

**SAN BERNARDINO  
ASSOCIATED GOVERNMENTS  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2011**

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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## **SECTION I - INTRODUCTORY SECTION**



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

February 8, 2012

To the Citizens of San Bernardino County, California:

The Annual Financial Report of San Bernardino Associated Governments (SANBAG), California, and related agencies for the fiscal year ended June 30, 2011 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. Vavrinek, Trine, Day & Co., Certified Public Accountants, have issued an unqualified ("clean") opinion on SANBAG's financial statements for the fiscal year ended June 30, 2011. 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 within the county: Adelanto, Apple Valley, Barstow, Big Bear Lake, Chino, Chino Hills, Colton, Fontana, Grand Terrace, Hesperia, Highland, Loma Linda, Montclair, Needles, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Twentynine Palms, Upland, Victorville, Yucaipa, and Yucca Valley.

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

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

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

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

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

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

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

## **Local Economy**

San Bernardino County, which together with Riverside County forms the Inland Empire, has one of the largest economies in the United States. The local economy has been impacted by the recent nationwide recession, as evidenced by the increased unemployment rate, a slowdown in personal income and taxable sales, and the recent housing market and subprime mortgage crisis. This has resulted in a significant decrease of Measure I sales tax and certain federal and state revenues.

Measure I sales tax receipts declined from a high of \$148.1 million in fiscal year 2005-2006 to a low of \$106.9 million in fiscal year 2009-2010. However, recent increase in retail sales indicates a current recovery in the inland empire region. Measure I sale tax revenue for fiscal year 2010-2011 was \$117.9 million in comparison to \$106.1 million of the prior fiscal year.

SANBAG estimated \$111.7 million Measure I sales tax revenue for the fiscal year 2011-2012 budget. Measure I sales tax revenue will affect future bond financing and transportation projects delivery. The economic recovery is expected to continue slowly in fiscal year 2012.

SANBAG faces ongoing challenges in providing planning and transportation support to the 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 an increasing wealth and education levels.

## **Long Term Planning**

New Measure I program initiated April 1, 2010 which voters approved 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. SANBAG will continue to explore economically viable ways to advance these transportation projects so they may be enjoyed by the citizens of San Bernardino County as soon as possible. The previous 20-year Measure I concluded after collecting nearly \$1.8 billion for transportation projects.

## **Major Initiatives**

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

**City-County Conference:** SANBAG and its member jurisdictions collaborated on the 26<sup>th</sup> Annual City-County Conference. Most of the topics focused on the “Countywide Vision Project”.

**Alternative Fuel Truck Conversion:** A milestone was reached in SANBAG’s partnership with Ryder Truck. As part of the Department of Energy and California Energy Commission grant that SANBAG is administering, the first of three alternative fuel vehicle facilities was opened and the first 75 of 202 new CNG or LNG trucks were delivered and put into service. The first maintenance facility is in Rancho Dominguez and will be followed by maintenance and fueling facilities in Orange and Fontana.

**IE511:** 5-1-1 phone system and IE511.org website celebrated their one year anniversary. In its first year, more than 450,000 callers accessed the 5-1-1 system and more than 150,000 users accessed IE511.org on the web. When launched, SANBAG anticipated receiving only 192,000 calls and 84,000 web visits.

**Freeway Services Patrol:** The Freeway Service Patrol assisted over 30,000 motorists on freeways in the urbanized valley area over the past year. This service helps motorists get their disabled vehicles going again or at least off the freeway and to a safe location, thus reducing congestion and traffic delays.

**Santa Fe Restoration:** The exterior renovation of the Santa Fe Depot was completed. The work included sealing all the cracks on the historic building, painting all the trim, and applying a fog coat that brought the building back to its original color.

**Crash Energy Management Cars Put Into Service:** The first group of 137 new Rodem Crash Energy Management Metrolink commuter train cars was put into service. Metrolink officials traveled to stations in Southern California to debut the cars and conduct press conferences.

**San Bernardino First Mile:** Our commuter rail division made great strides in advancing design and environmental studies for the “First Mile Project” between the Santa Fe Depot to downtown San Bernardino.

**Redlands Rail 9-Mile Project and Rail Scoping Meetings:** Numerous public meetings were held to discuss plans for the Redlands Passenger Rail Service that will connect San Bernardino to Redlands. Other scoping and public meetings focused on the Long Range Transit Plan, the new transit center in downtown San Bernardino, and updates on the High Speed Rail Project.

**Parking Structure Opens and Express Train Service Launched:** The new parking structure by the San Bernardino Metrolink Station was opened and SANBAG staff was out early in the morning to greet passengers on opening day. An express train service between San Bernardino and Los Angeles Union Station was launched. It will run three times per day and cut ½ hour off the trip in either direction.

**New Transit Centers Open:** Four new Transit Centers or Services were started during the past year: Yucaipa Transit Center, Chaffey College Transit Center, MBTA Twentynine Palms Transit Center, and B-V Link Transit Service.

**I-215 Widening Phases 2, 3 and 4:** SANBAG has several projects actively under construction, including the premier \$700 million I-215 widening project through San Bernardino. Now in year four of the seven year project, major progress occurred during the past year along the 7.5 mile stretch of freeway construction. New bridges and braided ramps are appearing and the entire landscape of the area is transforming.

**North Milliken Grade Separation Construction Started in 2011:** A Major railroad bridge over Milliken Avenue in Ontario began construction in February. In order to raise the Union Pacific Railroad tracks above Milliken Avenue, the span of the grade separation bridge is 1.5 miles long.

**I-10/Cypress Overcrossing, Fontana:** In August, SANBAG celebrated the completion of I-10 Cypress Overcrossing with City of Fontana and Caltrans. SANBAG authorized a Project Advancement Agreement to get an early delivery of the project, which will provide a critical detour route for the I-10/Citrus project.

**I-10/Citrus and I-10/Cherry Interchanges, Fontana:** The two interchanges received approval from SANBAG with construction to start on the I-10/Citrus Interchange in late 2011. The I-10/Cherry Interchange will follow several months later.

**10 Year Delivery Plan:** Major Project's staff continues to map out a 10-year plan to maximize the available Measure I funding and incorporate other state and federal funding sources. The Plan is expected to be completed by December 2011.

**I-10/Riverside Interchange Project:** Demolition of the old bridge in late-April made way for construction of the new bridge which is expected to complete construction by November 2011. Aesthetic treatments of this new design will set a new trend in construction to incorporate community-themes for attractive freeway areas.

**Palm Avenue Grade Separation:** Completion of the environmental document is anticipated by mid-summer 2011. Detailed design work is proceeding and execution of a cooperative agreement with the City of San Bernardino will start right-of-way activities.

**Hunts Lane Railroad Grade Separation, Colton/San Bernardino:** Completion of design and right-of-way certifications was given on the project. SANBAG anticipates going out to bid in late summer 2011, pending Federal funding approval.

**Glen Helen Grade Separation Project:** SANBAG is proceeding with right-of-way acquisition for the project.

**I-15 La Mesa/Nisqualli Interchange:** A cooperative agreement with Victorville states SANBAG will manage the I-15/La Mesa/Nisqualli Interchange project construction. Recently, \$21.3 million in CMIA, Corridor Mobility Improvement Account, was awarded.

**Lenwood Grade Separation in Barstow:** SANBAG signed a cooperative agreement with the City of Barstow and the County for SANBAG to manage the Lenwood Grade Separation project. The Project Development Team has been meeting regularly.

**Greenhouse Gas (GHG) Reduction Plan:** Throughout the past year, SANBAG coordinated work with 20 of its member agencies to develop GHG inventories and climate action plans for inclusion in their General Plan updates. Substantial effort has been invited to ensure consistency with the Sustainable Communities Strategies as part of the 2012 Regional Transportation Plan, which is updated every four years.



**Visioning Project:** SANBAG has joined with the County of San Bernardino in developing a countywide vision that incorporates the ideas and concerns of the public, business interests, city, and county officials. We are creating a vision to maintain and improve the quality of life in our county.

### **Acknowledgements**

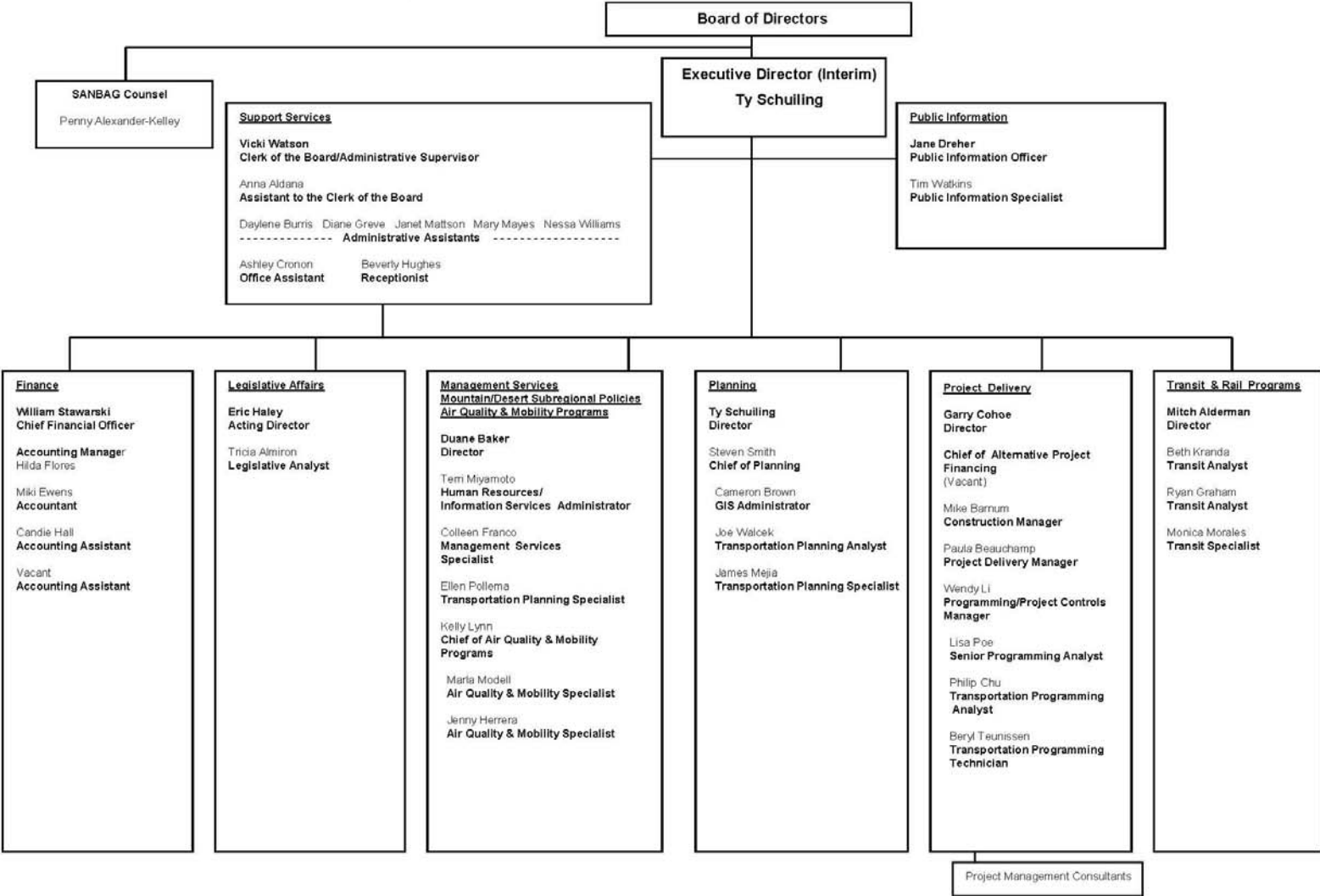
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. Special recognition is given to Hilda Flores, Accounting Manager, for the preparation of the financial statements. Credit also must be given to the SANBAG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

