning of year	<u>27,201,114</u>	<u>-</u>	<u>6,766,092</u>	<u>7,994,858</u>
Fund balances end of year	<u>\$ 20,337,366</u>	<u>\$ -</u>	<u>\$ 1,936,921</u>	<u>\$ 7,018,773</u>

<u>Victor Valley Elderly &amp; Disabled Transit</u>	<u>Mountain Elderly &amp; Disabled Transit</u>	<u>North Desert Elderly &amp; Disabled Transit</u>	<u>Morongo Basin Elderly &amp; Disabled Transit</u>	<u>Colorado River Elderly &amp; Disabled Transit</u>	<u>Total 1990-2010 Measure I</u>
\$ 1,273	\$ 146	\$ 231	\$ -	\$ -	\$ 204,710
-	-	-	-	-	150,889
-	-	-	-	-	42,558
-	-	-	-	-	642,089
-	-	-	-	-	4,693,295
-	-	-	-	-	6,505,172
-	-	-	-	-	665,863
-	-	-	-	-	12,699,866
<u>1,273</u>	<u>146</u>	<u>231</u>	<u>-</u>	<u>-</u>	<u>(12,495,156)</u>
-	-	-	-	-	(172,198)
<u>1,273</u>	<u>146</u>	<u>231</u>	<u>-</u>	<u>-</u>	<u>(12,667,354)</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>
<u>\$ 307,663</u>	<u>\$ 27,324</u>	<u>\$ 89,172</u>	<u>\$ 90</u>	<u>\$ 9,387</u>	<u>\$ 29,726,696</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Combining Balance Sheet  
2010-2040 Measure I Special Revenue Fund  
June 30, 2014

	Valley Freeway Projects	Valley Freeway Interchanges	Valley Major Street	Valley Local Street
<b>Assets</b>				
Cash and investments	\$ 25,524,982	\$ 11,678,401	\$ 30,899,857	\$ -
Accrued interest receivable	80,846	10,027	29,996	-
Accounts receivable	605	-	-	-
Sales taxes receivable	6,252,268	2,371,550	4,311,909	4,311,909
Due from other funds	68,495,416	-	-	-
Advances to other funds	-	-	-	110,498
Total assets	<u>\$ 100,354,117</u>	<u>\$ 14,059,978</u>	<u>\$ 35,241,762</u>	<u>\$ 4,422,407</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,945,492	\$ 97,080	\$ 95,405	\$ -
Accrued liabilities	9,791	-	-	-
Intergovernmental payable	18,042,481	4,045,881	10,839,160	4,422,407
Total liabilities	19,997,764	4,142,961	10,934,565	4,422,407
<b>Fund balances</b>				
Restricted	80,356,353	9,917,017	24,307,197	-
Total liabilities and fund balances	<u>\$ 100,354,117</u>	<u>\$ 14,059,978</u>	<u>\$ 35,241,762</u>	<u>\$ 4,422,407</u>

<u>Valley Metrolink/ Rail Service</u>	<u>Valley Express Bus/ Bus Rapid Transit Service</u>	<u>Valley Senior &amp; Disabled Transit</u>	<u>Valley Transportation Management Systems</u>	<u>Victor Valley Major Local Highway</u>	<u>Victor Valley Local Street</u>
\$ 15,084,666	\$ 5,321,247	\$ 9,277,476	\$ 6,854,534	\$ 11,413,116	\$ -
12,952	4,568	7,965	5,885	9,756	-
-	-	-	-	-	-
1,724,764	431,191	1,724,764	431,191	756,929	2,058,847
-	-	-	-	-	-
-	-	-	-	-	4,709,199
<u>\$ 16,822,382</u>	<u>\$ 5,757,006</u>	<u>\$ 11,010,205</u>	<u>\$ 7,291,610</u>	<u>\$ 12,179,801</u>	<u>\$ 6,768,046</u>
\$ 117,295	\$ -	\$ -	\$ 198,980	\$ 372,211	\$ -
-	-	-	5,436	-	-
<u>170,138</u>	<u>-</u>	<u>250,000</u>	<u>395</u>	<u>-</u>	<u>6,768,046</u>
287,433	-	250,000	204,811	372,211	6,768,046
<u>16,534,949</u>	<u>5,757,006</u>	<u>10,760,205</u>	<u>7,086,799</u>	<u>11,807,590</u>	<u>-</u>
<u>\$ 16,822,382</u>	<u>\$ 5,757,006</u>	<u>\$ 11,010,205</u>	<u>\$ 7,291,610</u>	<u>\$ 12,179,801</u>	<u>\$ 6,768,046</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Combining Balance Sheet  
2010-2040 Measure I Special Revenue Fund  
June 30, 2014

	Victor Valley Senior & Disabled Transit	Victor Valley Project Development/ Traffic Management	North Desert Major Local Highway	North Desert Local Street
<b>Assets</b>				
Cash and investments	\$ 459,659	\$ 912,660	\$ 2,862,332	\$ -
Accrued interest receivable	394	784	2,457	-
Accounts receivable	-	-	-	-
Sales taxes receivable	151,386	60,554	222,834	606,108
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 611,439</u>	<u>\$ 973,998</u>	<u>\$ 3,087,623</u>	<u>\$ 606,108</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 5,067	\$ 168,444	\$ -
Accrued liabilities	-	-	36	-
Intergovernmental payable	-	7,221	-	606,108
Total liabilities	-	12,288	168,480	606,108
<b>Fund balances</b>				
Restricted	<u>611,439</u>	<u>961,710</u>	<u>2,919,143</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 611,439</u>	<u>\$ 973,998</u>	<u>\$ 3,087,623</u>	<u>\$ 606,108</u>

<u>North Desert Senior &amp; 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 &amp; Disabled Transit</u>	<u>Colorado River Project Development/ Traffic Management</u>
\$ 723,704	\$ 417,917	\$ 154,096	\$ -	\$ 6,302	\$ 16,680
622	357	132	-	4	15
-	-	-	-	-	-
44,567	17,827	10,553	28,703	2,111	844
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 768,893</u>	<u>\$ 436,101</u>	<u>\$ 164,781</u>	<u>\$ 28,703</u>	<u>\$ 8,417</u>	<u>\$ 17,539</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>278,500</u>	-	-	<u>28,703</u>	-	-
278,500	-	-	28,703	-	-
<u>490,393</u>	<u>436,101</u>	<u>164,781</u>	<u>-</u>	<u>8,417</u>	<u>17,539</u>
<u>\$ 768,893</u>	<u>\$ 436,101</u>	<u>\$ 164,781</u>	<u>\$ 28,703</u>	<u>\$ 8,417</u>	<u>\$ 17,539</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Combining Balance Sheet  
2010-2040 Measure I Special Revenue Fund  
June 30, 2014

	<u>Morongo Basin Major Local Highway</u>	<u>Morongo Basin Local Street</u>	<u>Morongo Basin Senior &amp; Disabled Transit</u>	<u>Morongo Basin Project Development/ Traffic Management</u>
<b>Assets</b>				
Cash and investments	\$ 1,188,966	\$ -	\$ 5,513	\$ 113,161
Accrued interest receivable	1,022	-	5	97
Accounts receivable	-	-	-	-
Sales taxes receivable	99,426	270,439	19,885	7,954
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 1,289,414</u>	<u>\$ 270,439</u>	<u>\$ 25,403</u>	<u>\$ 121,212</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,598
Accrued liabilities	-	-	-	-
Intergovernmental payable	-	270,439	-	8,446
Total liabilities	-	270,439	-	12,044
<b>Fund balances</b>				
Restricted	<u>1,289,414</u>	<u>-</u>	<u>25,403</u>	<u>109,168</u>
Total liabilities and fund balances	<u>\$ 1,289,414</u>	<u>\$ 270,439</u>	<u>\$ 25,403</u>	<u>\$ 121,212</u>

<u>Mountain Major Local Highway</u>	<u>Mountain Local Street</u>	<u>Mountain Senior &amp; Disabled Transit</u>	<u>Mountain Project Development/ Traffic Management</u>	<u>Cajon Pass</u>	<u>Total 2010-2040 Measure I</u>
\$ 635,205	\$ -	\$ 61,837	\$ 147,083	\$ 5,272,142	\$ 129,031,536
546	-	52	127	4,526	173,135
-	-	-	-	-	605
83,229	226,384	16,646	6,658	760,431	27,011,861
-	-	-	-	-	68,495,416
-	-	-	-	-	4,819,697
<u>\$ 718,980</u>	<u>\$ 226,384</u>	<u>\$ 78,535</u>	<u>\$ 153,868</u>	<u>\$ 6,037,099</u>	<u>\$ 229,532,250</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,003,572
-	-	-	-	-	15,263
-	226,384	-	-	-	45,964,309
-	226,384	-	-	-	48,983,144
<u>718,980</u>	<u>-</u>	<u>78,535</u>	<u>153,868</u>	<u>6,037,099</u>	<u>180,549,106</u>
<u>\$ 718,980</u>	<u>\$ 226,384</u>	<u>\$ 78,535</u>	<u>\$ 153,868</u>	<u>\$ 6,037,099</u>	<u>\$ 229,532,250</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, 2014

