

For Year Ended
June 30, 2016

Comprehensive ANNUAL FINANCIAL REPORT



San Bernardino Associated Governments



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San Bernardino Associated Governments, CA

**Comprehensive
ANNUAL FINANCIAL REPORT**

For Year Ended June 30, 2016



Prepared by SANBAG, Finance Department

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION

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

November 30, 2016

To the Citizens of San Bernardino County, California:

The Comprehensive Annual Financial Report (CAFR) of San Bernardino Associated Governments (SANBAG), California, and related agencies for the fiscal year ended June 30, 2016 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. RSM US LLP, Certified Public Accountants, have issued an unmodified opinion on SANBAG's financial statements for the fiscal year ended June 30, 2016. The auditor's 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 over financial reporting and compliance with legal requirements, with special emphasis on internal controls over compliance with, and legal requirements involving the administration of federal awards. These reports are available in SANBAG's separately issued Single Audit Report.

Profile of the Government

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

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

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

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

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

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

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

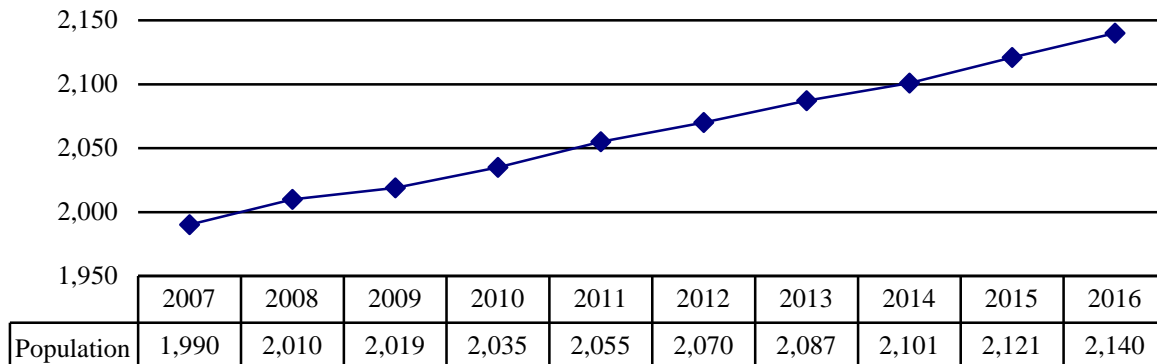
SANBAG is required to adopt a budget prior to the beginning of each fiscal year. The annual budget serves as the foundation for SANBAG's financial planning and control. The budget is prepared by funding source, program and task. Management may transfer resources within each task and between tasks within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

Local Economy

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

The population of San Bernardino County has grown by 7.5% over the last ten years. Although the growth slowed down in 2009 due to the economy, it has steadily increased in the last seven years.

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



The County experienced a significant increase in unemployment during the great economic recession with an unemployment rate peaking at 14.2% in 2010. The unemployment rate has steadily decreased over the past six years to 6.2% in 2016. This compares to the pre-recession rate of 5.6% in 2007.

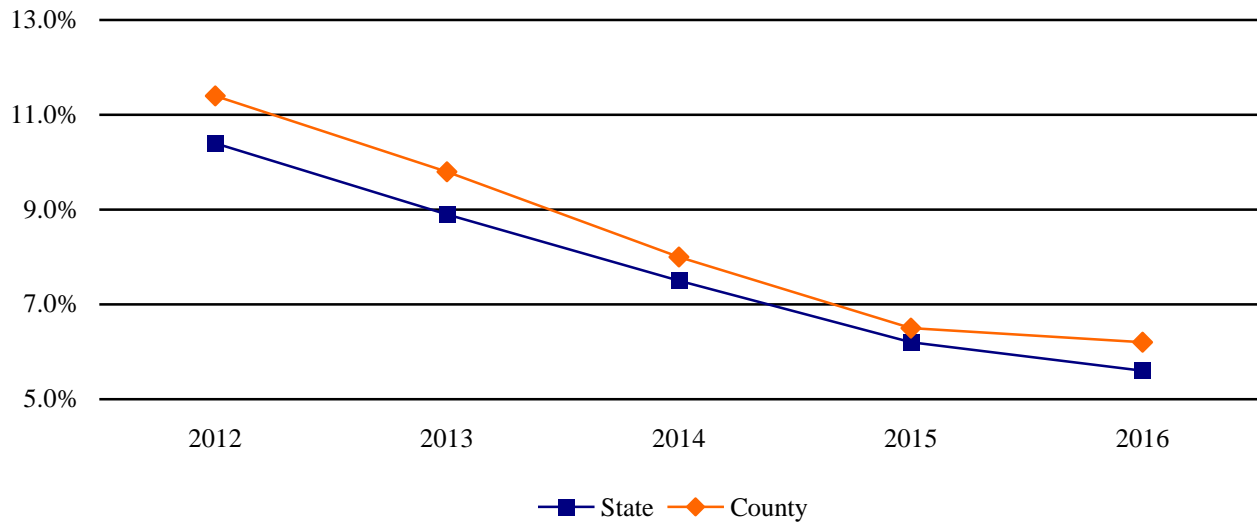
The following table summarizes the civilian labor force, employment and unemployment, and employment rate for the State of California and San Bernardino County for the calendar years 2012 through 2016. The figures for 2016 are as of eight months ending August 2016. Data for each of the years are not seasonally adjusted. Labor force data is by place of residence and includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

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

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | State | County | State | County | State | County | State | County | State | County |
| Civilian labor force | 18,551 | 893.6 | 18,670 | 898.8 | 18,828 | 910.7 | 18,982 | 926.6 | 19,358 | 938.9 |
| Employment | 16,627 | 791.6 | 17,001 | 811.1 | 17,418 | 837.9 | 17,799 | 866.8 | 18,282 | 880.2 |
| Unemployment | 1,924 | 102.0 | 1,669 | 87.7 | 1,410 | 72.8 | 1,183 | 59.8 | 1,076 | 58.7 |
| Unemployment rate | 10.4% | 11.4% | 8.9% | 9.8% | 7.5% | 8.0% | 6.2% | 6.5% | 5.6% | 6.2% |

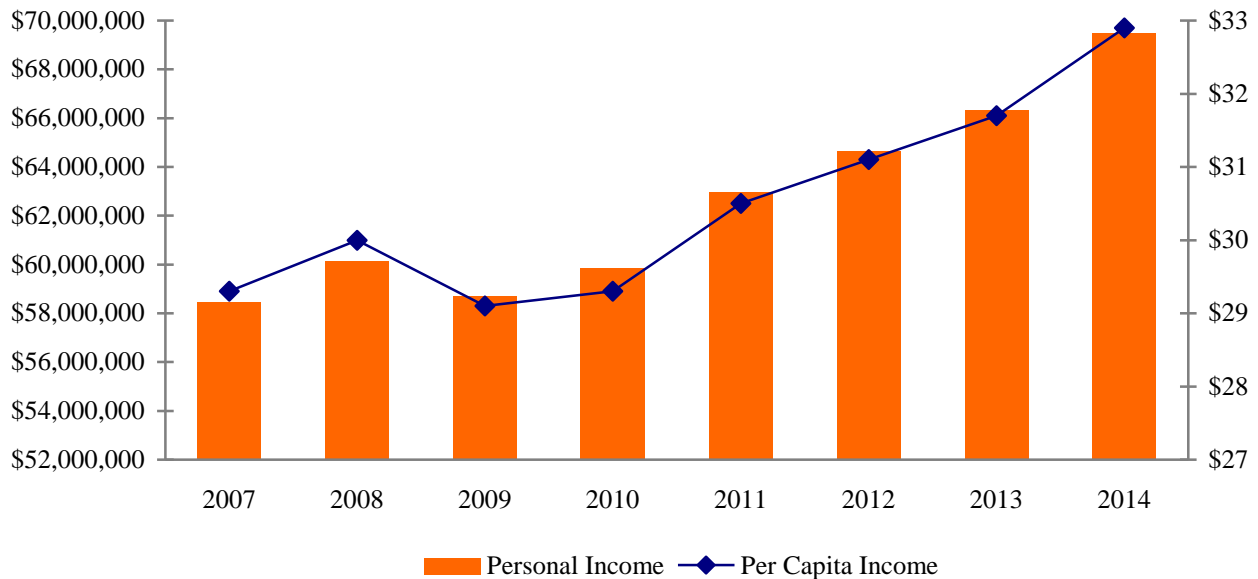
Source: Labor Market Information Division-California State Employment Development Department.

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



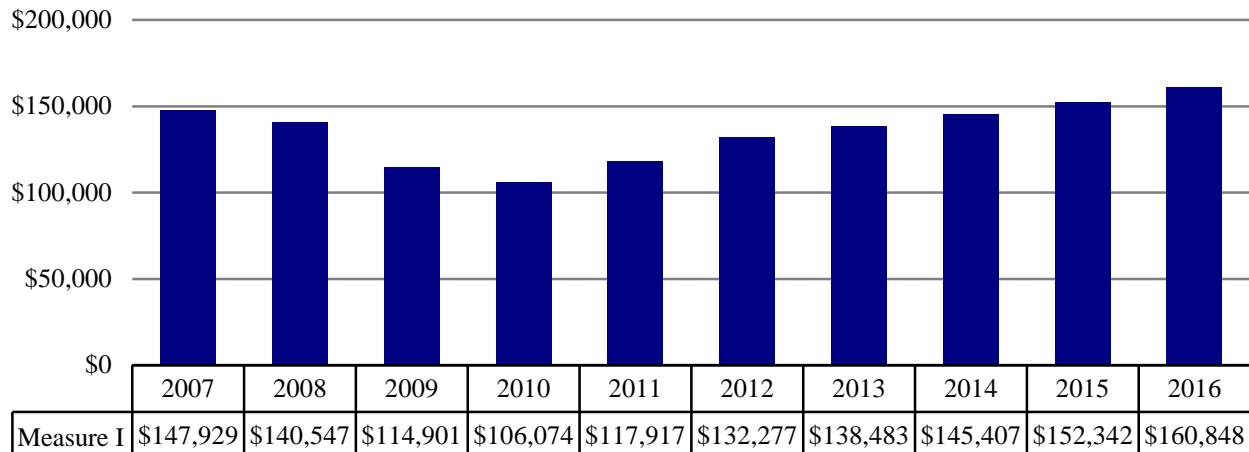
Personal income decreased from \$60.5 billion in 2008 to \$58.7 billion in 2009 because of the economic recession. The strong improvement in the local economy over the last few years has increased personal income to a high of \$69.5 billion in 2014. Per capita income followed a similar pattern increasing steadily to a high of \$32.9 thousand in 2014.

**Personal Income and Per Capita Income
Years 2007-2014
(In Thousands)**



Measure I sales tax receipts declined from \$147.9 million in fiscal year 2007 to a low of \$106.1 million in fiscal year 2010. However, recent increase in retail sales indicates a strong recovery in the Inland Empire region. Measure I sales tax revenue for fiscal year 2016 was \$160.8 million in comparison to \$152.3 million of the prior fiscal year.

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



SANBAG estimated \$160 million Measure I sales tax revenue for the fiscal year 2016 budget representing a conservative increase from prior fiscal years. Measure I sales tax revenue will affect future bond financing and transportation project delivery. The economy is expected to be stable in fiscal year 2017 and beyond.

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

Long Term Planning

The new Measure I program was initiated on April 1, 2010. This was the result of voters approving the extension/renewal of the local transaction and use tax in November 2004. SANBAG has adopted a strategic plan for the implementation of this 30 year extension, designed to improve transportation and goods movement. A ten-year delivery plan was recently updated which provides revenue projections; project scope, cost and schedule; escalation and inflation; financial strategy; and long-term bonding analysis. Freeway, interchange, grade separation, and transit and commuter rail project costs identified in the plan are estimated to be \$5.7 billion. Funding includes \$1.7 billion from Measure I sales tax revenue, and \$4 billion from federal, state, and local sources.

SANBAG will continue to explore economically viable ways to advance these transportation projects so they may be enjoyed by the citizens of San Bernardino County as soon as possible. The detailed Measure I 2010-2040 Ten-Year Delivery Plan can be accessed on SANBAG's web site.

Major Initiatives

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

COUNCIL OF GOVERNMENTS

Property Assessed Clean Energy Program (PACE)

SANBAG implemented a PACE program in October 2014. The program allows property owners to finance energy efficiency and water conservation improvements with an assessment on their property tax bill. Since the program start 14,782 projects valued at over \$278 million have been completed. These projects help property owners annually save 106.8 million kWh of electricity and 49.5 million gallons of water, and have reduced annual greenhouse gas emissions by 29,170 tons.

32nd Annual City-County Conference

SANBAG co-sponsors the City-County Conference to bring city and county elected officials and staff together to discuss mutual concerns. The 2016 conference focused on collaboration in the areas of crisis communications, the local economy, emergency preparedness, and impacts of new state legislation.

San Bernardino Regional Energy Partnership (SBREP)

In 2015, SANBAG, in cooperation with SCE, the Gas Company and several cities launched the SBREP. This partnership brings together resources to help cities save money on their utilities by helping them install efficiency projects on municipal facilities. SBREP also helps cities communicate efficiency programs available to residents and businesses in those communities.

LEGISLATION AND PUBLIC AFFAIRS

Legislation

SANBAG's robust advocacy program resulted in: enhanced awareness of a need to address pending air quality deadlines which may impact future funding opportunities; strong support for goods movement funding; \$8.7 million from the U.S. Department of Transportation in Transportation Investment Generating Economic Recovery (TIGER) grant funds, \$9.2 million from the state of California Transit and Intercity Rail Capital Program (TIRCP); as well as the development and passage of legislation to create the San Bernardino County Transportation Authority (SBCTA).

Public Affairs

SANBAG's public affairs program updated its procurement of support outreach services as a way of expanding the opportunities for citizen engagement, outreach, and education. These and other efforts have resulted in enhanced media opportunities to communicate accurate, timely and consistent information about SANBAG's programs, projects, and services in newspaper, radio, and television mediums and continued growth in social media following. In addition, enhanced focus on branding and marketing moves the agency closer to a more defined look and feel to SANBAG communications to better connect the success of the projects to the program.

COMMUTER AND MOTORIST ASSISTANCE

Satellite Call Boxes

SANBAG administers a network of more than 990 emergency call boxes along freeways and highways throughout the 20,000 square miles of San Bernardino County. Initially call boxes were located in areas with cellular service leaving many rural areas in the mountain and desert area without any emergency communication for motorists. Satellite call box technology is now available and has been deployed in these remote areas. Currently, 28 satellite call boxes have been installed with plans for additional units to be deployed as needed. In addition, SANBAG successfully completed upgrading all of its cellular call boxes from 2G to 3G technology.

Freeway Service Patrol (FSP)

SANBAG provides FSP services along the freeways in the urbanized area of the San Bernardino Valley. There are eight separate segments of the highways system, known as beats, and tow trucks patrol these beats during the morning and evening rush hours to assist motorists and remove broken down or stalled vehicles quickly to help keep traffic moving. In order to reach out and assist more motorists, two previous separate beats are being merged into one beat, which then allows for the implementation of a new beat along the SR 210 between the LA County line and Citrus Avenue. By using resources more efficiently, FSP will have greater outreach and the ability to provide more services to stranded motorists. FSP assisted more than 35,000 motorists during the year and received a 99% excellent ranking from the motorists that were assisted.

REGIONAL AND SUBREGIONAL PLANNING

Countywide Transportation Plan (CTP)

SANBAG completed the agency's first Countywide Transportation Plan, a comprehensive plan for multi-modal transportation through 2040. The CTP analyzes the impacts of future growth in San Bernardino County through 2040 and identifies transportation projects for both a baseline 2040 scenario (assuming traditional revenue streams) as well as for an aggressive 2040 scenario (assuming additional revenue is available).

Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS)

The 2016-2040 RTP/SCS was approved by the Southern California Association of Governments (SCAG) in April 2016. SANBAG worked closely with SCAG on many aspects of the RTP/SCS, including growth forecasts, project lists, freight strategy, and sustainability elements. The CTP was the basis of SANBAG's input to the SCAG RTP/SCS.

Phase II of the Countywide Habitat Preservation/Conservation Framework (Framework Study)

The Framework Study is an outgrowth of the San Bernardino Countywide Vision initiated in 2010, driven by community input and endorsed by the local jurisdictions of San Bernardino County in 2011. Phase 1 of the Framework Study defined a set of habitat conservation principles that could be endorsed by a broad cross-section of San Bernardino County stakeholders, and defined the next steps to be pursued in Phase II. Phase II was initiated in FY 2015-2016 with funding provided to SANBAG by the County of San Bernardino and SCAG.

California Department of Transportation (Caltrans) Active Transportation Program (ATP) Cycle 2 Grant Awards

The ATP was created through state legislation so that Caltrans could encourage increased use of active modes of transportation, such as cycling and walking. SANBAG helps coordinate applications, provides an opportunity to compete for matching funds, and provides material to support local applications. San Bernardino County agencies were collectively awarded almost \$19 million under ATP Cycle 2. A third round of grant applications was submitted late in Fiscal Year 2015-2016. Collectively, agencies in San Bernardino County have been awarded more than \$42 million in ATP grants over the last two fiscal years.

Advanced Regional Rail Integrated Vision East (ARRIVE) Corridor

The ARRIVE Corridor Study was completed, funded by a Caltrans grant. The goal of ARRIVE is to develop practical strategies for transitioning the San Bernardino Metrolink line, over time, from a traditional commuter rail corridor to a more integrated transit oriented development (TOD)/regional rail corridor. The ARRIVE Corridor Study was completed in Fiscal Year 2015-2016, with substantial input from the cities served by the San Bernardino Line. A video was produced to assist local jurisdictions in explaining the strategy and marketing the corridor for TOD development opportunities.

Update of the Valley Freeway Interchange Program

Per SANBAG Board direction, the interchange priority list was updated based on new traffic analysis and interchange costs. In addition, a phasing program was structured for consideration by the SANBAG Board. The program identifies lower-cost interchange ramp, turn lane, and striping projects that can improve interchange operation in the short term. The phasing program is being reflected in the updated SANBAG 10-Year Delivery Plan.

New Congestion Management Program (CMP) Monitoring System

A new system was implemented to monitor the performance of the CMP roadway network, which consists of freeways and major arterial highways. The iPeMS system uses data from mobile phones to analyze speed and congestion on the CMP network on a 24/7 basis.

TRANSIT AND PASSENGER RAIL

Countywide Transit Efficiency Study

SANBAG completed the Countywide Transit Efficiency Study, which was undertaken to identify potential cost efficiencies and improve transit service through better coordination among the operators and SANBAG. While overall the study noted that the operators are doing well with the resources that are available to them, the study identified items that with joint ventures could lead to potentially high cost savings, such as joint procurements for buses, bus parts, automotive parts, and fuel. Other items were identified that would not likely reduce cost but could improve service, such as inter-agency agreements for mutual aid, service planning, and construction management. Mutual aid agreements have been executed between Omnitrans and VVTA and Omnitrans and MARTA, and many more agreements are under development as a result of the study.

San Bernardino Transit Center

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

Downtown San Bernardino Passenger Rail Project

Construction on the Downtown San Bernardino Passenger Rail Project (DSBPRP) continues with approximately 65% of the work being completed as of the end of the fiscal year. The DSBPRP will extend Metrolink service approximately one mile from the current terminus at the historic Santa Fe Depot to the multi-modal SBTC.

Redlands Passenger Rail Project

The final design contract and program management services contract for the Redlands Passenger Rail Project were awarded and cooperative agreements with Esri and the University of Redlands were negotiated. Grant applications for the Federal Transportation Investment Generating Economic Recovery Discretionary Grant Program, the California Transit and Intercity Rail Improvement Program, and the Federal Railroad Administration Railroad Safety Infrastructure Improvement Grant Program were submitted. The project will provide passenger rail service from the newly operational San Bernardino Transit Center to the University of Redlands, with stops in between.

Sierra Avenue and Juniper Avenue Grade Crossings

SANBAG, in partnership with the City of Fontana and Metrolink, environmentally cleared the grade crossing and pedestrian improvements at Sierra Avenue and Juniper Avenue and completed 90% final design.

Metrolink Double Track – Control Point (CP) Lilac to Rancho

The project will add a second track between CP Lilac in the City of Rialto and CP Rancho in the City of San Bernardino providing additional service capacity along the Metrolink San Bernardino Line. The request for proposals for preliminary engineering and environmental was released and award of the contract was recommended by the Transit Committee for July 2016 approval by the Board.

Shortway Subdivision Quiet Zone

The project includes infrastructure improvements at the Rialto Avenue grade crossing allowing the train operators to forego routinely sounding their horns in accordance with Federal Railroad Administration and California Public Utilities Commission regulations. Implementation of a quiet zone along the Shortway Subdivision helps to mitigate the impact of increased train traffic as a result of the Metrolink South Eastern Maintenance Facility becoming fully operational.

Railroad Right-of-Way

SANBAG hired a full-time staff member dedicated to managing the vast railroad property portfolio held by SANBAG and procured separately for maintenance of way services allowing for more direct management of the maintenance efforts.

MAJOR PROJECT DELIVERY

I-10 Corridor Project Development, Multiple Cities

SANBAG is in the process of preliminary engineering, environmental and financial studies. The environmental document was circulated for public comment in April/May 2016. High Occupancy Vehicle (HOV) lanes and Express lanes are being considered for this 33 mile corridor. The cost (nominal \$) of the alternatives range from \$650 million to \$1.8 billion.

I-15 Corridor Project Development, Multiple Cities

The preliminary engineering and environmental studies are ongoing for the addition of two Express Lanes in each direction from SR-60 to SR-210, a distance of approximately 14 miles.

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

The first phase of construction was completed in February 2014. The second phase of construction commenced in February 2015 and opened to traffic in May 2016.

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

The Devore interchange is the first design-build highway project in San Bernardino County. The project reconfigures the interchange, adds a fourth lane in each direction on the I-15 through the interchange, and adds truck connectors. This \$266M construction project was opened to traffic date in June 2016.

Laurel Street Grade Separation, Colton

The undercrossing below the BNSF railroad tracks, located in the city of Colton, was opened to traffic in June 2016.

Lenwood Grade Separation, Barstow

The overcrossing spanning the Burlington Northern Santa Fe railroad tracks was opened to traffic in September 2015.

FUND ADMINISTRATION AND PROGRAMMING

Maintenance of Effort Compliance Monitoring

SANBAG implemented a formal process to monitor "Maintenance of Effort" (MOE) on the part of local agencies as required by the Measure I Ordinance and Section 190300 of the California Public Utilities Code. MOE is a requirement that a local agency use the Measure I Local Street Program funds they receive to supplement and not to replace their own discretionary fund sources used for transportation purposes. This involved identifying base year expenditure levels to quantify each jurisdiction's typical commitment of General Fund revenue to street and highway purposes and defining compliance monitoring policies and penalty policies for non-compliance. Jurisdictions will be required to maintain an on-going commitment of General Fund at their base year level through 2040. The MOE requirement is effective in Fiscal Year 2016/2017, but retroactive compliance will be determined from Fiscal Year 2009/2010, the first year of Measure 2010-2040.

Awards and Acknowledgements

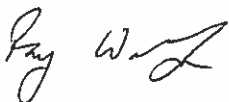
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SANBAG for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This is the fourth time SANBAG has received this prestigious award. In order to be awarded a Certificate of Achievement, the government needs to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

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

SANBAG has received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2015. To qualify for the award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communicative device.

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

Sincerely,



Raymond Wolfe
Executive Director



William W. Stawarski
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**San Bernardino Associated Governments
California**

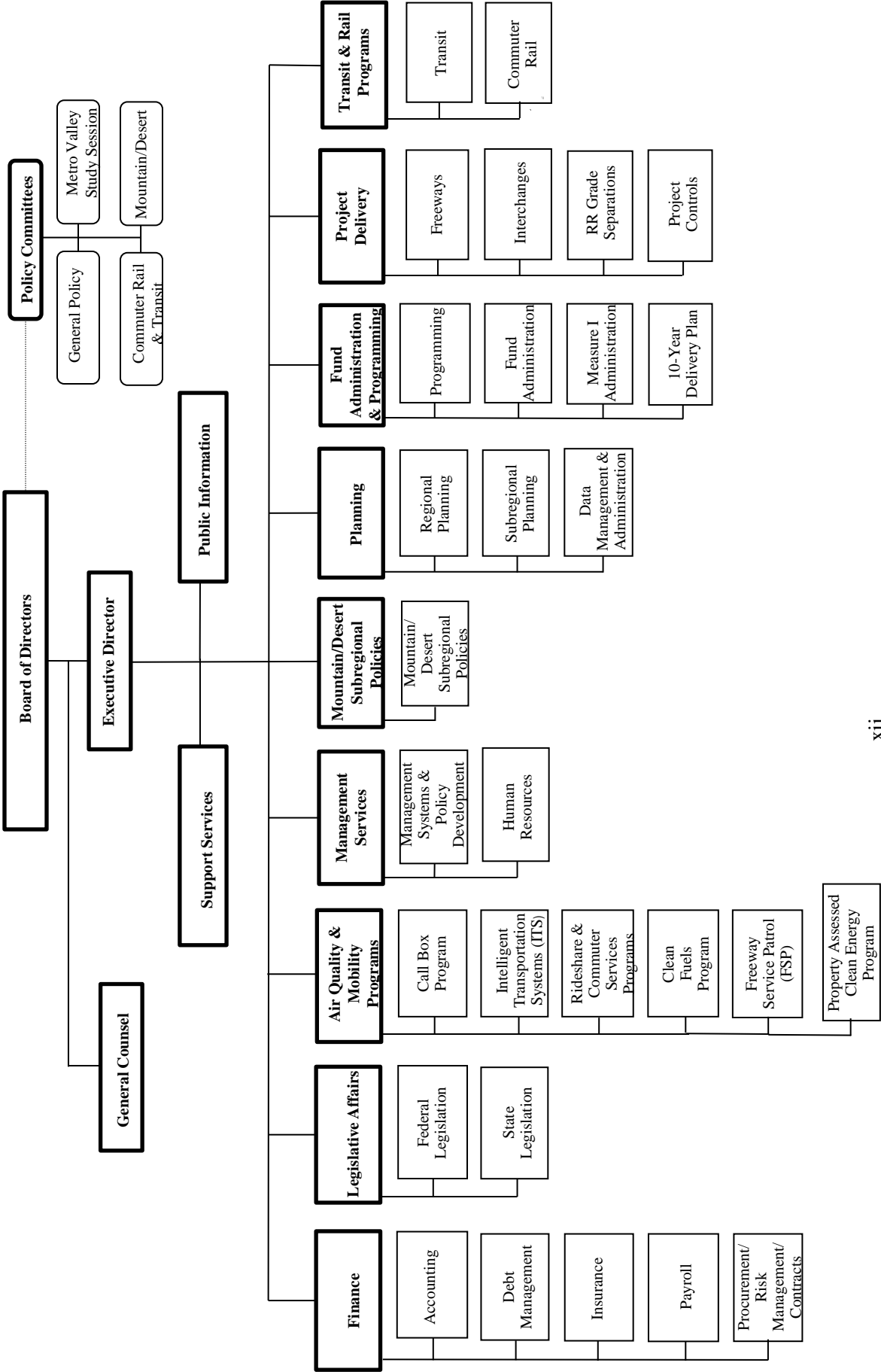
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

San Bernardino Associated Governments
Organization Chart



SAN BERNARDINO ASSOCIATED GOVERNMENTS

List of Principal Officials

June 30, 2016

| Board of Directors | | |
|---------------------------|---|---------------------------------------|
| Name | Jurisdiction | Title |
| Ryan McEachron | Council Member-City of Victorville | Board President |
| | | General Policy Committee Vice Chair |
| Robert A. Lovingood | Supervisor-County of San Bernardino | Board Vice-President |
| | | General Policy Committee Chair |
| | | Mountain/Desert Committee Chair |
| Rick Kerr | Mayor-City of Adelanto | |
| Curt Emick | Council Member-Town of Apple Valley | |
| Julie McIntyre | Mayor -City of Barstow | |
| Bill Jahn | Mayor Pro Tem-City of Big Bear Lake | Transit Committee Vice Chair |
| | | Mountain/Desert Committee Vice Chair |
| Dennis Yates | Mayor-City of Chino | |
| Ed Graham | Council Member-City of Chino Hills | |
| Frank Navarro | Council Member-City of Colton | |
| Michael Tahan | Council Member-City of Fontana | |
| Darcy McNaboe | Mayor-City of Grand Terrace | |
| Eric Schmidt | Council Member-City of Hesperia | |
| Larry McCallon | Mayor-City of Highland | |
| Rhodes Rigsby | Mayor-City of Loma Linda | |
| Paul Eaton | Mayor-City of Montclair | |
| Edward Paget | Mayor-City of Needles | |
| Alan Wapner | Council Member-City of Ontario | Metro Valley Study Session Chair |
| L. Dennis Michael | Mayor-City of Rancho Cucamonga | |
| Jon Harrison | Mayor Pro Tem-City of Redlands | |
| Deborah Robertson | Mayor-City of Rialto | |
| R. Carey Davis | Mayor-City of San Bernardino | |
| Joel Klink | Council Member-City of Twentynine Palms | |
| Ray Musser | Mayor-City of Upland | |
| Dick Riddell | Council Member-City of Yucaipa | |
| George Huntington | Council Member-Town of Yucca Valley | |
| Janice Rutherford | Supervisor-County of San Bernardino | Metro Valley Study Session Vice Chair |
| James Ramos | Supervisor-County of San Bernardino | Transit Committee Chair |
| Curt Hagman | Supervisor-County of San Bernardino | |
| Josie Gonzales | Supervisor-County of San Bernardino | |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
List of Principal Officials
June 30, 2016

Appointed Officials

Raymond Wolfe, Executive Director
Eileen Teichert, General Counsel
Vicki Watson, Clerk of the Board/Administrative Supervisor
Duane Baker, Deputy Executive Director
William Stawarski, Chief Financial Officer
Vacant, Director of Legislative and Public Affairs
Steve Smith, Director of Planning
Carolyn Schindler, Director of Transit and Rail Programs
Garry Cohoe, Director of Project Delivery
Andrea Zureick, Director of Fund Administration and Programming

FINANCIAL
SECTION

Independent Auditor's Report

Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Bernardino Associated Governments (SANBAG) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SANBAG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. GAAP.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SANBAG's basic financial statements. The combining and individual nonmajor fund financial statements, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and other data and trends have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SANBAG's internal control over financial reporting and compliance.