Sincerely,

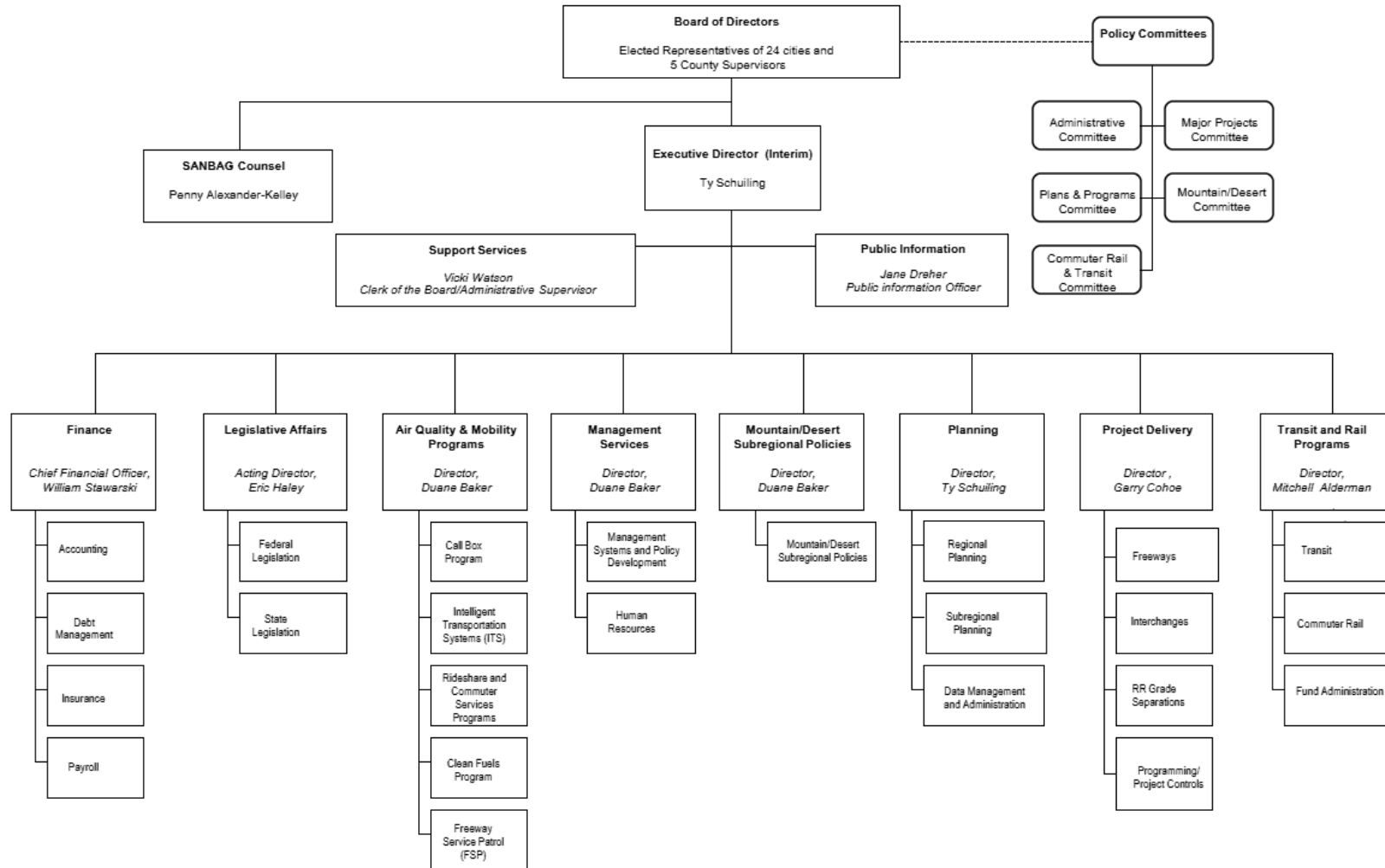


William W. Stawarski  
Chief Financial Officer

# SANBAG Organization Chart – Staffing & Onsite Consultants



# SANBAG Organization Chart



## **SECTION II - FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
San Bernardino Associated Governments  
San Bernardino, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Bernardino Associated Governments (SANBAG), as of and for the year ended June 30, 2011, which collectively comprise SANBAG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SANBAG's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SANBAG's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5, it is anticipated that sufficient moneys will not be available from pledged tax revenues to pay all the principal of the 2009 Series A Sales Tax Revenue Bonds at its maturity on May 1, 2012. Management asserts that the bonds will be refunded on or prior to May 1, 2012.

As discussed in Note 14 and Note 17 to the financial statements, SANBAG adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010.

As described in Note 16 to the financial statements, SANBAG has restated beginning fund balances due to the change of its account structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012 on our consideration of SANBAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8, and the budgetary comparison schedule on pages 48 and 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying introductory section, ten year trend of governmental revenues, and the Measure I detail financial summaries, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Vaurniele, Trine, Day, Co., LLP*

Rancho Cucamonga, California  
February 3, 2012

# **SAN BERNARDINO ASSOCIATED GOVERNMENTS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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, 2011. Please read it in conjunction with accompanying transmittal letter and basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets of SANBAG exceeded its liabilities at the close of the fiscal year by \$288,396,062.
- SANBAG's net assets increased by \$33,248,940 or 13% from the previous fiscal year.
- The total cost of all SANBAG's activities was \$279,642,156 for the current fiscal year. Net cost of all activities was \$93,778,650.
- The total fund balances of SANBAG's governmental funds were \$505,709,227 at the close of the fiscal year and most fund balances are restricted.
- General Fund expenditures exceeded revenues and other financing sources by \$1,376,434 for the fiscal year ended.
- The total fund balance of the General Fund was \$14,865,412 for the year. \$9,660,301 was recorded as prior period adjustment from Measure I funds and other special revenue funds due to reclassifying funds to general fund.

### **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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 Assets***

The statement of net assets presents information on all of SANBAG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.)

# **SAN BERNARDINO ASSOCIATED GOVERNMENTS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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 are composed in large part by disbursements to cities, subareas, transit operators and claimants and highways. The other functional areas i.e., professional services, contributions to other governments and long-term debt support the above mentioned two primary functional areas. The management and technical function supports the Service Authority for Freeway Emergency program.

The government-wide financial statements include only the financial information for SANBAG and its component unit, SAFE itself. The government-wide financial statements can be found on pages 10.

### **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 two categories: governmental funds and proprietary 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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its major governmental funds which consist of: the General Fund, Local Transportation Fund, State Transit Assistance Fund, Measure I Special Revenue Fund, Other Special Revenue Fund, Debt Service Fund, and Capital Project Fund. The SAFE fund is presented in the financial statements as the only Non-major governmental fund.

SANBAG adopts an annual budget on a project basis and establishes an appropriations limit for all of its governmental funds.

The basic governmental fund financial statements can be found on pages 11-16.



# **SAN BERNARDINO ASSOCIATED GOVERNMENTS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

### ***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 SANBAG 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.

The basic proprietary fund financial statements can be found on pages 17-19.

### **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 20-47 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets and other elements of the statement of net assets may serve over time as a useful indicator of SANBAG'S financial position. At June 30, 2011, SANBAG's assets exceeded liabilities by \$288,396,062.

The largest portion of SANBAG's net assets reflects its cash and investments. The restricted investments are split between future obligations for debt service requirements and for future capital project commitments. While the balance of the cash is invested primarily for capital project activity, smaller amounts are set aside for management and technical services and for professional services related to agency-wide activities.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets from governmental activities are (\$290,669,405) at June 30, 2011. This amount results in part from the impact of SANBAG's debt on the Statement of Net Assets. While the debt has been incurred to build highways which are capital assets, upon completion the highway projects are transferred to the State of California Department of Transportation. Accordingly, these projects are not assets that offset debt in the Statement of Net Assets.

SANBAG's net assets increased by \$33,248,940 or 13% during the fiscal year as a result of revenues exceeding expenses. The total cost of SANBAG activities was \$279,642,156 for the fiscal year. Net cost of all activities was \$93,778,650.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

<b>Condensed Statement of Net Assets</b>	<b>2011</b>	<b>2010</b>	<b>Variance</b>
Current and other assets	\$ 600,516,677	\$ 568,608,996	\$ 31,907,681
Capital assets, net of depreciation	64,528,387	64,188,520	339,867
Total assets	<u>665,045,064</u>	<u>632,797,516</u>	<u>32,247,548</u>
Noncurrent liabilities	321,408,129	336,396,936	(14,988,807)
Other liabilities	55,240,873	41,253,458	13,987,415
Total liabilities	<u>376,649,002</u>	<u>377,650,394</u>	<u>(1,001,392)</u>
Net assets:			
Invested in capital assets	64,528,387	64,188,520	339,867
Restricted	514,537,080	531,138,805	(16,601,725)
Unrestricted	(290,669,405)	(340,180,203)	49,510,798
Total net assets	<u>\$ 288,396,062</u>	<u>\$ 255,147,122</u>	<u>\$ 33,248,940</u>

Restricted assets include primarily external restrictions relating to disbursements to other agencies and highway construction.

<b>Condensed Statement of Changes in Net Assets</b>	<b>2011</b>	<b>2010</b>	<b>Variance</b>
Program revenues:			
Charges for services	\$ 1,620,021	\$ 1,648,539	\$ (28,518)
Operating contributions and grants	184,243,485	148,531,689	35,711,796
General revenues:			
Measure I sales tax	118,115,639	109,393,542	8,722,097
Gain (loss) on disposal of capital assets	-	(75,000)	75,000
Interest income	8,911,951	9,745,049	(833,098)
Total revenues	<u>312,891,096</u>	<u>269,243,819</u>	<u>43,647,277</u>
Expenses:			
General government	21,251,548	16,457,877	4,793,671
Disbursements to other agencies	84,839,312	120,594,813	(35,755,501)
Contributions	43,729,263	33,111,444	10,617,819
Professional services	59,625,947	43,945,405	15,680,542
Management and technical services	39,979	130,958	(90,979)
Highways	62,410,680	42,335,579	20,075,101
Long-term related	7,745,427	9,842,621	(2,097,194)
Total expenses	<u>279,642,156</u>	<u>266,418,697</u>	<u>13,223,459</u>
Changes in net assets	<u>\$ 33,248,940</u>	<u>\$ 2,825,122</u>	<u>\$ 30,423,818</u>

Current assets increased by \$31,907,681 or 5.6% due to increase in cash and investments and intergovernmental receivable. Noncurrent liabilities decreased by \$ 14,988,807 or 4.5% mainly due to reduction in project advancement agreements. Other liabilities increased by \$13,987,748 or 34% due to increase in expenditures incurred for projects funded with grants.

## **SAN BERNARDINO ASSOCIATED GOVERNMENTS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

Revenues increased by \$43,647,277 or 16.2% from the previous fiscal year. The increase of \$35,711,796 in operating contributions and grants was due to higher grant reimbursement. Measure I sales tax revenue increased by \$8,722,097 or 8% from the previous fiscal year. The increase is attributed to the current increase in retail sales throughout the County. The decrease in interest income is directly attributed to low market interest rates. Disbursements to other agencies decreased by \$35,755,501 or 30% due to less stimulus payments in Fiscal Year 2011. Professional services increased by \$15,680,542 or 35.7% and highway expenditures increased by \$20,075,101 or 47.4% due to increased grant activity

### **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 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 spending at the end of the fiscal year.

SANBAG's governmental funds reported combined fund balances of \$505,709,227 as of June 30, 2011. *Fund balances are mostly classified as restricted.*

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 \$14,865,412. The nonspendable fund balance is \$129,817 and assigned fund balance is \$14,735,595.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

SANBAG's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$64,528,387 (net of accumulated depreciation).

Please see note 4 of the *Notes of the Financial Statements* for more detailed description of the capital assets activity.

#### **Debt Administration**

Long-term debt - as of June 30, 2011, SANBAG had total bonded debt outstanding of \$250,000,000. These sales tax revenues bonds are backed by full faith and credit of SANBAG's Measure I Transactions and Use Tax. During fiscal year 2009, SANBAG issued \$250,000,000 of sales tax revenue notes which will mature May 1, 2012. The issuance is used to finance certain projects in the Measure I 2010/2040 expenditure plan. Measure I sales tax revenue will not be sufficient to pay the principal of the notes at maturity. SANBAG expects to issue bonds to retire the notes.