	Valley Freeway Projects	Valley Freeway Interchanges	Valley Major Street	Valley Local Street
<b>Revenues</b>				
Sales tax-Measure I <sup>(1)</sup>	\$ 33,171,901	\$ 12,582,445	\$ 22,877,173	\$ 22,877,173
Investment earnings	454,469	60,932	190,319	-
Total Revenues	<u>33,626,370</u>	<u>12,643,377</u>	<u>23,067,492</u>	<u>22,877,173</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	398,503	-	-	-
Air quality and traveler services	-	-	-	-
Transportation planning and programming	-	-	-	-
Transit and passenger rail	-	-	-	-
Major project delivery <sup>(2)</sup>	22,950,306	(268,559)	458,938	-
Fund administration and programming	-	6,072,317	15,552,428	22,877,173
Capital outlay	-	12,846	-	-
Total Expenditures	<u>23,348,809</u>	<u>5,816,604</u>	<u>16,011,366</u>	<u>22,877,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,277,561</u>	<u>6,826,773</u>	<u>7,056,126</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in:				
2010-2040 Measure I Special Revenue Fund	-	-	1,034,068	-
Capital Projects Fund	-	-	80,273	-
Transfers out:				
Debt Service Fund	-	-	(1,703,757)	-
Capital Projects Fund	-	(2,140,122)	(3,837,965)	-
Total other financing sources (uses)	<u>-</u>	<u>(2,140,122)</u>	<u>(4,427,381)</u>	<u>-</u>
Net change in fund balances	10,277,561	4,686,651	2,628,745	-
Fund balances beginning of year	<u>70,078,792</u>	<u>5,230,366</u>	<u>21,678,452</u>	<u>-</u>
Fund balances end of year	<u>\$ 80,356,353</u>	<u>\$ 9,917,017</u>	<u>\$ 24,307,197</u>	<u>\$ -</u>

<sup>(1)</sup> Total sales tax-Measure I of \$145,407,342 less 1% of \$1,454,073 for Measure I administration accounted for in the General Fund (page 22)

<sup>(2)</sup> Valley freeway interchanges Cajon Pass funds shows negative expenditure for major project delivery program due to prior year reversal exceeding current year expenditures.

<u>Valley Metrolink/ Rail Service</u>	<u>Valley Express Bus/ Bus Rapid Transit Service</u>	<u>Valley Senior &amp; Disabled Transit</u>	<u>Valley Transportation Management Systems</u>	<u>Victor Valley Major Local Highway</u>	<u>Victor Valley Local Street</u>
\$ 9,150,869	\$ 2,287,717	\$ 9,150,869	\$ 2,287,717	\$ 3,959,872	\$ 10,770,851
71,588	24,809	39,532	33,497	60,626	-
<u>9,222,457</u>	<u>2,312,526</u>	<u>9,190,401</u>	<u>2,321,214</u>	<u>4,020,498</u>	<u>10,770,851</u>
45,581	-	-	-	-	-
-	-	-	540,970	-	-
-	-	-	-	-	-
611,304	154,154	2,507,978	-	-	-
-	-	-	-	-	-
-	-	-	-	1,442,984	10,770,851
-	-	-	-	-	-
<u>656,885</u>	<u>154,154</u>	<u>2,507,978</u>	<u>540,970</u>	<u>1,442,984</u>	<u>10,770,851</u>
<u>8,565,572</u>	<u>2,158,372</u>	<u>6,682,423</u>	<u>1,780,244</u>	<u>2,577,514</u>	<u>-</u>
156,705	-	-	-	50,805	-
-	-	-	-	(895,605)	-
(2,407,637)	-	-	-	(537,100)	-
<u>(2,250,932)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,381,900)</u>	<u>-</u>
6,314,640	2,158,372	6,682,423	1,780,244	1,195,614	-
10,220,309	3,598,634	4,077,782	5,306,555	10,611,976	-
<u>\$ 16,534,949</u>	<u>\$ 5,757,006</u>	<u>\$ 10,760,205</u>	<u>\$ 7,086,799</u>	<u>\$ 11,807,590</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, 2014

	Victor Valley Senior & Disabled Transit	Victor Valley Project Development Traffic/ Management	North Desert Major Local Highway	North Desert Local Street
<b>Revenues</b>				
Sales tax-Measure I <sup>(1)</sup>	\$ 791,974	\$ 316,790	\$ 1,402,266	\$ 3,814,163
Investment earnings	2,706	4,678	16,169	-
Total Revenues	<u>794,680</u>	<u>321,468</u>	<u>1,418,435</u>	<u>3,814,163</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	-	-	-	-
Air quality and traveler services	-	2,387	-	-
Transportation planning and programming	-	-	-	-
Transit and passenger rail	682,310	76,813	-	-
Major project delivery <sup>(2)</sup>	-	34,675	1,864,126	-
Fund administration and programming	-	-	-	3,814,163
Capital outlay	-	-	-	-
Total Expenditures	<u>682,310</u>	<u>113,875</u>	<u>1,864,126</u>	<u>3,814,163</u>
Excess (deficiency) of revenues over (under) expenditures	<u>112,370</u>	<u>207,593</u>	<u>(445,691)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in:				
2010-2040 Measure I Special Revenue Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Transfers out:				
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	112,370	207,593	(445,691)	-
Fund balances beginning of year	<u>499,069</u>	<u>754,117</u>	<u>3,364,834</u>	<u>-</u>
Fund balances end of year	<u>\$ 611,439</u>	<u>\$ 961,710</u>	<u>\$ 2,919,143</u>	<u>\$ -</u>

<sup>(1)</sup> Total sales tax-Measure I of \$145,407,342 less 1% of \$1,454,073 for Measure I administration accounted for in the General Fund (page 22)

<sup>(2)</sup> Valley freeway interchanges Cajon Pass funds shows negative expenditure for major project delivery program due to prior year reversal exceeding current year expenditures.

<u>North Desert Senior &amp; 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 &amp; Disabled Transit</u>	<u>Colorado River Project Development Traffic/ Management</u>
\$ 280,453	\$ 112,181	\$ 52,767	\$ 143,525	\$ 10,553	\$ 4,221
3,503	2,089	829	-	51	82
<u>283,956</u>	<u>114,270</u>	<u>53,596</u>	<u>143,525</u>	<u>10,604</u>	<u>4,303</u>
-	-	-	-	-	-
278,500	-	-	-	-	-
-	-	-	-	-	-
-	20,419	-	-	11,000	-
-	-	-	-	-	-
-	-	54,256	143,525	-	-
-	-	-	-	-	-
<u>278,500</u>	<u>20,419</u>	<u>54,256</u>	<u>143,525</u>	<u>11,000</u>	<u>-</u>
<u>5,456</u>	<u>93,851</u>	<u>(660)</u>	<u>-</u>	<u>(396)</u>	<u>4,303</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,456	93,851	(660)	-	(396)	4,303
484,937	342,250	165,441	-	8,813	13,236
<u>\$ 490,393</u>	<u>\$ 436,101</u>	<u>\$ 164,781</u>	<u>\$ -</u>	<u>\$ 8,417</u>	<u>\$ 17,539</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, 2014

	Morongo Basin Major Local Highway	Morongo Basin Local Street	Morongo Basin Senior & Disabled Transit	Morongo Basin Project Development Traffic/ Management
<b>Revenues</b>				
Sales tax-Measure I <sup>(1)</sup>	\$ 516,168	\$ 1,403,977	\$ 103,234	\$ 41,293
Investment earnings	6,546	-	28	631
Total Revenues	<u>522,714</u>	<u>1,403,977</u>	<u>103,262</u>	<u>41,924</u>
<b>Expenditures</b>				
Current:				
General-council of governments support	-	-	-	-
Air quality and traveler services	-	-	-	-
Regional and subregional planning	-	-	-	34,832
Transit and passenger rail	-	-	104,268	-
Major project delivery <sup>(2)</sup>	-	-	-	-
Fund administration and programming	187,840	1,403,977	-	26,042
Capital outlay	-	-	-	-
Total Expenditures	<u>187,840</u>	<u>1,403,977</u>	<u>104,268</u>	<u>60,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>334,874</u>	<u>-</u>	<u>(1,006)</u>	<u>(18,950)</u>
<b>Other financing sources (uses)</b>				
Transfers in:				
2010-2040 Measure I Special Revenue Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Transfers out:				
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	334,874	-	(1,006)	(18,950)
Fund balances beginning of year	954,540	-	26,409	128,118
Fund balances end of year	<u>\$ 1,289,414</u>	<u>\$ -</u>	<u>\$ 25,403</u>	<u>\$ 109,168</u>

<sup>(1)</sup> Total sales tax-Measure I of \$145,407,342 less 1% of \$1,454,073 for Measure I administration accounted for in the General Fund (page 22)

<sup>(2)</sup> Valley freeway interchanges Cajon Pass funds shows negative expenditure for major project delivery program due to prior year reversal exceeding current year expenditures.