RSM US LLP

Irvine, California
November 23, 2016

Management's Discussion and Analysis

Our discussion and analysis of the San Bernardino Associated Governments (SANBAG) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of SANBAG exceeded its liabilities at the close of the fiscal year by \$417,414,290 (*net position*).
- The unrestricted net position (deficit) of (\$241,599,238) is the result of issuance of long-term debt to finance freeways, freeway interchanges and major streets which are owned and vested by the California Department of Transportation and other local jurisdictions. Therefore, there is no corresponding asset to the long-term liability. Although SANBAG does not have sufficient current resources to cover long-term liabilities, future Measure I sales tax revenues are pledged to cover future debt service obligations.
- SANBAG's changes in net position increased by \$52,343,849 from the previous fiscal year as a result from operations.
- The total cost of all SANBAG's activities was \$346,865,953 for the current fiscal year. Net cost of all activities was \$212,487,030.
- The total fund balances of SANBAG's governmental funds were \$499,596,017 at the close of the fiscal year. A majority of the fund balances are restricted, committed and assigned.
- General Fund expenditures exceeded revenues and other financing sources by \$3,715,036 for the fiscal year ended.
- The total fund balance of the General Fund was \$7,499,248 for the fiscal year. \$20,576 was committed and \$7,478,672 was assigned.
- SANBAG's total outstanding long-term bonded debt including unamortized premiums decreased by \$3,141,714 due to principal payment and amortization of bond premiums.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

The Statement of Activities distinguish functions of SANBAG that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges or operating grants and contributions. The governmental activities of SANBAG include general-council of governments support, air quality and traveler services, regional and subregional planning, transit and passenger rail, major project delivery, and fund administration and programming.

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 18-25 of this report.

Proprietary Funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Santa Fe Depot building and associated maintenance. The basic proprietary fund financial statements can be found on pages 26-28.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-62 of this report.

Other Information

In addition to the basic financial statements and accompanying notes to the financial statements, this report also presents certain required supplementary information concerning SANBAG's budgetary results for the general fund and major special revenue funds, actuarial determined contribution rates, and the note to required supplementary information. Required supplementary information can be found on pages 63-73 of this report.

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

- Combining balance sheet and statement of revenues, expenditures and changes in fund balances relating to nonmajor governmental funds.
- Budgetary comparison schedules for nonmajor special revenue governmental funds.

- Budgetary comparison schedules for remaining debt service and capital projects major funds.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the 1990-2010 Measure I special revenue fund.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the 2010-2040 Measure I special revenue fund.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the debt service fund.
- Combining balance sheet and statement of revenues, expenditures and changes in fund balances for the capital projects fund.

Supplementary information can be found on pages 76-103 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of SANBAG'S financial position. At June 30, 2016, SANBAG's assets exceeded liabilities by \$417,414,290. The following is condensed financial data related to net position at June 30, 2016 and June 30, 2015:

Condensed Statement of Net Position

| | Governmental Activities | |
|------------------------------------|-------------------------|----------------|
| | 2016 | 2015 |
| Current and other assets | \$ 622,925,436 | \$ 650,146,077 |
| Capital assets-net of depreciation | 112,778,758 | 71,364,275 |
| Total assets | 735,704,194 | 721,510,352 |
| Deferred outflows of resources | 5,412,505 | 5,935,887 |
| Long-term liabilities outstanding | 246,124,395 | 260,176,279 |
| Net pension liability | 9,898,108 | 9,496,059 |
| Other liabilities | 64,472,253 | 87,992,087 |
| Total liabilities | 320,494,756 | 357,664,425 |
| Deferred inflows of resources | 3,207,653 | 4,711,373 |
| Net position: | | |
| Net investment in capital assets | 110,717,829 | 71,364,275 |
| Restricted | 548,295,699 | 518,477,643 |
| Unrestricted | (241,599,238) | (224,771,477) |
| Total net position | \$ 417,414,290 | \$ 365,070,441 |

Net Position

Net investment in capital assets represents 27% of the net position of SANBAG. Capital assets include the Santa Fe Depot facility, land improvements and rail operating land easements. Capital assets were acquired with the use of federal grants and local revenues and no outstanding debt was used for acquisition. SANBAG utilizes the capital assets for general-council of governments support activities, air quality and traveler services, transportation services, transit and commuter rail services, and major highway and street projects for residents and businesses of San Bernardino County.

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

The unrestricted net position represent the portion of net position that can be used to finance day-to-day operations without constraints established by bond covenants, enabling legislation, or other legal requirements. Unrestricted net position (deficit) is (\$241,599,238) at June 30, 2016. This amount results in part from the impact of SANBAG's debt on the statement of net position. The deficit is the result of expenditures incurred for freeways, freeway interchanges and major streets which are owned and vested by the California Department of Transportation and other local jurisdictions. Accordingly, these capital projects are not reported as assets to offset the corresponding long-term liability.

SANBAG's changes in net position increased by \$52,343,849 during the fiscal year as a result of revenues exceeding expenses. The total cost of SANBAG activities was \$346,865,953 for the fiscal year. Net cost of all activities was \$212,487,030. Net cost represents program expenditures less program revenues.

The following is condensed financial data related to changes in net position for the year ended June 30, 2016 and June 30, 2015:

Condensed Statement of Changes in Net Position

| | Governmental Activities | |
|-------------------------------------|-------------------------|-------------|
| | 2016 | 2015 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 539,822 | \$ 591,987 |
| Operating grants and contributions | 133,839,101 | 189,415,129 |
| General revenues: | | |
| Sales tax-Measure I | 160,848,014 | 152,342,401 |
| Sales tax-Local Transportation Fund | 97,002,999 | 85,531,625 |
| Unrestricted investment earnings | 4,876,204 | 1,906,660 |
| Miscellaneous | 2,103,662 | 1,987,011 |
| Total revenues | 399,209,802 | 431,774,813 |

Condensed Statement of Changes in Net Position

| | Governmental Activities | |
|---------------------------------------|-------------------------|----------------|
| | 2016 | 2015 |
| General government | 4,579,995 | 2,833,042 |
| Air quality and traveler services | - | 4,182,935 |
| Commuter and motorist assistance | 5,360,439 | - |
| Environment and energy conservation | 1,392,074 | - |
| Regional and subregional planning | 2,077,133 | 1,951,391 |
| Transit and passenger rail | 33,664,779 | 59,376,860 |
| Major project delivery | 107,387,795 | 168,126,021 |
| Fund administration and programming | 184,361,902 | 153,722,554 |
| Interest and fiscal charges | 8,041,836 | 8,080,732 |
| Total expenses | 346,865,953 | 398,273,535 |
| Change in net position | 52,343,849 | 33,501,278 |
| Net position at the beginning of year | 365,070,441 | 331,569,163 |
| Net position at the end of year | \$ 417,414,290 | \$ 365,070,441 |

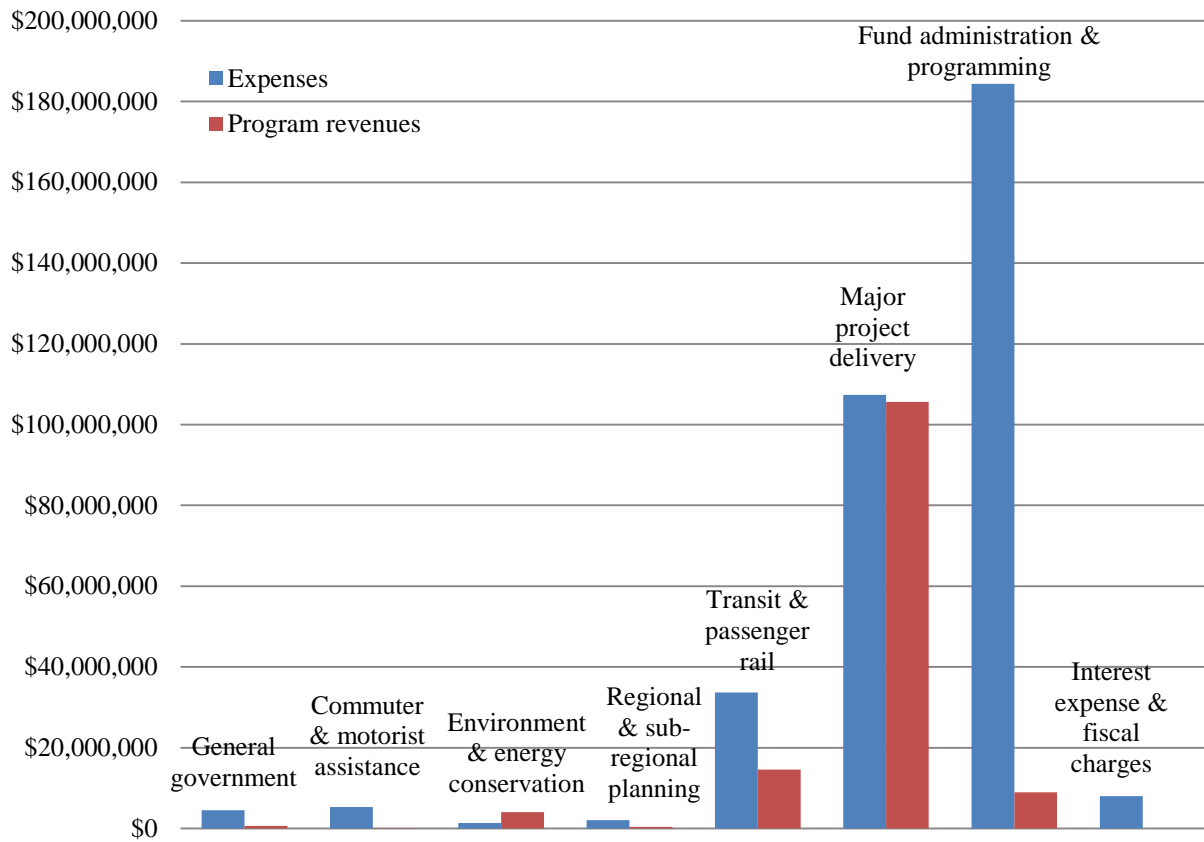
Changes in Net Position

Revenues decreased by \$32,565,011 from the previous fiscal year. The decrease is primarily attributed to decrease in federal and state operating grants and contributions. Federal and state operating and contributions decrease of \$55,576,028 are related to less reimbursable expenditures in the major project delivery and transit programs. Increase of \$19,976,987 in Measure I and local transportation fund sales tax revenue reflects an improving economy throughout the County. The increase of \$2,969,544 in unrestricted investment earnings is related to a positive fair value investment adjustment at June 30, 2016.

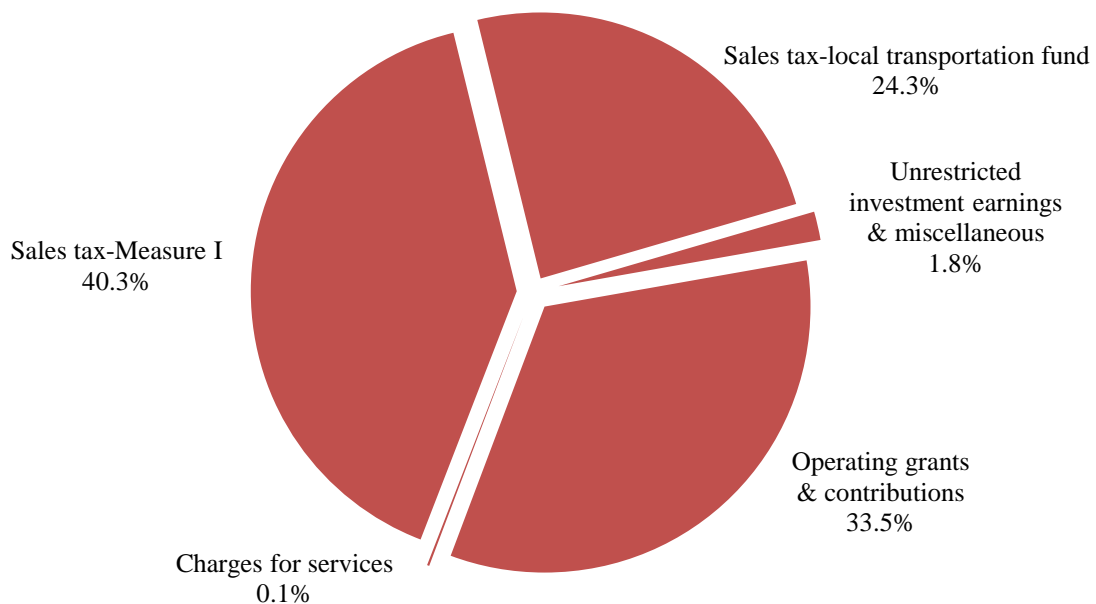
Expenses decreased by \$51,385,444 or 12.9% from the previous fiscal year. The decrease was primarily attributed to decrease expenditures of major project delivery projects. Decrease in major projects delivery is related to reduction of federal, state, and local contributions. The increase in fund administration and programming expenses is related to the acceleration of project advancement payments to various jurisdictions (see note 8 of the *notes to financial statements*). Air quality and traveler services program is reclassified into two programs: Commuter and motorist assistance program and Environment and energy conservation program.

Net expenses is a good indication of the extent to which the services provided by SANBAG are financed from sales taxes paid by citizens and businesses of San Bernardino County as opposed to recovering the cost of these services with user fees, grants and other contributions. Major project delivery recovers their expenses primarily from program revenues. SANBAG is very aggressive in leveraging the Measure I sales tax to obtain federal and state funds. General government; commuter and motorist assistance, environmental and energy conservation, regional and subregional planning; transit and passenger rail; fund administration and programming; and interest expense and fiscal charges are financed primarily from general revenues.

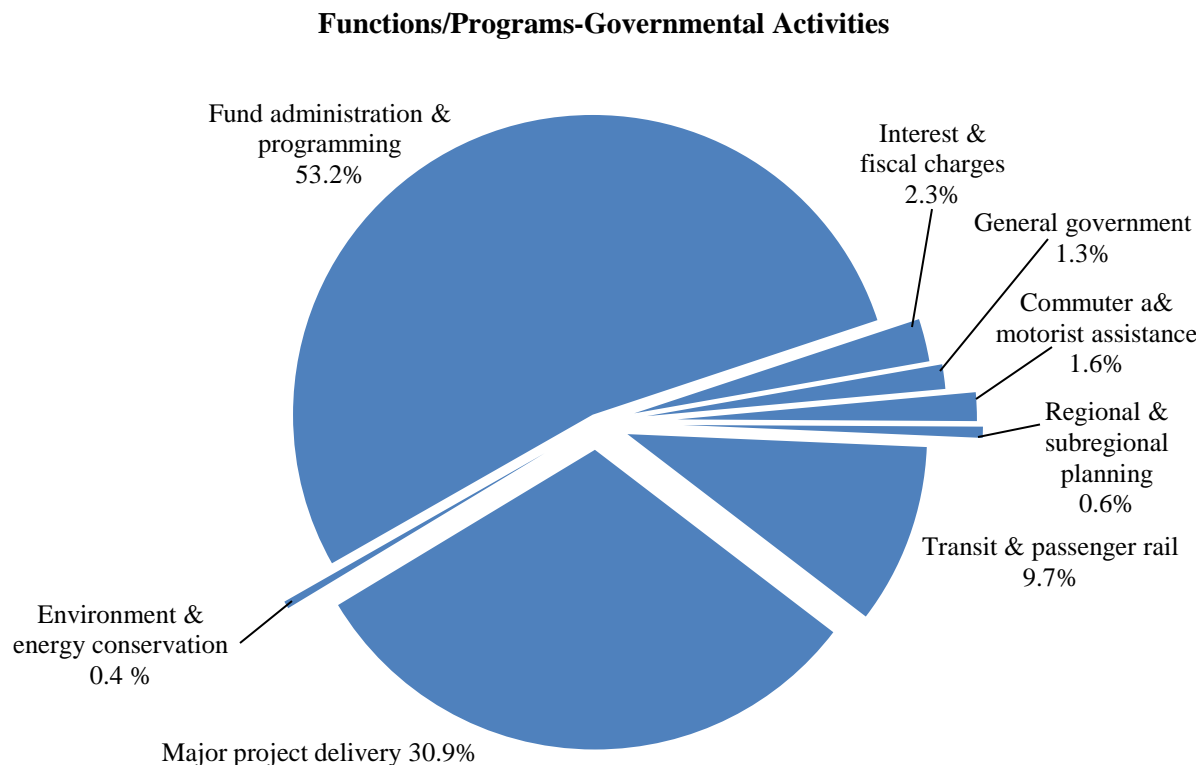
Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Measure I and local transportation fund sales tax revenues provide 64.6% of the overall revenue sources of the governmental activities. Another large source of revenue is operating grants and contributions which include various federal, state and local grants and reimbursements. SANBAG leverages the Measure I sales tax revenue to obtain federal and state grants.



Major project delivery and fund administration and programming represent 84.1% of the programs of the governmental activities. Major project delivery provides for the freeway, freeway interchange and grade separation projects utilizing federal, state, and local revenues; and Measure I sales tax revenue. Each project is identified in the Measure I 2010-2040 expenditure and ten-year delivery plans. Fund administration and programming provides for the apportionment and allocation of Measure I sales tax, local transportation fund sales tax and state transit assistance fund revenues for various local arterial projects, project advancement agreements (see note 8 of *notes to financial statements*), transit operator support and local street pass-through payments.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds

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

SANBAG's governmental funds reported combined fund balances of \$499,596,017 as of June 30, 2016. This represents a \$8,069,982 decrease from the previous fiscal year. The total fund balance is either *nonspendable, restricted, committed, assigned or unassigned* as follows:

- Restricted for particular purposes-\$520,416,463
- Committed for particular purposes-\$20,576
- Assigned for particular purposes-\$7,478,672
- Unassigned (deficit)-(\$28,319,694)

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

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

General Fund

The general fund is the chief operating fund of SANBAG. At the end of the fiscal year, the fund balance of the general fund was \$7,499,248 which represents a \$3,715,036 decrease from the previous fiscal year. The decrease in fund balance was attributed to increase spending in certain transit and rail projects. Total fund balance of the general fund was either *committed* (\$20,576 for council of governments activities) or *assigned* (\$7,478,672 for general administration; regional and subregional planning; and rail activities).

Federal Highway Special Revenue Fund

The federal highway special revenue fund reported an unassigned fund deficit of \$5,275,310 at the end of the fiscal year. The fund primarily accounts for reimbursement of qualified program expenditures and the deficit is attributed to deferred inflows of resources-unavailable grant and local reimbursements at June 30, 2016.

Federal Transit Administration Special Revenue Fund

The federal transit administration special revenue fund reported an unassigned fund deficit of \$1,432,438 at the end of the fiscal year. The fund primarily accounts for reimbursement of qualified program expenditures and the deficit is attributed to deferred inflows of resources-unavailable grant and local reimbursements at June 30, 2016.

State Highway Special Revenue Fund

The state highway special revenue fund reported an unassigned fund deficit of \$7,942,164 at the end of the fiscal year. The fund primarily accounts for reimbursement of program expenditures and the deficit is attributed to deferred inflows of resources-unavailable grant and local reimbursements at June 30, 2016.

Proposition 1B Special Revenue Fund

The proposition 1B special revenue fund had a fund balance decrease of \$2,691,508 from the previous fiscal year. The decrease is due to certain capital projects in major project delivery and rail not exceeding revenues available at June 30, 2016. Total fund balance of \$26,505,213 is reported as restricted fund balance at June 30, 2016.

Local Transportation Fund Special Revenue Fund

The local transportation fund special revenue fund had a fund balance increase of \$841,973 from the previous fiscal year. The increase in fund balance was primarily attributed to lesser transfers to the general fund for general administrative, planning and rail expenditures. Total fund balance of \$107,572,148 is reported as *restricted* fund balance at June 30, 2016.

State Transit Assistance Fund Special Revenue Fund

The fund balance of the state transit fund special revenue fund was \$48,306,421 at the end of the fiscal year which represents a \$6,988,858 decrease. The decrease in fund balance was attributed to less revenues received from the State. Total fund balance is reported as *restricted* at June 30, 2016.

1990-2010 Measure I Special Revenue Fund

The 1990-2010 Measure I special revenue fund had a decrease in fund balance of \$469,233 from the previous fiscal year. The total fund balance of \$18,877,001 was *restricted* at June 30, 2016. The decrease is due to the drawdown of the remaining fund balance of the old Measure I program.

2010-2040 Measure I Special Revenue Fund

The 2010-2040 Measure I special revenue fund had an increase in fund balance of \$50,339,721 from the previous fiscal year. The total fund balance of \$274,295,972 was *restricted* at June 30, 2016. The increase in fund balance was largely due to an increase in Measure I sales tax revenue collections and the timing of certain capital improvement outlays.

Debt Service Fund

At the end of the fiscal year, the fund balance of the debt service fund was \$2,910,692 which represents a \$5,128,668 decrease from the previous fiscal year. The decrease was due to payment of interest and fiscal charges on the Sales Tax Revenue Bonds of 2012, Series A and Sales Tax Revenue Bonds of 2014, Series A which was accounted for in the debt service fund. The total fund balance of the debt service fund was restricted.

Capital Projects Fund

The capital projects fund had a fund balance decrease of \$36,069,043 from the previous fiscal year. The total fund balance of \$23,861,910 is reported as *restricted* fund balance at June 30, 2016. The decrease in fund balance was primarily due to the use of bond proceeds for certain transit and passenger rail and major project delivery capital expenditures.

Proprietary Funds

SANBAG maintains one proprietary fund which is an *internal service fund*. The unrestricted net position of the Santa Fe Depot internal service fund was \$3,260,364 at the end of the fiscal year. The decrease in net position of \$150,441 was attributed to operating expenses exceeding operating revenues.

General Fund Budgetary Highlights

Differences between the original budget for expenditure appropriations and the final budget were \$3,478,783. The largest general fund appropriation increase was primarily attributed to transit and passenger rail which included budget for the Downtown San Bernardino Passenger Rail, San Bernardino Transit Center, and Redlands Passenger Rail.

During the fiscal year, actual revenues were less than budgetary estimated revenues by \$436,362. The decrease in revenues was primarily due to fewer charges for services and special assessments. Actual expenditures were less than budgetary appropriations by \$12,968,847. The most significant budgetary appropriation variance between the final budget and actual amount was attributed to transit and passenger rail program. The variance of \$10,785,763 is due to certain capital projects identified earlier that were not completed at the end of the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

SANBAG's investment in capital assets for its governmental activities as of June 30, 2016 is \$112,778,758 (net of accumulated depreciation). Capital assets include land, buildings, equipment, and vehicles. The following is a summary of capital assets (net of depreciation) at June 30, 2016 and 2015:

| Capital Assets (net of depreciation) | | Governmental Activities | |
|---|----|--------------------------------|----------------------|
| | | 2016 | 2015 |
| Governmental activities | | | |
| Land | \$ | 70,343,377 | \$ 67,336,870 |
| Construction in progress | | 38,693,542 | - |
| Buildings | | 3,382,449 | 3,562,042 |
| Equipment and vehicles | | 359,390 | 465,363 |
| Total capital assets | \$ | <u>112,778,758</u> | <u>\$ 71,364,275</u> |

The net increase in capital assets for the fiscal year was \$41,414,483. The change in capital assets is mainly attributed to additions of land of \$3,006,507 and construction in progress of \$38,693,542.

Please see note 7 of the *notes to the financial statements* for more detailed description of the capital assets activity.

Debt Administration

At the end of the fiscal year, SANBAG had total long-term bonded debt of \$198,115,000. This included the sales tax revenue bonds issued in 2012 and 2014. The following is a summary of the outstanding bonded debt (including unamortized premiums) at June 30, 2016 and 2015:

| | | Governmental Activities | |
|--------------------------------|----|--------------------------------|-----------------------|
| | | 2016 | 2015 |
| Governmental activities | | | |
| Sales tax revenue bonds | \$ | 214,167,404 | \$ 217,309,118 |
| Total outstanding bonded debt | \$ | <u>214,167,404</u> | <u>\$ 217,309,118</u> |

The decrease of outstanding debt from the previous year was attributed to payment of principal and the amortization of premiums on the revenue bonds payable.

The 2012 and 2014 sales tax revenue bonds were awarded a credit rating of “AAA” from Standard & Poor’s, “AA+” from Fitch Ratings and “Aa2” from Moody’s Investors Services.

The voters of San Bernardino County approved Ordinance 04-02 in November 2004 which authorized debt not to exceed the total amount of the 2010-2040 Measure I sales tax.

Please see note 8 of the *notes to the financial statements* for more detail description of long-term liabilities.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

SANBAG continues to evaluate revenue forecasts and provide the assumptions for future budgets. The following leading economic indicators show continuing improvement of the local economy:

- Population of San Bernardino remains stable, increasing by .97% from the previous year.
- Personal income and personal income per capita increased by 4.8% and 3.8%, respectively from 2013 to 2014 (only information available).
- Unemployment rate for the County decreased from 6.5% to 6.2% from the previous year.
- Measure I sales tax revenue continues to increase each year. Measure I sales tax revenue was \$106.1 million in 2010, \$117.9 million in 2011, \$132.3 million in 2012, \$138.4 million in 2013, \$145.4 million in 2014, \$152.3 million in 2015, and \$160.8 million in 2016. This represents a 51.6% increase since fiscal year 2010.

Estimated fiscal year 2016/2017 budget revenues are \$380.4 million in comparison to \$420.6 million of the previous year. Measure I sales tax revenues are estimated to be \$160 million in comparison to \$149 million of the prior year. SANBAG continues to be conservative in Measure I sales tax projections to ensure adequate reserves for future contingencies and economic swings. The decrease in total estimated revenues is primarily due to a less federal, state, and local grants and reimbursements.

Budget appropriations for fiscal year 2016/2017 are \$485.6 million. The largest portion of the budget is related to the rail program of \$199.9 million and major projects delivery of \$177.3 million. The adopted budget is balanced utilizing existing restricted fund balances including bond proceeds.

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

Requests for Information

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

Basic Financial Statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and investments | \$ 428,371,467 |
| Accrued interest receivable | 970,501 |
| Sales taxes receivable | 29,985,041 |
| Accounts receivable | 7,750,922 |
| Intergovernmental receivable | 72,228,578 |
| Deposit receivable | 6,800 |
| Loans receivable | 26,128,208 |
| Cash and investments-restricted | 57,483,919 |
| Capital assets not being depreciated: | |
| Land | 70,343,377 |
| Construction in progress | 38,693,542 |
| Capital assets, net of depreciation: | |
| Buildings | 3,382,449 |
| Equipment and vehicles | 359,390 |
| Total assets | 735,704,194 |
| Deferred outflows of resources related to net pension liability | 5,412,505 |
| Liabilities | |
| Accounts payable | 24,398,297 |
| Accrued liabilities | 325,794 |
| Accrued interest payable | 3,040,850 |
| Intergovernmental payable | 35,597,921 |
| Unearned revenue | 1,109,391 |
| Long-term liabilities: | |
| Due within one year | 16,508,540 |
| Due in more than one year | 229,615,855 |
| Net pension liability | 9,898,108 |
| Total liabilities | 320,494,756 |
| Deferred inflows of resources related to net pension liability | 3,207,653 |
| Net position | |
| Net investment in capital assets | 110,717,829 |
| Restricted for: | |
| Traveler services | 4,417,324 |
| Freeway projects | 143,875,019 |
| Major street projects | 135,949,285 |
| Commuter rail | 66,336,465 |
| Transit services | 27,253,967 |
| Traffic management and project development | 14,585,070 |
| Transportation development act | 155,878,569 |
| Unrestricted (deficit) | (241,599,238) |
| Total net position | \$ 417,414,290 |

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Activities
For the Year Ended June 30, 2016

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|-------------------------------------|-----------------------|----------------------|------------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities |
| Primary government | | | | |
| Governmental activities: | | | | |
| General government | \$ 4,579,995 | \$ 539,822 | \$ 88,336 | \$ (3,951,837) |
| Commuter and Motorist Assistance | 5,360,439 | - | 29,637 | (5,330,802) |
| Environment and Energy Conservation | 1,392,074 | - | 4,044,926 | 2,652,852 |
| Regional and subregional planning | 2,077,133 | - | 459,607 | (1,617,526) |
| Transit and passenger rail | 33,664,779 | - | 14,630,253 | (19,034,526) |
| Major project delivery | 107,387,795 | - | 105,613,226 | (1,774,569) |
| Fund administration and programming | 184,361,902 | - | 8,973,116 | (175,388,786) |
| Interest and fiscal charges | 8,041,836 | - | - | (8,041,836) |
| Total governmental activities | <u>\$ 346,865,953</u> | <u>\$ 539,822</u> | <u>\$ 133,839,101</u> | <u>(212,487,030)</u> |
| General revenues: | | | | |
| Sales tax-Measure I | | | | 160,848,014 |
| Sales tax-local transportation fund | | | | 97,002,999 |
| Unrestricted investment earnings | | | | 4,876,204 |
| Miscellaneous | | | | <u>2,103,662</u> |
| Total general revenues | | | | <u>264,830,879</u> |
| Change in net position | | | | 52,343,849 |
| Net position at beginning of year | | | | <u>365,070,441</u> |
| Net position at end of year | | | | <u>\$ 417,414,290</u> |

See accompanying notes to financial statements



Aerial view of the I-15 and SR 60

This portion of San Bernardino County plays a significant role in the goods movement challenges we face, relieving the burden of demand on the freeway systems that ultimately feed the rest of the county.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2016

| | | Special Revenue | |
|--|----------------------|----------------------|--------------------------------|
| | General | Federal Highway | Federal Transit Administration |
| Assets | | | |
| Cash and investments | \$ 10,367,642 | \$ - | \$ - |
| Accrued interest receivable | 31,131 | 20 | - |
| Sales taxes receivable | 299,850 | - | - |
| Accounts receivable | 20,000 | - | - |
| Intergovernmental receivable | 5,537 | 10,072,402 | 6,895,045 |
| Deposit receivable | - | 6,020 | - |
| Due from other funds | - | - | - |
| Loans receivable | - | - | - |
| Advances to other funds | - | - | - |
| Cash and investments-restricted | - | - | - |
| Total assets | <u>\$ 10,724,160</u> | <u>\$ 10,078,442</u> | <u>\$ 6,895,045</u> |
| Liabilities | | | |
| Accounts payable | \$ 2,154,341 | \$ 1,181,020 | \$ 1,407,884 |
| Accrued liabilities | 252,445 | - | - |
| Intergovernmental payable | 818,126 | 595,010 | - |
| Due to other funds | - | 8,302,412 | 5,487,161 |
| Advances from other funds | - | - | - |
| Unearned revenue | - | - | - |
| Total liabilities | <u>3,224,912</u> | <u>10,078,442</u> | <u>6,895,045</u> |
| Deferred inflows of resources | | | |
| Unavailable grant and local reimbursements | - | 5,275,310 | 1,432,438 |
| Fund balances (deficits) | | | |
| Restricted: | | | |
| Traveler services | - | - | - |
| Freeway projects | - | - | - |
| Major street projects | - | - | - |
| Commuter rail | - | - | - |
| Transit services | - | - | - |
| Traffic management and project development | - | - | - |
| Transportation development act | - | - | - |
| Debt service | - | - | - |
| Committed-Council of governments | 20,576 | - | - |
| Assigned: | | | |
| General administration | 3,097,614 | - | - |
| Regional and subregional planning | 1,437,609 | - | - |
| Rail | 2,943,449 | - | - |
| Unassigned (deficits) | - | (5,275,310) | (1,432,438) |
| Total fund balances (deficits) | <u>7,499,248</u> | <u>(5,275,310)</u> | <u>(1,432,438)</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 10,724,160</u> | <u>\$ 10,078,442</u> | <u>\$ 6,895,045</u> |