SANBAG's remaining outstanding debt is rated AA+.

## **SAN BERNARDINO ASSOCIATED GOVERNMENTS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

Please see note 5 of the *Notes of 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. As of June 30, 2011, leading economic indicators show that the local economy has been impacted significantly by the housing market crisis, the subprime mortgage crisis and a slide in manufacturing. This has resulted in a slowdown in population growth and an increase in unemployment in San Bernardino County, which has impacted the Measure I sales tax receipts.

Estimated 2011/2012 budget revenues are \$463.1 million in comparison to \$360.1 million of the previous year. Measure I sales tax revenues are estimated to be \$111.7 million in comparison to \$108 million estimated in the prior year.

Budget appropriations for fiscal year 2011/2012 are \$716 million. In the past, when actual Measure I revenues were less than budget estimates; the shortfall was offset by unassigned fund balance. The severity of the economic downturn and significant decrease in revenue has made it difficult to rely solely on existing fund balances. Project cash flows must continue to be strictly monitored and other funding and/or expenditure reduction alternatives considered in the future.

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, San Bernardino, California 92410-1715.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 265,808,617
Receivables:	
Interest	707,073
Intergovernmental	93,969,003
Other	39,087
Prepaid items	129,817
Restricted investments	239,499,468
Deferred charges	363,612
Capital assets, net of accumulated depreciation	<u>64,528,387</u>
Total Assets	<u>665,045,064</u>
 <b>LIABILITIES</b>	
Accounts payable and other accrued expenses	38,131,894
Due to other governments	13,564,562
Accrued interest payable	1,912,971
Deferred revenue	1,631,446
Noncurrent liabilities:	
Due within one year	252,995,037
Due beyond one year	647,684
Measure I Project Advancement Agreement	<u>67,765,408</u>
Total Liabilities	<u>376,649,002</u>
 <b>NET ASSETS</b>	
Invested in capital assets	64,528,387
Restricted for:	
Disbursement to cities, subareas, transit operators and claimants	246,205,280
Highway construction	239,817,472
Other restricted	28,514,328
Unrestricted	<u>(290,669,405)</u>
Total Net Assets	<u>\$ 288,396,062</u>

See accompanying notes to financial statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Contributions and Grants	Governmental Activities
Governmental Activities:				
General government	\$ 21,251,548	\$ 1,620,021	\$ 16,954,928	\$ (2,676,599)
Disbursements to cities, subareas, transit operators and claimants	84,839,312		64,466,110	(20,373,202)
Contributions to other governmental agencies	43,729,263			(43,729,263)
Professional services	59,625,947			(59,625,947)
Management and technical services	39,979			(39,979)
Highways	62,410,680		102,822,447	40,411,767
Long-term debt related	7,745,427			(7,745,427)
Total Governmental Activities	<u>\$ 279,642,156</u>	<u>\$ 1,620,021</u>	<u>\$ 184,243,485</u>	<u>(93,778,650)</u>
	General Revenues (Expense):			
	Measure I Sales Tax			118,115,639
	Interest Income			<u>8,911,951</u>
	Total General Revenues			<u>127,027,590</u>
	Change in Net Assets			33,248,940
	Net Assets, Beginning of Year			<u>255,147,122</u>
	Net Assets, End of Year			<u><u>\$ 288,396,062</u></u>

See accompanying notes to financial statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2011**

	Major Funds			
	General	Local Transportation Fund Special Revenue	Measure I Special Revenue	Other Special Revenue
<b>ASSETS</b>				
Cash and Investments	\$ 17,292,094	\$ 70,785,405	\$ 88,563,975	\$ 36,628,356
Interest receivable	62,670	130,439	414,220	4,492
Due from other funds			67,168,513	
Due from other governments	676,051	12,458,247	23,161,168	57,443,747
Prepaid expenses	129,817			
Others receivable			295	38,792
Investments, restricted				
Advances to other fund			12,503,251	
Total Assets	<u>\$ 18,160,632</u>	<u>\$ 83,374,091</u>	<u>\$ 191,811,422</u>	<u>\$ 94,115,387</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 326,768		\$ 16,432,128	\$ 21,153,878
Due to other funds				57,482,539
Due to other governments	2,542,049		9,719,269	94,048
Deferred revenue	426,403	\$ 2,162,247	4,465,121	36,800,169
Advances from other fund				
Total Liabilities	<u>3,295,220</u>	<u>2,162,247</u>	<u>30,616,518</u>	<u>115,530,634</u>
Fund Balances:				
Nonspendable	129,817			
Restricted		81,211,844	161,194,904	
Assigned	14,735,595			
Unassigned				(21,415,247)
Total Fund Balances	<u>14,865,412</u>	<u>81,211,844</u>	<u>161,194,904</u>	<u>(21,415,247)</u>
Total Liabilities and Fund Balances	<u>\$ 18,160,632</u>	<u>\$ 83,374,091</u>	<u>\$ 191,811,422</u>	<u>\$ 94,115,387</u>

See accompanying notes to financial statements.

Major Funds

Debt Service	State Transit Assistance Fund Special Revenue	Capital Project	Nonmajor Government Fund SAFE	Total
\$ 6,055,340	\$ 43,270,675 88,900	\$ 1,790,200	\$ 1,331,197 6,352 229,790	\$ 265,717,242 707,073 67,168,513 93,969,003 129,817 39,087 239,499,468 12,503,251
11,477,830		228,021,638		239,499,468 12,503,251
<u>\$ 17,533,170</u>	<u>\$ 43,359,575</u>	<u>\$ 229,811,838</u>	<u>\$ 1,567,339</u>	<u>\$ 679,733,454</u>
			\$ 219,120	\$ 38,131,894
		\$ 9,456,184	229,790	67,168,513
			4,230	12,359,596
			7,033	43,860,973
		12,503,251		12,503,251
-	-	21,959,435	460,173	174,024,227
				129,817
\$ 11,477,830 6,055,340	\$ 43,359,575	228,021,638	1,107,166	526,372,957 20,790,935 (41,584,482)
<u>17,533,170</u>	<u>43,359,575</u>	<u>207,852,403</u>	<u>1,107,166</u>	<u>505,709,227</u>
<u>\$ 17,533,170</u>	<u>\$ 43,359,575</u>	<u>\$ 229,811,838</u>	<u>\$ 1,567,339</u>	<u>\$ 679,733,454</u>



**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

Fund Balances of Governmental Funds	\$ 505,709,227
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,482,016
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds. The adjustment, which included the effect of insurance costs and premiums, combines the changes of the following components:	
Bonds payable	(250,000,000)
Bonds premium	(2,909,504)
Compensated absences	(733,217)
Accrued interest payable	(1,912,971)
Deferred charges for the bonds issuance costs	363,612
Long-term liabilities for the Measure I Project Advancement Agreement	(67,765,408)
Net assets of Internal Service Funds	4,137,746
Passthrough liabilities associated with revenues collected beyond the period of recognition. The passthrough liability was not recognized in fund because the revenue was deferred	(1,204,966)
Assets that do not meet the "availability" criteria for revenue recognition are deferred in the funds.	<u>42,229,527</u>
Total net assets of governmental activities	<u><u>\$ 288,396,062</u></u>

See accompanying notes to financial statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES**

**YEAR ENDED JUNE 30, 2011**

	Major Funds				
	General	Local Transportation Fund Special Revenue	Measure I Special Revenue	Other Special Revenue	Debt Service
<b>REVENUES</b>					
Sales tax	1,179,271		\$ 116,747,808		
Local transportation fund Registration fees		\$ 64,418,871			
Investment income	\$ 190,823	498,533	1,154,155	\$ 10,191	\$ 28,438
Refunds		16,152,056			
Federal				56,561,771	
State				16,798,729	
Other local revenue	171,028		143,787	22,016,224	
<b>Total Revenues</b>	<b>1,541,122</b>	<b>81,069,460</b>	<b>118,045,750</b>	<b>95,386,915</b>	<b>28,438</b>
<b>EXPENDITURES</b>					
Current:					
Disbursements to cities, subareas, transit operators and claimants		52,554,322	35,624,630		
Contributions to governmental agencies	15,627,030		24,442,777	3,659,456	
Salaries, wages and related items	3,966,380		916,864	787,736	
Professional services	1,752,248		18,726,496	27,324,048	
Transportation and travel	49,169		37,672	4,645	
Communications	37,523		438		
Office expense	1,263,190		824,405	5,905	
Office furniture and equipment	62,893		5,731		
Management and technical services				39,950	
Highway construction			1,334,595	61,076,085	
Right of way			3,921,927	8,507,181	
Other	69,576		99,350		
Capital outlay	152,947		29,717	423,439	
Debt service:					
Bond interest					11,609,500
<b>Total Expenditures</b>	<b>22,980,956</b>	<b>52,554,322</b>	<b>85,964,602</b>	<b>101,828,445</b>	<b>11,609,500</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,439,834)	28,515,138	32,081,148	(6,441,530)	(11,581,062)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	20,063,400				
Transfers out		(11,309,040)	(3,030,731)	(946,041)	
<b>Total Other Financing Sources (Uses)</b>	<b>20,063,400</b>	<b>(11,309,040)</b>	<b>(3,030,731)</b>	<b>(946,041)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,376,434)</b>	<b>17,206,098</b>	<b>29,050,417</b>	<b>(7,387,571)</b>	<b>(11,581,062)</b>
Fund Balances at Beginning of Year	6,581,545	64,005,746	135,379,645	(7,602,533)	29,114,232
Prior Period Adjustments	9,660,301		(3,235,158)	(6,425,143)	
Fund Balances at Beginning of Year, as restated	16,241,846	64,005,746	132,144,487	(14,027,676)	29,114,232
Fund Balances at End of Year	\$ 14,865,412	\$ 81,211,844	\$ 161,194,904	\$ (21,415,247)	\$ 17,533,170

See accompanying notes to financial statements.

<u>Major Funds</u>			
<u>State Transit Assistance Fund Special Revenue</u>	<u>Capital Project</u>	<u>Nonmajor Governmental Fund SAFE</u>	<u>Total</u>
			\$ 117,927,079
			64,418,871
		\$ 1,560,519	1,560,519
\$ 434,491	\$ 6,577,623	17,697	8,911,951
749,298		53,574	16,954,928
			56,561,771
			16,798,729
			22,331,039
<u>1,183,789</u>	<u>6,577,623</u>	<u>1,631,790</u>	<u>305,464,887</u>
6,146,770			94,325,722
			43,729,263
	3,238	55,886	5,730,104
	10,683,389	1,139,766	59,625,947
		2,176	93,662
			37,961
	100	116,099	2,209,699
		24,592	93,216
		29	39,979
			62,410,680
			12,429,108
	143,787		312,713
			606,103
			11,609,500
<u>6,146,770</u>	<u>10,830,514</u>	<u>1,338,548</u>	<u>293,253,657</u>
<u>(4,962,981)</u>	<u>(4,252,891)</u>	<u>293,242</u>	<u>12,211,230</u>
			20,063,400
<u>(4,476,397)</u>	<u>(8,727)</u>	<u>(292,464)</u>	<u>(20,063,400)</u>
<u>(4,476,397)</u>	<u>(8,727)</u>	<u>(292,464)</u>	<u>-</u>
<u>(9,439,378)</u>	<u>(4,261,618)</u>	<u>778</u>	<u>12,211,230</u>
52,798,953	212,114,021	1,106,388	493,497,997
			-
<u>52,798,953</u>	<u>212,114,021</u>	<u>1,106,388</u>	<u>493,497,997</u>
<u>\$ 43,359,575</u>	<u>\$ 207,852,403</u>	<u>\$ 1,107,166</u>	<u>\$ 505,709,227</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 12,211,230

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The adjustment combines the changes of the following amounts:

Capital outlay	\$ 606,103	
Depreciation	(120,870)	
Net adjustment		485,233

Some expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The adjustment combines the changes of the following amounts:

Amortization of deferred charges	(436,331)	
Amortization of bond premium, net	4,300,404	
Compensated absences	(2,977)	
		3,861,096

Certain assets that do not meet the availability criteria for revenue recognition are deferred in the funds but recognized in the statement of activities 6,161,736