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
\$ 453,882	\$ 1,234,560	\$ 90,776	\$ 36,311	\$ 4,027,588	\$ 143,953,269
4,686	-	339	724	38,216	1,017,049
<u>458,568</u>	<u>1,234,560</u>	<u>91,115</u>	<u>37,035</u>	<u>4,065,804</u>	<u>144,970,318</u>
-	-	-	-	-	444,084
-	-	-	-	-	821,857
-	-	-	-	-	34,832
-	-	95,181	-	-	4,263,427
-	-	-	-	(22,490)	25,016,996
286,345	1,234,560	-	-	-	63,866,461
-	-	-	-	-	12,846
<u>286,345</u>	<u>1,234,560</u>	<u>95,181</u>	<u>-</u>	<u>(22,490)</u>	<u>94,460,503</u>
<u>172,223</u>	<u>-</u>	<u>(4,066)</u>	<u>37,035</u>	<u>4,088,294</u>	<u>50,509,815</u>
-	-	-	-	-	1,241,578
-	-	-	-	-	80,273
-	-	-	-	(1,566,297)	(4,165,659)
-	-	-	-	(1,787,410)	(10,710,234)
-	-	-	-	(3,353,707)	(13,554,042)
172,223	-	(4,066)	37,035	734,587	36,955,773
546,757	-	82,601	116,833	5,302,512	143,593,333
<u>\$ 718,980</u>	<u>\$ -</u>	<u>\$ 78,535</u>	<u>\$ 153,868</u>	<u>\$ 6,037,099</u>	<u>\$ 180,549,106</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
 Combining Balance Sheet  
 Debt Service Fund  
 June 30, 2014

	Sales Tax Revenue Bond 2012A	Sales Tax Revenue Bond 2014A	Total Debt Service
<b>Assets</b>			
Cash and investments-restricted	\$ 1,387,786	\$ 10,700,611	\$ 12,088,397
<b>Fund balances</b>			
Restricted	\$ 1,387,786	\$ 10,700,611	\$ 12,088,397
Total liabilities and fund balances	\$ 1,387,786	\$ 10,700,611	\$ 12,088,397

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Debt Service Fund  
For the Year Ended June 30, 2014

	Sales Tax Revenue Bond 2012A	Sales Tax Revenue Bond 2014A	Total Debt Service
<b>Revenues</b>			
Investment earnings	\$ 1	\$ -	\$ 1
<b>Expenditures</b>			
Debt service:			
Interest	4,163,338	-	4,163,338
Fiscal and issuance costs	2,324	-	2,324
Total Expenditures	4,165,662	-	4,165,662
Excess (deficiency) of revenues over (under) expenditures	(4,165,661)	-	(4,165,661)
<b>Other financing sources</b>			
Premium on sales tax revenue bonds issued	-	10,700,611	10,700,611
Transfers in-2010-2014 Measure I Special Revenue Fund	4,165,659	-	4,165,659
Total other financing sources	4,165,659	10,700,611	14,866,270
Net change in fund balances	(2)	10,700,611	10,700,609
Fund balances beginning of year	1,387,788	-	1,387,788
Fund balances end of year	\$ 1,387,786	\$ 10,700,611	\$ 12,088,397

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Combining Balance Sheet

Capital Projects Fund

June 30, 2014

	Local Projects	Transit Center Project	Valley		Valley Freeway Interchange Bond	Valley		Valley Metrolink/Rail Bond	Victor Valley		Cajon Pass Bond	Total Capital Projects
			Major Street Bond	Major Street Bond		Major Highway Bond	Major Highway Bond					
<b>Assets</b>												
Cash and investments	\$ -	\$ -	\$ -	\$ 1,874,061	\$ -	\$ 1,637,367	\$ 2,787,950	\$ 85,569	\$ 6,384,947			
Accrued interest receivable	4	-	-	-	-	-	-	-	-			
Accounts receivable	3,723,510	150	-	-	-	-	-	1,020	3,724,680			
Intergovernmental receivable	25,418,333	1,106,207	-	-	-	-	-	-	26,524,540			
Deposit receivable	134,196	-	-	-	-	-	-	-	134,196			
Loans receivable	16,123,832	-	-	7,755,000	-	-	-	-	23,878,832			
Cash and investments-restricted	-	-	21,864,266	42,970,526	-	24,597,713	16,587,415	23,549,032	129,568,952			
Total assets	\$ 45,399,875	\$ 1,106,357	\$ 21,864,266	\$ 52,599,587	\$ 21,864,266	\$ 26,235,080	\$ 19,375,365	\$ 23,635,621	\$ 190,216,151			
<b>Liabilities</b>												
Accounts payable	\$ 2,790,265	\$ 259,580	\$ 1,348,860	\$ 389,485	\$ 623,376	\$ 155,521	\$ 479,002	\$ 6,046,089				
Accrued liabilities	1,433	-	8,014	5,799	-	2,165	-	17,411				
Intergovernmental payable	532,748	19,252	3,574,011	8,579,508	-	4,939,211	73,437	17,718,167				
Due to other funds	19,076,825	827,525	3,078,090	-	-	-	-	22,982,440				
Advances from other funds	4,819,697	-	-	-	-	-	-	4,819,697				
Unearned revenue	1,918,490	-	-	-	-	-	-	1,918,490				
Total liabilities	\$ 29,139,458	\$ 1,106,357	\$ 8,008,975	\$ 8,974,792	\$ 623,376	\$ 5,096,897	\$ 552,439	\$ 53,502,294				
<b>Deferred inflows of resources</b>												
Unavailable grant and local reimbursements	20,270,134	-	-	-	-	-	-	-	20,270,134			
<b>Fund balances (deficits)</b>												
Restricted	-	-	13,855,291	43,624,795	25,611,704	14,278,468	23,083,182	120,453,440				
Unassigned	(4,009,717)	-	-	-	-	-	-	(4,009,717)				
Total fund balances (deficits)	(4,009,717)	-	13,855,291	43,624,795	25,611,704	14,278,468	23,083,182	116,443,723				
Total liabilities, deferred inflows of resources and fund balances	\$ 45,399,875	\$ 1,106,357	\$ 21,864,266	\$ 52,599,587	\$ 26,235,080	\$ 19,375,365	\$ 23,635,621	\$ 190,216,151				

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Capital Projects Fund  
 For the Year Ended June 30, 2014

	Local Projects	Transit Center Project	Valley Freeway Interchanges Bond	Valley Major Street Bond	Valley Metrolink/Rail Bond	Victor Valley Major Local Highway Bond	Cajon Pass Bond	Total Capital Projects
<b>Revenues</b>								
Intergovernmental	\$ 23,415,406	\$ 1,300,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,715,647
Investment earnings	88	-	-	12	-	6	11	117
Total revenues	23,415,494	1,300,241	-	12	-	6	11	24,715,764
<b>Expenditures</b>								
Current:								
General-council of governments support	-	-	137,971	243,504	138,455	39,737	121,531	681,198
Regional and subregional planning	29,626	-	-	-	-	-	-	29,626
Transit and passenger rail	792,710	1,300,241	-	-	1,380,361	-	-	3,473,312
Major project delivery	23,886,690	-	10,122,756	16,772,848	-	1,741,741	9,068,983	61,593,018
Fund administration and programming	-	-	-	-	-	4,875,570	-	4,875,570
Debt service-fiscal and issuance costs	-	-	51,104	91,553	57,492	12,776	42,595	255,520
Total expenditures	24,709,026	1,300,241	10,311,831	17,107,905	1,576,308	6,669,824	9,233,109	70,908,244
Excess (deficiency) of revenues over (under) expenditures	(1,293,532)	-	(10,311,831)	(17,107,893)	(1,576,308)	(6,669,818)	(9,233,098)	(46,192,480)
<b>Other Financing Sources (Uses)</b>								
Transfers in:								
Special Revenue Fund	-	-	-	580,732	-	1,152,069	3,619	1,736,420
2010-2040 Measure I Special Revenue Fund	-	-	2,140,122	3,834,029	2,407,637	535,031	1,783,792	10,700,611
Capital Projects Fund	-	-	-	49,019	-	-	-	49,019
Transfers out:								
Special Revenue Fund	(80,273)	-	-	-	-	-	-	(80,273)
2010-2040 Measure I Special Revenue Fund	(50,805)	-	-	-	-	-	-	(50,805)
Capital Projects Fund	(1,199,021)	-	-	-	-	-	-	(1,199,021)
Sales tax revenue bonds issued	-	-	22,027,000	39,461,370	24,780,375	5,506,750	18,359,505	110,135,000
Total other financing sources (uses)	(1,330,099)	-	24,167,122	43,925,150	27,188,012	7,193,850	20,146,916	121,290,951
Net change in fund balances	(2,623,631)	-	13,855,291	26,817,257	25,611,704	524,032	10,913,818	75,098,471
Fund balances (deficits) beginning of year	(1,386,086)	-	-	16,807,538	-	13,754,436	12,169,364	41,345,252
Fund balances (deficits) end of year	\$ (4,009,717)	\$ -	\$ 13,855,291	\$ 43,624,795	\$ 25,611,704	\$ 14,278,468	\$ 23,083,182	\$ 116,443,723