See accompanying notes to financial statements

| Special Revenue | | | | | | |
|----------------------|----------------------|---------------------------|-------------------------------|----------------------|-----------------------|---------------------|
| State Highway | Proposition 1B | Local Transportation Fund | State Transit Assistance Fund | 1990-2010 Measure I | 2010-2040 Measure I | Debt Service |
| \$ - | \$ 27,198,459 | \$ 85,230,354 | \$ 48,828,832 | \$ 20,114,056 | \$ 231,983,238 | \$ - |
| 8,304 | 3,158 | 271,556 | 145,287 | 32,824 | 472,275 | - |
| - | - | - | - | - | 29,685,191 | - |
| - | - | - | - | - | - | - |
| 15,657,161 | 7,255,407 | 22,443,828 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 50,115,698 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 6,625,402 | - |
| - | - | - | - | - | - | 2,910,692 |
| <u>\$ 15,665,465</u> | <u>\$ 34,457,024</u> | <u>\$ 107,945,738</u> | <u>\$ 48,974,119</u> | <u>\$ 20,146,880</u> | <u>\$ 318,881,804</u> | <u>\$ 2,910,692</u> |
| \$ 254,900 | \$ 2,959,200 | \$ - | \$ - | \$ 265,856 | \$ 7,880,184 | \$ - |
| 14,010 | - | - | - | - | 54,027 | - |
| 1,895,648 | 178,293 | 373,590 | 667,698 | 1,004,023 | 36,651,621 | - |
| 13,500,907 | 4,677,756 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>15,665,465</u> | <u>7,815,249</u> | <u>373,590</u> | <u>667,698</u> | <u>1,269,879</u> | <u>44,585,832</u> | <u>-</u> |
| <u>7,942,164</u> | <u>136,562</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 144,621,117 | - |
| - | - | - | - | 12,630,702 | 62,272,523 | - |
| - | 26,505,213 | - | - | - | 31,809,594 | - |
| - | - | - | - | 1,964,475 | 25,289,492 | - |
| - | - | - | - | 4,281,824 | 10,303,246 | - |
| - | - | 107,572,148 | 48,306,421 | - | - | - |
| - | - | - | - | - | - | 2,910,692 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (7,942,164) | - | - | - | - | - | - |
| <u>(7,942,164)</u> | <u>26,505,213</u> | <u>107,572,148</u> | <u>48,306,421</u> | <u>18,877,001</u> | <u>274,295,972</u> | <u>2,910,692</u> |
| <u>\$ 15,665,465</u> | <u>\$ 34,457,024</u> | <u>\$ 107,945,738</u> | <u>\$ 48,974,119</u> | <u>\$ 20,146,880</u> | <u>\$ 318,881,804</u> | <u>\$ 2,910,692</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2016

| | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------------|--------------------------------|
| Assets | | | |
| Cash and investments | \$ 261,873 | \$ 4,356,378 | \$ 428,340,832 |
| Accrued interest receivable | - | 5,946 | 970,501 |
| Sales taxes receivable | - | - | 29,985,041 |
| Accounts receivable | 7,730,922 | - | 7,750,922 |
| Intergovernmental receivable | 8,540,641 | 1,358,557 | 72,228,578 |
| Deposit receivable | 780 | - | 6,800 |
| Due from other funds | - | - | 50,115,698 |
| Loans receivable | 26,128,208 | - | 26,128,208 |
| Advances to other funds | - | - | 6,625,402 |
| Cash and investments-restricted | 54,573,227 | - | 57,483,919 |
| Total assets | <u>\$ 97,235,651</u> | <u>\$ 5,720,881</u> | <u>\$ 679,635,901</u> |
| Liabilities | | | |
| Accounts payable | \$ 7,832,294 | \$ 447,719 | \$ 24,383,398 |
| Accrued liabilities | 1,253 | 4,059 | 325,794 |
| Intergovernmental payable | 5,725,925 | 104,620 | 48,014,554 |
| Due to other funds | 17,441,129 | 706,333 | 50,115,698 |
| Advances from other funds | 6,625,402 | - | 6,625,402 |
| Unearned revenue | 1,107,170 | 2,221 | 1,109,391 |
| Total liabilities | <u>38,733,173</u> | <u>1,264,952</u> | <u>130,574,237</u> |
| Deferred inflows of resources | | | |
| Unavailable grant and local reimbursements | <u>34,640,568</u> | <u>38,605</u> | <u>49,465,647</u> |
| Fund balances (deficits) | | | |
| Restricted: | | | |
| Traveler services | - | 4,417,324 | 4,417,324 |
| Freeway projects | 11,167,381 | - | 155,788,498 |
| Major street projects | 18,342,653 | - | 93,245,878 |
| Commuter rail | 8,021,658 | - | 66,336,465 |
| Transit services | - | - | 27,253,967 |
| Traffic management and project development | - | - | 14,585,070 |
| Transportation development act | - | - | 155,878,569 |
| Debt service | - | - | 2,910,692 |
| Committed-Council of governments | - | - | 20,576 |
| Assigned: | | | |
| General administration | - | - | 3,097,614 |
| Regional and subregional planning | - | - | 1,437,609 |
| Rail | - | - | 2,943,449 |
| Unassigned (deficits) | <u>(13,669,782)</u> | <u>-</u> | <u>(28,319,694)</u> |
| Total fund balances (deficits) | <u>23,861,910</u> | <u>4,417,324</u> | <u>499,596,017</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 97,235,651</u> | <u>\$ 5,720,881</u> | <u>\$ 679,635,901</u> |

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

| | |
|--|----------------|
| Fund balances-total governmental funds (page 20) | \$ 499,596,017 |
|--|----------------|

Amounts reported for governmental activities in the statement of net position (page 15) 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. | 109,534,130 |
| Revenues recognized for governmental activities that are not available in the current period and, therefore, are not reported in the funds. | 49,465,647 |
| Internal service fund is used by management to account for the operating revenues and expenses of Santa Fe Depot. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position. | 3,260,364 |
| Accrued interest payable applicable to governmental activities is not due and payable in the current period and, therefore, is not reported in the funds. | (3,040,850) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The long-term liabilities consist of the following: | |
| Compensated absences payable | (864,639) |
| Project advance agreements | (18,675,719) |
| Revenue bonds payable | (198,115,000) |
| Unamortized premium on revenue bonds | (16,052,404) |
| Amounts reported for net pension liability are not due in the current period and therefore are not reported in the governmental funds. Related components that will affect the net pension liability in future measurement years are reported as deferred outflows and deferred inflows of resources are therefore not reported in the governmental funds. | |
| Net pension payable | (9,898,108) |
| Deferred outflows of resources related to pensions | 5,412,505 |
| Deferred inflows of resources related to pensions | <u>(3,207,653)</u> |
| Net position of governmental activities | <u><u>\$ 417,414,290</u></u> |

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

| | | Special Revenue | |
|---|--------------|-----------------|--------------------------------|
| | General | Federal Highway | Federal Transit Administration |
| Revenues | | | |
| Sales tax-Measure I | \$ 1,608,480 | \$ - | \$ - |
| Sales tax-local transportation fund | - | - | - |
| Intergovernmental | - | 6,164,687 | 9,804,715 |
| Charges for services | 425,936 | - | - |
| Special assessments | 113,886 | - | - |
| Investment earnings | 135,610 | 99 | - |
| Miscellaneous | 2,021,790 | - | - |
| Total revenues | 4,305,702 | 6,164,786 | 9,804,715 |
| Expenditures | | | |
| Current: | | | |
| General government | 2,256,926 | - | - |
| Commuter and Motorist Assistance | - | 1,276,912 | 47,682 |
| Environment and Energy Conservation | 1,058,581 | - | - |
| Regional and subregional planning | 895,223 | - | - |
| Transit and passenger rail | 26,574,509 | - | 1,083,740 |
| Major project delivery | - | 7,262,086 | - |
| Fund administration and programming | 918,642 | - | - |
| Debt Service: | | | |
| Principal | - | - | - |
| Interest and fiscal charges | - | - | - |
| Capital outlay | 5,522,637 | - | 10,105,731 |
| Total expenditures | 37,226,518 | 8,538,998 | 11,237,153 |
| Excess (deficiency) of revenues over (under) expenditures | (32,920,816) | (2,374,212) | (1,432,438) |
| Other financing sources (uses) | | | |
| Transfers in | 29,906,059 | - | - |
| Transfers out | (700,279) | - | - |
| Total other financing sources (uses) | 29,205,780 | - | - |
| Net change in fund balances | (3,715,036) | (2,374,212) | (1,432,438) |
| Fund balances (deficits) beginning of year | 11,214,284 | (2,901,098) | - |
| Fund balances (deficits) end of year | \$ 7,499,248 | \$ (5,275,310) | \$ (1,432,438) |

See accompanying notes to financial statements

| Special Revenue | | | | | | |
|-----------------|----------------|---------------------------|-------------------------------|---------------------|---------------------|--------------|
| State Highway | Proposition 1B | Local Transportation Fund | State Transit Assistance Fund | 1990-2010 Measure I | 2010-2040 Measure I | Debt Service |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 159,239,534 | \$ - |
| - | - | 97,002,999 | - | - | - | - |
| 15,734,553 | 27,043,734 | - | 7,895,473 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 10,758 | 355,518 | 762,452 | 435,375 | 200,795 | 2,805,069 | 6,460 |
| - | - | 26,849 | - | - | - | - |
| 15,745,311 | 27,399,252 | 97,792,300 | 8,330,848 | 200,795 | 162,044,603 | 6,460 |
| 15,625 | - | - | - | 194,512 | 1,507,249 | - |
| - | - | - | - | 584,809 | 421,551 | - |
| - | - | - | - | - | 338,553 | - |
| 106,732 | - | - | - | - | 779,046 | - |
| - | 799,980 | - | - | 307,802 | 11,882,424 | - |
| 15,649,543 | 22,020,664 | - | - | (417,095) | 22,240,968 | - |
| 1,077,643 | - | 70,013,786 | 11,835,618 | - | 61,631,685 | - |
| - | - | - | - | - | - | 1,990,000 |
| - | - | - | - | - | - | 9,226,716 |
| - | 6,737,908 | - | - | - | - | - |
| 16,849,543 | 29,558,552 | 70,013,786 | 11,835,618 | 670,028 | 98,801,476 | 11,216,716 |
| (1,104,232) | (2,159,300) | 27,778,514 | (3,504,770) | (469,233) | 63,243,127 | (11,210,256) |
| - | - | - | - | - | 2,436,406 | 6,081,593 |
| - | (532,208) | (26,936,541) | (3,484,088) | - | (15,339,812) | (5) |
| - | (532,208) | (26,936,541) | (3,484,088) | - | (12,903,406) | 6,081,588 |
| (1,104,232) | (2,691,508) | 841,973 | (6,988,858) | (469,233) | 50,339,721 | (5,128,668) |
| (6,837,932) | 29,196,721 | 106,730,175 | 55,295,279 | 19,346,234 | 223,956,251 | 8,039,360 |
| \$ (7,942,164) | \$ 26,505,213 | \$ 107,572,148 | \$ 48,306,421 | \$ 18,877,001 | \$ 274,295,972 | \$ 2,910,692 |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues and Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

| | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|--------------------------------|
| Revenues | | | |
| Sales tax-Measure I | \$ - | \$ - | \$ 160,848,014 |
| Sales tax-local transportation fund | - | - | 97,002,999 |
| Intergovernmental | 13,808,719 | 3,921,572 | 84,373,453 |
| Charges for services | - | - | 425,936 |
| Special assessments | - | - | 113,886 |
| Investment earnings | 131,221 | 32,847 | 4,876,204 |
| Miscellaneous | - | 55,023 | 2,103,662 |
| Total revenues | <u>13,939,940</u> | <u>4,009,442</u> | <u>349,744,154</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 162,996 | 88,936 | 4,226,244 |
| Commuter and Motorist Assistance | 225,420 | 2,827,197 | 5,383,571 |
| Environment and Energy Conservation | 29,637 | - | 1,426,771 |
| Regional and subregional planning | 11,118 | 371,757 | 2,163,876 |
| Transit and passenger rail | 8,259,969 | - | 48,908,424 |
| Major project delivery | 40,718,372 | - | 107,474,538 |
| Fund administration and programming | 4,946,595 | - | 150,423,969 |
| Debt Service: | | | |
| Principal | - | - | 1,990,000 |
| Interest and fiscal charges | - | - | 9,226,716 |
| Capital outlay | 4,223,751 | - | 26,590,027 |
| Total expenditures | <u>58,577,858</u> | <u>3,287,890</u> | <u>357,814,136</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(44,637,918)</u> | <u>721,552</u> | <u>(8,069,982)</u> |
| Other financing sources (uses) | | | |
| Transfers in | 9,942,184 | - | 48,366,242 |
| Transfers out | (1,373,309) | - | (48,366,242) |
| Total other financing sources (uses) | <u>8,568,875</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (36,069,043) | 721,552 | (8,069,982) |
| Fund balances (deficits) beginning of year | <u>59,930,953</u> | <u>3,695,772</u> | <u>507,665,999</u> |
| Fund balances (deficits) end of year | <u>\$ 23,861,910</u> | <u>\$ 4,417,324</u> | <u>\$ 499,596,017</u> |

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

| | |
|---|----------------|
| Net changes in fund balances-total governmental funds (page 24) | \$ (8,069,982) |
|---|----------------|

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The adjustments for capital outlay and depreciation expenses are as follows:

| | |
|--------------------------|------------|
| Capital outlay | 3,053,385 |
| Construction in progress | 38,693,542 |
| Depreciation | (169,491) |

| | |
|--|-----------|
| Net changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | 3,908,162 |
|--|-----------|

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The adjustments for the issuance and repayment of long-term debt are as follows:

| | |
|--|------------|
| Changes in project advancement agreements | 11,509,679 |
| Principal payments on sales tax revenue bonds | 1,990,000 |
| Amortization of premium on sales tax revenue notes | 1,151,714 |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These expenses consist of:

| | |
|---|-----------|
| Changes in compensated absences | (184,174) |
| Changes in accrued interest on sales tax revenue bonds | 33,166 |
| Changes in net pension liability and related deferred inflows/outflows of resources | 578,289 |

| | |
|---|-----------|
| Internal service fund is used by management to account for the operating revenues and expenses of Santa Fe Depot. The net revenue of the internal service fund is reported with governmental activities | (150,441) |
|---|-----------|

| | |
|---|----------------------|
| Change in net position of governmental activities | \$ <u>52,343,849</u> |
|---|----------------------|

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Net Position
Proprietary Fund
June 30, 2016

| | Governmental Activities |
|--------------------------------------|------------------------------|
| | <u>Internal Service Fund</u> |
| Assets | |
| Current assets | |
| Cash and investments | \$ 30,635 |
| Noncurrent assets | |
| Capital assets: | |
| Land | 284,929 |
| Buildings | 4,857,904 |
| Equipment | 30,092 |
| Less accumulated depreciation | <u>(1,928,297)</u> |
| Total noncurrent assets | <u>3,244,628</u> |
| Total assets | <u>3,275,263</u> |
| Liabilities | |
| Current liabilities-accounts payable | <u>14,899</u> |
| Net position | |
| Net investment in capital assets | 3,244,628 |
| Unrestricted | <u>15,736</u> |
| Total net position | <u>\$ 3,260,364</u> |

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

| | Governmental Activities |
|-----------------------------------|------------------------------|
| | <u>Internal Service Fund</u> |
| Operating revenues | |
| Rental charges: | |
| SANBAG | \$ 532,753 |
| Metrolink | 50,552 |
| SCAG | 20,159 |
| Other | 2,841 |
| Total operating revenues | <u>606,305</u> |
| Operating expenses | |
| Supplies, maintenance and other | 593,793 |
| Depreciation | <u>162,953</u> |
| Total operating expenses | <u>756,746</u> |
| Operating income (loss) | (150,441) |
| Net position at beginning of year | <u>3,410,805</u> |
| Net position at end of year | <u><u>\$ 3,260,364</u></u> |

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

| | Governmental Activities |
|--|------------------------------|
| | <u>Internal Service Fund</u> |
| Cash Flows from operating activities | |
| Receipts from customers and users: | |
| SANBAG | \$ 532,753 |
| Metrolink | 50,552 |
| SCAG | 20,159 |
| Other | 2,841 |
| Payments to suppliers and service providers | <u>(578,895)</u> |
| Net cash provided by (used for) operating activities | 27,410 |
| Cash and investments at beginning of year | <u>3,225</u> |
| Cash and investments at end of year | <u><u>\$ 30,635</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | |
| Operating income (loss) | \$ (150,441) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Increase in accounts payable | 14,898 |
| Depreciation expense | <u>162,953</u> |
| Net cash provided by (used for) operating activities | <u><u>\$ 27,410</u></u> |

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Blended Component Unit

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

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

B. Description of Government-wide Financial Statements

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

C. Basis of Presentation – Government-wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

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

Major funds are categorized based on relative size and other factors. Certain governmental funds are classified as a major fund even though it does not meet the size criteria. These funds include: Federal Highway, State Transit Assistance, Proposition 1B, 1990-2010 Measure I, Federal Transit Administration, and Debt Service. SANBAG believes these funds are important to the financial statement users.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

SANBAG reports the following major governmental funds:

General Fund

The *general fund* is the general operating fund of SANBAG and accounts for the financial resources not required to be accounted in another fund. These funds include general assessment dues, local transportation fund and transit assistance fund for various rail projects, rail assets, Measure I administration fund, congestion management program, and council of government activities.

Federal Highway Special Revenue Fund

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

Federal Transit Administration Special Revenue Fund

This *special revenue fund* accounts for revenues and expenditures related to the Federal Transit Administration program. The funds include federal transit administration funds section 5307 for transportation related planning and section 5309 for capital assistance.

State Highway Special Revenue Fund

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

Proposition 1B Special Revenue Fund

This *special revenue fund* accounts for revenues and expenditures related to state proposition 1B grants. For example, corridor mobility improvement; trade corridor improvement fund; public transportation modernization, improvements and services enhancement account; traffic light synchronization; state and local partnership; and transit systems safety security disaster recovery programs.

Local Transportation Fund Special Revenue Fund

The *special revenue fund* serves as a depository for the ¼ cent of the 8 cent retail sales tax collected in San Bernardino County. Revenues accounted for in this fund are distributed to local jurisdictions and transit agencies based on annual apportionments per various Public Utilities Code Sections.

State Transit Assistance Fund Special Revenue Fund

This *special revenue fund* serves as a depository for the State Development Act revenue to be disbursed to local transit agencies and operators based on Public Utilities Code Sections 99313 and 99314. Distribution of funds is based on annual adopted apportionments.

1990-2010 Measure I Special Revenue Fund

The *special revenue fund* accounts for the ½ cent Measure I sales tax approved by the voters of San Bernardino County in November 1989. Ordinance No. 89-1 established the expenditure plan for the distribution of tax revenues to the subareas of the county. Programs with fund balances include valley major projects, valley elderly & disabled transit, valley traffic management environmental enhancement, victor valley elderly & disabled transit, mountain elderly & disabled transit, north desert elderly & disabled transit, and colorado river elderly & disabled transit.

2010-2040 Measure I Special Revenue Fund

The *special revenue fund* accounts for the extension of the ½ cent Measure I sales tax approved by the voters of San Bernardino County in November 2004. Ordinance No. 04-01 established the expenditure plan for the distribution of tax revenues to the subareas of the county. The various programs are distributed in the following areas: valley, victor valley, north desert, colorado river, morongo basin, mountain, and cajon pass.

Debt Service Fund

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

Capital Projects Fund

The *capital projects fund* accounts for local reimbursements and contributions, and sales tax revenue bond proceeds for transportation and transit improvement projects. The projects funded with bond proceeds include valley freeway interchange, valley major streets, valley metrolink/rail, victor valley major local highway fund, and cajon pass.

SANBAG reports the following proprietary fund:

Internal Service Fund

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

The balances and transactions of the following funds are combined and reported as nonmajor governmental funds:

Low Carbon Transit Operations Program Special Revenue Fund

This *special revenue fund* accounts for state funding to reduce carbon for transit operations. The project for this grant includes the Downtown San Bernardino Passenger Rail project.

Service Authority for Freeway Emergencies Special Revenue Fund

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

Freeway Service Patrol Special Revenue Fund

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

Active Transportation Program Special Revenue Fund

This *special revenue fund* accounts for state funding for points of interest pedestrian plan and safe route to school program.

SCAQMD Mobile Source Review Communication Special Revenue Fund

This *special revenue fund* accounts for funding to reduce vehicle emissions. Funds are distributed to SCAG to promote reduction of vehicle emissions.

E. Measurement Focus and Basis of Accounting

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

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

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

Sales taxes and intergovernmental revenues are recognized as revenues when measureable, a sale occurs or eligibility requirements are met, if available. Investment earnings are recognized when earned. All other revenue items are considered to be measureable when cash is received by SANBAG.

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

F. Budgetary Information

Budgetary Basis of Accounting

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Budget Amendments

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

Administrative Budget Amendments

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

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

Board Approved Amendments

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

Formal budgetary integration is employed as a management control device during the year. Commitments for material and services, such as purchase orders and contracts, are recorded as encumbrances to assist controlling expenditures. All unused appropriations and encumbrances lapse at year end.

Excess of Expenditures over Appropriations

For fiscal year ended June 30, 2016, no expenditures exceeded appropriations.

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

Cash and Investments

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

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

Cash in the County Treasury and LAIF is carried at fair value based on the value of each participating dollar as provided by the County Treasurer and LAIF. The fair value of SANBAG's position in the County pool and LAIF is the same as the value of the pool shares. Investments in U.S. Government and agency securities are carried at fair value (see Note 4).

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Money market mutual funds are carried at fair value based on the fund's share price.

Receivables

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

Capital Assets

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

Outstanding bonds issued do not impact the calculation of net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

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

Major Project Delivery Expenditure/Expense

Freeway, freeway interchange, grade separation construction, and certain purchases of right-of-way property, for which title vests with California Department of Transportation and other entities, are included in the major project delivery program expenditures. These expenditures are recorded in the governmental funds and major project delivery program expenses in the statement of net assets.

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet and statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balances/net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For deferred outflows related to pension liability see Note 9.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources are to record revenue for amounts that have not met the availability criteria and for items related to pension liability.

Net Position Use Assumption

The net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. SANBAG first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. SANBAG's government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as the following:

Net Investment in Capital Assets

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

Restricted

This category represents assets/deferred outflows subject to external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation less outstanding liabilities/deferred inflows attributable to these assets.

Unrestricted

This category represents net position not restricted for any project or other purposes. Outstanding liabilities/deferred inflows attributable to these assets/deferred outflows reduce balance for this category. A deficit will require future funding.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance classifications of governmental funds are based primarily on the extent to which SANBAG is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. SANBAG Policy No. 20200 adopted by the Board of Directors on August 3, 2011 establishes the standards for reporting, within the annual financial statements, unrestricted fund balance within the governmental funds: General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Fund balances for governmental funds are made up of the following:

Nonspendable

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Restricted

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

Committed

This category includes amounts that can only be used for the specific purposes determined by formal (approval) action of SANBAG's highest level of decision-making authority (ordinance), the SANBAG Board of Directors. Commitments may be changed only by SANBAG Board of Directors, anytime during the fiscal year, taking the same formal action that originally imposed the constraint.

Assigned

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

Unassigned

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

H. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include:

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

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

Sales Tax-Measure I

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

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

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

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

Sales Tax-Local Transportation Plan

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

Revenues to the Local Transportation Funds are derived from the quarter cent of the 8% cent retail sales tax collected countywide. The quarter cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county. There is a three-step process for disbursement of these funds: (1) apportionment, (2) allocation, and (3) disbursement.

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

Long-Term Debt

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

The governmental fund financial statements do not present long-term debt and other financed obligations. Governmental funds recognize bond premiums and discounts during the period issued. The face amount of debt issued is reported as other financing sources. Principal payments and reductions in the obligation are reported as debt service expenditures. As such, long-term debt and other financed obligations are shown as reconciling items in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Compensated Absences

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of SANBAG's cost sharing multiple-employer plans with the San Bernardino County Employees' Retirement Association (SBCERA) and the California Public Employees' Retirement System (PERS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by SBCERA and PERS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are reported at fair value.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

One element of the reconciliation explains “capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.”

The details of the net adjustment of \$109,534,132 are as follows:

| | |
|---|------------------------------|
| Land | \$ 70,058,448 |
| Construction in progress | 38,693,542 |
| Buildings | 529,297 |
| Equipment and vehicles | 4,200,895 |
| Less: Accumulated depreciation | <u>(3,948,050)</u> |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u><u>\$ 109,534,132</u></u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

3. DEFICIT FUND EQUITY

At June 30, 2016, the Federal Highway special revenue fund has a deficit fund balance of \$5,275,310, Federal Transit Administration special revenue fund had a deficit fund balance of \$1,432,438, and State Highway special revenue fund had a deficit fund balance of \$7,942,164. The Freeway Services Patrol fund and SCAQAMD Mobile Source Review Communication, nonmajor fund, has a deficit fund balance of \$8,605 and \$30,000, respectively. The deficits are attributed to certain grants from federal and state agencies not received before the revenue recognition criteria of 180 days and are recorded as deferred inflows of resources. The fund balance deficits will be offset with future collections of unavailable revenue.

4. CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consist of the following:

| | Unrestricted | | | Restricted | Grand |
|-------------------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Cash | Investments | Total | Investments | Total |
| Cash in bank | \$ 113,300,008 | \$ - | \$ 113,300,008 | \$ - | \$ 113,300,008 |
| Petty cash | 1,000 | - | 1,000 | - | 1,000 |
| San Bernardino county pool | - | 214,905,834 | 214,905,834 | - | 214,905,834 |
| Local agency investment fund | - | 6,961,485 | 6,961,485 | - | 6,961,485 |
| Investments with custodian | - | 93,203,140 | 93,203,140 | - | 93,203,140 |
| Investments with fiscal agent | - | - | - | 57,483,919 | 57,483,919 |
| | <u>\$ 113,301,008</u> | <u>\$ 315,070,459</u> | <u>\$ 428,371,467</u> | <u>\$ 57,483,919</u> | <u>\$ 485,855,386</u> |

Investments Authorized

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

| Investment Type | Maturity | Maximum | |
|-------------------------------------|----------|----------------------------------|--------------------------|
| | | Percentage of Portfolio | Investment in One Issuer |
| U.S. treasuries | 5 years | No Limit | No Limit |
| U.S. agencies | 5 years | No Limit | 40% |
| California & other state municipals | 5 years | 20% | 10% |
| Commercial paper | 270 days | 25% | 3% |
| Negotiable certificates of deposit | 5 years | 30% | 3% |
| Repurchase agreements | 30 days | 20% | No Limit |
| Bankers' acceptances | 180 days | 40% | 3% |
| Medium-term corporate notes | 5 years | 30% | 3% |
| San Bernardino county pool | N/A | No Limit | No Limit |
| Local agency investment fund | N/A | Lessor of 60% or \$50 million | No Limit |
| Money Market Funds | N/A | 20% | 10% |

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Disclosure Related to Interest Rate Risk

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

| Investment Type | Amount Reported | Weighted Average Maturity (in Years) |
|--|-----------------------|---|
| U.S. Treasuries | \$ 22,192,499 | 3.20 |
| U.S. government sponsored enterprise securities: | | |
| FHLB | 2,750,937 | 2.52 |
| FHLMC | 9,176,540 | 1.65 |
| FNMA | 35,580,027 | 2.72 |
| Corporate notes | 22,964,700 | 2.33 |
| Local agency investment fund | 6,961,485 | 0.46 |
| San Bernardino County pool | 214,905,834 | 0.85 |
| Money market mutual funds | 58,022,356 | 0.12 |
| Total | <u>\$ 372,554,378</u> | |

Disclosure Relating to Credit Risk

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

| Investment Type | Total as of June 30, 2016 | AAA | AA | A-1/A-1+ | Not Rated |
|--|------------------------------|-----------------------|----------------------|---------------------|---------------------|
| U.S. Treasuries ⁽¹⁾ | \$ 22,192,499 | \$ - | \$ - | \$ - | \$ - |
| U.S. government sponsored enterprise securities | | | | | |
| FHLBB | 2,750,937 | 2,750,937 | - | - | - |
| FHLMC | 9,176,540 | - | 9,176,540 | - | - |
| FNMA | 35,580,027 | - | 35,580,027 | - | - |
| Corporate notes | 22,964,700 | - | 19,910,390 | 3,054,310 | - |
| Local agency investment fund | 6,961,485 | - | - | - | 6,961,485 |
| San Bernardino County pool | 214,905,834 | 214,905,834 | - | - | - |
| Money market mutual funds | 58,022,356 | 58,022,356 | - | - | - |
| Total | <u>\$ 372,554,378</u> | <u>\$ 275,679,127</u> | <u>\$ 64,666,957</u> | <u>\$ 3,054,310</u> | <u>\$ 6,961,485</u> |

⁽¹⁾ Exempt from disclosure.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

SANBAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.” SANBAG has the following recurring fair value measurement as of June 30, 2016:

| Investment Type | Total as of June 30, 2016 | Level 1 | Level 2 |
|---|------------------------------|----------------------|----------------------|
| U.S. Treasuries | \$ 22,192,499 | \$ 22,192,499 | \$ - |
| U.S. government sponsored enterprise securities | | | |
| FHLBB | 2,750,937 | 2,750,937 | - |
| FHLMC | 9,176,540 | 9,176,540 | - |
| FNMA | 35,580,027 | 35,580,027 | - |
| Corporate notes | 22,964,700 | 22,964,700 | - |
| Money market mutual funds | 58,022,356 | - | 58,022,356 |
| Subtotal | <u>150,687,059</u> | <u>\$ 92,664,703</u> | <u>\$ 58,022,356</u> |
| Other Investments not subject to fair value measurers classification: | | | |
| Local agency investment fund | 6,961,485 | | |
| San Bernardino County pool | 214,905,834 | | |
| Total | <u><u>\$ 372,554,378</u></u> | | |

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Custodial Credit Risk

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

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

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

As of June 30, 2016, SANBAG has bank deposits with a balance of \$123,657,329 of which \$250,000 is federally insured and the balance is collateralized in accordance with the Code.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

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 with the County Treasury are pooled with those of other entities in the County and invested. These pooled funds are carried at fair market value. Fair market value as provided by the County, is based on quoted market prices and/or direct bids, when needed, from government dealer and some variable or floating rate items.

5. INTERFUND TRANSACTIONS

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

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

Activity between funds that is representative of lending/borrowing arrangements at the end of the fiscal year is referred to as "due to/from other funds" or "advances to/from other funds." Due to/from other funds are recorded when funds maintain a temporary negative cash balance. Transactions between governmental funds and the Internal Service fund are accounted for as revenues and expenditures or expenses in the funds involved.