Increase in obligation to Cities for the Measure I Project Advancement Agreement 10,691,381

The net revenue of certain activities of the internal service fund is reported with governmental activities. (126,736)

Change in Net Assets of Governmental Activities \$ 33,283,940

See accompanying notes to financial statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**PROPRIETARY FUNDS  
STATEMENT OF FUND NET ASSETS**

**JUNE 30, 2011**

	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and Investments	\$ 91,375
Total Current Assets	<u>91,375</u>
Non-current assets:	
Capital assets being depreciated	5,159,905
Accumulated depreciation	<u>(1,113,534)</u>
Total Non-Current Assets	<u>4,046,371</u>
Total Assets	<u>\$ 4,137,746</u>
<b>LIABILITIES</b>	<u>\$ -</u>
<b>NET ASSETS</b>	
Fund net assets:	
Invested in capital assets	\$ 4,046,371
Unrestricted	<u>91,375</u>
Total Fund Net Assets	<u><u>\$ 4,137,746</u></u>

See accompanying notes to financial statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS**

**YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Rental income	\$ 331,802
Total Operating Revenues	<u>331,802</u>
OPERATING EXPENSES	
Depreciation	145,366
Other operating expenses	<u>383,172</u>
Total Operating Expenses	<u>528,538</u>
INCOME (LOSS) BEFORE TRANSFERS	(196,736)
Transfer in	<u>35,000</u>
Change in fund net assets	(161,736)
Fund Net Assets at Beginning of Year	<u>4,299,482</u>
Fund Net Assets at End of Year	<u>\$ 4,137,746</u>

See accompanying notes to financial statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash from interfund services provided	\$ 331,802
Cash payments to suppliers	<u>(383,173)</u>
Net cash provided by (used for) operating activities	<u>(51,371)</u>
Cash flows from non-capital financing activities:	
Cash from the general fund	<u>35,000</u>
Net cash provided by (used for) non-capital financing activities	<u>35,000</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>-</u>
Net Increase in Cash and Investments	(16,371)
Cash and investments at beginning of year	<u>107,746</u>
Cash and investments at end of year	<u><u>\$ 91,375</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss:	\$ (196,737)
Adjustments to reconcile operating income (loss) to net income provided by (used by) operating activities	
Depreciation	<u>145,366</u>
Net Cash used by Operating Activities	<u><u>\$ (51,371)</u></u>

See accompanying notes to financial statements.

# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

### *NOTE 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 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 is 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.

The accounting policies of SANBAG conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

#### B. 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.



# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### C. Government-wide Statements

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

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.

All Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the Government-wide presentation.

#### D. 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 are presented after the government-wide financial statements. These statements display information about major funds individually and non-major fund in the aggregate.

#### Governmental Funds

The fund financial statements provide information about SANBAG's governmental funds. The emphasis of fund statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. SANBAG adopted an annual budget for fiscal year 2010-2011. The budget was adopted on a project by project basis. The detailed project budget can be obtained at SANBAG's offices. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 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 are recorded only when payment is due.

Sales tax and intergovernmental revenues and interest associated with the current period are all considered to be susceptible to accrual.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

D. Fund Financial Statements, (Continued)

SANBAG reports the following major governmental funds:

General Fund is the general operating fund of SANBAG and accounts for all financial resources and transactions except those required to be accounted for in another fund.

Local Transportation Fund Special Revenue Fund accounts for the transactions and restricted sales tax dollars collected within the County and administered on behalf of the County by SANBAG.

Measure I Special Revenue Fund accounts for the revenue from transactions and restricted use taxes received under Measure I.

Other Special Revenue Fund accounts for proceeds derived from federal, state and local sources, which are legally restricted to finance specific transportation studies and projects.

State Transit Assistance Special Revenue Fund accounts for the restricted sales tax on motor vehicle fuel and use fuel collected Statewide appropriated by the State to the County, and administered on behalf of the County by SANBAG.

Debt Service Fund accounts for the debt service on the sales tax revenue bonds.

Capital Project Fund accounts for the financial resources derived from the proceeds of sales tax revenue bonds to be used for the acquisition and construction of capital facilities.

SANBAG reports the following nonmajor governmental fund:

Service Authority for Freeway Emergencies Special Revenue Fund accounts for the revenues received from Department of Motor Vehicle fees for the purpose of implementing an emergency call box system for motorists.

Proprietary Fund

The Internal Service Fund is SANBAG's proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when recognized when they are earned and expenses are recognized when the related goods and services are delivered. The Internal Service Fund accounts for the operation and maintenance of SANBAG's headquarters building, and is presented using economic resources measurement factors, which means all assets and liabilities associated with the fund's activity are included on the balance sheets. Proprietary fund type operating statements present increase (revenues) and decreases (expenses) in total net assets.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

**E. Cash and Investments**

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

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

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

**F. 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."

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

**G. 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.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

G. Capital Assets, (Continued)

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

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

H. 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 an expenditure 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. Any sick leave in excess of 500 hours may be converted into vacation and 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.

I. Deferred Revenues

Deferred revenues in the governmental funds represent amounts due to SANBAG which are measurable but not available.

In the government-wide financial statements, deferred revenue is recognized for transactions for which revenue has not yet been earned.

J. Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### K. Fund Balance

Effective July 1, 2010, SANBAG implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

As described by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which SANBAG is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for governmental funds are made up of the following:

**Nonspendable Fund Balance** – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts and may also include long-term receivables.

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

**Assigned Fund Balance** – 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. This is also classification for residual amounts in governmental funds, other than the General Fund.

**Unassigned Fund Balance** – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. In other funds, the unassigned classifications is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

In circumstance 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.

# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### L. Net Assets

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

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

**Invested in Capital Assets** – this category groups all capital assets, including infrastructure, into one component of net assets. 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 Net Assets** – this category represents assets subject to external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Outstanding liabilities attributable to these assets reduce the balance of this category.

The *Other Restricted Net Assets* sub-category represents the remaining assets from the Measure I program and the SAFE program subject to external restrictions net of amounts restricted for disbursements to local claimants and highway construction.

**Unrestricted Net Assets** – this category represents net assets not restricted for any project or other purposes. Outstanding liabilities attributable to these assets reduce the balance of this category.

#### M. Disbursements to Cities and Subareas

Disbursements to cities and subareas represent the allocation of Measure I tax revenue within the San Bernardino Valley and Mountain-Desert areas. The annual distributions are made according to predetermined formulas, taking into account both population and sales tax generation factors.

#### N. Contribution to Other Governmental Agencies

Contributions to other governmental agencies represent the disbursement of funds to other governmental agencies based on Board-approved projects that are within the guidelines of the Expenditure Plan.

#### O. Other Local Revenue

Other local revenue represents the allocations from the State for the rail programs and other miscellaneous revenue streams such as lease revenue.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

**P. Refunds**

The refunds are unspent allocations of the Local Transportation Fund and State Transit Assistance Fund by the local claimants from prior years that are required to be returned to the area planning agency to be factored into the future TDA allocations.

*NOTE 2 – CASH AND INVESTMENTS*

Cash and investments at June 30, 2011 consist of the following:

	Cash	Unrestricted Investments	Total	Restricted Investments	Sub-Total Investments	Grand Total
Cash in bank	\$ 31,757,897		\$ 31,757,897			\$ 31,757,897
Petty cash	1,000		1,000			1,000
Cash in County Treasury		\$128,672,906	128,672,906		\$ 128,672,906	128,672,906
Local Agency Investment Pool		27,574,895	27,574,895		27,574,895	27,574,895
Investments with fiscal agents or custodians		77,801,919	77,801,919	\$ 239,499,468	317,301,387	317,301,387
	<u>\$ 31,758,897</u>	<u>\$ 234,049,720</u>	<u>\$ 265,808,617</u>	<u>\$ 239,499,468</u>	<u>\$ 473,549,188</u>	<u>\$ 505,308,085</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:

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	10%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	20%	None
Repurchase Agreements	30 days	None	None
Bankers' Acceptances	180 days	20%	5%
Medium-Term Corporate Notes	5 years	20%	5%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	60%	None

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

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 2 – CASH AND INVESTMENTS, (Continued)*

Disclosures 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 shorter 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.

<u>Investment Type</u>	<u>Amount Reported</u>	<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Obligations	\$ 33,366,253	1.69
U.S. Government Sponsored Enterprise Securities:		
FHLB	17,173,824	1.13
FHLMC	9,810,688	0.79
FNMA	9,847,202	2.10
Corporate Notes	7,527,426	1.23
Local Agency Investment Fund (LAIF)	27,574,895	0.65
San Bernardino County Pool	128,672,906	0.99
Investments held by fiscal agent pursuant to debt agreements:		
Money Market Mutual Funds	239,575,994	N/A
Total	<u>\$ 473,549,188</u>	



**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 2 – CASH AND INVESTMENTS, (Continued)*

Disclosures 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:

<u>Investment Type</u>	<u>Total as of June 30, 2011</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>A-1/A-1+</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 33,366,253	\$ 33,366,253			
U.S. Government Sponsored Enterprise Securities:					
FHLB	17,173,824		\$ 17,173,824		
FHLMC	9,810,688		9,810,688		
FNMA	9,847,202		9,847,202		
Corporate Notes	7,527,426		7,527,426		
Local Agency Investment Fund	27,574,895				\$ 27,574,895
San Bernardino County Pool	128,672,906		75,917,014	\$ 52,755,892	
Money Market Mutual Funds	239,575,994		239,575,994		
Total	<u>\$473,549,188</u>	<u>\$ 33,366,253</u>	<u>\$359,852,148</u>	<u>\$ 52,755,892</u>	<u>\$ 27,574,895</u>

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.

As of June 30, 2011, SANBAG has deposits with a balance of \$31,666,527 of which \$250,000 is federally insured and the balance is collateralized in accordance with the Code.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 2 – CASH AND INVESTMENTS, (Continued)*

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.

*NOTE 3 – INTERFUND TRANSACTIONS*

The composition of interfund balances consists of due to/from other funds, advances between funds and operating transfers.

	Due To/From	
	Receivables	Payables
Measure I	\$ 67,168,513	
Other Special Revenue Fund		\$ 57,482,539
Capital Project Fund		9,456,184
Other Nonmajor Governmental Fund		229,790
	\$ 67,168,513	\$ 67,168,513

	Advances	
	Receivables	Payables
Advances to/from Revenue Fund		
Measure I	\$ 12,503,251	
Capital Project Fund		\$ 12,503,251
	\$ 12,503,251	\$ 12,503,251

Due To/From other funds represents temporary cash borrowings. Advances are cash flow borrowings of cash between funds. Please see Note 13 for more details on the current year advances.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 3 – INTERFUND TRANSACTIONS, (Continued)*

	Transfers	
	In	Out
Operating transfers:		
General Fund	\$ 4,277,963	
Measure I Fund		\$ 3,030,731
Other Special Revenue Funds		946,041
Capital Projects Fund		8,727
Nonmajor Governmental Fund		292,464
General Fund	11,309,040	
Local Transportation Fund		11,309,040
General Fund	4,476,397	
State Transit Assistance Fund		4,476,397
	<u>\$ 20,063,400</u>	<u>\$ 20,063,400</u>

The General Fund received transfers totaling \$4,277,963 from the Measure I Fund, Other Special Revenue Fund, Capital Projects Fund, and Other Nonmajor Governmental Funds for indirect costs and administration of the funds. The Local Transportation Fund transferred \$11,309,040 to the General Fund for LTF Planning and Administration and Article 3 activity. The State Transit Assistance Fund transferred \$4,476,397 to the General Fund for STAF Planning and Administration.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 4 – CAPITAL ASSETS*