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

## Statistical Section

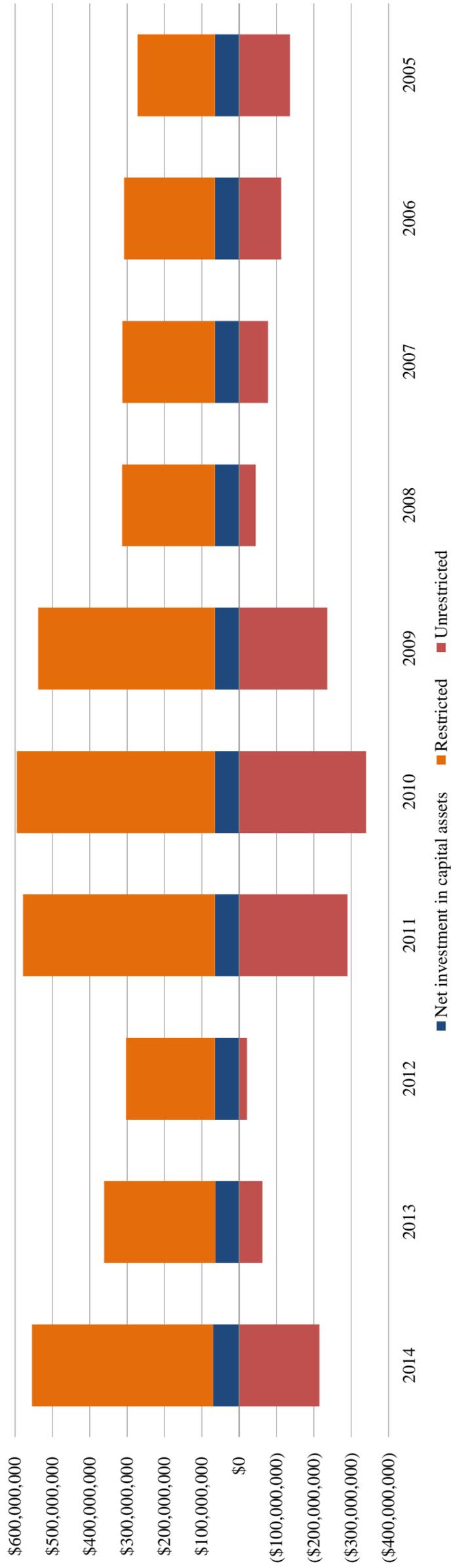
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*This part of the San Bernardino Associated Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary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

	<u>Page No.</u>
<b><i>Financial Trends</i></b>	
These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	100
<b><i>Revenue Capacity</i></b>	
These schedules contain information to help the reader assess the Agency's significant local revenue source, the Measure I sales tax.	102
<b><i>Debt Capacity</i></b>	
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.	110
<b><i>Demographic and Economic Information</i></b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place.	112
<b><i>Operating Information</i></b>	
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.	114

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
 Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental activities</b>										
Net investment in capital assets	\$ 68,787,689	\$ 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
Restricted	486,271,129	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
Unrestricted	(215,122,515)	(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)
Total governmental activities net position	<u>\$ 339,936,303</u>	<u>\$ 299,346,123</u>	<u>\$ 281,780,601</u>	<u>\$ 288,396,062</u>	<u>\$ 255,147,122</u>	<u>\$ 302,230,088</u>	<u>\$ 268,516,374</u>	<u>\$ 235,080,709</u>	<u>\$ 195,063,187</u>	<u>\$ 135,712,892</u>



SAN BERNARDINO ASSOCIATED GOVERNMENTS

Changes in Net Position  
Last Ten Fiscal Years <sup>(1)</sup>  
(accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities:										
General-council of governments support	\$ 3,825,691	\$ 2,634,953	\$ 1,919,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Air quality and traveler services	5,626,177	8,720,281	16,561,711	-	-	-	-	-	-	-
Regional and subregional planning	1,810,171	1,723,173	6,027,692	-	-	-	-	-	-	-
Transit and passenger rail	39,297,811	48,249,719	32,939,430	-	-	-	-	-	-	-
Major project delivery	198,290,514	236,573,382	165,717,535	-	-	-	-	-	-	-
Fund administration and programming	137,111,875	113,211,850	142,700,712	-	-	-	-	-	-	-
Interest expense	4,857,250	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
Fiscal and issuance costs	257,844	-	-	-	-	-	-	-	-	-
General government	-	-	-	21,251,548	16,457,877	23,556,849	18,323,011	24,669,999	10,232,248	8,848,350
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
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
Professional services	-	-	-	59,625,947	43,945,405	35,646,622	29,739,891	27,372,002	24,791,741	19,167,437
Management and technical services	-	-	-	39,979	130,958	142,019	169,884	193,773	186,542	210,115
Highways	-	-	-	62,410,680	42,335,579	26,356,468	46,850,413	81,193,204	77,867,274	44,531,970
Total governmental activities expenses	391,077,333	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
<b>Program revenues</b>										
Government activities:										
Charges for services:										
General-council of governments support	612,541	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
Professional services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	204,806,040	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
Total governmental activities program revenues	205,418,581	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
<b>Net (expense) revenue</b>										
Governmental activities	(185,658,752)	(199,322,124)	(211,287,617)	(93,778,650)	(116,238,469)	(87,496,756)	(117,013,583)	(117,881,639)	(95,652,105)	(79,452,520)
<b>General revenues</b>										
Sales tax-Measure I	145,407,342	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
Sales tax-local transportation fund	79,559,209	75,100,102	71,168,436	-	-	-	-	-	-	-
Unrestricted investment earnings	165,733	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
Gain (loss) on disposal of capital assets	-	-	-	-	(75,000)	2,706	(555)	33,654	228,460	523,593
Miscellaneous	1,116,648	479,987	903,880	-	-	-	-	-	-	-
Total governmental activities general revenues	226,248,932	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

(Continued)

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Changes in Net Position

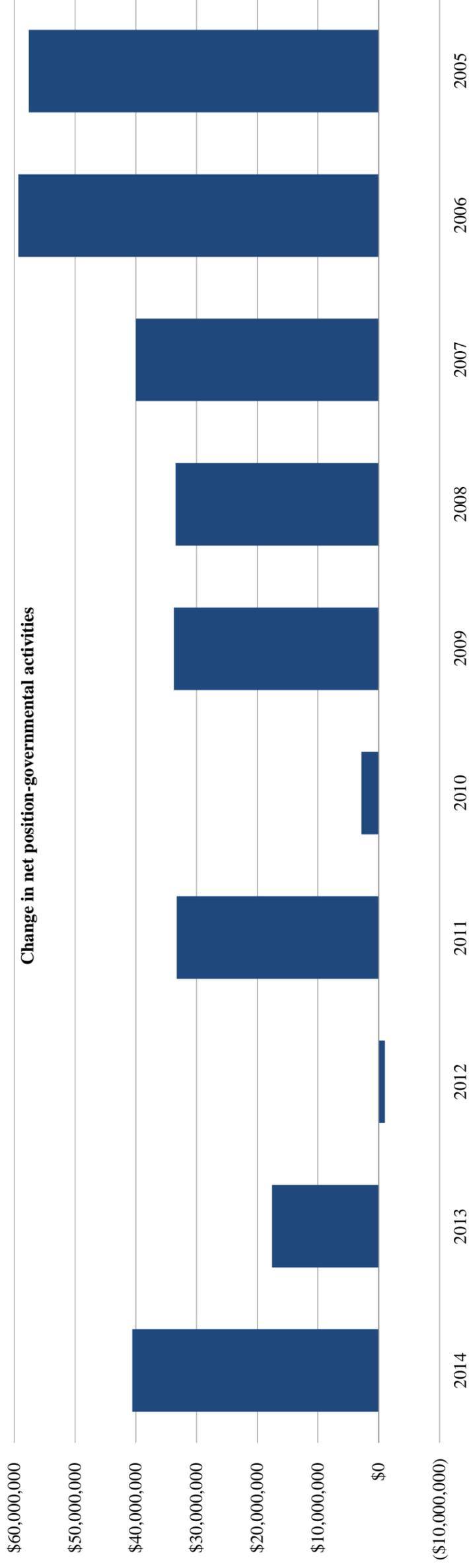
Last Ten Fiscal Years <sup>(1)</sup>

(accrual basis of accounting)