A. Interfund Receivables and Payables

Operating receivables and payables between funds are classified as due from or due to other funds.. The following are the due from and due to balances as of June 30, 2016:

| Receivable Fund | Payable Fund | Amount |
|---------------------|--------------------------------|----------------------|
| 2010-2040 Measure I | Federal highway | \$ 8,302,412 |
| | Federal transit administration | 5,487,161 |
| | State highway | 13,500,907 |
| | Proposition 1B | 4,677,756 |
| | Capital projects | 17,441,129 |
| | Nonmajor governmental funds | 706,333 |
| | Total | <u>\$ 50,115,698</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
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SANBAG has approved an interest-bearing interfund loan for the City of Victorville La Mesa/ Nisqualli interchange project based on the allocation of Victorville Measure I local street funds. The interfund loan amount as of June 30, 2016 is \$6,461,135. The interfund loan initiated in June 2013 and is recorded as an advance to other funds in the 2010-2040 Measure I special revenue fund and an advance from other funds in the capital projects fund. The project expenditures are recorded in the capital projects fund. The interfund loan will be recorded until the City of Victorville's share of the project cost is paid plus interest.

Similar interfund loan arrangement was entered with the City of Colton. The loan amount as of June 30 2016 is \$164,267. The interfund loan between the 2010-2040 Measure I special revenue fund and an advance from other funds in the capital projects fund. The project expenditures are recorded in the capital projects fund. The following are the advances to and advances from balances as of June 30, 2016:

| Receivable Fund | Payable Fund | Amount |
|---------------------|------------------|---------------------|
| 2010-2040 Measure I | Capital Projects | <u>\$ 6,625,402</u> |

B. Interfund Transfers

Transfers are used to (1) move funds from the local transportation fund (LTF) to the general fund for reimbursement of certain general administrative, planning and rail expenditures, (2) move funds from the state transit assistance fund to the general fund for reimbursement of rail expenditures, (3) transfer funds to 2010-2040 Measure I fund from general fund for charges for weed abatement, (4) to transfer funds to 2010-2040 Measure I fund from Proposition 1B to maximize use of Public Utilities Commission funds, (5) transfer to capital projects to optimize use of local and bond funds, (6) transfer funds from 2010-2040 Measure I fund to debt service to record interest income and debt service payment with the trustee, Bank of New York, (7) transfer to capital projects from general fund to reclassify expenditures to LTF-Rail, (8) transfer from State Highway fund to capital projects to maximize use of bond funds, (9) transfer from 2010-2040 Measure I fund to capital projects to reclassify expenditures, (10) transfer from debt service to capital projects for interest distribution, and (11) transfer expenditures from capital project to maximize bond funds.

| Transfers In Fund | Transfers Out Fund | Amount |
|---------------------|-------------------------------|----------------------|
| General | Local transportation fund | \$ 26,421,971 |
| | State transit assistance fund | 3,484,088 |
| 2010-2040 Measure I | General | 700,279 |
| | Proposition 1B | 513,181 |
| | Capital projects | 1,222,946 |
| Debt Service | 2010-2040 Measure I | 6,081,593 |
| Capital Projects | General | 514,570 |
| | State highway | 19,027 |
| | 2010-2040 Measure I | 9,258,219 |
| | Debt service | 5 |
| | Capital projects | 150,363 |
| | | <u>\$ 48,366,242</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

6. LOANS TO OTHER JURISDICTIONS

SANBAG entered into loan agreements with jurisdictions for various projects. The outstanding balances of the loans as of June 30, 2016, are as follows:

Jurisdiction:

| | |
|---------------------|----------------------|
| City of Victorville | \$ 6,461,134 |
| City of Colton | 164,267 |
| City of Hesperia | 19,502,807 |
| | <u>\$ 26,128,208</u> |

Per cooperative Agreement C11200, Section III, Article 7 with the City of Victorville for the La Mesa/Nisqualli interchange project, SANBAG is authorized to withhold disbursements of 2010-2040 Measure I local streets and roads funds necessary to pay the City's share of construction invoices plus interest. These funds are to be withheld until the City can contribute additional funds to the escrow account or until the City's share of the construction cost plus interest has been paid to SANBAG. Withholding amount equals to the note receivable amount and it is recorded as intergovernmental payable in the 2010-2040 Measure I fund. Interest is calculated annually on the unpaid balance at the same rate as applied to the State of California. The outstanding loan balance as of June 30, 2016 is \$6,461,134.

Per Policy 40005 VFI 23-1, SANBAG entered into a 2010-2040 Measure I Valley freeway interchange program term loan agreement with the City of Colton for the I-10 Pepper Interchange Project. The loan will not-to-exceed in the amount of \$164,267 which is two-thirds of the estimated local share of project costs. The outstanding loan balance as of June 30, 2016 is \$164,267.

Per Agreement C12219 with the City of Hesperia for the Ranchero Road Interchange Project, SANBAG will lend the City's remaining balance of project costs, estimated at \$23,158,448 if the City is unable to pay at the completion of the project. The first payment is due 24 months after the acceptance of the project by Caltrans. Subsequent payments will be made annually and if the City fails to make the annual payment, SANBAG is authorized to withhold the City's Measure I local street funds and apply the amounts towards the loan. The outstanding balance of the loan as of June 30, 2016 is \$19,502,807.

7. CAPITAL ASSETS

During the year ended June 30, 2016, management discovered that capital outlay expenses of approximately \$15,156,902 from the fiscal years ended June 30, 2014 and 2015 were not capitalized as construction in progress (CIP) in the governmental activities opinion unit. As a result and to correct CIP; management adjusted additions reported in the current during the fiscal year by reducing operating expenses in the rail program in the statement of activities. Management believes that the adjustment is not material to the prior and current financial statements.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Capital assets activity for the fiscal year ended June 30, 2016 was as follows:

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|--|-------------------------|----------------------|-------------|--------------------------|
| Governmental activities | | | | |
| Capital assets, not depreciated | | | | |
| Land | \$ 67,336,870 | \$ 3,006,507 | \$ - | \$ 70,343,377 |
| Construction in progress | - | 38,693,542 | - | 38,693,542 |
| Total capital assets, not depreciated | <u>\$ 67,336,870</u> | <u>\$ 41,700,049</u> | <u>\$ -</u> | <u>\$ 109,036,919</u> |
| Capital assets, depreciated: | | | | |
| Buildings | 5,387,201 | - | - | 5,387,201 |
| Equipment and vehicles | 4,184,112 | 46,878 | - | 4,230,990 |
| Total capital assets, depreciated | <u>9,571,313</u> | <u>46,878</u> | <u>-</u> | <u>9,618,191</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,825,159) | (179,593) | - | (2,004,752) |
| Equipment and vehicles | (3,718,749) | (152,851) | - | (3,871,600) |
| Total accumulated depreciation | <u>(5,543,908)</u> | <u>(332,444)</u> | <u>-</u> | <u>(5,876,352)</u> |
| Total capital assets, depreciated, net | <u>4,027,405</u> | <u>(285,566)</u> | <u>-</u> | <u>3,741,839</u> |
| Total capital assets, net | <u>\$ 71,364,275</u> | <u>\$ 41,414,483</u> | <u>\$ -</u> | <u>\$ 112,778,758</u> |

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

Governmental activities

| | |
|--|-------------------|
| General government | \$ 169,491 |
| Capital assets held by the government's internal service fund are charged to the general government program based on the usage of the assets | <u>162,953</u> |
| Total depreciation expense-governmental activities | <u>\$ 332,444</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

8. LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2016:

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 | Due within One Year |
|---|-------------------------|----------------------|----------------------|--------------------------|------------------------|
| Governmental activities | | | | | |
| Revenue bonds payable | \$ 200,105,000 | \$ - | \$ 1,990,000 | \$ 198,115,000 | \$ 2,845,000 |
| Unamortized premium on revenue bonds payable | 17,204,118 | - | 1,151,714 | 16,052,404 | 1,131,348 |
| Compensated absences | 680,465 | 234,723 | 50,549 | 864,639 | 115,559 |
| Project advancement agreements | 42,186,696 | 64,045,529 | 75,139,873 | 31,092,352 | 12,416,633 |
| Net pension liability | 9,496,059 | 402,049 | - | 9,898,108 | - |
| Total long-term liabilities, net | <u>\$ 269,672,338</u> | <u>\$ 64,682,301</u> | <u>\$ 78,332,136</u> | <u>\$ 256,022,503</u> | <u>\$ 16,508,540</u> |

Sales Tax Revenue Obligations

SANBAG has pledged a portion of future sales tax revenue bonds through the maturity dates of the issued sales tax revenue bonds. Principal and interest payments during the fiscal year ended June 30, 2016 of \$11,212,050 represents 7% of total applicable sales tax revenue, which was \$160,848,014. The future maturities of sales tax revenue bonds payable are as follows:

| Year Ending, June 30, | Principal | Interest | Total |
|--------------------------|-----------------------|-----------------------|-----------------------|
| 2017 | \$ 2,845,000 | \$ 9,122,550 | \$ 11,967,550 |
| 2018 | 3,365,000 | 9,016,300 | 12,381,300 |
| 2019 | 3,860,000 | 8,893,650 | 12,753,650 |
| 2020 | 4,150,000 | 8,739,250 | 12,889,250 |
| 2021 | 4,460,000 | 8,563,200 | 13,023,200 |
| 2022-2026 | 27,805,000 | 39,413,803 | 67,218,803 |
| 2027-2031 | 39,520,000 | 31,518,002 | 71,038,002 |
| 2032-2036 | 54,935,000 | 20,357,990 | 75,292,990 |
| 2037-2040 | 57,175,000 | 6,459,183 | 63,634,183 |
| | <u>\$ 198,115,000</u> | <u>\$ 142,083,928</u> | <u>\$ 340,198,928</u> |

Sales Tax Revenue Bonds of 2012, Series A

The sales tax revenue bonds of \$91,880,000 are tax exempt and were issued by the San Bernardino County Transportation Authority on March 28, 2012. Interest is payable semiannually on March 1st and September 1st of each year at rates of interest ranging from 4% to 5% and yield rates ranging from 0.53% to 3.46%. Principal payments on the bonds began on March 1, 2015 and are due each year thereafter through 2032 ranging from \$1,910,000 to \$5,835,000. The range of annual debt service range from \$3,851,087 to \$6,081,638.

The debt maturities for the 2012 sales tax revenue bonds payable included in the governmental activities are as follows:

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

| Year Ending, June 30, | Principal | Interest | Total |
|--------------------------|----------------------|----------------------|-----------------------|
| 2017 | \$ 2,090,000 | \$ 3,987,437 | \$ 6,077,437 |
| 2018 | 2,170,000 | 3,903,837 | 6,073,837 |
| 2019 | 2,260,000 | 3,817,037 | 6,077,037 |
| 2020 | 2,355,000 | 3,726,637 | 6,081,637 |
| 2021 | 2,455,000 | 3,622,387 | 6,077,387 |
| 2022-2026 | 14,125,000 | 16,254,938 | 30,379,938 |
| 2027-2031 | 17,870,000 | 12,504,688 | 30,374,688 |
| 2032-2036 | 22,665,000 | 7,707,412 | 30,372,412 |
| 2037-2040 | 21,990,000 | 2,313,506 | 24,303,506 |
| | <u>\$ 87,980,000</u> | <u>\$ 57,837,879</u> | <u>\$ 145,817,879</u> |

Sales Tax Revenue Bonds of 2014, Series A

The sales tax revenue bonds of \$110,135,000 are tax exempt and were issued by the San Bernardino County Transportation Authority on March 18, 2014. Interest is payable semiannually on March 1st and September 1st of each year at rates of interest ranging from 3% to 5% and yield rates ranging from 0.40% to 3.85%. Principal payments on the bonds began on March 1, 2017 and are due each year thereafter through 2040 ranging from \$755,000 to \$9,685,000. The range of annual debt service payments range from \$4,692,922 to \$10,130,963.

The debt maturities for the 2014 sales tax revenue bonds payable included in the governmental activities are as follows:

| Year Ending, June 30, | Principal | Interest | Total |
|--------------------------|-----------------------|----------------------|-----------------------|
| 2017 | \$ 755,000 | \$ 5,135,113 | \$ 5,890,113 |
| 2018 | 1,195,000 | 5,112,463 | 6,307,463 |
| 2019 | 1,600,000 | 5,076,613 | 6,676,613 |
| 2020 | 1,795,000 | 5,012,613 | 6,807,613 |
| 2021 | 2,005,000 | 4,940,813 | 6,945,813 |
| 2022-2026 | 13,680,000 | 23,158,865 | 36,838,865 |
| 2027-2031 | 21,650,000 | 19,013,315 | 40,663,315 |
| 2032-2036 | 32,270,000 | 12,650,577 | 44,920,577 |
| 2037-2040 | 35,185,000 | 4,145,677 | 39,330,677 |
| | <u>\$ 110,135,000</u> | <u>\$ 84,246,049</u> | <u>\$ 194,381,049</u> |

Financial covenant for sales tax revenue bonds is illustrated below:

| Sales Tax Revenue Fiscal Year Ended June 30, 2016 | Maximum Annual Debt Service | Debt Coverage Ratio |
|---|--------------------------------|---------------------------|
| \$ 160,848,014 | \$ 16,206,656 | 9.92 X |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Conduit Debt

Beginning in October 2013, SANBAG issued bonds for the Property Assessed Clean Energy Program. Third party, property owners, assume sole responsibility for repayment of the debt, and SANBAG has no obligation for the repayment of the bonds. The outstanding balance as of June 30, 2016 is \$227,139,077.

Project Advancement Agreements

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

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

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

The following summarizes the liability activities that took place in fiscal year 2015/2016:

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 | Due within One Year |
|------------------------------|-------------------------|----------------------|----------------------|--------------------------|------------------------|
| Valley freeway interchange | \$ 17,287,945 | \$ 12,981,308 | \$ 13,949,871 | \$ 16,319,382 | \$ 4,405,902 |
| Valley major street | 24,898,751 | 51,064,220 | 61,190,001 | 14,772,970 | 8,010,731 |
| Total Project Adv Agreements | <u>\$ 42,186,696</u> | <u>\$ 64,045,528</u> | <u>\$ 75,139,872</u> | <u>\$ 31,092,352</u> | <u>\$ 12,416,633</u> |

The following summarizes the declared projects with Project Advancement Agreements:

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

| Program | Location | Project | Cost Estimate | Measure I Share |
|---|-------------|---------------------------|-----------------------|-----------------------|
| Valley Major Street | R Cucamonga | Hermosa & Church | 158,000 | 112,180 |
| Valley Major Street | R Cucamonga | Wilson & San Sevaire | 158,000 | 112,180 |
| Valley Major Street | R Cucamonga | Wilson & Wardman Bullock | 158,000 | 112,180 |
| Valley Major Street | Rialto | Willow Ave | 395,000 | 237,000 |
| Valley Major Street | Rialto | Merrill Ave & Willow Ave | 282,000 | 169,200 |
| Valley Major Street | Rialto | Cactus Ave & Walnut Ave | 282,000 | 169,200 |
| Valley Major Street | Rialto | Cactus & Randall Ave | 282,000 | 169,200 |
| Valley Major Street | Rialto | Riverside Ave & Alder Ave | 282,000 | 169,200 |
| Valley Major Street | Yucaipa | Yucaipa Blvd | 2,898,400 | 1,224,750 |
| Valley Major Street | Yucaipa | Oak Glen Rd | 500,000 | 345,000 |
| Valley Major Street | Yucaipa | Oak Glen Rd | 1,800,000 | 1,242,000 |
| Valley Major Street | Yucaipa | Wildwood Canyon Rd | 551,605 | 380,880 |
| Adjustment - Project removed from PAA: | | | 249,753,618 | 127,101,001 |
| Valley Freeway Interchange | Fontana | I-15 at Duncan Canyon Rd | (18,000,000) | (4,068,000) |
| Valley Freeway Interchange | Hesperia | I-15 Ranchero Road | (8,598,000) | (8,598,000) |
| Total project advancement agreements commitment | | | <u>\$ 223,155,618</u> | <u>\$ 114,435,001</u> |

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

| | Valley | | |
|---------------------------|----------------------|----------------------|-----------------------|
| | Freeway Interchange | Major Street | Total |
| Cash payments on projects | \$ 13,949,871 | \$ 61,190,002 | \$ 75,139,873 |
| Current liabilities | 4,405,902 | 8,010,731 | 12,416,633 |
| Long-term liabilities | 11,913,481 | 6,762,238 | 18,675,719 |
| Commitments | - | 8,202,776 | 8,202,776 |
| Total | <u>\$ 30,269,254</u> | <u>\$ 84,165,747</u> | <u>\$ 114,435,001</u> |

Expenditures are amounts paid through the fiscal year and represent current year liquidations of the overall long term liability through the use of available Measure I sales tax revenues collected as of June 30, 2016.

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, 2016. These are recorded as intergovernmental payables in the governmental fund financial statements and long-term liabilities, due in one year, on the statement of net position.

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, 2016.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

Commitments are possible obligations in which SANBAG would reserve funds in the future to meet the liability when they are recognized. A total of \$18,675,719 was recognized as long term liabilities in fiscal year 2015/2016. The total remaining commitments is \$8,202,776.

Rebatable Arbitrage

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

9. PENSION OBLIGATIONS

San Bernardino County Employees Retirement Association (SBCERA)

Plan Description

SANBAG participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan - a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

The Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA is a legally separate entity from SANBAG, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, SANBAG's comprehensive annual financial report excludes the SBCERA pension plan as of June 30, 2015. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing SBCERA at, 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at: www.SBCERA.org.

Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

| | <u>General-Tier 1</u> | <u>General-Tier 2</u> |
|--|--|--|
| Final average compensation | Highest 12 months | Highest 36 months |
| Normal retirement age | Age 55 | Age 55 |
| Early retirement: Years of service required and/or age eligible for | Age 70 any years 10 years age 50 30 years any age | Age 70 any years 5 years age 52 N/A |
| Benefit percent per year of service for normal retirement age | 2% per year of final average compensation for every year of service credit | 2.5% per year of final average compensation for every year of service credit |
| Benefit adjustments | Reduced before age 55, increased after 55 up to age 65 | Reduced before age 67 |
| Final average compensation limitation | Internal Revenue Code section 401(a)(17) | Government Code section 7522.10 |

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee contribution rates for the fiscal year ended June 30, 2016 ranged between 7.81% and 14.21% for Tier 1 General members, between 8.5% and 9.29% for Tier 2 General members.

Employer contribution rates for the year ended June 30, 2016 are as follows:

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

| | <u>Employer Contribution Rates</u> | | <u>Paid by Employer for Employee Employee Contribution Rates</u> | |
|--|------------------------------------|---------------|--|---------------|
| | <u>Tier 1</u> | <u>Tier 2</u> | <u>Tier 1</u> | <u>Tier 2</u> |
| Actuarially determined required contribution for general members | 33.31% | 29.77% | 100% | 0% |

The required employer contributions and the amount paid to SBCERA by SANBAG for the year ended June 30, 2016 were \$1,915,346. SANBAG's employer contributions were equal to the required employer contributions for the year ended June 30, 2016.

Pension Liability

At June 30, 2016, SANBAG reported a net pension liability of \$9,853,253 for its proportionate share of the SBCERA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. SANBAG reported liability at June 30, 2016, increased by \$396,301 from SANBAG's prior year liability of \$9,456,951 because of changes in the SBCERA net pension liability and SANBAG's proportionate share of that liability. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

SANBAG's proportion of the net pension liability was based on SANBAG's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of SBCERA's participating employers. At June 30, 2015, SANBAG's proportion was .507%, which was a decrease of .049% from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, SANBAG recognized pension expense of \$1,410,064 for its proportionate share of SBCERA's pension expense. At June 30, 2016, SANBAG reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,637,284 |
| Changes in actuarial assumptions | 1,132,045 | |
| Net differences between projected and actual earnings on pension plan investments | - | 1,565,338 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,303,459 | - |
| Employer contributions paid to SBCERA subsequent to the measurement date | 1,915,346 | - |
| Total | <u>\$ 5,350,850</u> | <u>\$ 3,202,622</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

The \$1,915,346 reported as deferred outflows of resources related to pensions resulting from SANBAG's contributions to SBCERA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SBCERA pensions will be recognized in pension expense as follows:

| | |
|----------------------------|-----------|
| 2017 | (122,691) |
| 2018 | 316,659 |
| 2019 | 436,007 |
| 2020 | (274,402) |
| 2016 amount was (122,691). | |

Actuarial assumptions and methods

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent of payroll (3.75% payroll growth assumed) |
| Investment rate of return | 7.50% |
| Inflation | 3.25% |
| Projected Salary increases | General: 4.60% to 13.75% |
| Administrative Expenses | 0.60% of payroll |

Post-retirement mortality is based on the RP-2000 Combined Healthy Mortality Tables projected with Scale BB to 2020.

The June 30, 2015 actuarial valuation reflected same assumptions compared to the June 30, 2014 actuarial valuation, based on the June 30, 2014 experience study. The June 30, 2014 actuarial valuation reflected 7.75% for the investment rate of return, 3.50% for inflation, 4.75% to 14.00% for both general and safety, for projected salary increases, 4.00% for wage inflation and there was no offset to investment return for administrative expenses.

The long-term expected rate of return on pension plan investments is 7.50%. SBCERA's actuary prepares an analysis of the long-term expected rate of return on a triennial basis using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocations (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

SBCERA's Long-Term Expected Real Rate of Return

| <u>Asset Class</u> | As of June 30, 2015 | |
|--------------------------------|-----------------------|----------------|
| | <u>Valuation Date</u> | |
| | Target | Long-Term |
| | Allocation | Expected Real |
| | | Rate of Return |
| | | (Arithmetic) |
| Large Cap U.S. Equity | 5.00% | 5.94% |
| Small Cap U.S. Equity | 2.00% | 6.50% |
| Developed International Equity | 6.00% | 6.87% |
| Emerging Market Equity | 6.00% | 8.06% |
| U.S. Core Fixed Income | 2.00% | 0.69% |
| High Yield/Credit Strategies | 13.00% | 3.10% |
| Global Core Fixed Income | 1.00% | 0.30% |
| Emerging Market Debt | 6.00% | 4.16% |
| Real Estate | 9.00% | 4.96% |
| Cash & Equivalents | 2.00% | -0.03% |
| International Credit | 10.00% | 6.76% |
| Absolute Return | 13.00% | 2.88% |
| Real Assets | 6.00% | 6.85% |
| Long/Short Equity | 3.00% | 4.86% |
| Private Equity | 16.00% | 9.64% |
| Total | <u>100.00%</u> | |

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made based on the actuarially determined rates based on the SBCERA Board's funding policy, which establishes the contractually required rate based on statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of SANBAG's proportionate share of the SBCERA net pension liability to changes in the discount rate

The following table presents SANBAG's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what SANBAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Notes to the Financial Statements
June 30, 2016

Sensitivity of Net Pension Liability to Changes in the Discount Rate

| | 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00% Increase (8.5%) |
|--|-----------------------------|------------------------------------|-----------------------------|
| SANBAG's proportionate share of the net pension liability | \$ 14,493,609 | \$ 9,853,252 | \$ 6,012,951 |

Pension plan fiduciary net position

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at www.SBCERA.org; by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

California Public Employees' Retirement System (PERS)

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.

Benefits Provided

PERS provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contributions for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the contribution amount. The total plan contributions are determined through the PERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined contribution is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs related to any unfunded accrued liability. There are no active employees in this plan; therefore no employee contributions were made during the measurement period ended June 30, 2016.

The required employer contributions and the amount paid to PERS by SANBAG for the year ended June 30, 2015 were \$54,180 toward the payment of unfunded accrued liability. SANBAG's employer contributions are equal to the required employer contributions for the year ended June 30, 2016.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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Pension Liability

At June 30, 2016 SANBAG reported a net pension liability of \$44,856 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, SANBAG recognized pension expense of \$7,475 for its proportionate share of PERS' pension expense. At June 30, 2016, SANBAG reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 5,031 |
| Changes in actuarial assumptions | 7,475 | - |
| Employer contributions paid to PERS subsequent to the measurement date | 54,180 | - |
| Total | <u>\$ 61,655</u> | <u>\$ 5,031</u> |

The \$54,180 reported as deferred outflows of resources related to pensions resulting from SANBAG's contributions to PERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions will be recognized in pension expense as follows:

| | |
|-----------------|--------|
| 2017 | (866) |
| 2018 | (788) |
| 2019 | 793 |
| 2016 amount was | (866). |

Actuarial assumptions and methods

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent of payroll (3.75% payroll growth assumed) |
| Investment rate of return | 7.65% |
| Inflation | 2.75% |
| Projected Salary increases | Varies by entry age and service |

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

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Notes to the Financial Statements
June 30, 2016

These geometric rates of return are net of administrative expenses.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return ¹</u> |
|-------------------------------|------------------------------|--|
| Global Equity | 51.00% | 5.25% |
| Global Fixed Income | 19.00% | 0.99% |
| Inflation Sensitive | 6.00% | 0.45% |
| Private Equity | 10.00% | 6.83% |
| Real Estate | 10.00% | 4.50% |
| Infrastructure and Forestland | 2.00% | 4.50% |
| Liquidity | 2.00% | -0.55% |
| | <u>100.00%</u> | |

⁽¹⁾ An expected inflation rate of 2.5 was used

Sensitivity of SANBAG's proportionate share of the PERS net pension liability to changes in the discount rate

The following table presents SANBAG's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what SANBAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Net Pension Liability to Changes in the Discount Rate

| | <u>1.00% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1.00% Increase (8.5%)</u> |
|--|--------------------------------------|---|--------------------------------------|
| SANBAG's proportionate share of the net pension liability | \$ 75,226 | \$ 44,856 | \$ 19,781 |

Pension plan fiduciary net position

Detailed information about PERS's fiduciary net position is available on the Internet at www.calpers.ca.gov; by writing to PERS at 400 "P" Street, Sacramento, CA 95814; or by calling (888) 225-7377.

10. COMMITMENTS

Transportation

Outstanding Contracts

As of June 30, 2016, SANBAG had contracted, subject to future Board appropriation, for professional and special services for various transportation projects, including transit studies, right-of-way purchases and construction, which have not yet been rendered. The aggregate amount committed under these contracts is approximately \$595 million at June 30, 2016.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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Retention Payable

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

Encumbrances

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

11. PTMISEA FUNDING

As of June 30, 2016, San Bernardino Associated Governments (SANBAG) received a total of \$37,409,070 in Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds and are accounted for in the Proposition 1B fund. These funds are designated to be used for the purchase of three rail cars by SCRRA for Metrolink operations \$(5,500,000), replacement paratransit vehicles by SANBAG-City of Barstow \$(420,000), Metrolink positive train control by SCRRA \$(3,309,525), Metrolink parking lot expansion (\$1,500,000), for San Bernardino Downtown Passenger Rail Project (\$6,419,844), Redlands Passenger Rail Project (\$6,542,602 and \$9,284,398 for cycle 2), Barstow Bus Stop Reconstruction Project (\$2,232,701), Double Tracking Project for San Gabriel Subdivision (\$2,000,000), and Needles Intermodal Transit Center (\$200,000). A total of \$6,546,634 has been received in Transit System Safety Security Disaster Discovery fund and recorded as fund balance in the Prop 1B fund. \$1,375,000 was disbursed during Fiscal Year 2007-2008, \$4,125,000 was disbursed during Fiscal Year 2009-2010, \$3,659,456 was disbursed during Fiscal Year 2010-11, \$1,043,758 was disbursed during Fiscal Year 2013-2014, \$4,316,855 was disbursed in Fiscal Year 2014-2015, and \$2,928,021 was disbursed in Fiscal Years 2015-2016.

12. RISK MANAGEMENT

SANBAG is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. SANBAG purchases commercial insurance coverage for automobile (\$1,000 deductible-physical damage), primary crime (\$20,000 deductible), excess crime, general liability (\$10,000 self-insured retention), property (\$10,000 deductible), public officials (\$100,000 deductible), excess liability, and worker compensation. Workers compensation limits are statutory by the State of California. During the past three fiscal years, there has been no settlements in excess of covered amounts.

13. JOINT VENTURE

SANBAG is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in June 1992. The SCRRA's Board consists of one member from the Ventura County Transportation Commission; two members each from the Orange County Transit Authority, SANBAG and the Riverside County Transportation Commission; and four members from Los Angeles County Metropolitan Transportation Authority. The SCRRA is responsible for implementing and operating a regional commuter rail system (Metrolink) in five Southern California Counties. As a member of the SCRRA, SANBAG makes capital and operating contributions for its pro rata share of rail lines servicing the County of San Bernardino. SANBAG expended \$14,153,401 during fiscal year 2015-2016 for its share of Metrolink capital and operating costs. The expenditures are recorded in SANBAG's general fund for LTF rail, in Transit and passenger rail program. Separate financial statements are prepared by and available from the SCRRA at One Gateway Plaza, Floor 12, Los Angeles, California 90012.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

14. CONTINGENCIES

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

The San Bernardino County Flood Control District sued SANBAG, Caltrans and the City of Rialto regarding a transportation-related improvement referred to as the Cactus Basin Channel. This litigation stems from a dispute regarding the Cactus Basin Channel flood control improvement facilities that were constructed in 2004 associated with the new State Route 210 freeway project in the City of Rialto. A settlement agreement between the parties resolving the dispute was entered into April 7, 2015, that called for the dismissal of the lawsuit upon defendants' payment of a total of \$16 million into escrow for the construction of flood control basin improvements. SANBAG paid its portion of the settlement totaling \$5.5 million into escrow and the lawsuit was dismissed with prejudice August 27, 2015.

Incidents and accidents at or near several SANBAG project locations have given rise to various claims and lawsuits alleging personal injuries and property damage. Certain claims involving disputed construction and right of way acquisitions costs have arisen in the ordinary course of business. Additionally, SANBAG is a defendant in various other lawsuits. Although the outcome of these matters is not presently determinable, management does not expect that the resolution of these matters will have a material adverse impact on the financial condition of SANBAG.

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

SANBAG implemented a PACE program in October 2013. This program provides financing for property owners to install energy efficiency, green energy production or water conservation improvements. Since its start, over \$256 million in these projects have been installed for over 13,638 property owners (See note 8 for additional information). SANBAG collects an administration fee and is recorded in the general fund.

16. GASB PRONOUNCEMENTS

Effective in Future Periods

The following GASB statements have been issued and have an effective date that may impact future financial presentations:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (effective for period fiscal year June 30, 2017)
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions* (effective for period fiscal year June 30, 2018)
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (effective for period fiscal year June 30, 2017)

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Notes to the Financial Statements

June 30, 2016

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (effective for period fiscal year June 30, 2017)
- GASB Statement No. 82, *Pension Issues-an Amendment of GASB Statement No. 67, 68, and 73* effective for period fiscal year June 30, 2018)

17. SUBSEQUENT EVENT

Effective January 1, 2017, Senate Bill 1305 (SB 1305) establishes the San Bernardino County Transportation Authority (SBCTA) as the successor entity to the San Bernardino County Transportation Commission, and the County of San Bernardino local transportation authority, service authority for freeway emergencies, and local congestion management agency (Transportation Entities). San Bernardino Associated Governments (SANBAG), the joint powers authority, will continue to exist for the purpose of performing council of governments functions for the County of San Bernardino.