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at July 1, 2010	Additions	Reclasses	Retirements	Balance at June 30, 2011
Governmental activities:					
Land	\$ 59,982,004				\$ 59,982,004
Total Capital Assets Not Being Depreciated	<u>59,982,004</u>				<u>59,982,004</u>
Capital assets, being depreciated					
Buildings	4,844,882	\$ 529,299			5,374,181
Equipment, furniture and vehicles	<u>3,431,965</u>	<u>76,804</u>			<u>3,508,769</u>
Total Capital Assets Being Depreciated	<u>8,276,847</u>	<u>606,103</u>			<u>8,882,950</u>
Less accumulated depreciation for:					
Buildings	(962,425)	(162,005)			(1,124,430)
Equipment, furniture and vehicles	<u>(3,107,906)</u>	<u>(104,231)</u>			<u>(3,212,137)</u>
Total Accumulated Depreciation	<u>(4,070,331)</u>	<u>(266,236)</u>			<u>(4,336,567)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,206,516</u>	<u>339,867</u>			<u>4,546,383</u>
Governmental Activities Capital Assets, Net	<u>\$ 64,188,520</u>	<u>\$ 339,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,528,387</u>

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

Governmental Activities:	
General government	\$ 120,870
Capital assets held by the government's internal service funds are charged to the general government function based on the usage of the assets	<u>145,366</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 266,236</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 5 – LONG-TERM LIABILITIES*

The following is a summary of the changes in the long-term obligations for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due within One Year
Revenue bonds payable	\$ 250,000,000			\$ 250,000,000	\$ 250,000,000
Bond premium, issuance cost, net	7,209,908		\$ 4,300,404	2,909,504	2,909,504
Compensated absences	730,240	\$ 94,921	91,944	733,217	85,533
Total Long-Term Obligation	<u>\$ 257,940,148</u>	<u>\$ 94,921</u>	<u>\$ 4,392,348</u>	<u>\$ 253,642,721</u>	<u>\$ 252,995,037</u>

Revenue bonds payable as of June 30, 2011 consist of the following:

	Amount Outstanding
<b>2009 Series A Sales Tax Revenue Bonds-Original Issue \$250,000,000</b> - The issue consists of \$250,000,000 in serial bonds outstanding at June 30, 2011. The bond was issued of May 1, 2009 and has a scheduled maturity on May 1, 2012. Interest rates vary from 2.5% to 5.0%.	<u>\$ 250,000,000</u>
	<u>\$ 250,000,000</u>

The bonds are secured by a pledge of all receipts of sales tax, less an administrative fee of 1.58% of sales tax receipts paid to the State Board of Equalization for administration, and less sales tax receipts allocable to the Mountain-Desert region, except for certain jurisdictions covered by the pledge. The total sales tax revenue received was \$117,927,079 and for the current year the total interest paid for the bonds was \$11,609,500.

As stated in the official statement dated May 14, 2009, it is not anticipated that sufficient moneys will be available from pledged tax revenues to pay all of the principal of the bonds at their maturity on May 1, 2012 and it is intended that the bonds will be refunded on or prior to May 1, 2012.

Interest on bonds is payable semiannually on March 1 and September 1 of each year. The annual debt service requirements are as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 250,000,000	\$ 11,477,825	\$ 261,477,825
Total	<u>\$ 250,000,000</u>	<u>\$ 11,477,825</u>	<u>\$ 261,477,825</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 6 – LEASE COMMITMENTS AND TOTAL RENTAL EXPENSE*

SANBAG leases various office spaces under operating leases expiring in June 2011. In addition, SANBAG leases a copier under a five-year lease agreement expiring in September 2012. The leases provide that the lessee shall pay all insurance and maintenance. The total rental expenditures included in the financial statements for the year ended June 30, 2011 were \$146,103.

The total minimum rental commitment at June 30, 2011 is due as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2012	\$ 33,026
2013	10,479
2014	3,229
Total	<u>\$ 46,734</u>

*NOTE 7 – PENSION PLAN*

San Bernardino County Employee's Retirement Association (SBCERA)

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

**Funding policy:** General members are required to contribute 7.42% to 12.96% of their annual compensation to SBCERA. SANBAG is required to make periodic contributions to SBCERA in amounts that are estimated to remain a constant percentage of covered employee compensation such that, when combined with covered employees' contributions, will fully provide for all covered employees' benefits by the time they retire. The current employer rate is 22.51%. SANBAG has elected to pay the employees' portion of contributions. SANBAG's contributions to SBCERA for the years ended June 30, 2011 was \$1,189,213 which equal the required contributions for the year. The actuarial methods and assumptions are those adopted by the SBCERA Board of Retirement.

Three-Year Trend Information for the Plan:

<u>Fiscal Year</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2009	\$ 1,340,695	100%	-
6/30/2010	1,116,950	100%	-
6/30/2011	1,189,213	100%	-

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 7 – PENSION PLAN, (Continued)*

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.

Three-Year Trend Information for the Plan:

<u>Fiscal Year Ending</u>	<u>Employer Contribution Rate</u>	<u>Annual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	0%	\$ 12,441	100%	-
6/30/2010	0%	12,666	100%	-
6/30/2011	0%	13,736	100%	-

Note: SANBAG is not an active participant; therefore, employer contribution rate is 0% and a set amount of annual contribution is set by PERS.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 8 – COMMITMENTS*

Transportation

Outstanding contracts: As of June 30, 2011, 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 \$422,578,946 at June 30, 2011. Of this total, \$230,414,570 is expected to be expended in the year ending June 30, 2012.

Local Stimulus Program

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

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



**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 8 – COMMITMENTS, (Continued)*

The following summarizes the declared projects with projected costs:

<u>Location of Project</u>	<u>Projected 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
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 - Rural	2,050,000
San Bernardino County - Urban	3,769,705
Twentynine Palms	437,067
Upland	1,063,679
Victorville	1,551,410
Yucaipa	727,458
Yucca Valley	301,080
Total Commitment	<u>\$ 31,400,000</u>

As of June 30, 2011, the following short term liabilities were recognized:

<u>Entity</u>	<u>Amount of Current Liabilities</u>
Fontana	\$ 1,287,519
Montclair	125,000
Rialto	417,889
Upland	1,063,679
Total Due To Other Governments	<u>\$ 2,894,087</u>

## **SAN BERNARDINO ASSOCIATED GOVERNMENTS**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

#### *NOTE 9 – JOINT VENTURE*

SANBAG is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in June 1992. The SCRRA's Board consists of one member from the Ventura County Transportation Commission; two each from the Orange County Transit Authority, SANBAG and the Riverside County Transportation Commission; and four members from Los Angeles County Metropolitan Transportation Authority. The SCRRA is responsible for implementing and operating a regional commuter rail system (Metrolink) in five Southern California counties. As a member of the SCRRA, SANBAG makes capital and operating contributions for its pro rata share of rail lines servicing the County of San Bernardino. SANBAG expended \$9,565,842 during 2011 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by and available from the SCRRA.

#### *NOTE 10 – CONTINGENCY*

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

As discussed in Note 9, SANBAG is a member of the Southern California Regional Rail Authority (SCRRA) through a Joint Exercise of Powers Agreement (JPA). The purpose of SCRRA is to plan, design, construct and administer the operation of regional rail lines serving the member agencies. It is noted that prior to FY09-10, SCRRA, the operator of Metrolink, was involved in accidents that resulted in a number of claims. SANBAG tendered the defense to SCRRA and SCRRA subsequently accepted the tender and defense and indemnity of these claims. In March 2010, another such case arose from an individual claiming that SANBAG negligently owned, maintained, or operated the train which struck her and suffered injuries that have resulted in medical expenses exceeding \$400,000. This claim has been tendered for defense and indemnity to SCRRA under the Joint Powers Authority Agreement between SANBAG and SCRRA. As of September 30, 2011, the claim has since ran its 2-year statute of limitations to file an action and no lawsuit has served on SANBAG. It is premature to evaluate fully the merits of these cases at this time.

The San Bernardino County Flood Control District is suing SANBAG, Caltrans and the City of Rialto regarding what is called the Cactus Basin Channel. This litigation stems from a dispute regarding certain flood control improvement facilities that were constructed for the new 210 Freeway project in the City of Rialto. The District alleges that these improvements have resulted in an overburdening of certain basins owned and operated by the District. The District is claiming damages of as much as \$65 million to improve the basins. As of early 2010, all parties and the court have agreed that this case should be heard after the Colonies related trial. The current trial date is March 1, 2013. The parties have produced extensive documents, exceeding 100,000 pages, and depositions have not commenced. It is anticipated that various parties, including SANBAG, may file dispositive motions, such as for summary judgment prior to trial. The court has encouraged mediation with a proposed mediation cut-off date of February 17, 2012; however, SANBAG has indicated it cannot proceed to mediation without resolving certain insurance coverage issues. The case remains active, but it is still premature to evaluate fully the merits of the case.

## **SAN BERNARDINO ASSOCIATED GOVERNMENTS**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

#### *NOTE 10 – CONTINGENCY, (Continued)*

San Bernardino County and the San Bernardino County Flood Control District have filed a suit for indemnity, contribution and declaratory relief against SANBAG, Caltrans, and the City of Upland. This litigation stems from a dispute regarding the 20<sup>th</sup> Street Storm Drain facility related to the construction of the 210 freeway that has arisen in a quiet title action and a separate inverse condemnation action the Colonies brought against the District and/or the County. The Plaintiffs seek indemnification and damages for a \$102 million settlement they entered with the Colonies. As of late 2011, the California Attorney General and the San Bernardino County District Attorney have charge through indictments that the initial \$102 million settlement in 2007 was the product of bribes and conspiracy involving County Officials, with one former County supervisor who pled guilty to taking bribes. SANBAG has raised these corruption issues as a defense, and has made a motion to stay the case pending the criminal proceedings. The trial call in this matter was continued from October 14, 2011 to April 13, 2012. The trial readiness conference is set for March 23, 2012. The case will remain extremely active in near future with SANBAG intends to vigorously oppose the lawsuit; as such, it is premature to evaluate fully the merits of the case at this time.

#### *NOTE 11 – FUTURE REVENUES PLEDGED (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.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 11 – FUTURE REVENUES PLEDGED (PROJECT ADVANCEMENT AGREEMENTS), (Continued)*

The following summarizes the declared projects with Project Advancement Agreements:

Program name	Location	Project Name	Cost Estimate	Measure I Share
Victor Valley Major Local Highway	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 and Mill Creek	181,000	88,690
Valley Major Street	Chino	Pine and West Preserve Loop	181,000	88,690
Valley Major Street	Chino	Fern and 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	Safe Route to school (buy down)	-	-
Valley Major Street	Highland	TDA Art 3 (buy down Public Share)	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 and Richmond	158,000	112,180
Valley Major Street	R Cucamonga	4th and Utica	158,000	112,180
Valley Major Street	R Cucamonga	6th and Buffalo	158,000	112,180
Valley Major Street	R Cucamonga	6th and Utica	158,000	112,180
Valley Major Street	R Cucamonga	Archibald and Banyan	158,000	112,180
Valley Major Street	R Cucamonga	Archibald and San Bernardino	158,000	112,180
Valley Major Street	R Cucamonga	Archibald and Victoria	158,000	112,180
Valley Major Street	R Cucamonga	Arrow and Center	158,000	112,180
Valley Major Street	R Cucamonga	Banyan and Wardman Bullock	158,000	112,180
Valley Major Street	R Cucamonga	Carnelian and Wilson	158,000	112,180
Valley Major Street	R Cucamonga	Church and Elm	158,000	112,180
Valley Major Street	R Cucamonga	Day Creek and Madrigal	158,000	112,180
Valley Major Street	R Cucamonga	Foothill and Cornwall	158,000	112,180

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 11 – FUTURE REVENUES PLEDGED (PROJECT ADVANCEMENT AGREEMENTS), (Continued)*

Program name	Location	Project Name	Cost Estimate	Measure I Share
Valley Major Street	R Cucamonga	Foothill and East Ave	\$ 158,000	\$ 112,180
Valley Major Street	R Cucamonga	Foothill and Malachite	158,000	112,180
Valley Major Street	R Cucamonga	Haven and Trademark	158,000	112,180
Valley Major Street	R Cucamonga	Haven and Wilson	158,000	112,180
Valley Major Street	R Cucamonga	Hermosa and Church	158,000	112,180
Valley Major Street	R Cucamonga	Wilson and San Sevaine	158,000	112,180
Valley Major Street	R Cucamonga	Wilson and Wardman Bullock	158,000	112,180
Valley Major Street	Rialto	Bloomington Ave and Willow Ave	395,000	237,000
Valley Major Street	Rialto	Merrill Ave and Willow Ave	282,000	169,200
Valley Major Street	Rialto	Cactus Ave and Walnut Ave	282,000	169,200
Valley Major Street	Rialto	Cactus and Randall Ave	282,000	169,200
Valley Major Street	Rialto	Riverside Ave and 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
Total Measure I Commitment For Project Advancement Agreements			<u>\$ 249,753,618</u>	<u>\$ 127,101,001</u>

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

The following summarizes the financial activities that took place in FY 2010/2011:

	Victor Valley Major Local Highways	Valley Freeway Interchange	Valley Major Street	Total
Expenditures		\$ 2,831,933	\$ 4,408,664	\$ 7,240,597
Current Liabilities		2,222,010	3,388,989	5,610,999
Long Term Liabilities		7,832,729	59,932,679	67,765,408
Commitments	<u>\$ 8,598,000</u>	<u>21,450,581</u>	<u>16,435,416</u>	<u>46,483,997</u>
Total	<u>\$ 8,598,000</u>	<u>\$ 34,337,253</u>	<u>\$ 84,165,748</u>	<u>\$ 127,101,001</u>

# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

### *NOTE 11 – FUTURE REVENUES PLEDGED (PROJECT ADVANCEMENT AGREEMENTS), (Continued)*

Expenditures are current year liquidations of the overall long term liability through the use of available Measure I sales tax revenues collected as of June 30, 2011.

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, 2011.

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, 2011.

Commitments are possible obligations in which SANBAG would reserve funds in the future to meet the liability when they are recognized.

A total of \$67,765,408 was recognized as long term liabilities in FY 2010/2011. The total remaining commitments is \$46,483,997, and was unchanged from FY 2009/2010.

### *NOTE 12 – PTMISEA FUNDING*

As of June 30, 2011, San Bernardino Associated Governments (SANBAG) received a total of \$9,229,525 in Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds. These funds are designated to be used for the purchase of three rail cars by SCRRA for Metrolink operations \$(5,500,000), replacement paratransit vehicles by SANBAG-City of Barstow \$(420,000), and metrolink positive train control by SCRRA \$(3,309,525). As of June 30, 2011, the funds are accounted for within the Other Special Revenue Fund; \$70,069 has been accounted for as deferred revenue, \$3,659,456 was disbursed during the current fiscal year, \$4,125,000 was disbursed in fiscal year 09-10, and \$1,375,000 was disbursed in fiscal year 07-08.

### *NOTE 13 – MEASURE I SHORT-TERM CASH FLOW BORROWING*

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

Cash flow borrowing needs are identified each year during the annual budgeting process. The amount borrowed will be reflected in the adopted budget and recorded, and be recorded as an Advances To and Advances From the impacted Measure I programs. Repayment of the advanced funding is limited to within five years after the initial borrowing. Extensions, additional cash flow borrowings during the fiscal year, or other exceptions will require additional approval from the Board of Directors.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 13 – MEASURE I SHORT-TERM BORROWING, (Continued)*

A summary of the current year cash flow borrowings and interest charges is described below:

	Advances		Interest	
	Receivables	Payables	Expenditure	Revenue
Capital Projects Fund:				
Cajon Pass		\$ 1,239,716	\$ 14,257	
Valley Freeway Interchange		5,088,978	58,523	
Valley Major Street		6,174,557	71,007	
Measure I Fund:				
Measure I Valley Freeway	\$ 12,503,251			\$ 143,787
	<u>\$ 12,503,251</u>	<u>\$ 12,503,251</u>	<u>\$ 143,787</u>	<u>\$ 143,787</u>

*NOTE 14 – FUND BALANCES / GASB 54*

At June 30, 2011, SANBAG has no committed fund balances. The fund balances for the governmental funds are nonspendable, restricted, assigned, and unassigned for the following purposes:

	Major Fund				
	General Fund	Local Transportation Fund	Measure I Special Revenue Fund	Other Special Revenue Fund	Debt Service Fund
Fund Balances:					
Nonspendable:					
Prepaid expenses	\$ 129,817				
Restricted for:					
Disbursements to cities, subareas, transit operators and claimants		\$ 21,119,422	\$ 161,194,904		
Unpaid allocations		10,059,484			
Operator allocations		50,032,938			
Debt service					\$ 11,477,830
Capital projects					
Subtotal		<u>81,211,844</u>	<u>161,194,904</u>	<u>-</u>	<u>11,477,830</u>
Assigned to:					
Debt Service					6,055,340
Administration and local projects	14,735,595				
Subtotal	<u>14,735,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,055,340</u>
Unassigned:				\$ (21,415,247)	
Total Fund Balances	<u>\$ 14,865,412</u>	<u>\$ 81,211,844</u>	<u>\$ 161,194,904</u>	<u>\$ (21,415,247)</u>	<u>\$ 17,533,170</u>





**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 16 – RESTATEMENT OF FUND BALANCES*

Due to the implementation of the new accounting system, certain funds were reclassified in fiscal year 2010-2011 to better reflect their purpose and function. The net effect was an increase in fund balance of the General Fund as previously reported by \$9,660,301, and a decrease of \$3,235,158 in the Measure I Special Revenue Fund and \$6,425,143 in the Other Special Revenue Fund.

The restatement of Measure I Special Revenue Fund’s fund balance is due to change in the method of accounting for the Measure I administrative activities in the General Fund. Restatement of the Other Special Revenue Fund is attributed to change in the method of accounting for the Transportation Development Act (LTF special revenue fund and STAF special revenue fund) administration, planning, and rail expenditures; and the activities related to the Rail Assets accounts in the General Fund.

SANBAG has thus recorded the following adjustments to the beginning fund balances:

	General	Measure I Special Revenue	Other Special Revenue
Fund Balances, as previously reported	\$ 6,581,545	\$ 135,379,645	\$ (7,602,533)
Restatement	9,660,301	(3,235,158)	(6,425,143)
Fund balances at June 30, 2010, as restated	<u>\$ 16,241,846</u>	<u>\$ 132,144,487</u>	<u>\$ (14,027,676)</u>

*NOTE 17 – GASB PRONOUNCEMENTS*

Effective in the Current Year:

**GASB Statement No. 54** - In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement were incorporated into the presentation of the financial statements for June 30, 2011. The composition and classification of the various component amounts that comprise the fund balance differ from prior year presentations.

**GASB Statement No. 59** - In June 2010, GASB issued Statement No. 59, *Financial Instrument Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement was effective July 1, 2010 and did not significantly impact the financial statements of SANBAG.

# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

### NOTE 17 – GASB PRONOUNCEMENTS, (Continued)

#### Effective in the Future Periods:

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

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

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

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989, FASB statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, governments can apply post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. SANBAG has not determined its effect on the financial statements.

**GASB Statement No. 63** - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. SANBAG has not determined its effect on the financial statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

*NOTE 17 – GASB PRONOUNCEMENTS, (Continued)*

**GASB Statement No. 64** - In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. SANBAG has not determined its effect on the financial statements.

## **SUPPLEMENTARY INFORMATION**

**SECTION III -  
REQUIRED SUPPLEMENTARY INFORMATION**

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

**ENTITY WIDE SCHEDULE OF REVENUES AND EXPENDITURES  
BY BUDGET PROGRAMS**

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Sales Tax - Measure I 2010-2040	\$ 105,000,000	\$ 108,000,000	\$ 117,927,079	\$ 9,927,079
Local Transportation Fund	54,232,188	74,642,867	64,418,871	(10,223,996)
State Transit Assistance Fund	-	-	-	-
Other Grants and Revenues	200,909,730	200,909,730	106,164,009	(94,745,721)
Total Revenues	<u>360,141,918</u>	<u>383,552,597</u>	<u>288,509,959</u>	<u>(95,042,638)</u>
<b>EXPENDITURES</b>				
General / Council of Governments Support	2,688,294	4,201,271	2,736,412	1,464,859
Air Quality and Traveler Services	5,885,881	20,627,569	7,613,925	13,013,644
Transportation Planning & Programming	7,828,725	10,998,003	6,211,604	4,786,399
Major Project Delivery	227,380,104	272,097,930	100,212,786	171,885,145
Transit and Passenger Rail	11,815,569	55,391,579	37,219,151	18,172,428
Transportation Fund Administration	96,306,644	249,523,547	139,259,780	110,263,768
Total Expenditures	<u>351,905,217</u>	<u>612,839,899</u>	<u>293,253,657</u>	<u>319,586,242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,236,701</u>	<u>(229,287,302)</u>	<u>(4,743,698)</u>	<u>224,543,604</u>
<b>OTHER FINANCING SOURCES (USERS):</b>				
Transfers in	-	-	20,063,400	20,063,400
Transfers out	-	-	(20,063,400)	(20,063,400)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	8,236,701	(229,287,302)	(4,743,698)	224,543,604
Fund Balances at Beginning of Year, as restated	<u>493,497,997</u>	<u>493,497,997</u>	<u>493,497,997</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 501,734,698</u>	<u>\$ 264,210,695</u>	<u>\$ 488,754,299</u>	<u>\$ 224,543,604</u>

See accompanying note to required supplementary information.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2012**

***NOTE 1 – BUDGETARY DATA***

The annual budget serves the fiscal period from July 1 through June 30 and is a vehicle that accurately and openly communicates SANBAG's priorities to the community, businesses, vendors, employees and other public agencies. Also, the budget provides the foundation of financial planning by providing resource planning and controls that permit the evaluation and adjustment of SANBAG's performance.

SANBAG adopts a comprehensive annual budget based on funding sources and budgetary programs. The budgetary accounts are presented at the task level, and are intended to provide the users with an understanding of the programs for which SANBAG is responsible. This format results in a benchmark against which to evaluate SANBAG's accomplishments or challenges, while able to reconcile to the financial statements in aggregate.

A preliminary budget document is prepared by SANBAG staff and evaluated through the budget workshops. Once evaluated and finalized, the budget is presented to the Board of Directors for adoption.

Upon final adoption, the budget shall be in effect for the ensuing fiscal year. Budgets are prepared in accordance with generally accepted accounting principles using the modified accrual basis of accounting.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the program/task level. Board approval is required for any budget revisions that affect the total appropriations of each program/task.

Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year.

The refunded allocations for Local Transportation Fund and the State Transit Assistance Fund totaled \$16,954,928 is classified as revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balances; but excluded from the budgetary comparison as an reconciling item.

**SECTION IV -  
TEN YEAR TREND GOVERNMENTAL REVENUES**



**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**GENERAL GOVERNMENTAL REVENUE BY SOURCE**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Transactions and Use Tax</u>	<u>Local Transportation Fund</u>	<u>State Transit Assistance Fund</u>	<u>Vehicle Registration Fees</u>	<u>Other Local</u>	<u>Investment Income</u>
2001-02	\$ 94,524,807	\$ 49,713,962	\$ 5,694,689	\$ 1,361,485	\$ 5,265,682	\$ 9,154,912
2002-03	104,063,009	54,693,963	2,956,387	1,405,996	2,033,947	5,562,045
2003-04	111,575,283	59,335,936	3,242,050	1,487,896	4,336,062	1,284,521
2004-05	131,902,744	69,042,522	3,775,237	1,575,365	3,353,696	4,924,308
2005-06	148,073,689	80,291,612	6,222,728	1,639,975	2,710,654	7,746,516
2006-07	147,929,491	78,833,385	19,935,558	1,659,579	2,823,249	12,313,655
2007-08	140,547,350	74,557,995	6,455,483	1,649,657	1,449,777	11,988,570
2008-09	114,901,053	62,726,230	8,813,610	1,632,912	13,758,271	6,133,700
2009-10	106,073,764	58,681,660	13,137,744	1,590,158	19,619,658	9,745,049
2010-11	117,927,079	64,418,871	-	1,560,519	22,331,039	8,911,951

Federal	State	Refunds	Other Financing Sources	Total
\$ 69,100,788	\$ 7,403,669	\$ 237,709		\$ 242,457,703
31,060,639	4,045,087	205,291		206,026,364
3,003,402	25,329,378	209,597		209,804,125
11,677,403	25,016,959	940,204		252,208,438
22,085,428	41,775,823	116,797	\$ 240,315	310,903,537
34,217,715	9,323,997	90,648		307,127,277
16,942,174	33,002,057	121,748		286,714,811
11,781,742	20,451,779	121,748	260,372,920	500,693,965
27,738,925	14,542,800	1,005,402		252,135,160
56,561,771	16,798,729	-		288,509,959

**SECTION V -  
MEASURE I DETAIL FINANCIAL SUMMARIES**

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**BALANCE SHEET  
COMBINED STATEMENT OF MEASURE I FUND PROGRAMS**

**JUNE 30, 2011**

	2010-2040 Measure I Program	1990-2010 Measure I Program	Total
<b>ASSETS</b>			
Cash and investments	\$ 62,489,853	\$ 26,074,122	\$ 88,563,975
Interest receivable	414,220		414,220
Due from other funds		67,168,513	67,168,513
Due from other governments	23,161,168		23,161,168
Other receivable	295		295
Advances to other funds	12,503,251		12,503,251
<b>Total Assets</b>	<b><u>\$ 98,568,787</u></b>	<b><u>\$ 93,242,635</u></b>	<b><u>\$ 191,811,422</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable & accrued expenses	\$ 13,283,931	\$ 3,148,197	\$ 16,432,128
Due to other governments	3,902,607	5,816,662	9,719,269
Deferred revenue	4,465,121		4,465,121
<b>Total Liabilities</b>	<b><u>21,651,659</u></b>	<b><u>8,964,859</u></b>	<b><u>30,616,518</u></b>
<b>Fund Balances:</b>			
Restricted	<u>76,917,128</u>	<u>84,277,776</u>	<u>161,194,904</u>
<b>Total Liabilities &amp; Fund Balances</b>	<b><u>\$ 98,568,787</u></b>	<b><u>\$ 93,242,635</u></b>	<b><u>\$ 191,811,422</u></b>

See accompanying detail Measure I Statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
COMBINED STATEMENT OF MEASURE I FUND PROGRAMS**

**YEAR ENDED JUNE 30, 2011**

	2010-2040 Measure I Program	1990-2010 Measure I Program	Total
<b>REVENUES</b>			
Sales tax-MSI	\$ 116,747,808		\$ 116,747,808
Investment earnings	1,154,155		1,154,155
Interest on advances	143,787		143,787
Total Revenues	<u>118,045,750</u>		<u>118,045,750</u>
<b>EXPENDITURES</b>			
Current:			
Operators and claimants	35,624,630		35,624,630
Contributions to other governmental agencies	18,330,291	\$ 6,112,486	24,442,777
Salaries, wages and related Items	350,731	566,133	916,864
Professional services	5,652,319	13,074,177	18,726,496
Transportation and travel	17,619	20,053	37,672
Communications	172	266	438
Office expense	73,866	750,539	824,405
Office furniture and equipment	5,731		5,731
Highway construction	10,464	1,324,131	1,334,595
Right of Way	1,361,473	2,560,454	3,921,927
Loan advances expenditures	95,493	3,857	99,350
Capital outlay	14,771	14,946	29,717
Total Expenditures	<u>61,537,560</u>	<u>24,427,042</u>	<u>85,964,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>56,508,190</u>	<u>(24,427,042)</u>	<u>32,081,148</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	4,014,917		4,014,917
Transfers out	<u>(5,480,267)</u>	<u>(1,565,381)</u>	<u>(7,045,648)</u>
Total Other Financing Sources (Uses)	<u>(1,465,350)</u>	<u>(1,565,381)</u>	<u>(3,030,731)</u>
Net Change in Fund Balances	55,042,840	(25,992,423)	29,050,417
Fund Balances Beginning of Year	<u>21,874,288</u>	<u>110,270,199</u>	<u>132,144,487</u>
Fund Balances End of Year	<u>\$ 76,917,128</u>	<u>\$ 84,277,776</u>	<u>\$ 161,194,904</u>

See accompanying detail Measure I Statements.

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**BALANCE SHEET  
2010-2040 MEASURE I FUND PROGRAMS**

**JUNE 30, 2011**

	Valley Freeway Projects	Valley Freeway Interchange	Valley Major Street	Valley Local Street
<b>ASSETS</b>				
Cash and investments	\$ 19,749,927	\$ 8,462,607	\$ 15,416,994	
Interest receivable	105,250	61,164	76,609	
Due from other MSI funds			299,469	
Due from other governments	5,287,714	2,005,685	3,646,699	\$ 3,646,699
Other receivable	295			
Advances to other funds	12,503,251			
Total Assets	<u>\$ 37,646,437</u>	<u>\$ 10,529,456</u>	<u>\$ 19,439,771</u>	<u>\$ 3,646,699</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable & accrued expenses	\$ 4,992,891	\$ 48,573	\$ 1,451,978	\$ 3,017,773
Due to other MSI funds				
Due to other governments	23,675	258,733	3,539,943	
Deferred revenue	1,003,760	399,267	695,758	628,926
Total Liabilities	<u>6,020,326</u>	<u>706,573</u>	<u>5,687,679</u>	<u>3,646,699</u>
 Fund Balances:				
Restricted	<u>31,626,111</u>	<u>9,822,883</u>	<u>13,752,092</u>	
Total Liabilities & Fund Balances	<u>\$ 37,646,437</u>	<u>\$ 10,529,456</u>	<u>\$ 19,439,771</u>	<u>\$ 3,646,699</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>	<u>Victor Valley Senior &amp; Disabled Transit</u>
\$ 3,974,004	\$ 2,061,717		\$ 2,061,717	\$ 3,752,315		\$ 204,199
44,483	11,121	\$ 44,483	11,121	19,829		3,966
1,458,680	364,670	1,458,680	364,670	668,582	\$ 1,818,545	133,717
<u>\$ 5,477,167</u>	<u>\$ 2,437,508</u>	<u>\$ 1,503,163</u>	<u>\$ 2,437,508</u>	<u>\$ 4,440,726</u>	<u>\$ 1,818,545</u>	<u>\$ 341,882</u>
\$ 559,871		\$ 408,798		\$ 42,271	\$ 1,493,976	
		299,469				
1,176				998		
290,376	\$ 72,594	290,376	\$ 72,594	136,625	324,569	\$ 27,325
851,423	72,594	998,643	72,594	179,894	1,818,545	27,325
<u>4,625,744</u>	<u>2,364,914</u>	<u>504,520</u>	<u>2,364,914</u>	<u>4,260,832</u>		<u>314,557</u>
<u>\$ 5,477,167</u>	<u>\$ 2,437,508</u>	<u>\$ 1,503,163</u>	<u>\$ 2,437,508</u>	<u>\$ 4,440,726</u>	<u>\$ 1,818,545</u>	<u>\$ 341,882</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**BALANCE SHEET, (Continued)  
2010-2040 MEASURE I FUND PROGRAMS**

**JUNE 30, 2011**

	Victor Valley Transportation Management System	North Desert Major Local Highway	North Desert Local Street	North Desert Senior & Disabled
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments	\$ 282,509	\$ 1,113,265		\$ 217,306
Interest receivable	1,586	5,987		1,197
Due from other MSI funds				
Due from other governments	53,487	219,041	\$ 595,792	43,808
Other receivable				
Advances to other funds				
Total Assets	<u>\$ 337,582</u>	<u>\$ 1,338,293</u>	<u>\$ 595,792</u>	<u>\$ 262,311</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable & accrued expenses	\$ 1,080		\$ 423,489	
Due to other MSI funds				
Due to other governments				
Deferred revenue	10,930	\$ 68,569	172,303	\$ 13,714
Total Liabilities	<u>12,010</u>	<u>68,569</u>	<u>595,792</u>	<u>13,714</u>
 Fund Balances:				
Restricted	<u>325,572</u>	<u>1,269,724</u>		<u>248,597</u>
Total Liabilities & Fund Balances	<u>\$ 337,582</u>	<u>\$ 1,338,293</u>	<u>\$ 595,792</u>	<u>\$ 262,311</u>



North Desert Transportation Management System	Colorado River Major Local Highway	Colorado River Local Street	Colorado River Senior & Disabled Transit	Colorado River Transportation Management System	Morongo Basin Major Local Highway	Morongo Basin Local Street
\$ 89,062 479	\$ 55,171 292		\$ 10,315 58	\$ 4,414 23	\$ 543,250 2,894	
17,523	10,228	\$ 27,821	2,046	818	96,371	\$ 262,128
<u>\$ 107,064</u>	<u>\$ 65,691</u>	<u>\$ 27,821</u>	<u>\$ 12,419</u>	<u>\$ 5,255</u>	<u>\$ 642,515</u>	<u>\$ 262,128</u>
		\$ 19,532				\$ 219,971
\$ 5,486	\$ 3,302	8,289	\$ 660	\$ 264	\$ 18,023	42,157
5,486	3,302	27,821	660	264	18,023	262,128
101,578	62,389		11,759	4,991	624,492	
<u>\$ 107,064</u>	<u>\$ 65,691</u>	<u>\$ 27,821</u>	<u>\$ 12,419</u>	<u>\$ 5,255</u>	<u>\$ 642,515</u>	<u>\$ 262,128</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**BALANCE SHEET, (Continued)  
2010-2040 MEASURE I FUND PROGRAMS**

**JUNE 30, 2011**

	Morongo Basin Senior & Disabled Transit	Morongo Basin Transportation Management System	Mountain Major Local Highway	Mountain Local Street
<b>ASSETS</b>				
Cash and investments	\$ 32,027	\$ 43,460	\$ 477,419	
Interest receivable	579	232	2,513	
Due from other MSI funds				
Due from other governments	19,274	7,710	76,037	\$ 206,819
Other receivable				
Advances to other funds				
Total Assets	<u>\$ 51,880</u>	<u>\$ 51,402</u>	<u>\$ 555,969</u>	<u>\$ 206,819</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable & accrued expenses				\$ 178,096
Due to other MSI funds				
Due to other governments				
Deferred revenue	\$ 3,605	\$ 1,442	\$ 12,752	28,723
Total Liabilities	<u>3,605</u>	<u>1,442</u>	<u>12,752</u>	<u>206,819</u>
Fund Balances:				
Restricted	<u>48,275</u>	<u>49,960</u>	<u>543,217</u>	
Total Liabilities & Fund Balances	<u>\$ 51,880</u>	<u>\$ 51,402</u>	<u>\$ 555,969</u>	<u>\$ 206,819</u>

Mountain Senior & Disabled Transit	Mountain Project Transportation Management System	Cajon Pass	Total Before Eliminations	Eliminations	Total
\$ 85,101	\$ 38,194	\$ 3,814,880	\$ 62,489,853		\$ 62,489,853
503	201	19,650	414,220		414,220
			299,469	\$ (299,469)	-
15,207	6,083	646,634	23,161,168		23,161,168
			295		295
			12,503,251		12,503,251
<u>\$ 100,811</u>	<u>\$ 44,478</u>	<u>\$ 4,481,164</u>	<u>\$ 98,868,256</u>	<u>\$ (299,469)</u>	<u>\$ 98,568,787</u>
		\$ 425,632	\$ 13,283,931		\$ 13,283,931
			299,469	\$ (299,469)	-
		78,082	3,902,607		3,902,607
\$ 2,551	\$ 1,020	129,161	4,465,121		4,465,121
2,551	1,020	632,875	21,951,128	(299,469)	21,651,659
98,260	43,458	3,848,289	76,917,128		76,917,128
<u>\$ 100,811</u>	<u>\$ 44,478</u>	<u>\$ 4,481,164</u>	<u>\$ 98,868,256</u>	<u>\$ (299,469)</u>	<u>\$ 98,568,787</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
2010-2040 MEASURE I FUND PROGRAMS**

	Valley Freeway Projects	Valley Freeway Interchanges	Valley Major Street	Valley Local Street
<b>REVENUES</b>				
Sales tax-MSI	\$ 26,840,963	\$ 10,181,054	\$ 18,511,009	\$ 18,511,009
Investment earnings	293,261	170,424	213,459	
Interest on advances	143,787			
Total Revenues	<u>27,278,011</u>	<u>10,351,478</u>	<u>18,724,468</u>	<u>18,511,009</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Operators and claimants	1,455,482		1,995,300	18,540,366
Contributions to other governmental agencies	6,000	2,563,172	5,835,897	
Salaries, wages and related Items	126,137	86,793	34,754	
Professional services	1,730,509		977,673	
Transportation and travel	13,367	1,344	656	
Communications	26	83	41	
Office expense	61,246	6,595	2,783	
Office furniture and equipment				
Highway construction			8,253	
Right of Way		517,931	843,542	
Loan advances expenditures	1,468	13	6	
Capital outlay	2,553	8,212	4,006	
Total Expenditures	<u>3,396,788</u>	<u>3,184,143</u>	<u>9,702,911</u>	<u>18,540,366</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>23,881,223</u>	<u>7,167,335</u>	<u>9,021,557</u>	<u>(29,357)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,638,576	612,439		29,357
Transfers out	<u>(3,007,036)</u>		<u>(1,878,846)</u>	
Total Other Financing Sources (Uses)	<u>(1,368,460)</u>	<u>612,439</u>	<u>(1,878,846)</u>	<u>29,357</u>
Net Change in Fund Balances	22,512,763	7,779,774	7,142,711	
Fund Balances Beginning of Year	<u>9,113,348</u>	<u>2,043,109</u>	<u>6,609,381</u>	
Fund Balances End of Year	<u>\$ 31,626,111</u>	<u>\$ 9,822,883</u>	<u>\$ 13,752,092</u>	<u>\$ -</u>

Valley Metrolink/ Rail Service	Valley Express Bus/ Bus Rapid Transit Service	Valley Senior & Disabled Transit	Valley Transportation Management Systems	Victor Valley Major Local Highway	Victor Valley Local Street	Victor Valley Senior & Disabled Transit
\$ 7,404,403	\$ 1,851,101	\$ 7,404,403	\$ 1,851,101	\$ 3,289,139	\$ 8,946,458	\$ 657,828
123,945	30,987	123,945	30,987	55,249		11,050
<u>7,528,348</u>	<u>1,882,088</u>	<u>7,528,348</u>	<u>1,882,088</u>	<u>3,344,388</u>	<u>8,946,458</u>	<u>668,878</u>
					8,560,492	
1,481,533		7,841,088				525,698
75		21,465				11,341
2,594,403		52,440				
31		767				573
1,454		131				
5,731						
94,006						
<u>4,177,233</u>		<u>7,915,891</u>			<u>8,560,492</u>	<u>537,612</u>
<u>3,351,115</u>	<u>1,882,088</u>	<u>(387,543)</u>	<u>1,882,088</u>	<u>3,344,388</u>	<u>385,966</u>	<u>131,266</u>
445,410	111,352	445,410	111,352	209,951		41,990
					(385,966)	
<u>445,410</u>	<u>111,352</u>	<u>445,410</u>	<u>111,352</u>	<u>209,951</u>	<u>(385,966)</u>	<u>41,990</u>
3,796,525	1,993,440	57,867	1,993,440	3,554,339		173,256
829,219	371,474	446,653	371,474	706,493		141,301
<u>\$ 4,625,744</u>	<u>\$ 2,364,914</u>	<u>\$ 504,520</u>	<u>\$ 2,364,914</u>	<u>\$ 4,260,832</u>	<u>\$ -</u>	<u>\$ 314,557</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES, (Continued)  
2010-2040 MEASURE I FUND PROGRAMS**

	Victor Valley Transportation Management Systems	North Desert Major Local Highway	North Desert Local Street	North Desert Senior & Disabled Transit
<b>REVENUES</b>				
Sales tax-MSI	\$ 263,131	\$ 998,001	\$ 2,714,563	\$ 199,600
Investment earnings	4,420	16,681		3,336
Interest on advances				
Total Revenues	<u>267,551</u>	<u>1,014,682</u>	<u>2,714,563</u>	<u>202,936</u>
<b>EXPENDITURES</b>				
Current:				
Operators and claimants			2,669,550	
Contributions to other governmental agencies				
Salaries, wages and related Items				5,178
Professional services	15,295			
Transportation and travel				
Communications				
Office expense				170
Office furniture and equipment				
Highway construction				
Right of Way				
Loan advances expenditures				
Capital outlay				
Total Expenditures	<u>15,295</u>	<u></u>	<u>2,669,550</u>	<u>5,348</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>252,256</u>	<u>1,014,682</u>	<u>45,013</u>	<u>197,588</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	16,796	58,428		11,686
Transfers out			(45,013)	
Total Other Financing Sources (Uses)	<u>16,796</u>	<u>58,428</u>	<u>(45,013)</u>	<u>11,686</u>
Net Change in Fund Balances	269,052	1,073,110		209,274
Fund Balances Beginning of Year	<u>56,520</u>	<u>196,614</u>	<u></u>	<u>39,323</u>
Fund Balances End of Year	<u>\$ 325,572</u>	<u>\$ 1,269,724</u>	<u>\$ -</u>	<u>\$ 248,597</u>

North Desert Transportation Management Systems	Colorado River Major Local Highway	Colorado River Local Street	Colorado River Senior & Disabled Transit	Colorado River Transportation Management Systems	Morongo Basin Major Local Highway
\$ 79,840	\$ 48,566	\$ 132,098	\$ 9,713	\$ 3,886	\$ 479,153
1,335	814		162	65	8,062
<u>81,175</u>	<u>49,380</u>	<u>132,098</u>	<u>9,875</u>	<u>3,951</u>	<u>487,215</u>
		122,042			
			718		
		<u>122,042</u>	<u>718</u>		
<u>81,175</u>	<u>49,380</u>	<u>10,056</u>	<u>9,157</u>	<u>3,951</u>	<u>487,215</u>
4,674	2,980		596	238	31,449
		(10,056)			
<u>4,674</u>	<u>2,980</u>	<u>(10,056)</u>	<u>596</u>	<u>238</u>	<u>31,449</u>
85,849	52,360		9,753	4,189	518,664
15,729	10,029		2,006	802	105,828
<u>\$ 101,578</u>	<u>\$ 62,389</u>	<u>\$ -</u>	<u>\$ 11,759</u>	<u>\$ 4,991</u>	<u>\$ 624,492</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES, (Continued)  
2010-2040 MEASURE I FUND PROGRAMS**

	Morongo Basin Local Street	Morongo Basin Senior & Disabled Transit	Morongo Basin Transportation Management Systems	Mountain Major Major Local Highway
<b>REVENUES</b>				
Sales tax-MSI	\$ 1,303,294	\$ 95,830	\$ 38,332	\$ 415,976
Investment earnings		1,613	646	7,003
Interest on advances				
Total Revenues	<u>1,303,294</u>	<u>97,443</u>	<u>38,978</u>	<u>422,979</u>
<b>EXPENDITURES</b>				
Current:				
Operators and claimants	1,209,583			
Contributions to other governmental agencies		72,316		
Salaries, wages and related Items		3,998		
Professional services				
Transportation and travel		310		
Communications				
Office expense				
Office furniture and equipment				
Highway construction				
Right of Way				
Loan advances expenditures				
Capital outlay				
Total Expenditures	<u>1,209,583</u>	<u>76,624</u>		
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>93,711</u>	<u>20,819</u>	<u>38,978</u>	<u>422,979</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		6,290	2,516	27,546
Transfers out	<u>(93,711)</u>			
Total Other Financing Sources (Uses)	<u>(93,711)</u>	<u>6,290</u>	<u>2,516</u>	<u>27,546</u>
Net Change in Fund Balances		27,109	41,494	450,525
Fund Balances Beginning of Year		21,166	8,466	92,692
Fund Balances End of Year	<u>\$ -</u>	<u>\$ 48,275</u>	<u>\$ 49,960</u>	<u>\$ 543,217</u>



Mountain Local Local Street	Mountain Senior & Disabled Transit	Mountain Transportation Management Systems	Measure I Cajon Pass	Total
\$ 1,131,454	\$ 83,195	\$ 33,278	\$ 3,269,430	\$ 116,747,808
	1,400	560	54,751	1,154,155
				143,787
<u>1,131,454</u>	<u>84,595</u>	<u>33,838</u>	<u>3,324,181</u>	<u>118,045,750</u>
1,071,815				35,624,630
	4,587			18,330,291
	5,141		55,131	350,731
	446		281,553	5,652,319
	209		362	17,619
			22	172
			1,487	73,866
				5,731
			2,211	10,464
				1,361,473
				95,493
				14,771
<u>1,071,815</u>	<u>10,383</u>		<u>340,766</u>	<u>61,537,560</u>
<u>59,639</u>	<u>74,212</u>	<u>33,838</u>	<u>2,983,415</u>	<u>56,508,190</u>
	5,509	2,204	198,168	4,014,917
<u>(59,639)</u>				<u>(5,480,267)</u>
<u>(59,639)</u>	<u>5,509</u>	<u>2,204</u>	<u>198,168</u>	<u>(1,465,350)</u>
	79,721	36,042	3,181,583	55,042,840
	18,539	7,416	666,706	21,874,288
<u>\$ -</u>	<u>\$ 98,260</u>	<u>\$ 43,458</u>	<u>\$ 3,848,289</u>	<u>\$ 76,917,128</u>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**BALANCE SHEET**

**1990-2010 MEASURE I FUND PROGRAMS**

**JUNE 30, 2011**

	Valley Major Projects/Arterial	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancemnet	Total
<b>ASSETS</b>					
Cash and investments	\$ 640,873	\$ 6,860,553	\$ 6,726,196	\$ 11,846,500	\$ 26,074,122
Due from other funds	66,307,966	860,547			67,168,513
<b>Total Assets</b>	<b>\$ 66,948,839</b>	<b>\$ 7,721,100</b>	<b>\$ 6,726,196</b>	<b>\$ 11,846,500</b>	<b>\$ 93,242,635</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable & accrued expenses	\$ 2,192,267	\$ 683,280		\$ 272,650	\$ 3,148,197
Due to other governments	3,295,955	1,235		2,519,472	5,816,662
<b>Total Liabilities</b>	<b>5,488,222</b>	<b>684,515</b>		<b>2,792,122</b>	<b>8,964,859</b>
<b>Fund Balances:</b>					
Restricted	61,460,617	7,036,585	\$ 6,726,196	9,054,378	84,277,776
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 66,948,839</b>	<b>\$ 7,721,100</b>	<b>\$ 6,726,196</b>	<b>\$ 11,846,500</b>	<b>\$ 93,242,635</b>

**SAN BERNARDINO ASSOCIATED GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
1990-2010 MEASURE I FUND PROGRAMS**

**YEAR ENDED JUNE 30, 2011**

	Valley Major Projects/Arterial	Valley Commuter Rail	Valley Elderly & Disabled Transit	Valley Traffic Management Environmental Enhancement	Total
<b>REVENUES</b>					
Total Revenues					
<b>EXPENDITURES</b>					
Current:					
Contributions to other governmental agencies	\$ 6,097,469			\$ 15,017	\$ 6,112,486
Salaries, wages and related items	209,108	\$ 58,391		298,634	566,133
Professional services	8,217,195	3,976,870		880,112	13,074,177
Transportation and travel	3,446	7,351		9,256	20,053
Communications	176			90	266
Office expense	689,363	7,377		53,799	750,539
Highway construction	1,222,397			101,734	1,324,131
Loan advances expenditures				3,857	3,857
Right of Way	2,560,454				2,560,454
Capital outlay	14,946				14,946
Total Expenditures	19,014,554	4,049,989		1,362,499	24,427,042
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,014,554)	(4,049,989)		(1,362,499)	(24,427,042)
<b>OTHER FINANCING USES</b>					
Transfers out	(660,884)	(440,401)	\$ (330,159)	(133,937)	(1,565,381)
Net Change in Fund Balances	(19,675,438)	(4,490,390)	(330,159)	(1,496,436)	(25,992,423)
Fund Balances Beginning of Year	81,136,055	11,526,975	7,056,355	10,550,814	110,270,199
Fund Balances End of Year	\$ 61,460,617	\$ 7,036,585	\$ 6,726,196	\$ 9,054,378	\$ 84,277,776