(Continued)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Change in net position</b>										
Governmental activities	\$ 40,590,180	\$ 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

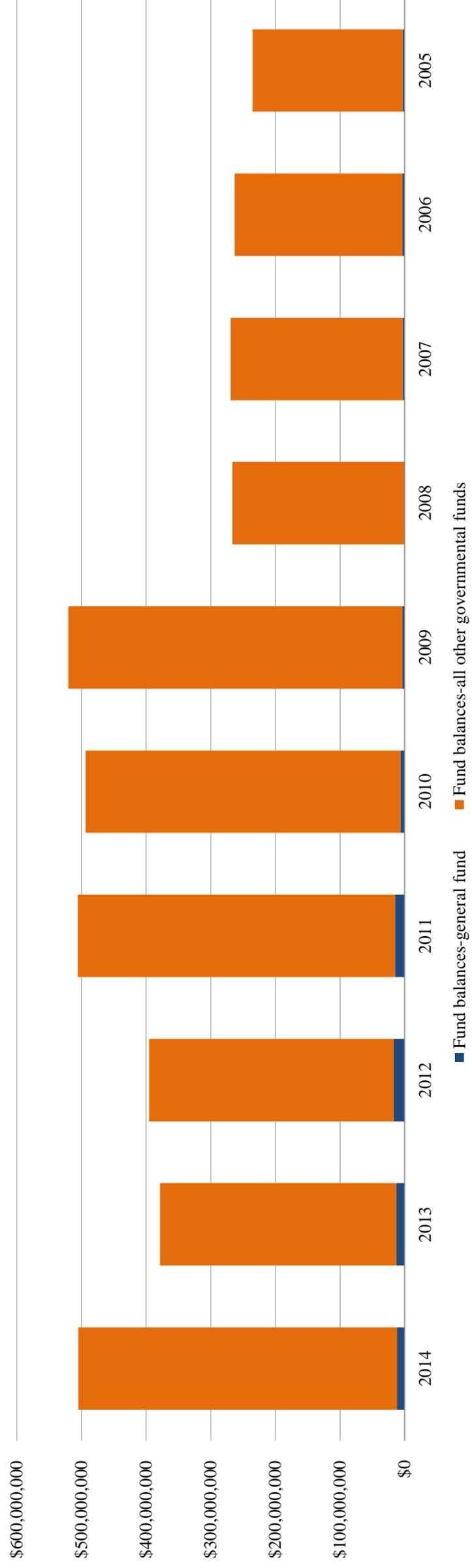
<sup>(1)</sup>The Agency implemented new fund accounting/financial software in 2012 which provides a different classification of expenses in fiscal year 2012 in comparison to prior fiscal years. Sales tax-Local Transportation Fund revenue was reclassified as general revenue in fiscal year 2012. Previously, 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 program-charges for services for the years 2005-2011. Fiscal years 2005-2011 were not revised to reflect the classification changes in 2012.



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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General fund</b>										
Nonspendable	\$ 182,068	\$ 173,867	\$ 149,194	\$ 129,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	22,211	24,425	99,367	-	-	-	-	-	-	-
Assigned	11,283,052	12,819,740	16,380,791	14,735,595	-	-	-	-	-	-
Reserved	-	-	-	-	3,542,942	570,067	124,535	182,722	171,144	238,930
Unreserved	-	-	-	-	3,038,603	2,797,428	(461,007)	3,051,576	3,324,506	2,613,064
<b>Total general fund</b>	<b>\$ 11,487,331</b>	<b>\$ 13,018,032</b>	<b>\$ 16,629,352</b>	<b>\$ 14,865,412</b>	<b>\$ 6,581,545</b>	<b>\$ 3,367,495</b>	<b>\$ (336,472)</b>	<b>\$ 3,234,298</b>	<b>\$ 3,495,650</b>	<b>\$ 2,851,994</b>
<b>All other governmental funds</b>										
Restricted	\$ 508,391,977	\$ 383,102,734	\$ 386,189,494	\$ 526,372,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	6,055,340	-	-	-	-	-	-
Unassigned	(15,058,847)	(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
Unreserved	-	-	-	-	317,402,754	382,415,703	216,382,442	236,246,270	230,812,426	211,335,690
<b>Total all other governmental funds</b>	<b>\$ 493,333,130</b>	<b>\$ 365,577,963</b>	<b>\$ 378,707,130</b>	<b>\$ 490,843,815</b>	<b>\$ 486,916,452</b>	<b>\$ 516,902,252</b>	<b>\$ 266,642,497</b>	<b>\$ 266,033,386</b>	<b>\$ 259,479,115</b>	<b>\$ 232,313,265</b>

<sup>(1)</sup> 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 <sup>(1)</sup>  
 (modified accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
Sales tax-Measure I	\$ 145,407,342	\$ 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
Sales tax-local transportation fund	79,559,209	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
Intergovernmental	173,396,397	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
Charges for services	483,490	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
Special assessments	129,051	135,849	129,374	-	-	-	-	-	-	-
Investment earnings	165,733	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
Miscellaneous	1,075,059	479,987	903,880	16,954,928	1,005,402	2,868,225	121,748	90,648	116,797	940,204
Other local revenue	-	-	-	22,331,039	19,619,658	13,758,271	1,449,777	2,823,249	2,710,654	3,353,696
<b>Total revenues</b>	<b>400,216,281</b>	<b>411,002,063</b>	<b>365,617,091</b>	<b>305,464,887</b>	<b>252,135,160</b>	<b>243,067,522</b>	<b>286,714,811</b>	<b>307,127,217</b>	<b>310,663,223</b>	<b>252,208,437</b>
<b>Expenditures</b>										
Current:										
General-council of governments support	3,479,317	2,188,545	1,880,626	-	-	-	-	-	-	-
Air quality and traveler services	5,626,177	8,720,281	16,561,711	-	-	-	-	-	-	-
Regional and subregional planning	1,810,171	1,723,173	6,027,692	-	-	-	-	-	-	-
Transit and passenger rail	39,297,811	48,249,719	32,939,430	-	-	-	-	-	-	-
Major project delivery	198,290,514	236,573,382	167,055,911	-	-	-	-	-	-	-
Fund administration programming	136,900,621	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
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
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
Professional services	-	-	-	59,625,947	43,945,405	35,646,622	29,739,891	27,372,002	24,793,497	19,165,686
Management and technical services	-	-	-	39,979	130,958	142,019	169,884	193,773	186,542	210,113
Highways	-	-	-	62,410,680	42,335,579	26,356,468	46,850,413	81,193,204	77,972,378	44,531,245
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
Interest	4,163,338	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
Fiscal and issuance costs	257,844	-	10	-	682,564	1,227,158	15,121	15,427	252,018	784,658
Capital outlay	5,001,633	60,607	73,818	699,319	350,979	98,159	363,263	57,576	111,725	1,726,560
<b>Total expenditures</b>	<b>394,827,426</b>	<b>427,742,550</b>	<b>611,636,700</b>	<b>293,218,657</b>	<b>278,856,910</b>	<b>249,476,720</b>	<b>289,676,470</b>	<b>300,885,098</b>	<b>282,846,574</b>	<b>229,390,001</b>
Excess (deficiency) of revenues over (under) expenditures	5,388,855	(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

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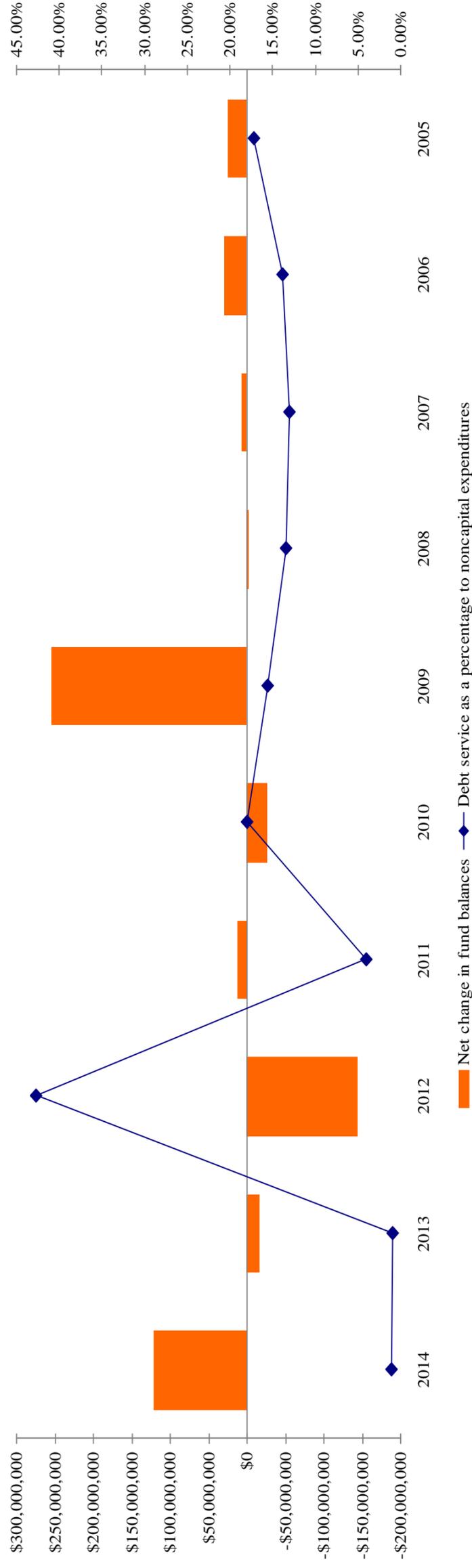
SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years <sup>(1)</sup>  
(modified accrual basis of accounting)

(Continued)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Other Financing Sources (Uses):</b>										
Transfers in	43,369,783	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
Transfers out	(43,369,783)	(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)
Sales tax revenue notes issued	-	-	-	-	-	250,000,000	-	-	-	-
Premium on sales tax revenue notes issued	-	-	-	-	-	10,474,214	-	-	-	-
Sales tax revenue bonds issued	110,135,000	-	91,880,000	-	-	-	-	-	-	-
Premium on sales tax revenue bonds issued	10,700,611	-	9,042,588	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	2,706	-	87,800	240,315	597,512
Total other financing sources (uses)	120,835,611	-	100,922,588	(35,000)	(50,000)	260,372,920	-	50,800	(7,143)	597,512
Net change in fund balances	126,224,466	(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
Fund balances beginning 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
Prior period and accounting change adjustments	-	-	34,724,276	-	-	-	-	-	-	-
Fund balances beginning of year as restated	378,595,995	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
Fund balances end of year	\$ 504,820,461	\$ 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
Debt service as a percentage of noncapital expenditures <sup>(2)</sup>	1.07%	0.90%	42.75%	3.97%	18.05%	15.62%	13.49%	12.99%	13.80%	17.17%

<sup>(1)</sup> 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 2005-2011 were not revised to reflect the classification changes.

<sup>(2)</sup> Debt service reflects principal and interest.

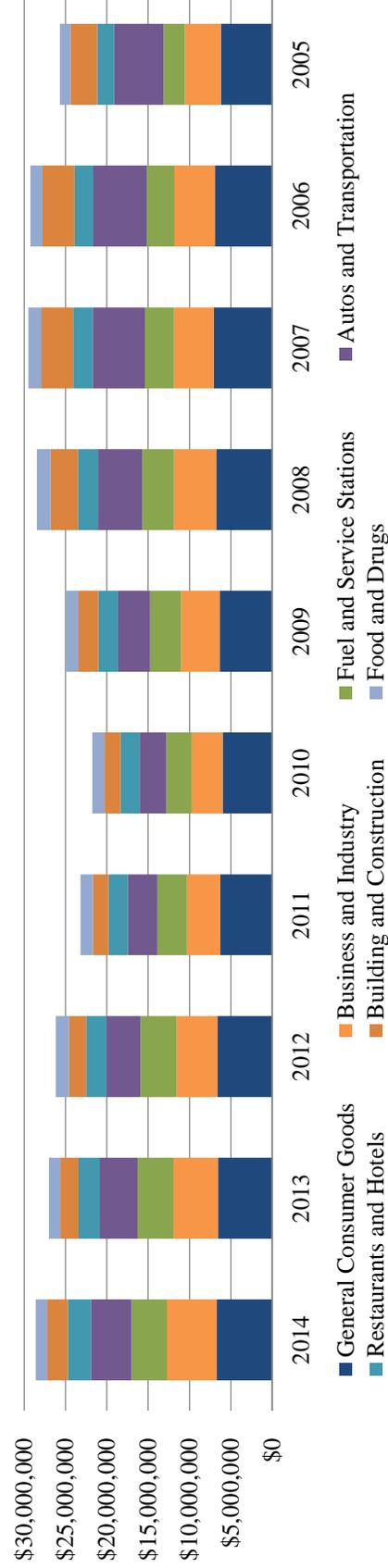


**SAN BERNARDINO ASSOCIATED GOVERNMENTS**  
 County of San Bernardino Taxable Sales by Business Group <sup>(1)</sup>  
 Last Ten Fiscal Years  
 (In Thousands)

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
2014	\$ 6,702,525	\$ 6,020,854	\$ 4,285,736	\$ 4,935,894	\$ 2,780,587	\$ 2,486,172	\$ 1,371,210	\$ 28,582,978
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

<sup>(1)</sup> 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 <sup>(1)</sup>	County of San Bernardino <sup>(2)</sup>
2014	0.50%	8.00%
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%

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 .25%.

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	2014			2005		
	Taxable Sales	Rank	Percentage of Total Taxable Sales	Taxable Sales	Rank	Percentage of Total Taxable Sales
Service stations	\$ 3,794,699	1	13.28%	\$ 2,320,258	2	9.03%
New motor vehicle dealers	2,837,593	2	9.93%	3,028,835	1	11.79%
Discount department stores	2,154,763	3	7.54%	1,855,164	3	7.22%
Quick service restaurants	1,438,373	4	5.03%	1,112,699	6	4.33%
Lumber/building materials	1,280,655	5	4.48%	1,662,252	4	6.47%
Medical/biotech	1,089,626	6	3.81%	572,495	11	2.23%
Contractors	921,358	7	3.22%	1,408,005	5	5.48%
Casual dining	877,335	8	3.07%	522,019	15	2.03%
Light industrial printers	829,830	9	2.90%	618,237	10	2.41%
Office supplies/furniture	787,329	10	2.75%	663,563	8	2.58%
Family apparel	767,077	11	2.68%	392,566	20	1.53%
Heavy industrial	742,595	12	2.60%	476,578	17	1.86%
Grocery stores-liquor	741,584	13	2.59%	649,199	9	2.53%
Used automotive dealers	644,948	14	2.26%	517,461	16	2.01%
Electronics/appliance stores	616,543	15	2.16%	544,007	12	2.12%
Department stores	585,199	16	2.05%	808,471	7	3.15%
Specialty stores	578,722	17	2.02%	533,250	13	2.08%
Automotive supply stores	501,165	18	1.75%	423,970	18	1.65%
Home furnishings	500,133	19	1.75%	527,712	14	2.05%
Petroleum products/equipment	437,889	20	1.53%	256,358	22	1.00%
Transportation/rentals	345,238	21	1.21%	252,551	23	0.98%
Women's apparel	319,736	22	1.12%			
Energy/utilities	312,039	23	1.09%			
Electrical equipment	310,877	24	1.09%			
Fulfillment centers	284,679	25	1.00%			
Trailers/RV's				399,467	19	1.56%
Boats/motorcycles				266,110	21	1.04%
Auto repair shops				252,338	24	0.98%
Fine dining				250,268	25	0.97%
<b>Total</b>	<b>\$ 23,699,985</b>		<b>82.92%</b>	<b>\$ 20,313,833</b>		<b>79.10%</b>

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, 2014

	General Fund	Special Revenue Funds	Total
<b>Administration</b>			
Administration	\$ 1,454,073	\$ -	\$ 1,454,073
<b>Valley</b>			
Freeway projects	-	33,171,901	33,171,901
Freeway interchanges	-	12,582,445	12,582,445
Major street	-	22,877,173	22,877,173
Local street	-	22,877,173	22,877,173
Metrolink/rail service	-	9,150,869	9,150,869
Express bus/bus rapid transit service	-	2,287,717	2,287,717
Senior and disabled transit	-	9,150,869	9,150,869
Transportation management systems	-	2,287,717	2,287,717
<b>Victor Valley</b>			
Major local highway	-	3,959,872	3,959,872
Local street	-	10,770,851	10,770,851
Senior and disabled transit	-	791,974	791,974
Project development/traffic management	-	316,790	316,790
<b>North Desert</b>			
Major local highway	-	1,402,266	1,402,266
Local street	-	3,814,163	3,814,163
Senior and disabled transit	-	280,453	280,453
Project development/traffic management	-	112,181	112,181
<b>Colorado River</b>			
Major local highway	-	52,767	52,767
Local street	-	143,525	143,525
Senior and disabled transit	-	10,553	10,553
Project development/traffic management	-	4,221	4,221
<b>Morongo Basin</b>			
Major local highway	-	516,168	516,168
Local street	-	1,403,977	1,403,977
Senior and disabled transit	-	103,234	103,234
Project development/traffic management	-	41,293	41,293
<b>Mountain</b>			
Major local highway	-	453,882	453,882
Local street	-	1,234,560	1,234,560
Senior and disabled transit	-	90,776	90,776
Project development/traffic management	-	36,311	36,311
<b>Cajon Pass</b>			
Cajon Pass	-	4,027,588	4,027,588
	<u>\$ 1,454,073</u>	<u>\$ 143,953,269</u>	<u>\$ 145,407,342</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Ratios of Outstanding Debt by Type

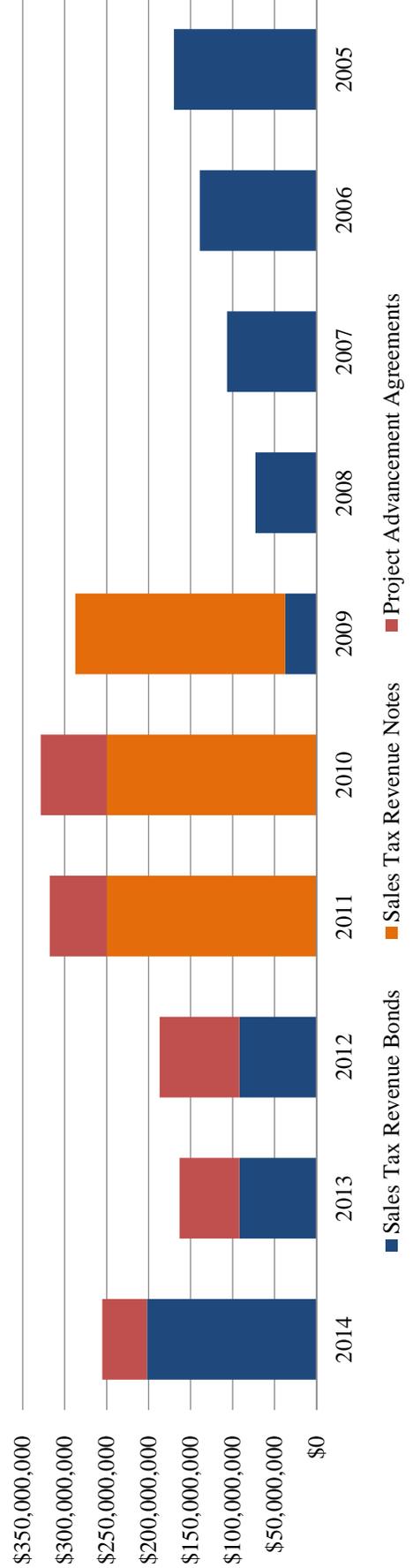
Last Ten Fiscal Years

Fiscal Year	Sales Tax Revenue Bonds	Sales Tax Revenue Notes	Project Advancement Agreements <sup>(1)</sup>	Total	Percentage of Personal Income <sup>(2)</sup>	Per Capita <sup>(2)</sup>
2014	\$ 202,015,000	\$ -	\$ 53,267,750	\$ 255,282,750	NA	\$ 122.40
2013	91,880,000	-	71,175,791	163,055,791	NA	78.82
2012	91,880,000	-	95,035,323	186,915,323	0.28%	90.55
2011	-	250,000,000	67,765,408	317,765,408	0.49%	154.77
2010	-	250,000,000	78,456,788	328,456,788	0.54%	161.12
2009	37,380,000	250,000,000	-	287,380,000	0.48%	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	0.24%	70.32
2005	169,905,000	-	-	169,905,000	0.31%	87.46

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

<sup>(1)</sup> Project advancement agreements debt not reported in financial statements prior to fiscal year 2010.

<sup>(2)</sup> See Demographic and Economic Statistics on page 118.

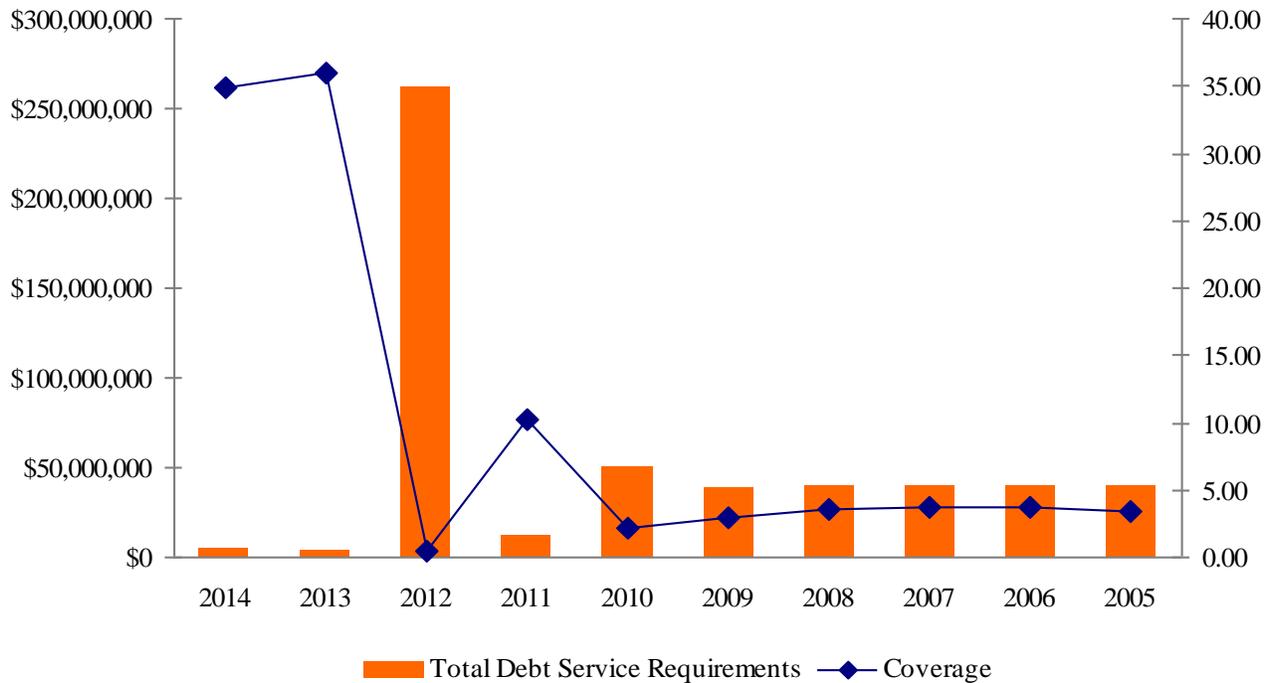


SAN BERNARDINO ASSOCIATED GOVERNMENTS  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Measure I Sales Tax Revenues <sup>(1)</sup>	Debt Service Requirements <sup>(2)</sup>			Coverage
		Principal	Interest	Total	
2014	\$ 145,407,342	\$ -	\$ 4,163,338	\$ 4,163,338	34.93
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

<sup>(1)</sup> Measure I sales tax revenue net of Board of Equalization fees.

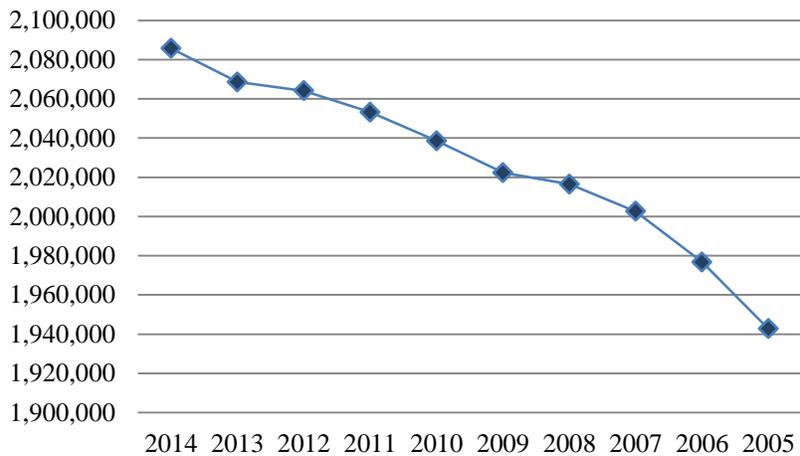
<sup>(2)</sup> Debt service requirement for fiscal year 2012 reflects payment of Sales Tax Revenue Note, 2009A from an established escrow account relating to the issuance of the Sales Tax Revenue Bonds, 2012A.



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

**Last Ten Fiscal Years <sup>(1)</sup>**

Year	Population
2014	2,085,669
2013	2,068,610
2012	2,064,118
2011	2,053,155
2010	2,038,546
2009	2,022,319
2008	2,016,526
2007	2,002,651
2006	1,976,767
2005	1,942,734



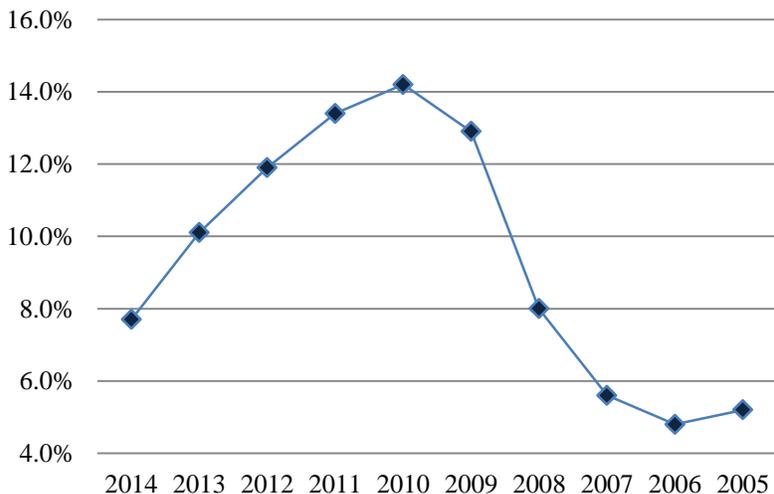
**Fiscal Years 2005-2012 <sup>(2)</sup>**

Year	Personal Income (In Thousands)	Personal Per Capita Income
2012	\$ 66,751,565	\$ 32,072
2011	64,249,589	31,121
2010	61,147,087	29,950
2009	59,991,663	29,788
2008	61,161,307	30,524
2007	59,843,375	30,039
2006	57,153,907	28,951
2005	54,053,306	27,806



**Last Ten Fiscal Years <sup>(3)</sup>**

Year	Unemployment Rate
2014	7.7%
2013	10.1%
2012	11.9%
2011	13.4%
2010	14.2%
2009	12.9%
2008	8.0%
2007	5.6%
2006	4.8%
2005	5.2%



<sup>(1)</sup> California Department of Finance. Population for fiscal year 2014 as of January 2014.

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

<sup>(3)</sup> California Employment Development Department. Unemployment rate for fiscal year 2014 as of September 2014.

SAN BERNARDINO ASSOCIATED GOVERNMENTS  
 County of San Bernardino Employment Statistics by Industry  
 Fiscal Year 2013 and Nine Years Prior <sup>(1)</sup>

Industry Type	2013	Percentage of Total Employment	2004	Percentage of Total Employment
Agricultural services, forestry and fishing	2,200	0.34%	3,600	0.57%
Mining	900	0.14%	700	0.11%
Construction	26,900	4.17%	41,300	6.58%
Manufacturing	47,700	7.40%	69,300	11.05%
Transportation, warehousing and public utilities	54,600	8.47%	42,700	6.81%
Wholesale trade	33,600	5.21%	28,700	4.58%
Retail trade	82,800	12.84%	77,300	12.32%
Professional and business services	75,200	11.66%	71,500	11.40%
Education and health services	99,000	15.35%	72,500	11.56%
Leisure and hospitality	60,400	9.37%	52,200	8.32%
Finance, insurance and real estate	27,100	4.20%	32,000	5.10%
Federal government-civilian	13,500	2.09%	10,700	1.71%
State government	12,000	1.86%	12,500	1.99%
Local government	88,300	13.69%	91,500	14.59%
Other services	<u>20,700</u>	<u>3.21%</u>	<u>20,800</u>	<u>3.31%</u>
Total	<u><u>644,900</u></u>	<u><u>100.00%</u></u>	<u><u>627,300</u></u>	<u><u>100.00%</u></u>

<sup>(1)</sup> Most current information available.

Source: California Employment Development Department.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	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	2.0	1.0	1.0
Finance	6.5	6.5	6.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Legislative affairs	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Management services	3.0	3.0	3.0	4.0	3.0	3.0	3.0	2.0	2.0	2.0
Air quality and traveler services	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Regional and subregional planning	5.0	4.0	4.0	9.0	9.0	9.0	8.0	6.0	6.0	7.0
Transit and passenger rail	5.0	5.0	4.0	4.0	4.0	4.0	2.0	3.0	3.0	2.0
Major project delivery	5.0	5.0	5.0	5.0	6.0	4.0	3.0	1.0	1.0	1.0
Fund administration and programming	7.0	7.0	7.0	-	-	-	-	-	-	-
Total full-time equivalent positions	<u>50.5</u>	<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>

<sup>(1)</sup> 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 <sup>(1)</sup>

Last Ten Fiscal Years

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Air quality and traveler services</b>										
Annual rideshare participants	997	1,213	1,373	1,416	1,370	2,557	1,422	2,158	2,086	1,845
Park and ride lots	19	19	19	17	18	18	15	15	14	14
Motorist assistance by freeway service patrol	34,141	30,347	35,894	36,366	84,564	34,370	42,750	29,286	12,226	N/A
Call boxes	1,244	1,224	1,224	1,192	1,245	1,343	1,395	1,438	1,502	1,573
Calls to 511	306,108	362,395	360,171	479,331	112,217	N/A	N/A	N/A	N/A	N/A
Visits to IE511.org	471,778	388,496	341,716	246,318	32,935	N/A	N/A	N/A	N/A	N/A
HERO program:										
Number of projects approved	7,020	-	-	-	-	-	-	-	-	-
Number of projects completed	5,541	-	-	-	-	-	-	-	-	-
Value of projects completed	\$ 97,178,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GWh saved	34.08	-	-	-	-	-	-	-	-	-
GHG reduction in tons	9,264	-	-	-	-	-	-	-	-	-
<b>Transit and passenger rail</b>										
Weekly commuter rail trips	11,159	12,044	12,325	11,523	11,700	13,162	12,493	11,979	11,857	11,149
Annual ridership on commuter rail	3,241,225	3,448,078	3,503,126	3,215,354	3,258,070	3,618,314	3,456,000	3,279,996	3,272,216	3,048,324
Transit operators	7	7	7	7	7	7	7	7	7	7
Transit projects	3	-	-	-	-	-	-	-	-	-
Passenger rail projects	7	-	-	-	-	-	-	-	-	-
<b>Major project delivery</b>										
Freeway projects	12	14	17	13	12	13	14	12	8	10
Freeway interchange projects	19	14	7	6	6	6	4	5	1	1
Grade separation projects	8	10	11	11	11	7	4	3	1	1
<b>Transportation fund administration</b>										
Project advancement agreements	24	24	24	24	24	19	19	18	N/A	N/A
Arterial program jurisdiction master agreements	16	16	16	16	N/A	N/A	N/A	N/A	N/A	N/A
Measure I Valley Major Street/Arterial allocation	\$ 2,297,670	\$ 4,176,710	\$ 8,400,000	\$ 6,351,000	N/A	N/A	N/A	N/A	N/A	N/A
Project advancement allocation-Valley interchange	\$ 2,039,283	\$ 4,215,200	\$ 3,830,000	\$ 2,911,000	N/A	N/A	N/A	N/A	N/A	N/A
Project advancement allocation-Valley arterials	\$ 15,665,520	\$ 12,533,250	\$ 6,970,000	\$ 5,293,000	N/A	N/A	N/A	N/A	N/A	N/A
Victor Valley Major Local Highway Allocation	\$ 1,199,345	\$ 9,029,230	\$ 6,305,622	\$ 14,445,025	N/A	N/A	N/A	N/A	N/A	N/A
Rural Mountain/Desert Local Highway Allocation	\$ 713,630	\$ 1,975,000	\$ 450,000	\$ 3,553,108	N/A	N/A	N/A	N/A	N/A	N/A
Federal obligation authority redistribution received	\$ 366,977	\$ 2,851,893	\$ 3,933,579	\$ 2,722,631	-	5,582,726	-	1,835,305	-	N/A

<sup>(1)</sup> 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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General-council of governments support</b>										
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
<b>Transit and passenger rail</b>										
Acres of commuter rail land easements	591.8	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