Required Supplementary
Information

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
General Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|---------------------|---------------------|---|
| Revenues | | | | |
| Sales tax-Measure I | \$ 1,490,000 | \$ 1,490,000 | \$ 1,608,480 | \$ 118,480 |
| Charges for services | 465,400 | 1,554,580 | 425,936 | (1,128,644) |
| Special assessments | 104,946 | 234,454 | 113,886 | (120,568) |
| Investment earnings | 1,800 | - | 135,610 | 135,610 |
| Miscellaneous | 2,100,150 | 1,463,030 | 2,021,790 | 558,760 |
| Total revenues | 4,162,296 | 4,742,064 | 4,305,702 | (436,362) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,674,708 | 2,890,425 | 2,256,926 | 633,499 |
| Environment and Energy Conservation | 1,283,665 | 1,227,664 | 1,058,581 | 169,083 |
| Regional and subregional planning | 1,198,565 | 1,232,995 | 895,223 | 337,772 |
| Transit and passenger rail | 40,754,158 | 37,360,272 | 26,574,509 | 10,785,763 |
| Fund administration and programming | 805,486 | 1,003,459 | 918,642 | 84,817 |
| Capital outlay | - | 6,480,550 | 5,522,637 | 957,913 |
| Total expenditures | 46,716,582 | 50,195,365 | 37,226,518 | 12,968,847 |
| Excess (deficiency) of revenues over (under) expenditures | (42,554,286) | (45,453,301) | (32,920,816) | 12,532,485 |
| Other financing sources (uses) | | | | |
| Transfers in | 43,693,281 | 43,693,281 | 29,906,059 | (13,787,222) |
| Transfers out | - | (700,279) | (700,279) | - |
| Total other financing sources (uses) | 43,693,281 | 42,993,002 | 29,205,780 | (13,787,222) |
| Net change in fund balances | 1,138,995 | (2,460,299) | (3,715,036) | (1,254,737) |
| Fund balances beginning of year | 11,214,284 | 11,214,284 | 11,214,284 | - |
| Fund balances end of year | <u>\$ 12,353,279</u> | <u>\$ 8,753,985</u> | <u>\$ 7,499,248</u> | <u>\$ (1,254,737)</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Federal Highway Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------------------|------------------------------|------------------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 30,565,128 | \$ 30,956,608 | \$ 6,164,687 | \$ (24,791,921) |
| Investment earnings | - | - | 99 | 99 |
| Total revenues | <u>30,565,128</u> | <u>30,956,608</u> | <u>6,164,786</u> | <u>(24,791,822)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 5,000 | - | - | - |
| Commuter and Motorist Assistance | 2,075,116 | 2,060,116 | 1,276,912 | 783,204 |
| Transit and passenger rail | 1,450,128 | - | - | - |
| Major project delivery | <u>27,034,884</u> | <u>28,896,492</u> | <u>7,262,086</u> | <u>21,634,406</u> |
| Total expenditures | <u>30,565,128</u> | <u>30,956,608</u> | <u>8,538,998</u> | <u>22,417,610</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>(2,374,212)</u> | <u>(2,374,212)</u> |
| Fund balances (deficits) beginning of year | <u>(2,901,098)</u> | <u>(2,901,098)</u> | <u>(2,901,098)</u> | <u>-</u> |
| Fund balances (deficits) end of year | <u><u>\$ (2,901,098)</u></u> | <u><u>\$ (2,901,098)</u></u> | <u><u>\$ (5,275,310)</u></u> | <u><u>\$ (2,374,212)</u></u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Federal Transit Administration Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|----------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 24,058,920 | \$ 22,130,187 | \$ 9,804,715 | \$ (12,325,472) |
| Expenditures | | | | |
| Commuter and Motorist Assistance | - | 1,459,120 | 47,682 | 1,411,438 |
| Transit and passenger rail | 24,058,920 | 10,302,259 | 1,083,740 | 9,218,519 |
| Capital outlay | - | 10,306,000 | 10,105,731 | 200,269 |
| Total expenditures | 24,058,920 | 22,067,379 | 11,237,153 | 10,830,226 |
| Excess (deficiency) of revenues over (under) expenditures | - | 62,808 | (1,432,438) | (1,495,246) |
| Fund balances beginning of year | - | - | - | - |
| Fund balances end of year | \$ - | \$ 62,808 | \$ (1,432,438) | \$ (1,495,246) |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
State Highway Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------------------|------------------------------|------------------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 25,547,761 | \$ 24,147,761 | \$ 15,734,553 | \$ (8,413,208) |
| Investment earnings | - | - | 10,758 | 10,758 |
| Total revenues | <u>25,547,761</u> | <u>24,147,761</u> | <u>15,745,311</u> | <u>(8,402,450)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 7,656 | 15,626 | 15,625 | 1 |
| Regional and subregional planning | 1,612,233 | 106,736 | 106,732 | 4 |
| Major project delivery | 22,952,761 | 22,947,756 | 15,649,543 | 7,298,213 |
| Fund administration and programming | <u>975,111</u> | <u>1,077,643</u> | <u>1,077,643</u> | <u>-</u> |
| Total expenditures | <u>25,547,761</u> | <u>24,147,761</u> | <u>16,849,543</u> | <u>7,298,218</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (1,104,232) | (1,104,232) |
| Fund balances (deficits) beginning of year | <u>(6,837,932)</u> | <u>(6,837,932)</u> | <u>(6,837,932)</u> | <u>-</u> |
| Fund balances (deficits) end of year | <u><u>\$ (6,837,932)</u></u> | <u><u>\$ (6,837,932)</u></u> | <u><u>\$ (7,942,164)</u></u> | <u><u>\$ (1,104,232)</u></u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Proposition 1B Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 44,078,068 | \$ 50,406,863 | \$ 27,043,734 | \$ (23,363,129) |
| Investment earnings | - | 24,177 | 355,518 | 331,341 |
| Total revenues | <u>44,078,068</u> | <u>50,431,040</u> | <u>27,399,252</u> | <u>(23,031,788)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Transit and passenger rail | 14,260,535 | 6,584,567 | 799,980 | 5,784,587 |
| Major project delivery | 34,059,936 | 33,845,519 | 22,020,664 | 11,824,855 |
| Capital outlay | - | 9,950,954 | 6,737,908 | 3,213,046 |
| Total expenditures | <u>48,320,471</u> | <u>50,381,040</u> | <u>29,558,552</u> | <u>20,822,488</u> |
| Excess (deficiency) of revenues over (under) expenditures | (4,242,403) | 50,000 | (2,159,300) | (2,209,300) |
| Other financing sources (uses) | | | | |
| Transfers out | - | (532,209) | (532,208) | 1 |
| Net change in fund balances | (4,242,403) | (482,209) | (2,691,508) | (2,209,299) |
| Fund balances (deficits) beginning of year | <u>29,196,721</u> | <u>29,196,721</u> | <u>29,196,721</u> | <u>-</u> |
| Fund balances (deficits) end of year | <u>\$ 24,954,318</u> | <u>\$ 28,714,512</u> | <u>\$ 26,505,213</u> | <u>\$ (2,209,299)</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Local Transportation Fund Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------------|----------------------|-----------------------|---|
| Revenues | | | | |
| Sales tax-local transportation fund | \$ 63,300,000 | \$ 96,956,542 | \$ 97,002,999 | \$ 46,457 |
| Investment earnings | - | - | 762,452 | 762,452 |
| Miscellaneous | - | - | 26,849 | 26,849 |
| Total revenues | <u>63,300,000</u> | <u>96,956,542</u> | <u>97,792,300</u> | <u>835,758</u> |
| Expenditures | | | | |
| Current-fund administration and programming | <u>63,300,000</u> | <u>96,956,542</u> | <u>70,013,786</u> | <u>26,942,756</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 27,778,514 | 27,778,514 |
| Other financing sources (uses) | | | | |
| Transfers out | - | (26,936,541) | (26,936,541) | - |
| Net change in fund balances | - | (26,936,541) | 841,973 | 27,778,514 |
| Fund balances beginning of year | <u>106,730,175</u> | <u>106,730,175</u> | <u>106,730,175</u> | <u>-</u> |
| Fund balances end of year | <u>\$ 106,730,175</u> | <u>\$ 79,793,634</u> | <u>\$ 107,572,148</u> | <u>\$ 27,778,514</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
State Transit Assistance Fund Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 15,450,000 | \$ 15,450,000 | \$ 7,895,473 | \$ (7,554,527) |
| Investment earnings | - | - | 435,375 | 435,375 |
| Total revenues | <u>15,450,000</u> | <u>15,450,000</u> | <u>8,330,848</u> | <u>(7,119,152)</u> |
| Expenditures | | | | |
| Current-fund administration and programming | <u>15,450,000</u> | <u>15,450,000</u> | <u>11,835,618</u> | <u>3,614,382</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (3,504,770) | (3,504,770) |
| Other financing sources (uses) | | | | |
| Transfers out | - | (3,484,088) | (3,484,088) | - |
| Net change in fund balances | - | (3,484,088) | (6,988,858) | (3,504,770) |
| Fund balances beginning of year | <u>55,295,279</u> | <u>55,295,279</u> | <u>55,295,279</u> | <u>-</u> |
| Fund balances end of year | <u>\$ 55,295,279</u> | <u>\$ 51,811,191</u> | <u>\$ 48,306,421</u> | <u>\$ (3,504,770)</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
1990-2010 Measure I Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|---------------|---|
| Revenues | | | | |
| Investment earnings | \$ 42,460 | \$ 42,460 | \$ 200,795 | \$ 158,335 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 62,500 | 390,486 | 194,512 | 195,974 |
| Commuter and Motorist Assistance | - | 1,230,000 | 584,809 | 645,191 |
| Transit and passenger rail | - | 307,803 | 307,802 | 1 |
| Major project delivery | 12,508,617 | 12,508,617 | (417,095) | 12,925,712 |
| Total expenditures | 12,571,117 | 14,436,906 | 670,028 | 13,766,878 |
| Excess (deficiency) of revenues over (under) expenditures | (12,528,657) | (14,394,446) | (469,233) | 13,925,213 |
| Fund balances beginning of year | 19,346,234 | 19,346,234 | 19,346,234 | - |
| Fund balances end of year | \$ 6,817,577 | \$ 4,951,788 | \$ 18,877,001 | \$ 13,925,213 |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|-----------------------|---|
| Revenues | | | | |
| Sales tax-Measure I | \$ 147,510,000 | \$ 147,510,000 | \$ 159,239,534 | \$ 11,729,534 |
| Investment earnings | 432,045 | 432,045 | 2,805,069 | 2,373,024 |
| Total revenues | <u>147,942,045</u> | <u>147,942,045</u> | <u>162,044,603</u> | <u>14,102,558</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,082,534 | 1,824,645 | 1,507,249 | 317,396 |
| Commuter and Motorist Assistance | 420,629 | 549,655 | 421,551 | 128,104 |
| Environment and Energy Conservation | 180,962 | 439,282 | 338,553 | 100,729 |
| Regional and subregional planning | 1,459,780 | 1,189,190 | 779,046 | 410,144 |
| Transit and passenger rail | 13,894,532 | 16,118,798 | 11,882,424 | 4,236,374 |
| Major project delivery | 36,414,702 | 30,591,064 | 22,240,968 | 8,350,096 |
| Fund administration and programming | 72,051,092 | 66,155,967 | 61,631,685 | 4,524,282 |
| Capital outlay | - | 16,250 | - | 16,250 |
| Total expenditures | <u>126,504,231</u> | <u>116,884,851</u> | <u>98,801,476</u> | <u>18,083,375</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>21,437,814</u> | <u>31,057,194</u> | <u>63,243,127</u> | <u>32,185,933</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 6,077,310 | 2,436,406 | (3,640,904) |
| Transfers out | - | (15,339,821) | (15,339,812) | 9 |
| Total other financing sources (uses) | - | (9,262,511) | (12,903,406) | (3,640,895) |
| Net change in fund balances | <u>21,437,814</u> | <u>21,794,683</u> | <u>50,339,721</u> | <u>28,545,038</u> |
| Fund balances beginning of year | <u>223,956,251</u> | <u>223,956,251</u> | <u>223,956,251</u> | <u>-</u> |
| Fund balances end of year | <u>\$ 245,394,065</u> | <u>\$ 245,750,934</u> | <u>\$ 274,295,972</u> | <u>\$ 28,545,038</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Pension Information
June 30, 2016

Schedule of SANBAG's Proportionate Share of Net Pension Liability

SBCERA Pension Plan

Last 10 Fiscal Years ¹

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|----------------------|
| SANBAG's proportion of net pension liability | 0.507% | 0.556% | 0.491% |
| SANBAG's proportionate share of net pension liability | 9,853,252 | 9,456,951 | 9,749,799 |
| SANBAG's covered-employee payroll | 4,769,044 | 5,147,134 | 4,188,134 |
| SANBAG's proportionate share of net pension liability as a percentage of its covered-employee payroll | 206.61% | 183.73% | 232.80% |
| SBCERA's fiduciary net position as a percentage of the total pension liability | 71.68% | 71.89% | 66.34% |

Schedule of SANBAG's Contributions

SBCERA Pension Plan

Last 10 Fiscal Years ¹

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|----------------------|
| Contractually required contribution | 1,915,346 | 1,464,122 | 1,380,637 |
| Contributions in relation to contractually required contributions | 1,915,346 | 1,464,122 | 1,380,637 |
| Contributions deficiency (excess) | - | - | - |
| SANBAG's covered-employee payroll | 4,769,044 | 5,147,134 | 4,188,134 |
| SANBAG's covered-employee payroll contributions as a percentage of covered payroll | 40.16% | 28.45% | 32.97% |

Schedule of SANBAG's Proportionate Share of net Pension Liability

PERS Pension Plan

Last 10 Fiscal Years ¹

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|----------------------|
| SANBAG's proportion of net pension liability | 0.00164% | 0.00176% | 0.00176% |
| SANBAG's proportionate share of net pension liability | 44,856 | 39,108 | 53,435 |
| SANBAG's covered-employee payroll | N/A | N/A | N/A |
| SANBAG's proportionate share of net pension liability as a percentage of its covered-employee payroll | N/A | N/A | N/A |
| PERS fiduciary net position as a percentage of the total pension liability | 0.00164% | 0.00158% | 0.00180% |

Schedule of SANBAG's Contributions

PERS Pension Plan

Last 10 Fiscal Years ¹

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|----------------------|
| Contractually required contribution | 54,180 | 2,041 | 1,498 |
| Contributions in relation to contractually required contributions | 54,180 | 2,041 | 1,498 |
| Contributions deficiency (excess) | - | - | - |
| SANBAG's covered-employee payroll contributions as a percentage of covered payroll | N/A | N/A | N/A |

¹ The amounts presented for each fiscal year were determined as of June 30th. Data for fiscal years ended June 30, 2006 through 2013 is not available.

N/A - Not applicable since there is no payroll processed for PERS.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Note to Required Supplementary Information
June 30, 2016

Budgetary Information

Budgetary Basis of Accounting

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

Budget Amendments

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

Administrative Budget Amendments

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

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

Board Approved Amendments

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

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

Excess of Expenditures over Appropriations

For fiscal year ended June 30, 2016, no expenditures exceeded appropriations.

Actuarially determined contribution rates

Actuarial determined contribution rates for SBCERA and PERS are calculated as of June 30th, two years prior to the end of the fiscal year in which contributions are made. SBCERA actuarial methods and assumptions include entry age actuarial cost method and 20 years for remaining amortization period.



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

Supplementary
Information

Non-Major Governmental Funds

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

Low Carbon Transit Operations Program accounts for expenditures relating to reduction of carbon for transit operations.

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

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

Active Transportation Program accounts for expenditures relating to points of interest pedestrian plan and safe route to school program.

SCAQMD Mobile Source Review Communication accounts for expenditures relating to reduction of vehicle emissions.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

| | Special Revenue | |
|--|--|--|
| | Low Carbon Transit Operations Program | Service Authority for Freeway Emergencies |
| Assets | | |
| Cash and investments | \$ 1,143,245 | \$ 3,213,133 |
| Accrued interest receivable | 927 | 5,019 |
| Intergovernmental receivable | - | 340,010 |
| Total assets | <u>\$ 1,144,172</u> | <u>\$ 3,558,162</u> |
| Liabilities | | |
| Accounts payable | \$ - | \$ 185,762 |
| Accrued liabilities | - | 3,835 |
| Intergovernmental payable | - | 54,587 |
| Due to other funds | - | - |
| Unearned revenue | - | 2,221 |
| Total liabilities | <u>-</u> | <u>246,405</u> |
| Deferred inflows of resources | | |
| Unavailable grant and local reimbursements | <u>-</u> | <u>-</u> |
| Fund balances | | |
| Restricted-traveler services | <u>1,144,172</u> | <u>3,311,757</u> |
| Total liabilities and fund balances | <u>\$ 1,144,172</u> | <u>\$ 3,558,162</u> |

| Special Revenue | | | |
|---------------------------|-------------------------------------|---|--|
| Freeway Service Patrol | Active Transportation Program | SCAQAMD Mobile Source Review Communication | Total Nonmajor Governmental Funds |
| \$ - | \$ - | \$ - | \$ 4,356,378 |
| - | - | - | 5,946 |
| 695,011 | 293,536 | 30,000 | 1,358,557 |
| <u>\$ 695,011</u> | <u>\$ 293,536</u> | <u>\$ 30,000</u> | <u>\$ 5,720,881</u> |
| | | | |
| \$ 119,719 | \$ 142,238 | \$ - | \$ 447,719 |
| - | 224 | - | 4,059 |
| 20,033 | - | 30,000 | 104,620 |
| 555,259 | 151,074 | - | 706,333 |
| - | - | - | 2,221 |
| <u>695,011</u> | <u>293,536</u> | <u>30,000</u> | <u>1,264,952</u> |
| | | | |
| <u>8,605</u> | <u>-</u> | <u>30,000</u> | <u>38,605</u> |
| | | | |
| <u>(8,605)</u> | <u>-</u> | <u>(30,000)</u> | <u>4,417,324</u> |
| <u>\$ 695,011</u> | <u>\$ 293,536</u> | <u>\$ 30,000</u> | <u>\$ 5,720,881</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

| | Special Revenue | |
|--|--|--|
| | Low Carbon Transit Operations Program | Service Authority for Freeway Emergencies |
| Revenues | | |
| Intergovernmental | 461,683 | \$ 1,863,427 |
| Investment earnings | 2,890 | 29,957 |
| Miscellaneous | - | 55,023 |
| Total revenues | <u>464,573</u> | <u>1,948,407</u> |
| Expenditures | | |
| Current: | | |
| General government | - | 88,936 |
| Commuter and Motorist Assistance | - | 1,563,887 |
| Regional and subregional planning | - | - |
| Total expenditures | <u>-</u> | <u>1,652,823</u> |
| Excess (deficiency) of revenues over (under) expenditures | 464,573 | 295,584 |
| Fund balances (deficits) beginning of year | <u>679,599</u> | <u>3,016,173</u> |
| Fund balances (deficits) end of year | <u>\$ 1,144,172</u> | <u>\$ 3,311,757</u> |

| Special Revenue | | | |
|---------------------------|-------------------------------------|---|--|
| Freeway Service Patrol | Active Transportation Program | SCAQAMD Mobile Source Review Communication | Total Nonmajor Governmental Funds |
| \$ 1,254,705 | \$ 341,757 | \$ - | \$ 3,921,572 |
| - | - | - | 32,847 |
| - | - | - | 55,023 |
| <u>1,254,705</u> | <u>341,757</u> | <u>-</u> | <u>4,009,442</u> |
| - | - | - | 88,936 |
| 1,263,310 | - | - | 2,827,197 |
| - | 341,757 | 30,000 | 371,757 |
| <u>1,263,310</u> | <u>341,757</u> | <u>30,000</u> | <u>3,287,890</u> |
| (8,605) | - | (30,000) | 721,552 |
| - | - | - | 3,695,772 |
| <u>\$ (8,605)</u> | <u>\$ -</u> | <u>\$ (30,000)</u> | <u>\$ 4,417,324</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Low Carbon Transit Operations Program
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|---------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 679,599 | \$ 461,683 | \$ (217,916) |
| Investment earnings | - | - | 2,890 | 2,890 |
| Total revenues | - | 679,599 | 464,573 | (215,026) |
| Fund balances (deficits) beginning of year | - | - | 679,599 | 679,599 |
| Fund balances (deficits) end of year | <u>\$ -</u> | <u>\$ 679,599</u> | <u>\$ 1,144,172</u> | <u>\$ 464,573</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Service Authority for Freeway Emergencies Special Revenue Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|---------------------|---------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 1,911,486 | \$ 1,966,721 | \$ 1,863,427 | \$ (103,294) |
| Investment earnings | - | - | 29,957 | 29,957 |
| Miscellaneous | - | - | 55,023 | 55,023 |
| Total revenues | <u>1,911,486</u> | <u>1,966,721</u> | <u>1,948,407</u> | <u>(18,314)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 139,773 | 143,373 | 88,936 | 54,437 |
| Commuter and motorist assistance | <u>1,826,948</u> | <u>1,941,923</u> | <u>1,563,887</u> | <u>378,036</u> |
| Total expenditures | <u>1,966,721</u> | <u>2,085,296</u> | <u>1,652,823</u> | <u>432,473</u> |
| Excess (deficiency) of revenues over (under) expenditures | (55,235) | (118,575) | 295,584 | 414,159 |
| Fund balances beginning of year | - | - | <u>3,016,173</u> | <u>3,016,173</u> |
| Fund balances end of year | <u>\$ (55,235)</u> | <u>\$ (118,575)</u> | <u>\$ 3,311,757</u> | <u>\$ 3,430,332</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Freeway Service Patrol Special Revenue Fund
For the Year Ended June 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 1,426,018 | \$ 1,426,018 | \$ 1,254,705 | \$ (171,313) |
| Expenditures | | | | |
| Current-commuter and motorist assistance | <u>1,426,018</u> | <u>1,426,018</u> | <u>1,263,310</u> | <u>162,708</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (8,605) | (8,605) |
| Fund balances (deficits) beginning of year | - | - | - | - |
| Fund balances (deficits) end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (8,605)</u> | <u>\$ (8,605)</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Active Transportation Program
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 800,667 | \$ 1,073,138 | \$ 341,757 | \$ (731,381) |
| Expenditures | | | | |
| Current: | | | | |
| Regional and subregional planning | 800,667 | 1,073,138 | 341,757 | 731,381 |
| Total expenditures | 800,667 | 1,073,138 | 341,757 | 731,381 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - |
| Fund balances beginning of year | - | - | - | - |
| Fund balances end of year | \$ - | \$ - | \$ - | \$ - |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
SCAQMD Mobile Source Review Communication
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|---------------------|--------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 1,250,000 | \$ 1,250,000 | \$ - | \$ (1,250,000) |
| Expenditures | | | | |
| Current: | | | | |
| Regional and subregional planning | 1,250,000 | 30,000 | \$ 30,000 | - |
| Excess (deficiency) of revenues over (under) expenditures | - | 1,220,000 | (30,000) | (1,250,000) |
| Fund balances beginning of year | - | - | - | - |
| Fund balances end of year | <u>\$ -</u> | <u>\$ 1,220,000</u> | <u>\$ (30,000)</u> | <u>\$ (1,250,000)</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|--------------|---|
| Revenues | | | | |
| Investment earnings | \$ - | \$ - | \$ 6,460 | \$ 6,460 |
| Expenditures | | | | |
| Debt Service: | | | | |
| Principal | 1,990,000 | 1,990,000 | 1,990,000 | - |
| Interest and fiscal charges | 9,229,045 | 9,229,045 | 9,226,716 | 2,329 |
| Total expenditures | 11,219,045 | 11,219,045 | 11,216,716 | 2,329 |
| Excess (deficiency) of revenues over (under) expenditures | (11,219,045) | (11,219,045) | (11,210,256) | 8,789 |
| Other financing sources | | | | |
| Transfers in | 11,219,045 | 11,219,050 | 6,081,593 | (5,137,457) |
| Transfers out | - | (5) | (5) | - |
| Total other financing sources (uses) | 11,219,045 | 11,219,045 | 6,081,588 | (5,137,457) |
| Net change in fund balances | - | - | (5,128,668) | (5,128,668) |
| Fund balances beginning of year | 8,039,360 | 8,039,360 | 8,039,360 | - |
| Fund balances end of year | \$ 8,039,360 | \$ 8,039,360 | \$ 2,910,692 | \$ (5,128,668) |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|----------------------|----------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 35,821,214 | \$ 38,486,455 | \$ 13,808,719 | \$ (24,677,736) |
| Investment earnings | - | - | 131,221 | 131,221 |
| Total revenues | <u>35,821,214</u> | <u>38,486,455</u> | <u>13,939,940</u> | <u>(24,546,515)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 285,475 | 206,307 | 162,996 | 43,311 |
| Commuter and Motorist Assistance | 600,000 | 600,000 | 225,420 | 374,580 |
| Environment and Energy Conservation | - | 277,129 | 29,637 | 247,492 |
| Regional and subregional planning | - | 275,000 | 11,118 | 263,882 |
| Transit and passenger rail | 25,846,442 | 20,372,168 | 8,259,969 | 12,112,199 |
| Major project delivery | 64,541,964 | 70,871,238 | 40,718,372 | 30,152,866 |
| Fund administration and programming | 1,294,802 | 4,946,595 | 4,946,595 | - |
| Capital outlay | - | 4,522,230 | 4,223,751 | 298,479 |
| Total expenditures | <u>92,568,683</u> | <u>102,070,667</u> | <u>58,577,858</u> | <u>43,492,809</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(56,747,469)</u> | <u>(63,584,212)</u> | <u>(44,637,918)</u> | <u>18,946,294</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 71,982,534 | 9,942,184 | (62,040,350) |
| Transfers out | - | (2,681,112) | (1,373,309) | 1,307,803 |
| Total other financing sources (uses) | <u>-</u> | <u>69,301,422</u> | <u>8,568,875</u> | <u>(60,732,547)</u> |
| Net change in fund balances | <u>(56,747,469)</u> | <u>5,717,210</u> | <u>(36,069,043)</u> | <u>(41,786,253)</u> |
| Fund balances beginning of year | <u>59,930,953</u> | <u>59,930,953</u> | <u>59,930,953</u> | <u>-</u> |
| Fund balances end of year | <u>\$ 3,183,484</u> | <u>\$ 65,648,163</u> | <u>\$ 23,861,910</u> | <u>\$ (41,786,253)</u> |



Northbound 215 to westbound SR 210 connector just prior to opening to the public in 2014.

This project was part of the I-215 project widening project in San Bernardino, receiving more than \$120 million in American Recovery & Reinvestment Act (ARRA) funding – the third largest award of transportation-related ARRA funding in the country.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
1990-2010 Measure I Special Revenue Fund
June 30, 2016

| | Valley Major Projects | Valley Elderly & Disabled Transit | Valley Traffic Management Environmental Enhancement |
|-------------------------------------|-----------------------------|---|--|
| Assets | | | |
| Cash and investments | \$ 13,786,017 | \$ 1,959,797 | \$ 4,366,764 |
| Accrued interest receivable | 22,498 | 3,198 | 7,126 |
| Total assets | <u>\$ 13,808,515</u> | <u>\$ 1,962,995</u> | <u>\$ 4,373,890</u> |
| Liabilities | | | |
| Accounts payable | \$ 176,790 | \$ - | \$ 89,066 |
| Intergovernmental payable | 1,001,023 | - | 3,000 |
| Total liabilities | <u>1,177,813</u> | <u>-</u> | <u>92,066</u> |
| Fund balances | | | |
| Restricted | <u>12,630,702</u> | <u>1,962,995</u> | <u>4,281,824</u> |
| Total liabilities and fund balances | <u>\$ 13,808,515</u> | <u>\$ 1,962,995</u> | <u>\$ 4,373,890</u> |

| <u>Victor Valley Elderly & Disabled Transit</u> | <u>Mountain Elderly & Disabled Transit</u> | <u>North Desert Elderly & Disabled Transit</u> | <u>Morongo Basin Elderly & Disabled Transit</u> | <u>Colorado River Elderly & Disabled Transit</u> | <u>Total 1990-2010 Measure I</u> |
|---|--|--|---|--|--|
| \$ 1,047 | \$ 93 | \$ 306 | \$ - | \$ 32 | \$ 20,114,056 |
| 2 | - | - | - | - | 32,824 |
| <u>\$ 1,049</u> | <u>\$ 93</u> | <u>\$ 306</u> | <u>\$ -</u> | <u>\$ 32</u> | <u>\$ 20,146,880</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 265,856 |
| - | - | - | - | - | 1,004,023 |
| - | - | - | - | - | 1,269,879 |
| 1,049 | 93 | 306 | - | 32 | 18,877,001 |
| <u>\$ 1,049</u> | <u>\$ 93</u> | <u>\$ 306</u> | <u>\$ -</u> | <u>\$ 32</u> | <u>\$ 20,146,880</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
1990-2010 Measure I Special Revenue Fund
For the Year Ended June 30, 2016

| | Valley Major Projects | Valley Elderly & Disabled Transit | Valley Traffic Management Environmental Enhancement |
|--|-----------------------------|---|--|
| Revenues | | | |
| Investment earnings | \$ 138,325 | \$ 19,134 | \$ 43,156 |
| Expenditures | | | |
| Current: | | | |
| General government | 51,032 | - | 17,497 |
| Commuter and Motorist Assistance | - | - | 584,809 |
| Transit and passenger rail | - | - | - |
| Major project delivery | (1,180,006) | - | 762,911 |
| Total Expenditures | (1,128,974) | - | 1,365,217 |
| Excess (deficiency) of revenues over (under) expenditures | 1,267,299 | 19,134 | (1,322,061) |
| Fund balances beginning of year | 11,363,403 | 1,943,861 | 5,603,885 |
| Fund balances end of year | <u>\$ 12,630,702</u> | <u>\$ 1,962,995</u> | <u>\$ 4,281,824</u> |

⁽¹⁾ Negative expenditures of \$1,180,006 is result of estimated amount from prior year exceeding current year expenditures.

| <u>Victor Valley Elderly & Disabled Transit</u> | <u>Mountain Elderly & Disabled Transit</u> | <u>North Desert Elderly & Disabled Transit</u> | <u>Morongo Basin Elderly & Disabled Transit</u> | <u>Colorado River Elderly & Disabled Transit</u> | <u>Total 1990-2010 Measure I</u> |
|---|--|--|---|--|--|
| \$ 127 | \$ 12 | \$ 37 | \$ - | \$ 4 | \$ 200,795 |
| - | 27,336 | 89,170 | 90 | 9,387 | 194,512 |
| - | - | - | - | - | 584,809 |
| 307,802 | - | - | - | - | 307,802 |
| - | - | - | - | - | (417,095) |
| <u>307,802</u> | <u>27,336</u> | <u>89,170</u> | <u>90</u> | <u>9,387</u> | <u>670,028</u> |
| <u>(307,675)</u> | <u>(27,324)</u> | <u>(89,133)</u> | <u>(90)</u> | <u>(9,383)</u> | <u>(469,233)</u> |
| <u>308,724</u> | <u>27,417</u> | <u>89,439</u> | <u>90</u> | <u>9,415</u> | <u>19,346,234</u> |
| <u>\$ 1,049</u> | <u>\$ 93</u> | <u>\$ 306</u> | <u>\$ -</u> | <u>\$ 32</u> | <u>\$ 18,877,001</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2016

| | Valley Freeway Projects | Valley Freeway Interchanges | Valley Major Street | Valley Local Street |
|-------------------------------------|-------------------------------|-----------------------------------|------------------------|------------------------|
| Assets | | | | |
| Cash and investments | \$ 87,380,289 | \$ 21,642,881 | \$ 26,622,906 | \$ 1,738,447 |
| Accrued interest receivable | 169,766 | 59,208 | 76,911 | 2,837 |
| Sales taxes receivable | 6,953,082 | 2,637,376 | 4,795,229 | 4,795,229 |
| Due from other funds | 16,645,719 | 14,637,694 | 13,217,188 | - |
| Advances to other funds | - | - | - | 164,267 |
| Total assets | <u>\$ 111,148,856</u> | <u>\$ 38,977,159</u> | <u>\$ 44,712,234</u> | <u>\$ 6,700,780</u> |
| Liabilities | | | | |
| Accounts payable | \$ 6,986,329 | \$ 650,715 | \$ 76,295 | \$ - |
| Accrued liabilities | 17,455 | 13,385 | 5,022 | - |
| Intergovernmental payable | <u>82,963</u> | <u>6,194,025</u> | <u>8,427,829</u> | <u>6,684,460</u> |
| Total liabilities | 7,086,747 | 6,858,125 | 8,509,146 | 6,684,460 |
| Fund balances | | | | |
| Restricted | <u>104,062,109</u> | <u>32,119,034</u> | <u>36,203,088</u> | <u>16,320</u> |
| Total liabilities and fund balances | <u>\$ 111,148,856</u> | <u>\$ 38,977,159</u> | <u>\$ 44,712,234</u> | <u>\$ 6,700,780</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 |
|--------------------------------------|--|--|---|---|-------------------------------|
| \$ 24,243,224 | \$ 9,211,325 | \$ 17,674,354 | \$ 8,158,037 | \$ 16,379,262 | \$ - |
| 48,728 | 15,033 | 28,844 | 13,319 | 26,730 | - |
| 1,918,092 | 479,523 | 1,918,092 | 479,523 | 736,436 | 2,003,107 |
| 5,615,097 | - | - | - | - | - |
| - | - | - | - | - | 6,461,135 |
| <u>\$ 31,825,141</u> | <u>\$ 9,705,881</u> | <u>\$ 19,621,290</u> | <u>\$ 8,650,879</u> | <u>\$ 17,142,428</u> | <u>\$ 8,464,242</u> |
| | | | | | |
| \$ 308 | \$ - | \$ - | \$ 31,689 | \$ - | \$ - |
| 3,721 | - | - | 8,670 | 644 | - |
| 11,518 | 216,015 | 5,189,648 | 15 | - | 8,464,242 |
| 15,547 | 216,015 | 5,189,648 | 40,374 | 644 | 8,464,242 |
| | | | | | |
| 31,809,594 | 9,489,866 | 14,431,642 | 8,610,505 | 17,141,784 | - |
| <u>\$ 31,825,141</u> | <u>\$ 9,705,881</u> | <u>\$ 19,621,290</u> | <u>\$ 8,650,879</u> | <u>\$ 17,142,428</u> | <u>\$ 8,464,242</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2016

| | Victor Valley Senior & Disabled Transit | Victor Valley Project Development/ Traffic Management | North Desert Major Local Highway | North Desert Local Street |
|-------------------------------------|---|---|--|------------------------------|
| Assets | | | | |
| Cash and investments | \$ 496,236 | \$ 699,548 | \$ 6,919,190 | \$ - |
| Accrued interest receivable | 810 | 1,142 | 11,292 | - |
| Sales taxes receivable | 147,287 | 58,915 | 288,138 | 783,735 |
| Due from other funds | - | - | - | - |
| Advances to other funds | - | - | - | - |
| Total assets | <u>\$ 644,333</u> | <u>\$ 759,605</u> | <u>\$ 7,218,620</u> | <u>\$ 783,735</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 5,691 | \$ 105,889 | \$ - |
| Accrued liabilities | - | 2,465 | 27 | - |
| Intergovernmental payable | - | 68,055 | - | 783,735 |
| Total liabilities | - | 76,211 | 105,916 | 783,735 |
| Fund balances | | | | |
| Restricted | <u>644,333</u> | <u>683,394</u> | <u>7,112,704</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 644,333</u> | <u>\$ 759,605</u> | <u>\$ 7,218,620</u> | <u>\$ 783,735</u> |

| North Desert Senior & Disabled Transit | North Desert Project Development/ Traffic Management | Colorado River Major Local Highway | Colorado River Local Street | Colorado River Senior & Disabled Transit | Colorado River Project Development/ Traffic Management |
|--|--|--|--------------------------------|--|--|
| \$ 543,791 | \$ 653,566 | \$ 128,753 | \$ - | \$ 6,768 | \$ 23,280 |
| 887 | 1,067 | 210 | - | 11 | 38 |
| 57,628 | 23,051 | 11,816 | 32,139 | 2,363 | 945 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 602,306</u> | <u>\$ 677,684</u> | <u>\$ 140,779</u> | <u>\$ 32,139</u> | <u>\$ 9,142</u> | <u>\$ 24,263</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 385 | 27 | - | - | 154 |
| - | - | - | 32,139 | - | - |
| - | 385 | 27 | 32,139 | - | 154 |
| 602,306 | 677,299 | 140,752 | - | 9,142 | 24,109 |
| <u>\$ 602,306</u> | <u>\$ 677,684</u> | <u>\$ 140,779</u> | <u>\$ 32,139</u> | <u>\$ 9,142</u> | <u>\$ 24,263</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
2010-2040 Measure I Special Revenue Fund
June 30, 2016

| | Morongo Basin Major Local Highway | Morongo Basin Local Street | Morongo Basin Senior & Disabled Transit | Morongo Basin Project Development/ Traffic Management |
|-------------------------------------|---|-------------------------------|---|---|
| Assets | | | | |
| Cash and investments | \$ 892,071 | \$ - | \$ 1,696 | \$ 153,192 |
| Accrued interest receivable | 1,456 | - | 3 | 250 |
| Sales taxes receivable | 102,638 | 279,176 | 20,528 | 8,211 |
| Due from other funds | - | - | - | - |
| Advances to other funds | - | - | - | - |
| Total assets | <u>\$ 996,165</u> | <u>\$ 279,176</u> | <u>\$ 22,227</u> | <u>\$ 161,653</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | 27 | - | - | - |
| Intergovernmental payable | - | 279,176 | - | - |
| Total liabilities | 27 | 279,176 | - | - |
| Fund balances | | | | |
| Restricted | 996,138 | - | 22,227 | 161,653 |
| Total liabilities and fund balances | <u>\$ 996,165</u> | <u>\$ 279,176</u> | <u>\$ 22,227</u> | <u>\$ 161,653</u> |

| Mountain Major Local Highway | Mountain Local Street | Mountain Senior & Disabled Transit | Mountain Project Development/ Traffic Management | Cajon Pass | Total 2010-2040 Measure I |
|------------------------------------|--------------------------|--|--|---------------------|---------------------------------|
| \$ 580,742 | \$ - | \$ 73,840 | \$ 164,709 | \$ 7,595,131 | \$ 231,983,238 |
| 948 | - | 121 | 269 | 12,395 | 472,275 |
| 80,074 | 217,801 | 16,015 | 6,406 | 832,636 | 29,685,191 |
| - | - | - | - | - | 50,115,698 |
| - | - | - | - | - | 6,625,402 |
| <u>\$ 661,764</u> | <u>\$ 217,801</u> | <u>\$ 89,976</u> | <u>\$ 171,384</u> | <u>\$ 8,440,162</u> | <u>\$ 318,881,804</u> |
| \$ - | \$ - | \$ - | \$ 23,080 | \$ 188 | \$ 7,880,184 |
| 27 | - | - | 2,018 | - | 54,027 |
| - | 217,801 | - | - | - | 36,651,621 |
| 27 | 217,801 | - | 25,098 | 188 | 44,585,832 |
| 661,737 | - | 89,976 | 146,286 | 8,439,974 | 274,295,972 |
| <u>\$ 661,764</u> | <u>\$ 217,801</u> | <u>\$ 89,976</u> | <u>\$ 171,384</u> | <u>\$ 8,440,162</u> | <u>\$ 318,881,804</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues and Expenditures and Changes in Fund Balances
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2016

| | Valley Freeway Projects | Valley Freeway Interchanges | Valley Major Street | Valley Local Street |
|--|-------------------------------|-----------------------------------|------------------------|------------------------|
| Revenues | | | | |
| Sales tax-Measure I ⁽¹⁾ | \$ 36,298,625 | \$ 13,768,444 | \$ 25,033,534 | \$ 25,033,534 |
| Investment earnings | 1,008,689 | 349,456 | 458,777 | 16,320 |
| Total Revenues | <u>37,307,314</u> | <u>14,117,900</u> | <u>25,492,311</u> | <u>25,049,854</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 705,798 | 372,169 | 301,382 | - |
| Commuter and Motorist Assistance | 28,511 | 25,410 | - | - |
| Environment and Energy Conservation | | | | |
| Transportation planning and programming | - | - | - | - |
| Transit and passenger rail | - | - | - | - |
| Major project delivery ⁽²⁾ | 17,311,778 | 2,787,686 | 2,039,107 | - |
| Fund administration and programming | 51,308 | 1,185,833 | 13,677,447 | 25,033,534 |
| Total Expenditures | <u>18,097,395</u> | <u>4,371,098</u> | <u>16,017,936</u> | <u>25,033,534</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>19,209,919</u> | <u>9,746,802</u> | <u>9,474,375</u> | <u>16,320</u> |
| Other financing sources (uses) | | | | |
| Transfers in: | | | | |
| General Fund | - | - | - | - |
| Proposition 1B Fund Special Revenue Fund | - | - | - | - |
| Capital Projects Fund | - | 901,531 | 27,800 | - |
| Transfers out: | | | | |
| Debt Service Fund | - | (475) | (2,487,251) | - |
| Capital Projects Fund | - | - | (2,316,373) | - |
| Total other financing sources (uses) | <u>-</u> | <u>901,056</u> | <u>(4,775,824)</u> | <u>-</u> |
| Net change in fund balances | 19,209,919 | 10,647,858 | 4,698,551 | 16,320 |
| Fund balances beginning of year | 84,852,190 | 21,471,176 | 31,504,537 | - |
| Fund balances end of year | <u>\$ 104,062,109</u> | <u>\$ 32,119,034</u> | <u>\$ 36,203,088</u> | <u>\$ 16,320</u> |

⁽¹⁾ Total sales tax-Measure I of \$160,848,014 less 1% of \$1,608,480 for Measure I administration accounted for in the General Fund (page 22).

⁽²⁾ Negative amount of \$169,378 in Victor Valley Major Local Fund is result of reimbursement

| <u>Valley Metrolink/ Rail Service</u> | <u>Valley Express Bus/ Bus Rapid Transit Service</u> | <u>Valley Senior & Disabled Transit</u> | <u>Valley Transportation Management Systems</u> | <u>Victor Valley Major Local Highway</u> | <u>Victor Valley Local Street</u> |
|---|--|---|---|--|---------------------------------------|
| \$ 10,013,414 | \$ 2,503,353 | \$ 10,013,414 | \$ 2,503,353 | \$ 4,056,271 | \$ 11,033,057 |
| 289,650 | 89,405 | 170,238 | 79,453 | 159,055 | - |
| <u>10,303,064</u> | <u>2,592,758</u> | <u>10,183,652</u> | <u>2,582,806</u> | <u>4,215,326</u> | <u>11,033,057</u> |
| 116,841 | - | - | 11,059 | - | - |
| - | - | - | 360,815 | - | - |
| - | - | - | 253,959 | - | - |
| - | - | - | 694,110 | - | - |
| 828,193 | 995,576 | 8,533,434 | - | - | - |
| - | - | - | - | (169,378) | - |
| 27,694 | - | - | 193,534 | 35,076 | 11,033,057 |
| <u>972,728</u> | <u>995,576</u> | <u>8,533,434</u> | <u>1,513,477</u> | <u>(134,302)</u> | <u>11,033,057</u> |
| 9,330,336 | 1,597,182 | 1,650,218 | 1,069,329 | 4,349,628 | - |
| 700,279 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (534) | - | - | - | (1,307,151) | - |
| (4,635,858) | - | - | - | (426,339) | - |
| <u>(3,936,113)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,733,490)</u> | <u>-</u> |
| 5,394,223 | 1,597,182 | 1,650,218 | 1,069,329 | 2,616,138 | - |
| 26,415,371 | 7,892,684 | 12,781,424 | 7,541,176 | 14,525,646 | - |
| <u>\$ 31,809,594</u> | <u>\$ 9,489,866</u> | <u>\$ 14,431,642</u> | <u>\$ 8,610,505</u> | <u>\$ 17,141,784</u> | <u>\$ -</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues and Expenditures and Changes in Fund Balances
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2016

| | Victor Valley Senior & Disabled Transit | Victor Valley Project Development Traffic/ Management | North Desert Major Local Highway | North Desert Local Street |
|--|---|---|--|------------------------------|
| Revenues | | | | |
| Sales tax-Measure I ⁽¹⁾ | \$ 811,254 | \$ 324,502 | \$ 2,311,830 | \$ 6,288,178 |
| Investment earnings | 4,881 | 6,824 | 66,502 | - |
| Total Revenues | <u>816,135</u> | <u>331,326</u> | <u>2,378,332</u> | <u>6,288,178</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Commuter and Motorist Assistance | - | 6,815 | - | - |
| Environment and Energy Conservation | | | | |
| Transportation planning and programming | - | 69,005 | - | - |
| Transit and passenger rail | 909,400 | 127,482 | - | - |
| Major project delivery ⁽²⁾ | - | (639) | 312,718 | - |
| Fund administration and programming | - | 177,778 | 564 | 6,288,178 |
| Total Expenditures | <u>909,400</u> | <u>380,441</u> | <u>313,282</u> | <u>6,288,178</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(93,265)</u> | <u>(49,115)</u> | <u>2,065,050</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Transfers in: | | | | |
| General Fund | - | - | - | - |
| Proposition 1B Fund Special Revenue Fund | - | - | 513,181 | - |
| Capital Projects Fund | - | - | 293,615 | - |
| Transfers out: | | | | |
| Debt Service Fund | - | - | - | - |
| Capital Projects Fund | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>806,796</u> | <u>-</u> |
| Net change in fund balances | <u>(93,265)</u> | <u>(49,115)</u> | <u>2,871,846</u> | <u>-</u> |
| Fund balances beginning of year | <u>737,598</u> | <u>732,509</u> | <u>4,240,858</u> | <u>-</u> |
| Fund balances end of year | <u>\$ 644,333</u> | <u>\$ 683,394</u> | <u>\$ 7,112,704</u> | <u>\$ -</u> |

⁽¹⁾ Total sales tax-Measure I of \$160,848,014 less 1% of \$1,608,480 for Measure I administration accounted for in the General Fund (page 22).

⁽²⁾ Negative expenditures of \$639 in Victor Valley PD/TM fund is result of estimated amount from prior year exceeding current year expenditures.

| North Desert Senior & Disabled Transit | North Desert Project Development Traffic/ Management | Colorado River Major Local Highway | Colorado River Local Street | Colorado River Senior & Disabled Transit | Colorado River Project Development Traffic/ Management |
|--|--|--|--------------------------------|--|--|
| \$ 462,366 | \$ 184,946 | \$ 56,779 | \$ 154,439 | \$ 11,356 | \$ 4,542 |
| 5,229 | 6,329 | 1,255 | - | 66 | 228 |
| <u>467,595</u> | <u>191,275</u> | <u>58,034</u> | <u>154,439</u> | <u>11,422</u> | <u>4,770</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 8,368 | - | - | - | 2,681 |
| 243,400 | 33,939 | - | - | 11,500 | - |
| - | - | - | - | - | - |
| - | - | 51,606 | 154,439 | - | - |
| <u>243,400</u> | <u>42,307</u> | <u>51,606</u> | <u>154,439</u> | <u>11,500</u> | <u>2,681</u> |
| <u>224,195</u> | <u>148,968</u> | <u>6,428</u> | <u>-</u> | <u>(78)</u> | <u>2,089</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 224,195 | 148,968 | 6,428 | - | (78) | 2,089 |
| 378,111 | 528,331 | 134,324 | - | 9,220 | 22,020 |
| <u>\$ 602,306</u> | <u>\$ 677,299</u> | <u>\$ 140,752</u> | <u>\$ -</u> | <u>\$ 9,142</u> | <u>\$ 24,109</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
2010-2040 Measure I Special Revenue Fund
For the Year Ended June 30, 2016

| | Morongo Basin Major Local Highway | Morongo Basin Local Street | Morongo Basin Senior & Disabled Transit | Morongo Basin Project Development Traffic/ Management |
|--|---|-------------------------------|---|---|
| Revenues | | | | |
| Sales tax-Measure I ⁽¹⁾ | \$ 536,185 | \$ 1,458,422 | \$ 107,237 | \$ 42,895 |
| Investment earnings | 8,767 | - | 18 | 1,482 |
| Total Revenues | <u>544,952</u> | <u>1,458,422</u> | <u>107,255</u> | <u>44,377</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Commuter and Motorist Assistance | - | - | - | - |
| Environment and Energy Conservation | | | | |
| Regional and subregional planning | - | - | - | 4,882 |
| Transit and passenger rail | - | - | 108,600 | - |
| Major project delivery ⁽²⁾ | 363,384 | - | - | - |
| Fund administration and programming | 659 | 1,458,422 | - | - |
| Total Expenditures | <u>364,043</u> | <u>1,458,422</u> | <u>108,600</u> | <u>4,882</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>180,909</u> | <u>-</u> | <u>(1,345)</u> | <u>39,495</u> |
| Other financing sources (uses) | | | | |
| Transfers in: | | | | |
| General Fund | - | - | - | - |
| Proposition 1B Fund Special Revenue Fund | - | - | - | - |
| Capital Projects Fund | - | - | - | - |
| Transfers out: | | | | |
| Debt Service Fund | - | - | - | - |
| Capital Projects Fund | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 180,909 | - | (1,345) | 39,495 |
| Fund balances beginning of year | 815,229 | - | 23,572 | 122,158 |
| Fund balances end of year | <u>\$ 996,138</u> | <u>\$ -</u> | <u>\$ 22,227</u> | <u>\$ 161,653</u> |

⁽¹⁾ Total sales tax-Measure I of \$160,848,014 less 1% of \$1,608,480 for Measure I administration accounted for in the General Fund (page 22)

⁽²⁾ Negative expenditures of \$403,688 in Cajon Pass fund is result of estimated amount from prior year exceeding current year expenditures.

| Mountain Major Major Local Highway | Mountain Local Local Street | Mountain Senior & Disabled Transit | Mountain Project Development Traffic/ Management | Cajon Pass | Total 2010-2040 Measure I |
|---|-----------------------------------|--|--|--------------|---------------------------------|
| \$ 463,658 | \$ 1,261,149 | \$ 92,732 | \$ 37,093 | \$ 4,372,972 | \$ 159,239,534 |
| 5,874 | - | 721 | 1,617 | 74,233 | 2,805,069 |
| 469,532 | 1,261,149 | 93,453 | 38,710 | 4,447,205 | 162,044,603 |
| - | - | - | - | - | 1,507,249 |
| - | - | - | - | - | 421,551 |
| | | | 84,594 | | 338,553 |
| - | - | - | - | - | 779,046 |
| - | - | 90,900 | - | - | 11,882,424 |
| - | - | - | - | (403,688) | 22,240,968 |
| 1,001,407 | 1,261,149 | - | - | - | 61,631,685 |
| 1,001,407 | 1,261,149 | 90,900 | 84,594 | (403,688) | 98,801,476 |
| (531,875) | - | 2,553 | (45,884) | 4,850,893 | 63,243,127 |
| - | - | - | - | - | 700,279 |
| - | - | - | - | - | 513,181 |
| - | - | - | - | - | 1,222,946 |
| - | - | - | - | (2,286,182) | (6,081,593) |
| - | - | - | - | (1,879,649) | (9,258,219) |
| - | - | - | - | (4,165,831) | (12,903,406) |
| (531,875) | - | 2,553 | (45,884) | 685,062 | 50,339,721 |
| 1,193,612 | - | 87,423 | 192,170 | 7,754,912 | 223,956,251 |
| \$ 661,737 | \$ - | \$ 89,976 | \$ 146,286 | \$ 8,439,974 | \$ 274,295,972 |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
Debt Service Fund
June 30, 2016

| | Sales Tax Revenue Bond 2012A | Sales Tax Revenue Bond 2014A | Total Debt Service |
|-------------------------------------|------------------------------------|------------------------------------|--------------------------|
| Assets | | | |
| Cash and investments-restricted | \$ 2,025,728 | \$ 884,964 | \$ 2,910,692 |
| Fund balances | | | |
| Restricted | \$ 2,025,728 | \$ 884,964 | \$ 2,910,692 |
| Total liabilities and fund balances | \$ 2,025,728 | \$ 884,964 | \$ 2,910,692 |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Fund
For the Year Ended June 30, 2016

| | Sales Tax Revenue Bond 2012A | Sales Tax Revenue Bond 2014A | Total Debt Service |
|--|------------------------------------|------------------------------------|-----------------------|
| Revenues | | | |
| Investment earnings | \$ 84 | \$ 6,376 | \$ 6,460 |
| Expenditures | | | |
| Debt service: | | | |
| Principal | 1,990,000 | - | 1,990,000 |
| Interest and fiscal charges | 4,089,228 | 5,137,488 | 9,226,716 |
| Total Expenditures | 6,079,228 | 5,137,488 | 11,216,716 |
| Excess (deficiency) of revenues over (under) expenditures | (6,079,144) | (5,131,112) | (11,210,256) |
| Other financing sources | | | |
| Transfers in: | | | |
| 2010-2014 Measure I Special | | | |
| Revenue Fund | 6,079,218 | 2,375 | 6,081,593 |
| Transfers out: | | | |
| Capital Projects Funds | (5) | - | (5) |
| Total other financing sources | 6,079,213 | 2,375 | 6,081,588 |
| Net change in fund balances | 69 | (5,128,737) | (5,128,668) |
| Fund balances beginning of year | 2,025,659 | 6,013,701 | 8,039,360 |
| Fund balances end of year | \$ 2,025,728 | \$ 884,964 | \$ 2,910,692 |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Balance Sheet
Capital Projects Fund
June 30, 2016

| | Local Projects | Transit Center Project | Redlands Passenger Rail | San Gabriel Subdivision Line Project |
|--|----------------------|------------------------------|-------------------------------|--|
| Assets | | | | |
| Cash and investments | \$ - | \$ - | \$ 256,132 | \$ - |
| Accounts receivable | 7,730,922 | - | - | - |
| Intergovernmental receivable | 8,504,092 | 2,244 | - | 34,305 |
| Deposit receivable | 780 | - | - | - |
| Loans receivable | 26,128,208 | - | - | - |
| Cash and investments-restricted | - | - | - | - |
| Total assets | <u>\$ 42,364,002</u> | <u>\$ 2,244</u> | <u>\$ 256,132</u> | <u>\$ 34,305</u> |
| Liabilities | | | | |
| Accounts payable | \$ 3,897,835 | \$ - | \$ - | \$ 25,423 |
| Accrued liabilities | 204 | - | - | 87 |
| Intergovernmental payable | 367,848 | - | - | - |
| Due to other funds | 9,650,889 | 2,244 | - | 8,795 |
| Advances from other funds | 6,625,402 | - | - | - |
| Unearned revenue | 851,038 | - | 256,132 | - |
| Total liabilities | <u>21,393,216</u> | <u>2,244</u> | <u>256,132</u> | <u>34,305</u> |
| Deferred inflows of resources | | | | |
| Unavailable grant and local reimbursements | <u>34,618,360</u> | <u>-</u> | <u>-</u> | <u>22,208</u> |
| Fund balances (deficits) | | | | |
| Restricted | - | - | - | - |
| Unassigned | <u>(13,647,574)</u> | <u>-</u> | <u>-</u> | <u>(22,208)</u> |
| Total fund balances (deficits) | <u>(13,647,574)</u> | <u>-</u> | <u>-</u> | <u>(22,208)</u> |
| Total liabilities | | | | |
| and fund balances | <u>\$ 42,364,002</u> | <u>\$ 2,244</u> | <u>\$ 256,132</u> | <u>\$ 34,305</u> |

| Valley Freeway Interchange Bond | Valley Major Street Bond | Valley Metrolink/Rail Bond | Victor Valley Major Local Highway Bond | Cajon Pass Bond | Total Capital Projects |
|--|--------------------------------|----------------------------------|---|---------------------|------------------------------|
| \$ 423 | \$ 507 | \$ 2,746 | \$ 2,065 | \$ - | \$ 261,873 |
| - | - | - | - | - | 7,730,922 |
| - | - | - | - | - | 8,540,641 |
| - | - | - | - | - | 780 |
| - | - | - | - | - | 26,128,208 |
| 7,808,600 | 28,484,907 | 12,341,888 | 580,904 | 5,356,928 | 54,573,227 |
| <u>\$ 7,809,023</u> | <u>\$ 28,485,414</u> | <u>\$ 12,344,634</u> | <u>\$ 582,969</u> | <u>\$ 5,356,928</u> | <u>\$ 97,235,651</u> |
| \$ 795,977 | \$ 249,715 | \$ 2,084,700 | \$ 11,885 | \$ 766,759 | \$ 7,832,294 |
| - | - | 962 | - | - | 1,253 |
| 172,426 | 2,704,843 | 2,237,314 | 3,903 | 239,591 | 5,725,925 |
| - | 7,755,384 | - | - | 23,817 | 17,441,129 |
| - | - | - | - | - | 6,625,402 |
| - | - | - | - | - | 1,107,170 |
| 968,403 | 10,709,942 | 4,322,976 | 15,788 | 1,030,167 | 38,733,173 |
| - | - | - | - | - | 34,640,568 |
| 6,840,620 | 17,775,472 | 8,021,658 | 567,181 | 4,326,761 | 37,531,692 |
| - | - | - | - | - | (13,669,782) |
| 6,840,620 | 17,775,472 | 8,021,658 | 567,181 | 4,326,761 | 23,861,910 |
| <u>\$ 7,809,023</u> | <u>\$ 28,485,414</u> | <u>\$ 12,344,634</u> | <u>\$ 582,969</u> | <u>\$ 5,356,928</u> | <u>\$ 97,235,651</u> |

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund
For the Year Ended June 30, 2016

| | Local Projects | Transit Center Project | Redlands Passenger Rail | San Gabriel Subdivision Line Project |
|--|-------------------------------|------------------------------|-------------------------------|--|
| Revenues | | | | |
| Intergovernmental | \$ 13,658,698 | \$ 114,026 | \$ - | \$ 35,995 |
| Investment earnings | - | - | - | - |
| Total revenues | <u>13,658,698</u> | <u>114,026</u> | <u>-</u> | <u>35,995</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 9,198 | - | - | - |
| Commuter and Motorist Assistance | 225,420 | - | - | - |
| Environment and Energy Conservation | 29,637 | - | - | - |
| Regional and subregional planning | 11,118 | - | - | - |
| Transit and passenger rail | 72,372 | 114,026 | - | 58,203 |
| Major project delivery | 21,227,554 | - | - | - |
| Fund administration and programming | - | - | - | - |
| Capital outlay | <u>305,024</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>21,880,323</u> | <u>114,026</u> | <u>-</u> | <u>58,203</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(8,221,625)</u> | <u>-</u> | <u>-</u> | <u>(22,208)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in: | | | | |
| Sales tax revenue bonds issued | | | | |
| General Fund | - | - | - | - |
| State Highway Special Revenue Fund | - | - | - | - |
| 2010-2040 Measure I Special Revenue Fund | - | - | - | - |
| Debt Service Fund | - | - | - | - |
| Capital Projects Fund | - | - | - | - |
| Transfers out: | | | | |
| 2010-2040 Measure I Special Revenue Fund | (321,415) | - | - | - |
| Capital Projects Fund | <u>(150,363)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(471,778)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (8,693,403) | - | - | (22,208) |
| Fund balances (deficits) beginning of year | <u>(4,954,171)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances (deficits) end of year | <u><u>\$ (13,647,574)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (22,208)</u></u> |

| Valley Freeway Interchanges Bond | Valley Major Street Bond | Valley Metrolink/Rail Bond | Victor Valley Major Local Highway Bond | Cajon Pass Bond | Total Capital Projects |
|--|--------------------------------|----------------------------------|---|---------------------|------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,808,719 |
| 26,244 | 47,017 | 29,526 | 6,560 | 21,874 | 131,221 |
| <u>26,244</u> | <u>47,017</u> | <u>29,526</u> | <u>6,560</u> | <u>21,874</u> | <u>13,939,940</u> |
| 20,307 | - | 126,141 | 7,350 | - | 162,996 |
| - | - | - | - | - | 225,420 |
| - | - | - | - | - | 29,637 |
| - | - | - | - | - | 11,118 |
| - | - | 8,015,368 | - | - | 8,259,969 |
| 2,409,981 | 15,622,350 | - | (201,631) | 1,660,118 | 40,718,372 |
| - | - | - | 4,946,595 | - | 4,946,595 |
| - | - | 3,918,727 | - | - | 4,223,751 |
| <u>2,430,288</u> | <u>15,622,350</u> | <u>12,060,236</u> | <u>4,752,314</u> | <u>1,660,118</u> | <u>58,577,858</u> |
| <u>(2,404,044)</u> | <u>(15,575,333)</u> | <u>(12,030,710)</u> | <u>(4,745,754)</u> | <u>(1,638,244)</u> | <u>(44,637,918)</u> |
| - | - | 514,570 | - | - | 514,570 |
| - | 19,026 | - | - | - | 19,026 |
| - | 2,316,374 | 4,635,858 | 426,339 | 1,879,649 | 9,258,220 |
| - | 2 | - | 1 | 2 | 5 |
| - | 150,363 | - | - | - | 150,363 |
| (901,531) | - | - | - | - | (1,222,946) |
| - | - | - | - | - | (150,363) |
| <u>(901,531)</u> | <u>2,485,765</u> | <u>5,150,428</u> | <u>426,340</u> | <u>1,879,651</u> | <u>8,568,875</u> |
| (3,305,575) | (13,089,568) | (6,880,282) | (4,319,414) | 241,407 | (36,069,043) |
| 10,146,195 | 30,865,040 | 14,901,940 | 4,886,595 | 4,085,354 | 59,930,953 |
| <u>\$ 6,840,620</u> | <u>\$ 17,775,472</u> | <u>\$ 8,021,658</u> | <u>\$ 567,181</u> | <u>\$ 4,326,761</u> | <u>\$ 23,861,910</u> |



One portion of the Pacific Electric Trail which travels through five cities in the western portion of San Bernardino County, providing residents and visitors with safe active transportation options.

STATISTICAL
SECTION

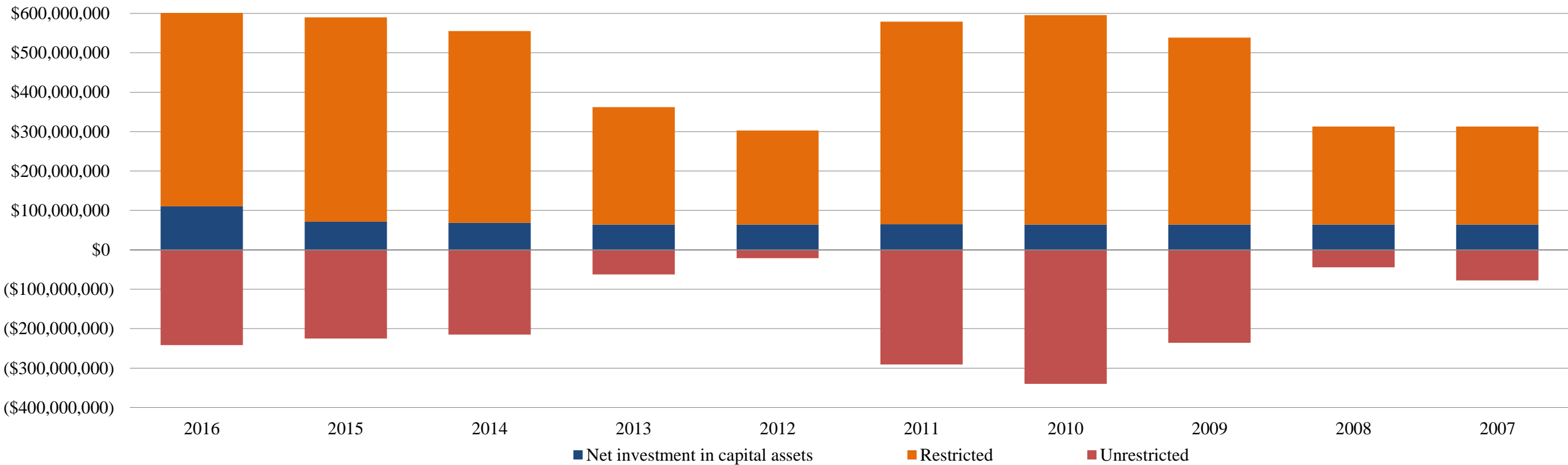
Statistical Section

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

| | <u>Page No.</u> |
|--|-----------------|
| <i>Financial Trends</i> | |
| These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time. | 112 |
| <i>Revenue Capacity</i> | |
| These schedules contain information to help the reader assess the Agency's significant local revenue source, the Measure I sales tax. | 118 |
| <i>Debt Capacity</i> | |
| These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the ability to issue additional debt in the future. | 122 |
| <i>Demographic and Economic Information</i> | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place. | 124 |
| <i>Operating Information</i> | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs. | 126 |

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 110,717,829 | \$ 71,364,275 | \$ 68,787,689 | \$ 64,111,527 | \$ 64,339,191 | \$ 64,528,387 | \$ 64,188,520 | \$ 64,231,511 | \$ 64,382,721 | \$ 64,294,580 |
| Restricted | 548,295,699 | 518,477,643 | 486,271,129 | 297,711,179 | 238,348,097 | 514,537,080 | 531,138,805 | 474,046,214 | 248,688,547 | 248,608,924 |
| Unrestricted | (241,599,238) | (224,771,477) | (215,122,515) | (62,476,583) | (20,906,687) | (290,669,405) | (340,180,203) | (236,047,637) | (44,554,894) | (77,822,795) |
| Total governmental activities net position | <u>\$ 417,414,290</u> | <u>\$ 365,070,441</u> | <u>\$ 339,936,303</u> | <u>\$ 299,346,123</u> | <u>\$ 281,780,601</u> | <u>\$ 288,396,062</u> | <u>\$ 255,147,122</u> | <u>\$ 302,230,088</u> | <u>\$ 268,516,374</u> | <u>\$ 235,080,709</u> |



SAN BERNARDINO ASSOCIATED GOVERNMENTS

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 4,579,995 | \$ 2,833,042 | \$ 3,825,691 | \$ 2,634,953 | \$ 1,919,964 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Commuter and motorist assistance | 5,360,439 | - | - | - | - | - | - | - | - | - |
| Environment and energy conservation | 1,392,074 | - | - | - | - | - | - | - | - | - |
| Regional and subregional planning | 2,077,133 | 1,951,391 | 1,810,171 | 1,723,173 | 6,027,692 | - | - | - | - | - |
| Transit and passenger rail | 33,664,779 | 59,376,860 | 39,297,811 | 48,249,719 | 32,939,430 | - | - | - | - | - |
| Major project delivery | 107,387,795 | 168,126,021 | 198,290,514 | 236,573,382 | 165,717,535 | - | - | - | - | - |
| Fund administration and programming | 184,361,902 | 153,722,554 | 137,111,875 | 113,211,850 | 142,700,712 | - | - | - | - | - |
| Interest and fiscal charges | 8,041,836 | 8,080,732 | 5,115,094 | 3,545,543 | 8,063,944 | 7,745,427 | 9,842,621 | 4,803,268 | 4,290,776 | 5,892,606 |
| Air quality and traveler services | - | 4,182,935 | 5,626,177 | 8,720,281 | 16,561,711 | - | - | - | - | - |
| General operation | - | - | - | - | - | 21,251,548 | 16,457,877 | 23,556,849 | 18,323,011 | 24,669,999 |
| Disbursements to cities, subareas, transit operators, and claimants | - | - | - | - | - | 84,839,312 | 120,594,813 | 97,602,990 | 132,404,153 | 108,324,458 |
| Contributions to other governmental agencies | - | - | - | - | - | 43,729,263 | 33,111,444 | 26,169,139 | 22,573,481 | 19,672,078 |
| Professional services | - | - | - | - | - | 59,625,947 | 43,945,405 | 35,646,622 | 29,739,891 | 27,372,002 |
| Management and technical services | - | - | - | - | - | 39,979 | 130,958 | 142,019 | 169,884 | 193,773 |
| Highways | - | - | - | - | - | 62,410,680 | 42,335,579 | 26,356,468 | 46,850,413 | 81,193,204 |
| Total governmental activities expenses | <u>346,865,953</u> | <u>398,273,535</u> | <u>391,077,333</u> | <u>414,658,901</u> | <u>373,930,988</u> | <u>279,642,156</u> | <u>266,418,697</u> | <u>214,277,355</u> | <u>254,351,609</u> | <u>267,318,120</u> |
| Program revenues | | | | | | | | | | |
| Government activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 539,822 | 591,987 | 612,541 | 393,053 | 782,247 | - | - | - | - | - |
| General operation | - | - | - | - | - | 1,620,021 | 1,648,539 | 1,667,858 | 1,687,899 | 1,693,607 |
| Operating grants and contributions | <u>133,839,101</u> | <u>189,415,129</u> | <u>204,806,040</u> | <u>214,943,724</u> | <u>161,861,124</u> | <u>184,243,485</u> | <u>148,531,689</u> | <u>125,112,741</u> | <u>135,650,127</u> | <u>147,742,874</u> |
| Total governmental activities program revenues | <u>134,378,923</u> | <u>190,007,116</u> | <u>205,418,581</u> | <u>215,336,777</u> | <u>162,643,371</u> | <u>185,863,506</u> | <u>150,180,228</u> | <u>126,780,599</u> | <u>137,338,026</u> | <u>149,436,481</u> |
| Net (expense) revenue | | | | | | | | | | |
| Governmental activities | <u>(212,487,030)</u> | <u>(208,266,419)</u> | <u>(185,658,752)</u> | <u>(199,322,124)</u> | <u>(211,287,617)</u> | <u>(93,778,650)</u> | <u>(116,238,469)</u> | <u>(87,496,756)</u> | <u>(117,013,583)</u> | <u>(117,881,639)</u> |
| General revenues | | | | | | | | | | |
| Sales tax-Measure I | 160,848,014 | 152,342,401 | 145,407,342 | 138,482,732 | 132,276,581 | 118,115,639 | 109,393,542 | 115,074,064 | 138,461,233 | 145,551,852 |
| Sales tax-local transportation fund | 97,002,999 | 85,531,625 | 79,559,209 | 75,100,102 | 71,168,436 | - | - | - | - | - |
| Unrestricted investment earnings | 4,876,204 | 1,906,660 | 165,733 | 2,824,825 | 5,934,258 | 8,911,951 | 9,745,049 | 6,133,700 | 11,988,570 | 12,313,655 |
| Gain (loss) on disposal of capital assets | - | - | - | - | - | - | (75,000) | 2,706 | (555) | 33,654 |
| Miscellaneous | <u>2,103,662</u> | <u>1,987,011</u> | <u>1,116,648</u> | <u>479,987</u> | <u>903,880</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities general revenues | <u>264,830,879</u> | <u>241,767,697</u> | <u>226,248,932</u> | <u>216,887,646</u> | <u>210,283,155</u> | <u>127,027,590</u> | <u>119,063,591</u> | <u>121,210,470</u> | <u>150,449,248</u> | <u>157,899,161</u> |

(Continued)

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Changes in Net Position

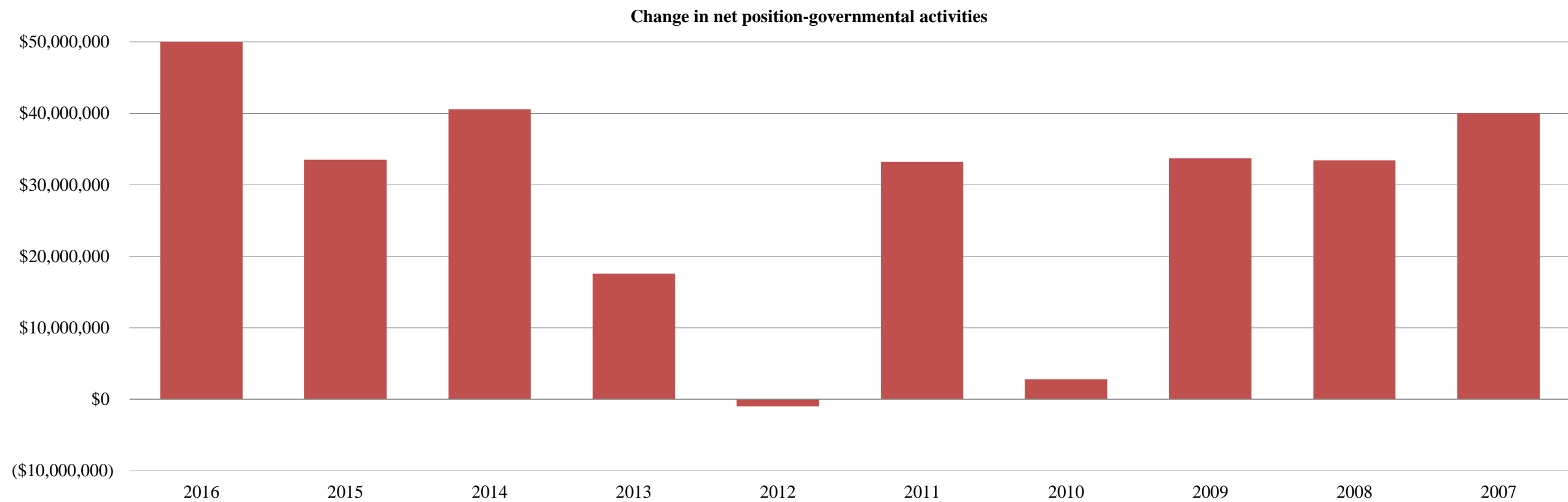
Last Ten Fiscal Years ⁽¹⁾

(accrual basis of accounting)

(Continued)

| | Fiscal Year | | | | | | | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Change in net position | | | | | | | | | | |
| Governmental activities | <u>\$ 52,343,849</u> | <u>\$ 33,501,278</u> | <u>\$ 40,590,180</u> | <u>\$ 17,565,522</u> | <u>\$ (1,004,462)</u> | <u>\$ 33,248,940</u> | <u>\$ 2,825,122</u> | <u>\$ 33,713,714</u> | <u>\$ 33,435,665</u> | <u>\$ 40,017,522</u> |

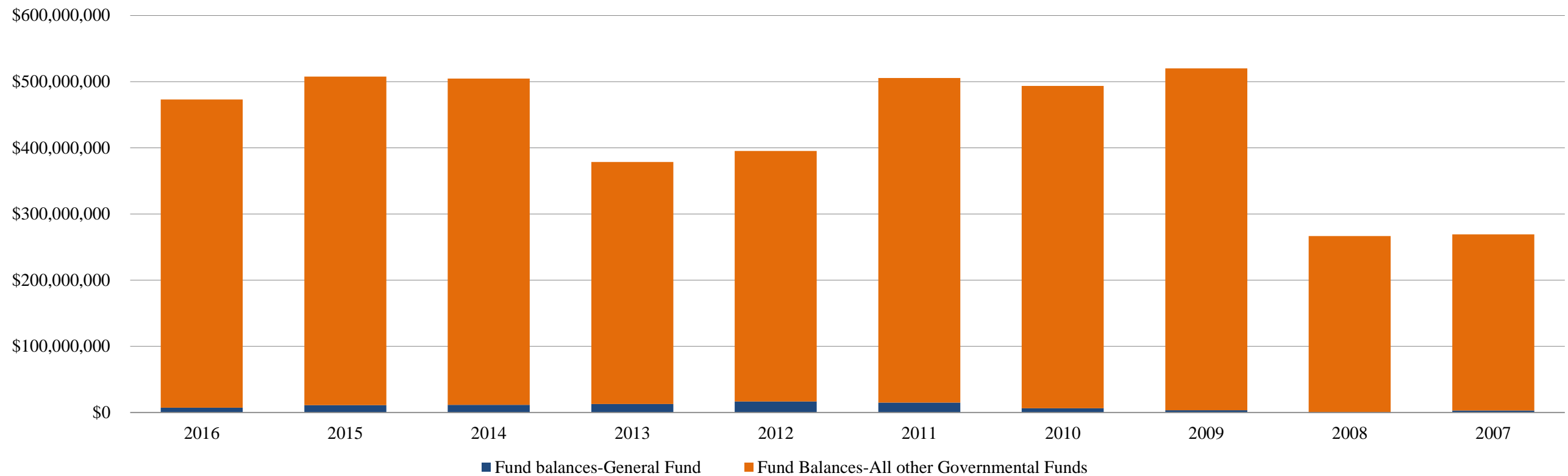
⁽¹⁾ The Agency implemented new fund accounting/financial software in 2012 which provides a different classification of expenses in fiscal year 2012 in comparison to prior fiscal years. Sales tax-Local Transportation Fund revenue was reclassified as general revenue in fiscal year 2012. Previously, it was classified as program revenue-operating grants and contributions. Vehicle registration fee revenue was reclassified as program-operating grants and contributions in 2012. It was classified as program-charges for services for the years 2007-2011. Fiscal years 2007-2011 were not revised to reflect the classification changes in 2012. In 2016 general-council of governments support and air quality and traveler services were reclassified to separate general government, environment and energy conservation, and commuter and motorist assistance activities.



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

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| General fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ 120,659 | \$ 182,068 | \$ 173,867 | \$ 149,194 | \$ 129,817 | \$ - | \$ - | \$ - | \$ - |
| Committed | 20,576 | 24,046 | 22,211 | 24,425 | 99,367 | - | - | - | - | - |
| Assigned | 7,478,672 | 11,069,579 | 11,283,052 | 12,819,740 | 16,380,791 | 14,735,595 | - | - | - | - |
| Reserved | - | - | - | - | - | - | 3,542,942 | 570,067 | 124,535 | 182,722 |
| Unreserved | - | - | - | - | - | - | 3,038,603 | 2,797,428 | (461,007) | 3,051,576 |
| Total general fund | <u>\$ 7,499,248</u> | <u>\$ 11,214,284</u> | <u>\$ 11,487,331</u> | <u>\$ 13,018,032</u> | <u>\$ 16,629,352</u> | <u>\$ 14,865,412</u> | <u>\$ 6,581,545</u> | <u>\$ 3,367,495</u> | <u>\$ (336,472)</u> | <u>\$ 3,234,298</u> |
| All other governmental funds | | | | | | | | | | |
| Restricted | \$ 493,911,250 | \$ 511,144,916 | \$ 508,391,977 | \$ 383,102,734 | \$ 386,189,494 | \$ 526,372,957 | \$ - | \$ - | \$ - | \$ - |
| Assigned | - | - | - | - | - | 6,055,340 | - | - | - | - |
| Unassigned | (28,319,694) | (14,693,201) | (15,058,847) | (17,524,771) | (7,482,364) | (41,584,482) | - | - | - | - |
| Reserved | - | - | - | - | - | - | 169,513,698 | 134,486,549 | 50,260,055 | 29,787,116 |
| Unreserved | - | - | - | - | - | - | 317,402,754 | 382,415,703 | 216,382,442 | 236,246,270 |
| Total all other governmental funds | <u>\$ 465,591,556</u> | <u>\$ 496,451,715</u> | <u>\$ 493,333,130</u> | <u>\$ 365,577,963</u> | <u>\$ 378,707,130</u> | <u>\$ 490,843,815</u> | <u>\$ 486,916,452</u> | <u>\$ 516,902,252</u> | <u>\$ 266,642,497</u> | <u>\$ 266,033,386</u> |

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



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

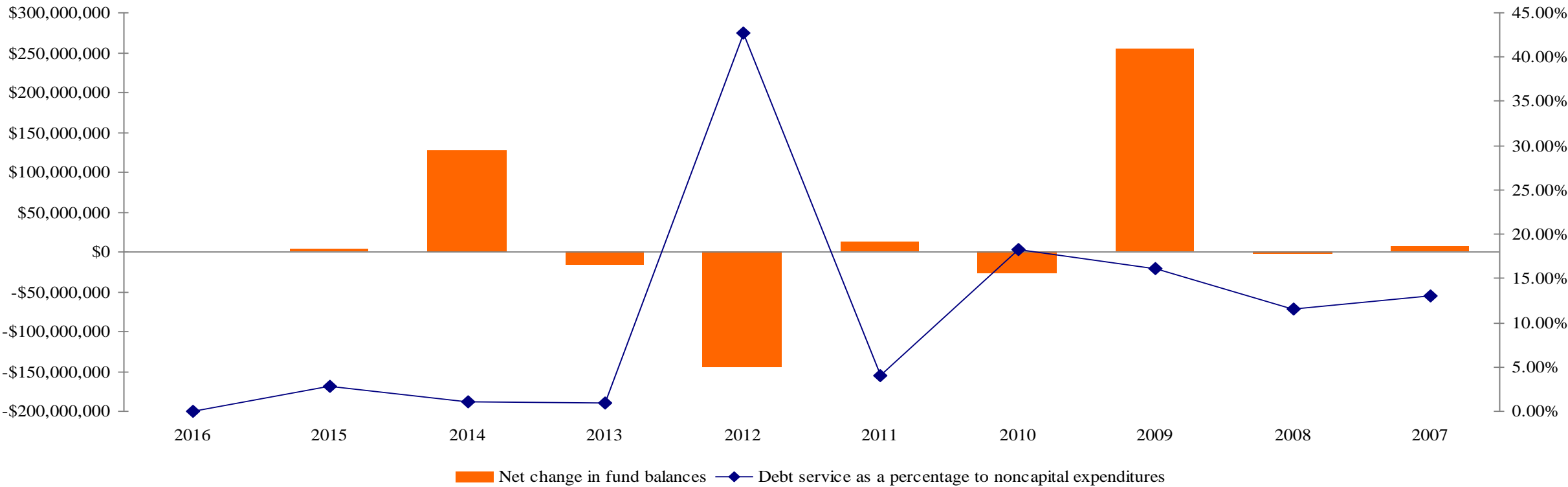
| | Fiscal Year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|---------------------|----------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Revenues | | | | | | | | | | |
| Sales tax-Measure I | \$ 160,848,014 | \$ 152,342,401 | \$ 145,407,342 | \$ 138,482,732 | \$ 132,276,581 | \$ 117,927,079 | \$ 106,073,764 | \$ 114,901,053 | \$ 140,547,350 | \$ 147,929,491 |
| Sales tax-local transportation fund | 97,002,999 | 85,531,625 | 79,559,209 | 75,100,102 | 71,168,436 | 64,418,871 | 58,681,660 | 62,726,230 | 74,557,995 | 78,833,385 |
| Intergovernmental | 84,373,453 | 143,867,243 | 173,396,397 | 193,721,364 | 154,551,689 | 73,360,500 | 55,419,469 | 41,047,131 | 56,399,714 | 63,477,270 |
| Charges for services | 425,936 | 473,282 | 483,490 | 257,204 | 652,873 | 1,560,519 | 1,590,158 | 1,632,912 | 1,649,657 | 1,659,519 |
| Special assessments | 113,886 | 118,705 | 129,051 | 135,849 | 129,374 | - | - | - | - | - |
| Investment earnings | 4,876,204 | 1,906,662 | 165,733 | 2,824,825 | 5,934,258 | 8,911,951 | 9,745,049 | 6,133,700 | 11,988,570 | 12,313,655 |
| Miscellaneous | 2,103,662 | 1,977,411 | 1,075,059 | 479,987 | 903,880 | 16,954,928 | 1,005,402 | 2,868,225 | 121,748 | 90,648 |
| Other local revenue | - | - | - | - | - | 22,331,039 | 19,619,658 | 13,758,271 | 1,449,777 | 2,823,249 |
| Total revenues | <u>349,744,154</u> | <u>386,217,329</u> | <u>400,216,281</u> | <u>411,002,063</u> | <u>365,617,091</u> | <u>305,464,887</u> | <u>252,135,160</u> | <u>243,067,522</u> | <u>286,714,811</u> | <u>307,127,217</u> |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 4,226,244 | 2,400,945 | 3,479,317 | 2,188,545 | 1,880,626 | - | - | - | - | - |
| Environment and energy conservation | 1,426,771 | - | - | - | - | - | - | - | - | - |
| Commuter and motorist assistance | 5,383,571 | - | - | - | - | - | - | - | - | - |
| Regional and subregional planning | 2,163,876 | 1,967,660 | 1,810,171 | 1,723,173 | 6,027,692 | - | - | - | - | - |
| Transit and passenger rail | 48,908,424 | 59,395,144 | 39,297,811 | 48,249,719 | 32,939,430 | - | - | - | - | - |
| Major project delivery | 107,474,538 | 168,147,585 | 198,290,514 | 236,573,382 | 167,055,911 | - | - | - | - | - |
| Fund administration and programming | 150,423,969 | 133,588,823 | 136,900,621 | 126,375,756 | 125,636,347 | - | - | - | - | - |
| Air quality and traveler services | - | 4,191,009 | 5,626,177 | 8,720,281 | 16,561,711 | - | - | - | - | - |
| General operation | - | - | - | - | - | 8,349,139 | 8,478,933 | 8,467,664 | 7,626,794 | 7,546,356 |
| Disbursements to cities, subareas, transit operators, and claimants | - | - | - | - | - | 94,325,722 | 92,046,113 | 97,742,979 | 133,102,767 | 109,114,865 |
| Contributions to other governmental agencies | - | - | - | - | - | 43,729,263 | 33,111,444 | 26,169,139 | 22,573,481 | 19,672,078 |
| Professional services | - | - | - | - | - | 59,625,947 | 43,945,405 | 35,646,622 | 29,739,891 | 27,372,002 |
| Management and technical services | - | - | - | - | - | 39,979 | 130,958 | 142,019 | 169,884 | 193,773 |
| Highways | - | - | - | - | - | 62,410,680 | 42,335,579 | 26,356,468 | 46,850,413 | 81,193,204 |
| Right of way | - | - | - | - | - | 12,429,108 | 7,498,392 | 14,673,506 | 10,213,262 | 16,637,511 |
| Debt Service: | | | | | | | | | | |
| Principal | 1,990,000 | 1,910,000 | - | - | 250,000,000 | - | 37,380,000 | 35,500,000 | 33,875,000 | 32,250,000 |
| Interest and fiscal charges | 9,226,716 | 8,862,406 | 4,421,182 | 3,851,087 | 11,461,165 | 11,609,500 | 13,579,107 | 4,680,164 | 5,161,715 | 6,847,733 |
| Capital outlay | <u>26,590,027</u> | <u>2,908,219</u> | <u>5,001,633</u> | <u>60,607</u> | <u>73,818</u> | <u>699,319</u> | <u>350,979</u> | <u>98,159</u> | <u>363,263</u> | <u>57,576</u> |
| Total expenditures | <u>357,814,136</u> | <u>383,371,791</u> | <u>394,827,426</u> | <u>427,742,550</u> | <u>611,636,700</u> | <u>293,218,657</u> | <u>278,856,910</u> | <u>249,476,720</u> | <u>289,676,470</u> | <u>300,885,098</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(8,069,982)</u> | <u>2,845,538</u> | <u>5,388,855</u> | <u>(16,740,487)</u> | <u>(246,019,609)</u> | <u>12,246,230</u> | <u>(26,721,750)</u> | <u>(6,409,198)</u> | <u>(2,961,659)</u> | <u>6,242,119</u> |

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | 48,366,242 | 43,631,095 | 43,369,783 | 44,505,326 | 362,696,568 | 20,063,400 | 45,295,381 | 54,831,428 | 56,019,243 | 54,757,528 |
| Transfers out | (48,366,242) | (43,631,095) | (43,369,783) | (44,505,326) | (362,696,568) | (20,098,400) | (45,345,381) | (54,935,428) | (56,019,243) | (54,794,528) |
| Sales tax revenue notes issued | - | - | - | - | - | - | - | 250,000,000 | - | - |
| Premium on sales tax revenue notes issued | - | - | - | - | - | - | - | 10,474,214 | - | - |
| Sales tax revenue bonds issued | - | - | 110,135,000 | - | 91,880,000 | - | - | - | - | - |
| Premium on sales tax revenue bonds issued | - | - | 10,700,611 | - | 9,042,588 | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | 2,706 | - | 87,800 |
| Total other financing sources (uses) | - | - | 120,835,611 | - | 100,922,588 | (35,000) | (50,000) | 260,372,920 | - | 50,800 |
| Net change in fund balances | (8,069,982) | 2,845,538 | 126,224,466 | (16,740,487) | (145,097,021) | 12,211,230 | (26,771,750) | 253,963,722 | (2,961,659) | 6,292,919 |
| Fund balances beginning of year | 507,665,999 | 504,820,461 | 378,595,995 | 395,336,482 | 505,709,227 | 493,497,997 | 520,269,747 | 266,306,025 | 269,267,684 | 262,974,765 |
| Prior period and accounting change adjustments | - | - | - | - | 34,724,276 | - | - | - | - | - |
| Fund balances beginning of year as restated | 507,665,999 | 504,820,461 | 378,595,995 | 395,336,482 | 540,433,503 | 493,497,997 | 520,269,747 | 266,306,025 | 269,267,684 | 262,974,765 |
| Fund balances end of year | <u>\$ 499,596,017</u> | <u>\$ 507,665,999</u> | <u>\$ 504,820,461</u> | <u>\$ 378,595,995</u> | <u>\$ 395,336,482</u> | <u>\$ 505,709,227</u> | <u>\$ 493,497,997</u> | <u>\$ 520,269,747</u> | <u>\$ 266,306,025</u> | <u>\$ 269,267,684</u> |
| Debt service as a percentage of noncapital expenditures ⁽²⁾ | 3.39% | 2.83% | 1.13% | 0.90% | 42.75% | 3.97% | 18.30% | 16.11% | 13.49% | 13.00% |

⁽¹⁾ Other local revenue for prior years has been reclassified as either intergovernmental revenue, charges for services or special assessments in fiscal year 2012. Motor vehicle fee revenue was reclassified as intergovernmental revenue in 2012. It was classified as charges for services in prior fiscal years. The Agency implemented new fund accounting/financial software in 2012 which provides a different classification of expenditures from prior fiscal years. Fiscal years 2007-2011 were not revised to reflect the classification changes. In 2016 general-council of governments support and air quality and traveler services were reclassified to separate general government, environment and energy conservation, and commuter and motorist assistance activities.

⁽²⁾ Debt service reflects principal and interest.

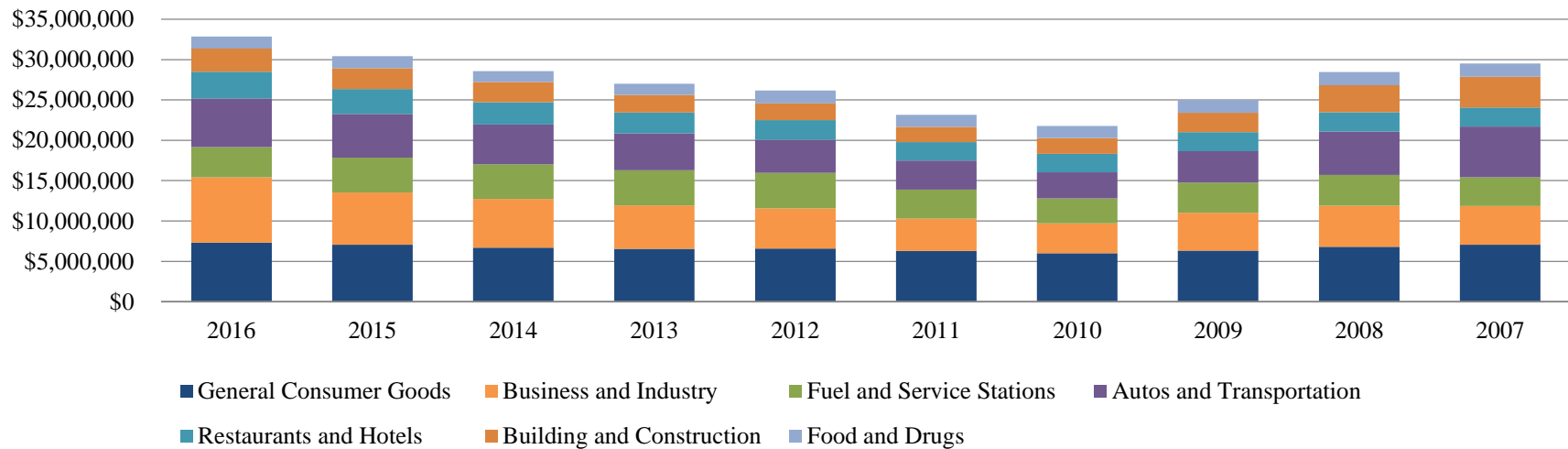


SAN BERNARDINO ASSOCIATED GOVERNMENTS
County of San Bernardino Taxable Sales by Business Group⁽¹⁾
Last Ten Fiscal Years
(In Thousands)

| Fiscal Year | General Consumer Goods | Business and Industry | Fuel and Service Stations | Autos and Transportation | Restaurants and Hotels | Building and Construction | Food and Drugs | Total |
|-------------|------------------------|-----------------------|---------------------------|--------------------------|------------------------|---------------------------|----------------|---------------|
| 2016 | \$ 7,319,419 | \$ 8,083,843 | \$ 3,762,442 | \$ 6,034,921 | \$ 3,310,748 | \$ 2,842,895 | \$ 1,493,229 | \$ 32,847,497 |
| 2015 | 7,051,392 | 6,489,782 | 4,325,966 | 5,405,745 | 3,062,985 | 2,601,797 | 1,478,121 | 30,415,788 |
| 2014 | 6,702,525 | 6,020,854 | 4,285,736 | 4,935,894 | 2,780,587 | 2,486,172 | 1,371,210 | 28,582,978 |
| 2013 | 6,572,565 | 5,365,583 | 4,342,153 | 4,572,225 | 2,585,174 | 2,202,286 | 1,348,689 | 26,988,675 |
| 2012 | 6,608,275 | 4,963,637 | 4,383,498 | 4,103,357 | 2,452,725 | 2,071,598 | 1,584,931 | 26,168,021 |
| 2011 | 6,289,605 | 4,004,305 | 3,587,337 | 3,589,798 | 2,320,710 | 1,885,248 | 1,493,408 | 23,170,410 |
| 2010 | 5,997,062 | 3,729,927 | 3,091,808 | 3,227,279 | 2,273,645 | 1,975,226 | 1,472,450 | 21,767,397 |
| 2009 | 6,339,494 | 4,666,094 | 3,759,132 | 3,878,608 | 2,353,009 | 2,422,918 | 1,545,334 | 24,964,590 |
| 2008 | 6,794,341 | 5,082,731 | 3,836,112 | 5,356,831 | 2,427,148 | 3,324,437 | 1,629,433 | 28,451,034 |
| 2007 | 7,075,422 | 4,794,905 | 3,531,356 | 6,315,114 | 2,354,770 | 3,815,013 | 1,622,124 | 29,508,704 |

⁽¹⁾ Excludes transfers and unidentified sources.

Source: California State Board of Equalization/Hdl Companies



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

| Fiscal Year | Measure I Direct Rate ⁽¹⁾ | County of San Bernardino ⁽²⁾ |
|-------------|--------------------------------------|---|
| 2016 | 0.50% | 8.00% |
| 2015 | 0.50% | 8.00% |
| 2014 | 0.50% | 8.00% |
| 2013 | 0.50% | 8.00% |
| 2012 | 0.50% | 7.75% |
| 2011 | 0.50% | 8.75% |
| 2010 | 0.50% | 8.75% |
| 2009 | 0.50% | 8.75% |
| 2008 | 0.50% | 7.75% |
| 2007 | 0.50% | 7.75% |

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

⁽²⁾ In April 2009, the State of California increased the state sales tax rate by 1%. In July 2011, the sales tax rate was decreased by 1%. In January 2013, the sales tax rate was increased by .25%.

Source: California Department of Finance/Board of Equalization

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

| Business Type | 2016 | | | 2007 | | |
|---------------------------------------|---------------------|------|-----------------------------------|---------------------|------|-----------------------------------|
| | Taxable Sale | Rank | Percentage of Total Taxable Sales | Taxable Sale | Rank | Percentage of Total Taxable Sales |
| New motor vehicle dealers | \$ 3,442,024 | 1 | 10.48% | \$ 3,182,321 | 2 | 11.13% |
| Service stations | 3,358,698 | 2 | 10.23% | 3,225,423 | 1 | 11.28% |
| Discount department stores | 2,324,217 | 3 | 7.08% | 2,068,985 | 3 | 7.24% |
| Quick service restaurants | 1,625,800 | 4 | 4.95% | 1,214,061 | 6 | 4.25% |
| Lumber/building materials | 1,461,059 | 5 | 4.45% | 1,790,706 | 5 | 6.26% |
| Medical/biotech | 1,446,315 | 6 | 4.41% | 671,995 | 13 | 2.35% |
| Casual dining | 1,234,874 | 7 | 3.76% | 789,316 | 9 | 2.76% |
| Energy/utilities | 1,065,753 | 8 | 3.25% | | | 0.00% |
| Light industrial printers | 1,018,770 | 9 | 3.10% | 658,199 | 15 | 2.30% |
| Contractors | 1,004,831 | 10 | 3.06% | 1,888,031 | 4 | 6.60% |
| Used automotive dealers | 960,063 | 11 | 2.92% | 677,320 | 12 | 2.37% |
| Family apparel | 864,331 | 12 | 2.63% | 534,315 | 18 | 1.87% |
| Grocery stores-liquor | 844,636 | 13 | 2.57% | 750,986 | 10 | 2.63% |
| Heavy industrial | 831,227 | 14 | 2.53% | 662,414 | 14 | 2.32% |
| Office supplies/furniture | 803,229 | 15 | 2.45% | 886,475 | 7 | 3.10% |
| Department stores | 699,679 | 16 | 2.13% | 855,156 | 8 | 2.99% |
| Electronics/appliance stores | 632,046 | 17 | 1.93% | 629,990 | 16 | 2.20% |
| Specialty stores | 608,307 | 18 | 1.85% | 600,462 | 17 | 2.10% |
| Home furnishings | 582,757 | 19 | 1.78% | 680,975 | 11 | 2.38% |
| Automotive supply stores | 507,902 | 20 | 1.55% | 446,541 | 19 | 1.56% |
| Fulfillment centers | 505,322 | 21 | 1.54% | | | |
| Trailers/RV's | 406,782 | 22 | 1.24% | 438,195 | 20 | 1.53% |
| Petroleum products/equipment | 352,861 | 23 | 1.07% | 362,849 | 21 | 1.27% |
| Women's apparel | 327,315 | 24 | 1.00% | | | |
| Auto repair shops | 300,606 | 25 | 0.92% | 279,301 | 22 | 0.98% |
| Transportation/rentals | | | | 268,662 | 24 | 0.94% |
| Boats/motorcycles | | | | 276,791 | 23 | 0.97% |
| Warehouse/Farm/Construction equipment | | | | 257,129 | 25 | 0.90% |
| Total | <u>\$27,209,404</u> | | <u>82.88%</u> | <u>\$24,096,598</u> | | <u>84.28%</u> |

Source: California State Board of Equalization/Hdl Companies

SAN BERNARDINO ASSOCIATED GOVERNMENTS
Measure I Sales Tax Revenue by Program and Subarea
For the Year Ended June 30, 2016

| | General Fund | Special Revenue Funds | Total |
|--|--------------|--------------------------|----------------|
| Administration | | | |
| Administration | \$ 1,608,480 | \$ - | \$ 1,608,480 |
| Valley | | | |
| Freeway projects | - | 36,298,625 | 36,298,625 |
| Freeway interchanges | - | 13,768,444 | 13,768,444 |
| Major street | - | 25,033,534 | 25,033,534 |
| Local street | - | 25,033,534 | 25,033,534 |
| Metrolink/rail service | - | 10,013,414 | 10,013,414 |
| Express bus/bus rapid transit service | - | 2,503,353 | 2,503,353 |
| Senior and disabled transit | - | 10,013,414 | 10,013,414 |
| Transportation management systems | - | 2,503,353 | 2,503,353 |
| Victor Valley | | | |
| Major local highway | - | 4,056,271 | 4,056,271 |
| Local street | - | 11,033,057 | 11,033,057 |
| Senior and disabled transit | - | 811,254 | 811,254 |
| Project development/traffic management | - | 324,502 | 324,502 |
| North Desert | | | |
| Major local highway | - | 2,311,830 | 2,311,830 |
| Local street | - | 6,288,178 | 6,288,178 |
| Senior and disabled transit | - | 462,366 | 462,366 |
| Project development/traffic management | - | 184,946 | 184,946 |
| Colorado River | | | |
| Major local highway | - | 56,779 | 56,779 |
| Local street | - | 154,439 | 154,439 |
| Senior and disabled transit | - | 11,356 | 11,356 |
| Project development/traffic management | - | 4,542 | 4,542 |
| Morongo Basin | | | |
| Major local highway | - | 536,185 | 536,185 |
| Local street | - | 1,458,422 | 1,458,422 |
| Senior and disabled transit | - | 107,237 | 107,237 |
| Project development/traffic management | - | 42,895 | 42,895 |
| Mountain | | | |
| Major local highway | - | 463,658 | 463,658 |
| Local street | - | 1,261,149 | 1,261,149 |
| Senior and disabled transit | - | 92,732 | 92,732 |
| Project development/traffic management | - | 37,093 | 37,093 |
| Cajon Pass | | | |
| Cajon Pass | - | 4,372,972 | 4,372,972 |
| | \$ 1,608,480 | \$ 159,239,534 | \$ 160,848,014 |

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

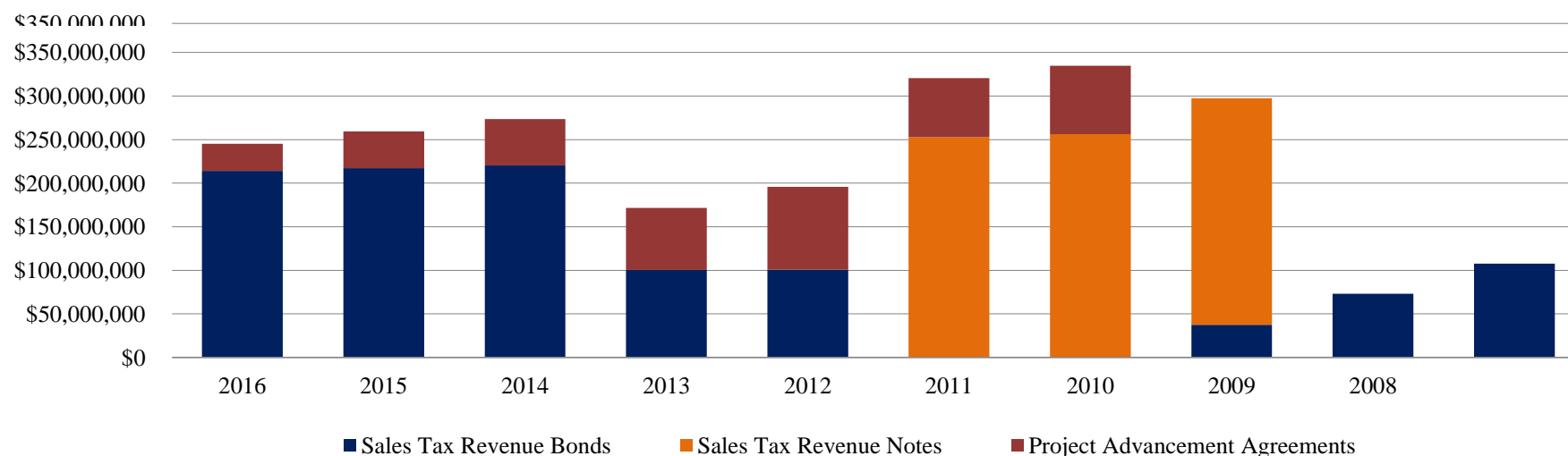
| Fiscal Year | Sales Tax Revenue Bonds ⁽¹⁾ | Sales Tax Revenue Notes ⁽¹⁾ | Project Advancement Agreements ⁽²⁾ | Total | Percentage of Personal Income ⁽³⁾ | Per Capita ⁽³⁾ |
|-------------|--|--|---|----------------|--|---------------------------|
| 2016 | \$ 214,167,404 | \$ - | \$ 31,092,352 | \$ 245,259,756 | NA | \$ 114.63 |
| 2015 | 217,309,118 | - | 42,186,696 | 259,495,814 | NA | 122.34 |
| 2014 | 220,407,142 | - | 53,267,750 | 273,674,892 | 0.39% | 130.28 |
| 2013 | 100,261,590 | - | 71,175,791 | 171,437,381 | 0.26% | 82.16 |
| 2012 | 100,789,178 | - | 95,035,323 | 195,824,501 | 0.30% | 94.58 |
| 2011 | - | 252,909,504 | 67,765,408 | 320,674,912 | 0.51% | 156.07 |
| 2010 | - | 256,400,908 | 78,456,788 | 334,857,696 | 0.56% | 164.53 |
| 2009 | 37,550,811 | 259,892,313 | - | 297,443,124 | 0.51% | 147.29 |
| 2008 | 73,209,830 | - | - | 73,209,830 | 0.12% | 349.29 |
| 2007 | 107,700,787 | - | - | 107,700,787 | 0.18% | 54.13 |

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

⁽¹⁾ Includes unamortized premium.

⁽²⁾ Project advancement agreements debt not reported in financial statements prior to fiscal year 2010.

⁽³⁾ See Demographic and Economic Statistics on page 118.

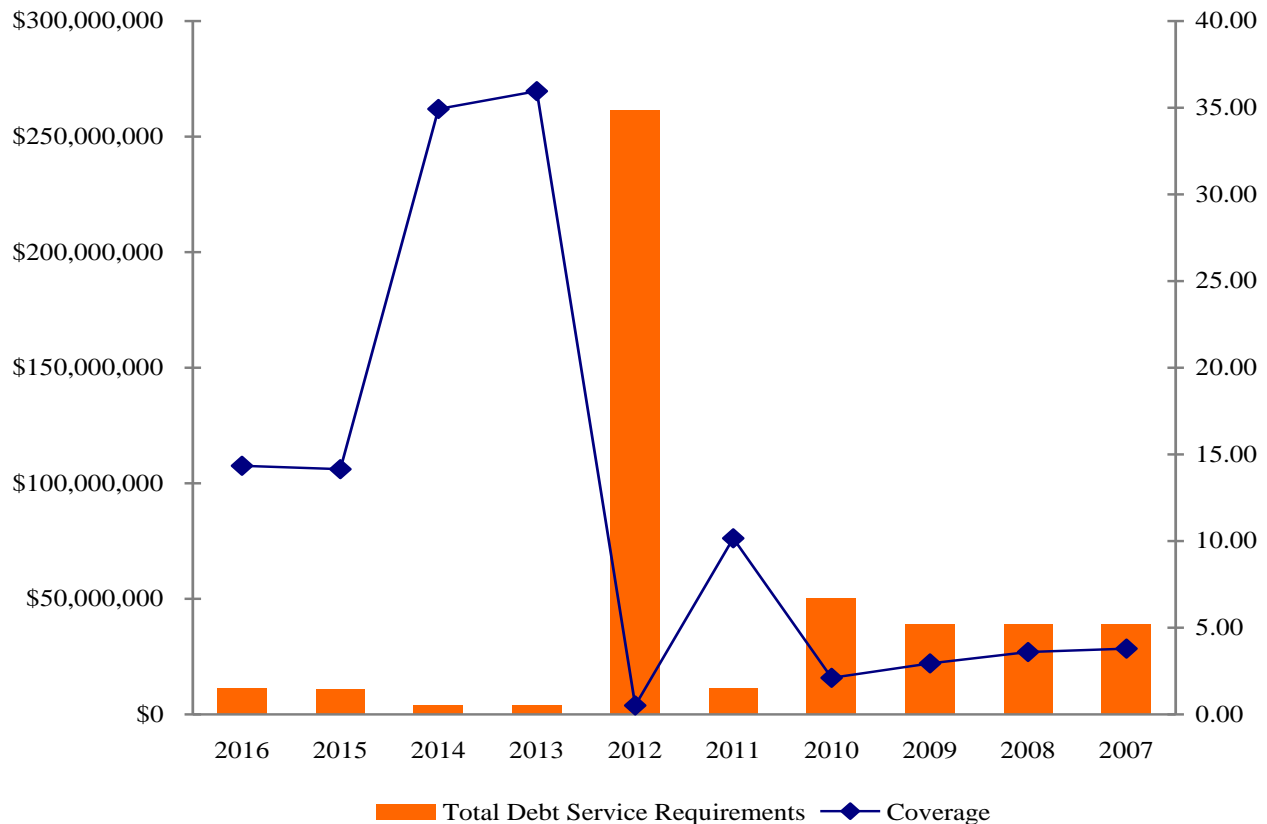


SAN BERNARDINO ASSOCIATED GOVERNMENTS
Pledged-Revenue Coverage
Last Ten Fiscal Years

| Fiscal Year | Measure I Sales Tax | | Debt Service Requirements ⁽²⁾ | | | Coverage |
|----------------|-------------------------|-------------|--|--------------|---------------|----------|
| | Revenues ⁽¹⁾ | | Principal | Interest | Total | |
| 2016 | \$ | 160,848,014 | \$ 1,990,000 | \$ 9,222,050 | \$ 11,212,050 | 14.35 |
| 2015 | | 152,342,401 | 1,910,000 | 8,856,259 | 10,766,259 | 14.15 |
| 2014 | | 145,407,342 | - | 4,163,338 | 4,163,338 | 34.93 |
| 2013 | | 138,482,732 | - | 3,851,087 | 3,851,087 | 35.96 |
| 2012 | | 132,276,581 | 250,000,000 | 11,461,155 | 261,461,155 | 0.51 |
| 2011 | | 117,927,079 | - | 11,609,500 | 11,609,500 | 10.16 |
| 2010 | | 106,073,764 | 37,380,000 | 12,896,543 | 50,276,543 | 2.11 |
| 2009 | | 114,901,053 | 35,500,000 | 3,453,006 | 38,953,006 | 2.95 |
| 2008 | | 140,547,350 | 33,875,000 | 5,146,594 | 39,021,594 | 3.60 |
| 2007 | | 147,929,491 | 32,250,000 | 6,832,306 | 39,082,306 | 3.79 |

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

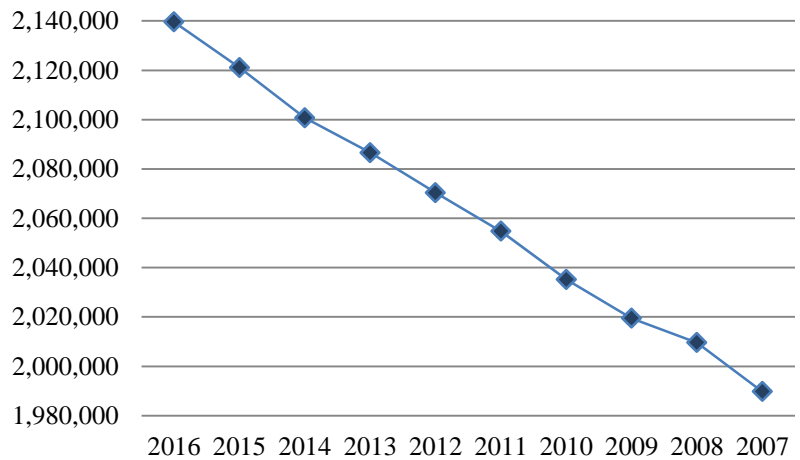
⁽²⁾ Debt service requirement for fiscal year 2012 reflects payment of Sales Tax Revenue Note, 2009A from an established escrow account relating to the issuance of the Sales Tax Revenue Bonds, 2012A.



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

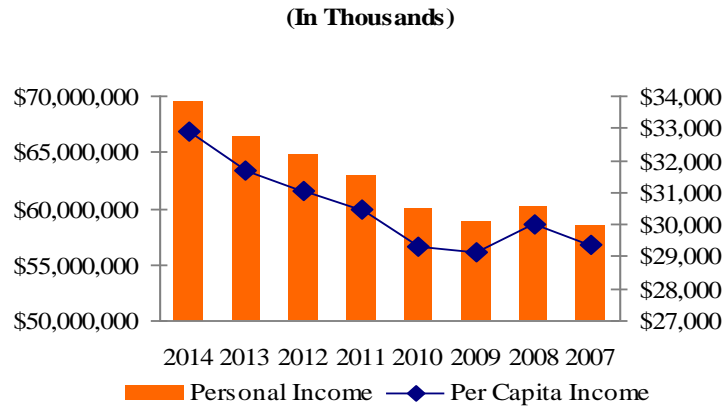
Last Ten Fiscal Years ⁽¹⁾

| Year | Population |
|------|------------|
| 2016 | 2,139,570 |
| 2015 | 2,121,088 |
| 2014 | 2,100,700 |
| 2013 | 2,086,559 |
| 2012 | 2,070,374 |
| 2011 | 2,054,735 |
| 2010 | 2,035,210 |
| 2009 | 2,019,432 |
| 2008 | 2,009,594 |
| 2007 | 1,989,690 |



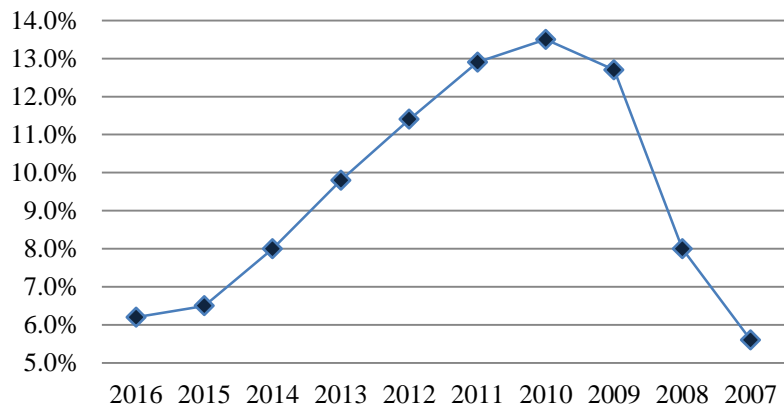
Fiscal Years 2005-2012 ⁽²⁾

| Year | Personal Income (In Thousands) | Personal Per Capita Income |
|------|-----------------------------------|----------------------------|
| 2014 | \$ 69,487,877 | \$ 32,892 |
| 2013 | 66,321,591 | 31,683 |
| 2012 | 64,633,723 | 31,064 |
| 2011 | 62,952,683 | 30,491 |
| 2010 | 59,850,108 | 29,314 |
| 2009 | 58,693,991 | 29,144 |
| 2008 | 60,145,538 | 30,017 |
| 2007 | 58,473,029 | 29,352 |



Last Ten Fiscal Years ⁽³⁾

| Year | Unemployment Rate |
|------|-------------------|
| 2016 | 6.2% |
| 2015 | 6.5% |
| 2014 | 8.0% |
| 2013 | 9.8% |
| 2012 | 11.4% |
| 2011 | 12.9% |
| 2010 | 13.5% |
| 2009 | 12.7% |
| 2008 | 8.0% |
| 2007 | 5.6% |



⁽¹⁾ California Department of Finance. Population for fiscal year 2016 as of January 2016.

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

⁽³⁾ California Employment Development Department. Unemployment rate for fiscal year 2016 as of August 2016.

SAN BERNARDINO ASSOCIATED GOVERNMENTS
County of San Bernardino Employment Statistics by Industry
Fiscal Year 2015 and Nine Years Prior ⁽¹⁾

| Industry Type | 2015 | Percentage of Total Employment | 2008 | Percentage of Total Employment |
|--|----------------|-----------------------------------|----------------|-----------------------------------|
| Agricultural services, forestry and fishing | 2,100 | 0.30% | 3,300 | 0.49% |
| Mining | 900 | 0.13% | 800 | 0.12% |
| Construction | 29,100 | 4.19% | 47,200 | 6.98% |
| Manufacturing | 50,300 | 7.25% | 68,100 | 10.07% |
| Transportation, warehousing and public utilities | 65,300 | 9.41% | 47,900 | 7.09% |
| Wholesale trade | 37,200 | 5.36% | 33,200 | 4.91% |
| Retail trade | 88,000 | 12.69% | 90,300 | 13.36% |
| Professional and business services | 81,200 | 11.71% | 78,200 | 11.57% |
| Education and health services | 106,600 | 15.37% | 74,100 | 10.96% |
| Leisure and hospitality | 65,800 | 9.49% | 55,700 | 8.24% |
| Information | 5,000 | 0.72% | 7,200 | 1.07% |
| Finance, insurance and real estate | 22,400 | 3.23% | 27,600 | 4.08% |
| Federal government-civilian | 13,400 | 1.93% | 12,300 | 1.82% |
| State government | 12,500 | 1.80% | 12,900 | 1.91% |
| Local government | 92,600 | 13.35% | 96,400 | 14.26% |
| Other services | 21,300 | 3.07% | 20,800 | 3.07% |
| Total | <u>693,700</u> | <u>100.00%</u> | <u>676,000</u> | <u>100.00%</u> |

⁽¹⁾ Most current information available.

Source: California Employment Development Department.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Full-time Equivalent Employees by Function ⁽¹⁾

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| General: | | | | | | | | | | |
| Executive administration and support | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| General counsel | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | - | - | - | - | - |
| Financial management | 9.5 | 8.5 | 6.5 | 6.5 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Management services | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4.0 | 3.0 | 3.0 | 3.0 | 2.0 |
| Legislation | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 |
| Public affairs | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Commuter and motorist assistance | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Regional and subregional planning | 5.0 | 5.0 | 5.0 | 4.0 | 4.0 | 9.0 | 9.0 | 9.0 | 8.0 | 6.0 |
| Transit and passenger rail | 5.0 | 5.0 | 5.0 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 2.0 | 3.0 |
| Major project delivery | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 6.0 | 4.0 | 3.0 | 1.0 |
| Fund administration and programming | 8.0 | 8.0 | 7.0 | 7.0 | 7.0 | - | - | - | - | - |
| Total full-time equivalent positions | <u>54.5</u> | <u>53.5</u> | <u>50.5</u> | <u>49.5</u> | <u>47.0</u> | <u>45.0</u> | <u>45.0</u> | <u>43.0</u> | <u>39.0</u> | <u>34.0</u> |

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Operating Indicators by Function ⁽¹⁾

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|---------------|-----------|-----------|-----------|-----------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Environmental and energy conservation | | | | | | | | | | |
| HERO program: | | | | | | | | | | |
| Number of projects approved | 8,098 | 5,987 | 4,433 | - | - | - | - | - | - | - |
| Number of projects completed | 5,177 | 5,128 | 3,458 | - | - | - | - | - | - | - |
| Value of projects completed | \$103,832,407 | \$ 94,925,696 | \$ 59,481,299 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| GWh saved | 11.88 | 37.58 | 23.81 | - | - | - | - | - | - | - |
| GHG reduction in tons | 10,293 | 10,362 | 6,514 | - | - | - | - | - | - | - |
| Commuter and motorist assistance | | | | | | | | | | |
| Annual rideshare participants | 1,229 | 750 | 997 | 1,213 | 1,373 | 1,416 | 1,370 | 2,557 | 1,422 | 2,158 |
| Park and ride lots | 21 | 21 | 19 | 19 | 19 | 17 | 18 | 18 | 15 | 15 |
| Motorist assistance by freeway service patrol | 35,100 | 34,669 | 34,141 | 30,347 | 35,894 | 36,366 | 84,564 | 34,370 | 42,750 | 29,286 |
| Call boxes | 1,022 | 1,048 | 1,244 | 1,224 | 1,224 | 1,192 | 1,245 | 1,343 | 1,395 | 1,438 |
| Calls to 511 | 233,895 | 282,180 | 306,108 | 362,395 | 360,171 | 479,331 | 112,217 | N/A | N/A | N/A |
| Visits to IE511.org | 473,462 | 604,799 | 471,778 | 388,496 | 341,716 | 246,318 | 32,935 | N/A | N/A | N/A |
| Transit and passenger rail | | | | | | | | | | |
| Weekly commuter rail trips | 10,659 | 11,078 | 11,159 | 12,044 | 12,325 | 11,523 | 11,700 | 13,162 | 12,493 | 11,979 |
| Annual ridership on commuter rail | 3,073,878 | 3,183,922 | 3,241,225 | 3,448,078 | 3,503,126 | 3,215,354 | 3,258,070 | 3,618,314 | 3,456,000 | 3,279,996 |
| Transit operators | 5 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Transit projects | 3 | 6 | 3 | - | - | - | - | - | - | - |
| Passenger rail projects | 8 | 5 | 7 | - | - | - | - | - | - | - |
| Major project delivery | | | | | | | | | | |
| Freeway projects | 9 | 9 | 12 | 14 | 17 | 13 | 12 | 13 | 14 | 12 |
| Freeway interchange projects | 17 | 18 | 19 | 14 | 7 | 6 | 6 | 6 | 4 | 5 |
| Grade separation projects | 8 | 11 | 8 | 10 | 11 | 11 | 11 | 7 | 4 | 3 |
| Transportation fund administration | | | | | | | | | | |
| Project advancement agreements | - | 24 | 24 | 24 | 24 | 24 | 24 | 19 | 19 | 18 |
| Arterial program jurisdiction master agreements | - | 16 | 16 | 16 | 16 | 16 | N/A | N/A | N/A | N/A |
| Measure I Valley Major Street/Arterial allocation | \$ - | \$ 8,292,988 | \$ 2,297,670 | \$ 4,176,710 | \$ 8,400,000 | \$ 6,351,000 | N/A | N/A | N/A | N/A |
| Project advancement allocation-Valley interchange | \$ - | \$ - | \$ 2,039,283 | \$ 4,215,200 | \$ 3,830,000 | \$ 2,911,000 | N/A | N/A | N/A | N/A |
| Project advancement allocation-Valley arterials | \$ - | \$ 11,361,899 | \$ 15,665,520 | \$ 12,533,250 | \$ 6,970,000 | \$ 5,293,000 | N/A | N/A | N/A | N/A |
| Victor Valley Major Local Highway Allocation | \$ - | \$ 4,837,945 | \$ 1,199,345 | \$ 9,029,230 | \$ 6,305,622 | \$ 14,445,025 | N/A | N/A | N/A | N/A |
| Rural Mountain/Desert Local Highway Allocation | \$ - | \$ 8,770,963 | \$ 713,630 | \$ 1,975,000 | \$ 450,000 | \$ 3,553,108 | N/A | N/A | N/A | N/A |
| Federal obligation authority redistribution received | \$ - | \$ - | \$ 366,977 | \$ 2,851,893 | \$ 3,933,579 | \$ 2,722,631 | - | 5,582,726 | - | 1,835,305 |

⁽¹⁾ Information provided by various departments.

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Capital Asset Statistics by Function

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| General government | | | | | | | | | | |
| Building-Santa Fe Depot | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sport utility vehicle | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transit and passenger rail | | | | | | | | | | |
| Acres of commuter rail land easements | 621.0 | 608.0 | 591.8 | 590.5 | 590.5 | 590.5 | 590.5 | 590.5 | 590.5 | 590.5 |
| Acres of commuter rail parking land | 16.9 | 16.9 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |