

**SAN BERNARDINO
ASSOCIATED GOVERNMENTS
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2010**

SAN BERNARDINO ASSOCIATED GOVERNMENTS

**BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

TABLE OF CONTENTS

	PAGE
SECTION I: INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart – Staffing and Onsite Consultants	viii
Organizational Chart	ix
SECTION II: FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements	
<u>Government - Wide Financial Statements</u>	
Statement of Net Assets	9
Statement of Activities	10
<u>Fund Financial Statements</u>	
Governmental Funds	
Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
Proprietary Funds	
Statement of Fund Net Assets	17
Statement of Revenues, Expenses, and Changes in Net Assets	18
Statement of Cash Flows	19
<u>Notes to Basic Financial Statements</u>	20
SECTION III: TEN YEAR TREND OF GOVERNMENTAL REVENUES	
General Governmental Revenue by Source, Last Ten Years (Supplementary Information)	45

SECTION I - INTRODUCTORY SECTION

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

January 10, 2011

To the Citizens of San Bernardino County, California:

The Annual Financial Report of San Bernardino Associated Governments (SANBAG), California, and related agencies for the fiscal year ended June 30, 2010 is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with SANBAG. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations and cash flows of the government-wide statements and various funds of SANBAG. All disclosures necessary to enable the reader to gain an understanding of SANBAG's financial activities have been included.

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

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

Independent Audit. SANBAG policy requires that its financial statements be audited by a certified public accountant. Vavrinek, Trine, Day & Co., Certified Public Accountants, have issued an unqualified ("clean") opinion on SANBAG's financial statements for the fiscal year ended June 30, 2010. The auditors' report on the basic financial statements and require supplementary information is included in the financial section of this report.

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

CSBC100108-ws

Profile of the Government

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

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

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

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

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

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

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

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

Local Economy

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

Measure I sales tax receipts have declined from a high of \$148.1 million in fiscal year 2005-2006 to \$109.3 million in fiscal year 2009-2010. This represents a \$38.8 million or 26.2% decline from fiscal year 2005-2006.

SANBAG initially estimated \$105 million Measure I sales tax revenue for the fiscal year 2010-2011 budget. The decrease in Measure I sales tax revenue will affect future bond financing and transportation projects delivery. The economic downturn is expected to continue through calendar year 2011.

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

Long Term Planning

New Measure I program initiated April 1, 2010 which voters approved the extension/renewal of the local transaction and use tax in November 2004. SANBAG has adopted a strategic plan for the implementation of this 30 year extension, designed to improve transportation and goods movement. SANBAG will continue to explore economically viable ways to advance these transportation projects so they may be enjoyed by the citizens of San Bernardino County as soon as possible. The previous 20-year Measure I concluded after collecting nearly \$1.8 billion for transportation projects.

Major Initiatives

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

Tranny Award: SANBAG's I-215/5th Street bridge received the Tranny Award from the California Transportation Foundation because of its outstanding engineering.

Compass Blueprint Award: SANBAG's Transportation and Land Use Integration project received the Visionary Planning for Mobility Award at the Compass Blueprint Recognitions Ceremony in June 2009.

Bid Opening for I-215: Bids came in substantially under engineering estimates. Disadvantaged Business Enterprise (DBE-UDBE) requirements were implemented.

Intelligent Transportation Systems: SANBAG was active in the funding and implementation of Intelligent Transportation Systems (ITS) in the County. Highway detection was installed so urban areas of the County could transmit travel times and speeds to the new 511 system and other traveler information sources. Detectors were installed on north I-215 and the eastern portions of I-10 and SR210. Caltrans was awarded a \$22 million grant to add detection on I-15 to the Nevada State line and to upgrade and enhance other ITS features along its highways. The project will be implemented in the next fiscal year.

TMC/Transportation Management Center: Construction of the Caltrans District 8 TMC began in 2009 and will be completed by late 2010. This project is partially funded by SANBAG and RCTC.

"Whistle Stop Café" opened in the Santa Fe Depot lobby, allowing public access during the day. Museum provides Station Host Volunteers to greet the Amtrak travelers.

Alternative Fuels/Green Transportation: A workshop was held following the August Board meeting and a Greenhouse Gas Inventory Reduction Plan was initiated.

Long Range Transit Plan: Three public meetings were held at various locations in the County to present SANBAG's draft final report of the LRTP, including the future sbX station and Redlands Rail project.

Local Stimulus Program: Board approved \$31.4 million to provide grants to local agencies to build new projects or provide capital maintenance to transportation infrastructure.

Valley/Big Bear Study: SANBAG entered into a joint agreement with SCAG and the Inland Valley Development Agency to study alternative transportation methods between the Valley and Big Bear.

Stimulus Grant for Alternative Fuels: In September 2009, SANBAG was awarded \$9.9 million federal stimulus grant and a \$9.3 million grant from the California Energy Commission, to purchase more than 200 heavy duty natural gas trucks, construct two natural gas fueling stations, upgrade maintenance facilities, and provide training and outreach for this innovative project. This will be the largest private fleet natural gas implementation in the Country to date. In April 2010, the Board selected Ryder Truck Rental, Inc., as its fleet partner and worked to finalize funding contracts to begin project implementation to be completed during 2011.

I-215 Groundbreaking Ceremony: Phases 3 and 4 drew National and State attention and top transportation officials, including the Federal Highway Administrator Director, California Secretary of Transportation, and nearly 200 elected officials, dignitaries and community leaders. The construction contract was awarded to Skanska-Rados. This portion of the project is expected to provide 2,000 direct and indirect jobs over the four-year construction period. The overall project for all phases costs \$700 million.

High Desert Opportunity: SANBAG was a sponsor and participated in the annual High Desert Opportunity in Victorville. The focus is to inform businesses and residents in the high desert about active and future transportation projects in their area.

Lenwood Cooperative Agreement: Entered into a cooperative agreement with Barstow and the County for project development.

Haven Avenue Grade Separation: Ribbon-Cutting Ceremony was held in Rancho Cucamonga on December 16.

Disaster Recovery System: SANBAG implemented a disaster recovery system for electronic files. Important agency files are backed up continuously off site in case of major disaster affecting SANBAG's offices or in case of unforeseen damage to our computer system.

Greenhouse Gas Inventory: Coordinated most cities in SANBAG to complete a Regional Greenhouse Gas Inventory and Reduction Plan.

Construction Contract Awarded: To C.C. Meyers, Inc. for the I-10/Riverside Ave. interchange project for \$16.5 million.

WTS-Inland Empire Woman of the Year: Award presented to Deborah Barmack; Innovative Award also went to SANBAG.

Washington Advocacy Book/Jobs Flyer: Tools were created for Board Advocacy in Washington to seek Federal Appropriations and Reauthorization.

Mountain Desert Approvals: Allocations process for FY 2009/2010 which completed the funding packages for the La Mesa/Nisqualli interchange in Victorville and the Yucca Loma Bridge in Apple Valley. Two key components of a new east-west corridor in the Victor Valley will reduce congestion from Bear Valley Road when completed. Funding for these projects consist of SANBAG Measure I, Local Funds, \$15 million in STP funds and federal funds.

Victor Valley Long Distance Commuters: Completed the Victor Valley Long Distance Commuter Needs Assessment Study.

Park 'N' Ride Lots: New Park "N" Ride (PNR) lots were opened in the City of Chino Hills near SR71 and Grand Avenue and near SR 210 and Highland Avenue, in the City of Highland. SANBAG continues to seek leases for additional PNR lots and to promote existing PNR lots to the traveling public.

I-10 Riverside Interchange: A public meeting was held to inform businesses and residents about construction, followed two weeks later by the I-10/Riverside Groundbreaking Event, at which SANBAG and Rialto officials kicked-off construction.

First Mile Contract: Was awarded to HDR Engineering, Inc. for the design, environmental, right-of-way acquisition and land use services to extend Metrolink one mile east.

Freeway Service Patrol: (FSP) program continues to be a resounding success, assisting approximately 35,000 motorists throughout the year, on 60 centerline miles of highway in the Valley. Tracking systems (GPS/AVL) were installed on the sixteen tow trucks for quicker dispatching, routing and monitoring of the tow trucks to motorists requesting service. FSP Drivers were recognized as Top Driver and Drivers of Excellence.

Victor Valley Long Distance Commuter Needs Assessment Study: Presented to SANBAG Board (Study completed in December 2009).

New Measure I Program: Began April 1 for 30 more years, 2010-2040. The previous 20-year Measure I concluded after collecting nearly \$1.8 billion for transportation projects.

Inland Empire 511: Formally launched in April, it provides multimodal travel information via the telephone (511) and website (www.IE511.org). Developed in partnership with RCTC, motorists can get real time travel information and up-to-date incident information on southern California highways. The system promotes ridesharing, transit, and Metrolink and has one-stop shopping for all transportation services.

CTC Approves Colton Crossing Funding: With \$91 million in Prop 1B Trade Corridor Improvement Funding (TCIF), \$33.8 million in TIGER grant funding (ARRA), and the remainder from the railroads, the project can move forward with final environmental, design, and construction.

May 5, US Flag flown in Afghanistan: Per arrangement by SANBAG's Jennifer Franco, LTjg, serving in the Navy, the United States flag was flown in honor of SANGAG.

CTC approves Devore Design/Build: This option will allow efficiency and cost savings.

Metrolink Crash Energy Management (CEM): CEM cars were previewed at a May 3rd event at the new maintenance facility in Colton. Over the coming months, 117 CEM cars were assembled and put into service throughout southern California in the Metrolink service area.

Metrolink Parking Structure: Groundbreaking ceremony on June 15 for a new 3.5 story structure that will park 352 cars.

Public Relations Society of America: Prestigious Silver Anvil award presented to SANBAG & partners for the I-215 Ground-breaking event.

Acknowledgements

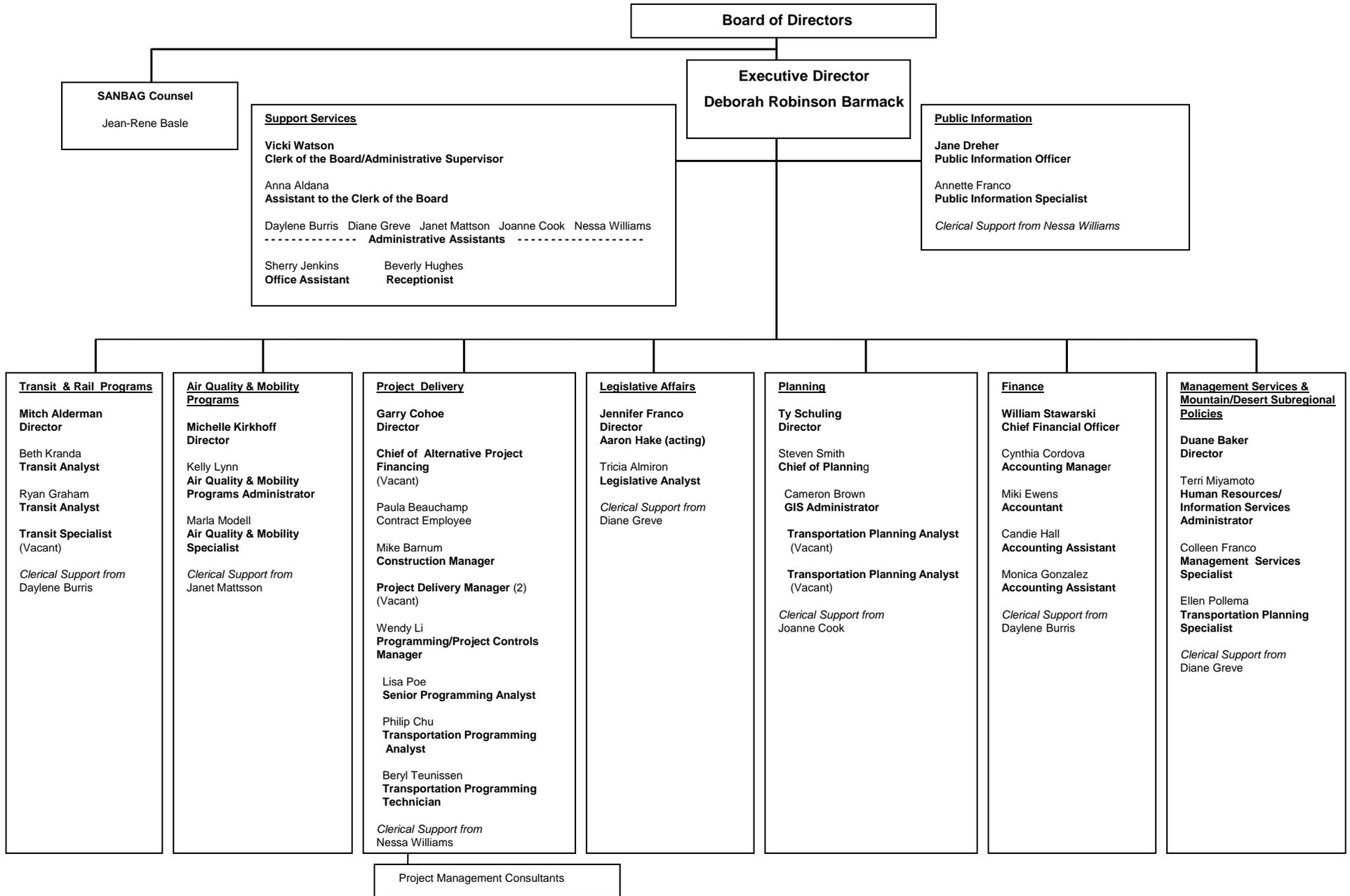
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. Credit also must be given to the SANBAG Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the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

Sincerely,

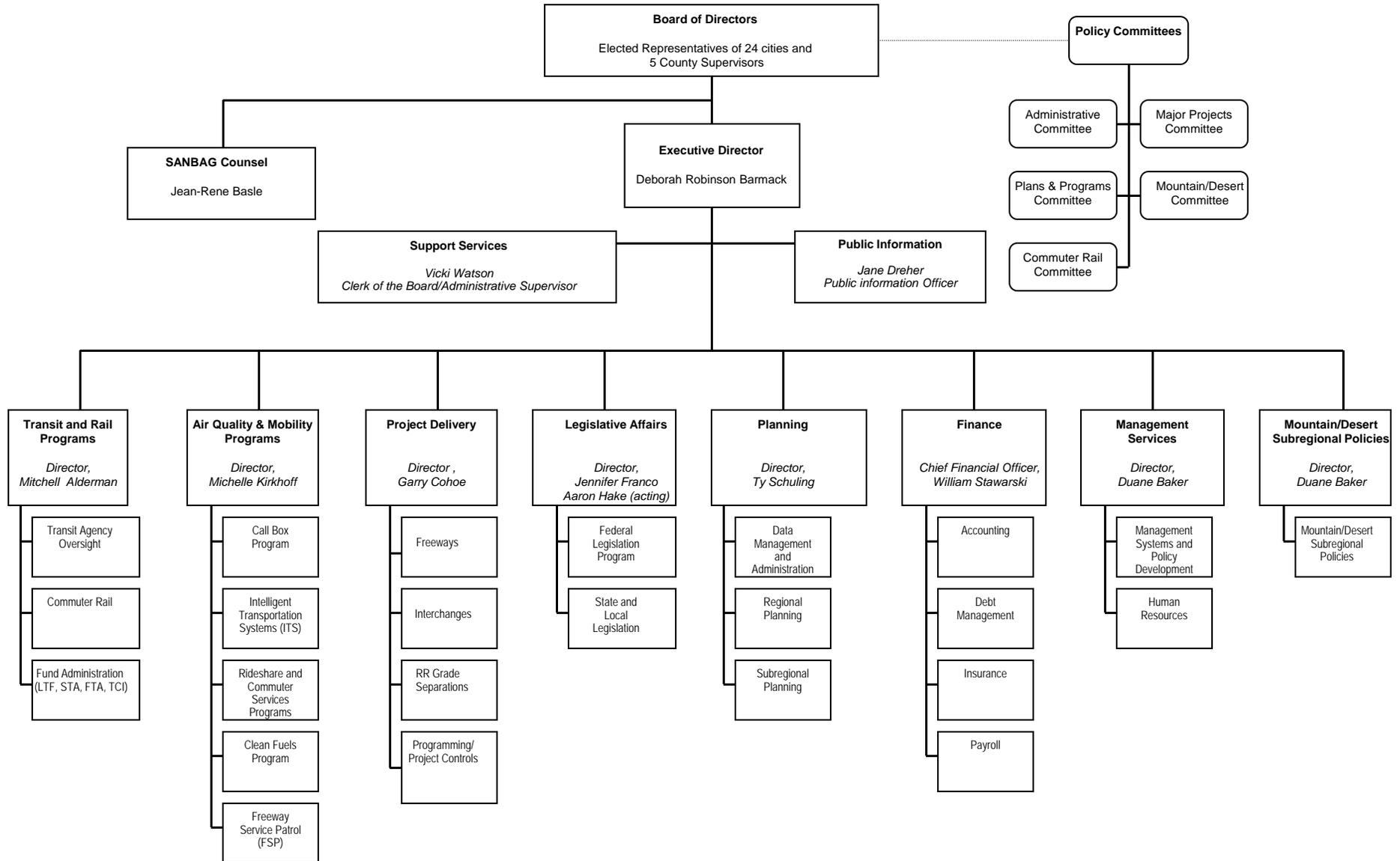


William W. Stawarski
Chief Financial Officer

SANBAG Organization Chart – Staffing & Onsite Consultants



SANBAG Organization Chart



SECTION II - FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Bernardino Associated Governments (SANBAG), as of and for the year ended June 30, 2010, which collectively comprise SANBAG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SANBAG's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SANBAG, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note 14 to the financial statements, SANBAG has restated beginning net assets/fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2011 on our consideration of SANBAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Vermorel, Trine, Day, Co., LLP

Rancho Cucamonga, California
January 10, 2011

SAN BERNARDINO ASSOCIATED GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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, 2010. Please read it in conjunction with accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of SANBAG exceeded its liabilities at the close of the fiscal year by \$255,147,122.
- SANBAG's net assets decreased by \$47,082,966 or 15.5% from the previous fiscal year mainly as a result of recording long-term liabilities from project advance cooperative agreements with various cities. Revenues exceeded expenses by \$2,825,122.
- The total cost of all SANBAG's activities was \$266,418,697 for the current fiscal year. Net cost of all activities was \$116,238,469.
- The total fund balances of SANBAG's governmental funds were \$493,497,997 at the close of the fiscal year 35.1% of this amount, \$173,056,640, is reserved and not available for spending at SANBAG's discretion.
- General Fund expenditures exceeded revenues and other financing sources by \$3,214,050 for the fiscal year ended.
- The total fund balance of the General Fund was \$6,581,545 for the year. \$3,038,603 is unreserved and undesignated.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Statement of Net Assets

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Statement of Activities

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

The Statement of Activities distinguish functions of SANBAG that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges or operating grants and contributions. The governmental activities of SANBAG are composed in large part by disbursements to cities, subareas, transit operators and claimants and highways. The other functional areas i.e., professional services, contributions to other governments and long-term debt support the above mentioned two primary functional areas. The management and technical function supports the Service Authority for Freeway Emergency program.

The government-wide financial statements include only the financial information for SANBAG and its component unit, SAFE itself. The government-wide financial statements can be found on pages 9-10.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SANBAG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into 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 government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

SANBAG maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its major governmental funds which consist of: the General Fund, Local Transportation Fund, Measure I Special Revenue Fund, Other Special Revenue Fund, Debt Service Fund, and Capital Project Fund. Individual fund data for each of the Non-major governmental funds are provided in the form of combining statements elsewhere in this report.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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

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

Proprietary Funds

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

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 SANBAG building and associated maintenance.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets and other elements of the statement of net assets may serve over time as a useful indicator of SANBAG'S financial position. At June 30, 2010, SANBAG'S assets exceeded liabilities by \$255,147,122.

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

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets from governmental activities are (\$340,180,203) at June 30, 2010. This amount results in part from the impact of SANBAG'S debt on the Statement of Net Assets. While the debt has been incurred to build highways which are capital assets, upon completion the highway projects are transferred to the State of California Department of Transportation. Accordingly, these projects are not assets that offset debt in the Statement of Net Assets.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

SANBAG's net assets decreased by \$47,082,966 or 15.5% during the fiscal year as a result of revenues exceeding expenses and recording of long-term debt for project advance cooperative agreements with various cities. The total cost of SANBAG activities was \$266,418,697 for the fiscal year. Net cost of all activities was \$116,238,469.

Condensed Statement of Net Assets	2010	2009
Current and other assets	\$568,608,996	\$566,379,020
Capital assets, net of depreciation	<u>64,188,520</u>	<u>64,231,511</u>
Total net assets	<u>632,797,516</u>	<u>630,610,531</u>
Noncurrent liabilities	336,396,936	298,212,667
Other liabilities	<u>41,253,458</u>	<u>30,167,776</u>
Total liabilities	<u>377,650,394</u>	<u>328,380,443</u>
Net assets:		
Invested in capital assets	64,188,520	64,231,511
Restricted	531,138,805	474,046,214
Unrestricted	<u>(340,180,203)</u>	<u>(236,047,637)</u>
Total net assets	<u>\$255,147,122</u>	<u>\$302,230,088</u>

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

Condensed Statement of Changes in Net Assets	2010	2009
Program revenues:		
Charges for services	\$ 1,648,539	\$ 1,667,858
Operating contributions and grants	148,531,689	125,112,741
General revenues:		
Measure I sales tax	109,393,542	115,074,064
Gain (loss) on disposal of capital assets	(75,000)	2,706
Interest income	<u>9,745,049</u>	<u>6,133,700</u>
Total revenues	<u>269,243,819</u>	<u>247,991,069</u>
Expenses:		
General government	16,457,877	23,556,849
Disbursements to other agencies	120,594,813	97,602,990
Contributions	33,111,444	26,169,139
Professional services	43,945,405	35,646,622
Management and technical services	130,958	142,019
Highways	42,335,579	26,356,468
Long-term related	<u>9,842,621</u>	<u>4,803,268</u>
Total expenses	<u>266,418,697</u>	<u>214,277,355</u>
Changes in net assets	<u>\$ 2,825,122</u>	<u>\$ 33,713,714</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Revenues increased by \$21,252,750 or 8.6% from the previous fiscal year. The increase of \$23,418,948 in operating contributions and grants was due to higher grant reimbursement. Measure I sales tax revenue decreased by \$5,680,522 or 4.9% from the previous fiscal year. The decrease is attributed to the current economic recession and less sales tax collections throughout the County. The increase in interest income is directly attributed to investing more idle cash than prior year.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds

The focus of *governmental funds* is to provide information is to provide information on near-term inflows, outflows and balances of *spendable* resources. This information assesses SANBAG's financing requirements. *Unreserved fund balance* is a measure of SANBAG's net resources available for designation or spending at the end of the fiscal year.

SANBAG's governmental funds reported combined fund balances of \$493,497,997 as of June 30, 2010. *Unreserved fund balance* of \$320,441,357 is available for designation and/or future spending at SANBAG's discretion. A majority of the unreserved fund balance is designated by certain federal and state statutes. The remaining fund balance of \$173,056,640 is reserved to indicate it is not available for future spending because of the following:

- Prepaid items
- Unpaid allocations
- Encumbrances

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 \$6,581,545 of which \$3,038,603 was unreserved and undesignated. The unreserved fund balance represents 47.8% of the total general fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

SANBAG's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$64,188,520 (net of accumulated depreciation).

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Debt Administration

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

SANBAG's remaining outstanding debt is rated AA+.

Please see note 5 of the *Notes of the Financial Statements* for more detail description of long-term liabilities.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

SANBAG continues to evaluate revenue forecasts and provide the assumptions for future budgets. As of June 30, 2010, leading economic indicators show that the local economy has been impacted significantly by the housing market crisis, the subprime mortgage crisis and a slide in manufacturing. This has resulted in a slowdown in population growth and an increase in unemployment in San Bernardino County, which has impacted the Measure I sales tax receipts.

Estimated 2010/2011 budget revenues are \$360.1 million in comparison to \$291.4 million of the previous year. Measure I sales tax revenues are estimated to be \$108 million in comparison to \$117.9 million of the prior year. This figure was revised to \$105 million for fiscal year 2009/2010 due to less than expected collections.

Budget appropriations for fiscal year 2010/2011 are \$351.9 million. In the past, when actual Measure I revenues were less than budget estimates; the shortfall was offset by undesignated fund balance. The severity of the economic downturn and significant decrease in revenue has made it difficult to rely solely on existing fund balances. Project cash flows must continue to be strictly monitored and other funding and/or expenditure reduction alternatives considered in the future.

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

Requests for Information

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 251,816,873
Receivables:	
Interest	854,820
Intergovernmental	70,487,216
Other	27,114
Prepaid items	120,120
Restricted investments	244,502,907
Deferred charges	799,946
Capital assets, net of accumulated depreciation	64,188,520
Total Assets	<u>632,797,516</u>
LIABILITIES	
Accounts payable & other accrued expenses	20,795,388
Due to other governments	14,834,272
Accrued interest payable	1,912,971
Deferred revenue	3,710,827
Noncurrent liabilities:	
Due within one year	35,787
Due beyond one year	257,904,361
Measure I Project Advancement Agreement	78,456,788
Total Liabilities	<u>377,650,394</u>
NET ASSETS	
Invested in capital assets	64,188,520
Restricted for:	
Disbursement to cities, subareas, transit operators and claimants	257,404,087
Highway construction	249,246,562
Other restricted	24,488,156
Unrestricted	(340,180,203)
Total Net Assets	<u>\$ 255,147,122</u>

See accompanying notes to financial statements.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Contributions and Grants	
Governmental Activities:				
General government	\$ 16,457,877	\$ 1,648,539	\$ 1,005,402	\$ (13,803,936)
Disbursements to cities, subareas, transit operators and claimants	120,594,813		59,973,405	(60,621,408)
Contributions to other governmental agencies	33,111,444			(33,111,444)
Professional services	43,945,405		13,137,744	(30,807,661)
Management and technical services	130,958			(130,958)
Highways	42,335,579		74,415,138	32,079,559
Long-term debt related	9,842,621			(9,842,621)
Total Governmental Activities	\$ 266,418,697	\$ 1,648,539	\$ 148,531,689	(116,238,469)
	General Revenues (Expense):			
	Measure I Sales Tax			109,393,542
	Loss on Disposal of Capital Assets			(75,000)
	Interest Income			9,745,049
	Total General Revenues			119,063,591
	Change in Net Assets			2,825,122
	Net Assets, Beginning of Year			302,230,088
	Prior Period Adjustment			(49,908,088)
	Net Assets, End of Year			\$ 255,147,122

See accompanying notes to financial statements.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

	Major Funds			
	General	Local Transportation Fund- Special Revenue	Measure I Special Revenue	Other Special Revenue
ASSETS				
Cash and Investments	\$ 6,771,741	\$ 55,826,523	\$ 96,551,574	\$ 32,389,836
Interest receivable	14,948	148,984	471,734	85,280
Due from other funds			46,306,773	8,278,511
Due from other governments		11,326,108	20,847,016	38,033,571
Prepaid expenses	120,120			
Others receivable				4,458
Investments, restricted				
Total Assets	\$ 6,906,809	\$ 67,301,615	\$ 164,177,097	\$ 78,791,656
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued expenses	\$ 248,512		\$ 4,599,159	\$ 15,769,809
Due to other funds			6,918,067	38,034,045
Due to other governments	8,309	\$ 1,180,861	12,921,140	581,108
Deferred revenue	68,443	2,115,008	4,359,086	32,009,227
Total Liabilities	325,264	3,295,869	28,797,452	86,394,189
Fund Balances:				
Reserved for:				
Prepays	120,120			
Unpaid allocations				
Amounts encumbered for subsequent year expenditures	3,422,822	22,882,657	50,807,804	38,871,767
Unreserved:				
Designated unreserved apportionments		33,343,897		
Designated for subsequent years' expenditures				
Undesignated	3,038,603	7,779,192	84,571,841	(46,474,300)
Total Fund Balances	6,581,545	64,005,746	135,379,645	(7,602,533)
Total Liabilities and Fund Balances	\$ 6,906,809	\$ 67,301,615	\$ 164,177,097	\$ 78,791,656

See accompanying notes to financial statements.

Major Funds

Debt Service	State Transit Assistance Fund	Capital Project	Nonmajor Government Fund	Total
\$ 6,055,340	\$ 52,821,864 119,684		\$ 1,292,249 14,190	\$ 251,709,127 854,820
			280,521	54,585,284 70,487,216
			22,656	120,120 27,114
23,058,892		\$ 221,444,015		244,502,907
<u>\$ 29,114,232</u>	<u>\$ 52,941,548</u>	<u>\$ 221,444,015</u>	<u>\$ 1,609,616</u>	<u>\$ 622,286,588</u>
			\$ 177,908	\$ 20,795,388
		\$ 9,329,994	303,178	54,585,284
	\$ 142,595		259	14,834,272
			21,883	38,573,647
	<u>142,595</u>	<u>9,329,994</u>	<u>503,228</u>	<u>128,788,591</u>
				120,120
	30,287,558			30,287,558
	3,680,775			3,680,775
\$ 22,941,957			41,180	138,968,187
				33,343,897
29,114,232				29,114,232
(22,941,957)	18,830,620	212,114,021	1,065,208	257,983,228
<u>29,114,232</u>	<u>52,798,953</u>	<u>212,114,021</u>	<u>1,106,388</u>	<u>493,497,997</u>
<u>\$ 29,114,232</u>	<u>\$ 52,941,548</u>	<u>\$ 221,444,015</u>	<u>\$ 1,609,616</u>	<u>\$ 622,286,588</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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

JUNE 30, 2010

Fund Balances of Governmental Funds	\$ 493,497,997
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	59,996,784
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds. The adjustment, which included the effect of insurance costs and premiums, combines the changes of the following components:	
Bonds payable and premium	(257,209,908)
Compensated absences	(730,240)
Accrued interest payable	(1,912,971)
Deferred charges for the bonds issuance costs	799,946
Long-term liabilities for the Measure I Project Advancement Agreement	(78,456,788)
Net assets of Internal Service Funds	4,299,482
Assets that do not meet the "availability" criteria for revenue recognition are deferred in the funds.	<u>34,862,820</u>
Total net assets of governmental activities	<u><u>\$ 255,147,122</u></u>

See accompanying notes to financial statements.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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

YEAR ENDED JUNE 30, 2010

	Major Funds				
	General	Local Transportation Fund Special Revenue	Measure I Special Revenue	Other Special Revenue	Debt Service
REVENUES					
Sales tax			\$ 106,073,764		
Local transportation fund		\$ 58,681,660			
State transit assistance fund					
Registration fees					
Investment income	\$ 36,552	1,277,818	1,190,238	\$ 390,645	\$ 108,177
Refunds		794,305			
Federal				27,738,925	
State				14,542,800	
Other local revenue	51,225			19,568,433	
Total Revenues	87,777	60,753,783	107,264,002	62,240,803	108,177
EXPENDITURES					
Current:					
Disbursements to cities, subareas, transit operators and claimants		49,276,292	37,157,274		
Contributions to governmental agencies	5,601		18,431,252	14,674,591	
Salaries, wages and related items	3,653,625		864,845	957,015	
Professional services	1,276,766		14,673,359	20,125,452	
Transportation and travel	106,613		29,884	734	
Communications	40,007		251	25,929	
Office expense	1,211,025		667,615	27,825	
Office furniture and equipment	52,436		190		
Management and technical services				31,953	
Highway construction			2,146,281	40,087,398	
Right of way			864,881	6,633,511	
Capital outlay	6,131		269,091	23,131	
Debt service:					
Bond principal					37,380,000
Bond interest					12,896,543
Cost of issuance			18,195		
Arbitrage			650,715		
Total Expenditures	6,352,204	49,276,292	75,773,833	82,587,539	50,276,543
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,264,427)	11,477,491	31,490,169	(20,346,736)	(50,168,366)
OTHER FINANCING SOURCES (USES):					
Transfers in	9,478,477			9,674,800	26,142,104
Transfers out		(11,336,973)	(32,614,154)	(1,020,419)	
Total Other Financing Sources (Uses)	9,478,477	(11,336,973)	(32,614,154)	8,654,381	26,142,104
Net Change in Fund Balances	3,214,050	140,518	(1,123,985)	(11,692,355)	(24,026,262)
Fund Balances at Beginning of Year	3,367,495	63,865,228	143,421,697	(4,188,689)	53,140,494
Prior Period Adjustments			(6,918,067)	8,278,511	
Fund Balances at End of Year	\$ 6,581,545	\$ 64,005,746	\$ 135,379,645	\$ (7,602,533)	\$ 29,114,232

See accompanying notes to financial statements.

<u>Major Funds</u>			
<u>State Transit</u>	<u>Capital</u>	<u>Nonmajor</u>	
<u>Assistance Fund</u>	<u>Project</u>	<u>Governmental</u>	<u>Total</u>
		<u>Fund</u>	
			\$ 106,073,764
			58,681,660
\$ 13,137,744			13,137,744
		\$ 1,590,158	1,590,158
1,028,970	\$ 5,676,846	35,803	9,745,049
122,938		88,159	1,005,402
			27,738,925
			14,542,800
			19,619,658
<u>14,289,652</u>	<u>5,676,846</u>	<u>1,714,120</u>	<u>252,135,160</u>
5,612,547			92,046,113
			33,111,444
	80,719	94,632	5,650,836
	7,566,365	303,463	43,945,405
	36	2,664	139,931
		112,843	179,030
	16,613	586,058	2,509,136
			52,626
		99,005	130,958
	101,900		42,335,579
			7,498,392
			298,353
			37,380,000
			12,896,543
	13,654		31,849
			650,715
<u>5,612,547</u>	<u>7,779,287</u>	<u>1,198,665</u>	<u>278,856,910</u>
<u>8,677,105</u>	<u>(2,102,441)</u>	<u>515,455</u>	<u>(26,721,750)</u>
			45,295,381
	(203,915)	(169,920)	(45,345,381)
	(203,915)	(169,920)	(50,000)
8,677,105	(2,306,356)	345,535	(26,771,750)
44,121,848	215,780,821	760,853	520,269,747
	(1,360,444)		
<u>\$ 52,798,953</u>	<u>\$ 212,114,021</u>	<u>\$ 1,106,388</u>	<u>\$ 493,497,997</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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

YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (26,771,750)

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

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

Sale/disposal of assets	\$ (75,000)	
Capital outlay	298,353	
Depreciation	(103,741)	
Net adjustment		119,612

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

Amortization of deferred charges	(398,625)	
Amortization of bond premium, net	2,950,181	
Arbitrage	712,036	
Compensated absences	(57,662)	
Change in accrued interest on long-term debt	472,894	
		3,678,824

Deferred revenue in the governmental funds is a revenue in the statement of activities 17,125,278

Increase in obligation to Cities for the Measure I Project Advancement Agreement (28,548,700)

Expenditures incurred for debt service principal payments 37,380,000

The net revenue of certain activities of the internal service fund is reported with governmental activities. (158,142)

Change in Net Assets of Governmental Activities \$ 2,825,122

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS

**PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS**

JUNE 30, 2010

	Governmental Activities - Internal Service Fund
ASSETS	
Current assets	
Cash and Investments	\$ 107,746
Total Current Assets	<u>107,746</u>
Non-current assets:	
Capital assets being depreciated	5,159,905
Accumulated depreciation	<u>(968,169)</u>
Total Non-Current Assets	<u>4,191,736</u>
Total Assets	<u>4,299,482</u>
LIABILITIES	<u>-</u>
NET ASSETS	
Fund net assets:	
Invested in capital assets	4,191,736
Unrestricted	<u>107,746</u>
Total Fund Net Assets	<u>\$ 4,299,482</u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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

YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Rental income	\$ 361,818
Total Operating Revenues	<u>361,818</u>
OPERATING EXPENSES	
Depreciation	179,672
Other operating expenses	390,288
Total Operating Expenses	<u>569,960</u>
INCOME (LOSS) BEFORE TRANSFERS	(208,142)
Transfer in	<u>50,000</u>
Change in fund net assets	(158,142)
Fund Net Assets at Beginning of Year	<u>4,457,624</u>
Fund Net Assets at End of Year	<u><u>\$ 4,299,482</u></u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash from customers	\$ 361,818
Cash payments to suppliers	(390,288)
Net cash provided by (used for) operating activities	<u>(28,470)</u>
Cash flows from non-capital financing activities:	
Transfer from other special revenue funds	50,000
Net cash provided by (used for) non-capital financing activities	<u>50,000</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(17,745)
Net cash provided by (used for) capital and related financing activities	<u>(17,745)</u>
Net Increase in Cash and Investments	3,785
Cash and investments at beginning of year	<u>103,961</u>
Cash and investments at end of year	<u><u>\$ 107,746</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss:	\$ (208,142)
Adjustments to reconcile operating income (loss) to net income provided by (used by) operating activities	
Depreciation	179,672
Net Cash used by Operating Activities	<u><u>\$ (28,470)</u></u>

See accompanying notes to financial statements

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Blended Component Unit

SANBAG also acts as the San Bernardino County Service Authority for Freeway Emergencies (SAFE), which was established by Section 2550 of the California Streets and Highways Code, authorizing the Board of Supervisors of the county and the city councils with a majority of the incorporated population to establish a service authority for freeway emergencies. The primary purpose of the authority is to implement and maintain the operation of an emergency motorist aid system. In 1986 the Board of Supervisors of the County and the cities with a majority of the incorporated population established SAFE. Funding for SAFE is provided from an additional vehicle registration fee on vehicles registered in the County.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

C. Government-wide Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function and allocated indirect expenses.

D. Fund Financial Statements

The fund financial statements provide information about SANBAG's governmental funds. The emphasis of fund statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. SANBAG adopted an annual budget for fiscal year 2009-2010. The budget was adopted on a project by project basis. The detailed project budget can be obtained at SANBAG's offices. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, including compensated absences, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

SANBAG reports the following major governmental funds:

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

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

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

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Fund Financial Statements, (Continued)

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

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

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

SANBAG reports the following nonmajor governmental fund:

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

Additionally, SANBAG reports the following proprietary fund type:

Internal Service Fund accounts for the operation and maintenance of SANBAG's headquarters building.

E. Cash and Investments

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

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

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

F. Interfund Transactions

Transactions between SANBAG funds and the Internal Service fund that would be treated as revenues and expenditures or expenses if they involved organizations external to SANBAG are accounted for as revenues and expenditures or expenses in the funds involved.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

F. Interfund Transactions, (Continued)

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."

G. Capital Assets

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

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

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

H. Compensated Absences

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

Sick leave is recorded as an expenditure in the General Fund when taken by the employee. Employees who accrue in excess of 500 hours can convert them 2:1 into vacation leave. Any sick leave in excess of 500 hours may be converted into vacation and accrued at fiscal year end as a liability reported in the government-wide financial statements. Converted sick leave, due and payable at year end, is reported in the General Fund.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

I. Deferred Revenues

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

J. Long-term Debt

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

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for specific purposes. Designations of fund balance represent unspent portions of contracts that are expected to be appropriated and disbursed in the subsequent year.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by SANBAG or through external restrictions by creditors, grantors or laws or regulations of other governments.

SANBAG first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Disbursements to Cities and Subareas

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

N. Contribution to Other Governmental Agencies

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2010 consist of the following:

	Unrestricted		Restricted Investments	Sub-Total Investments	Grand Total
	Cash	Investments			
Cash in bank	\$ 22,865,546		\$ 22,865,546		\$ 22,865,546
Petty cash	1,000		1,000		1,000
Cash in County Treasury		\$ 121,134,088	121,134,088	\$ 121,134,088	121,134,088
Local Agency Investment Pool		17,468,541	17,468,541	17,468,541	17,468,541
Investments with fiscal agents or custodians		90,347,698	90,347,698	\$ 244,502,907	334,850,605
	<u>\$ 22,866,546</u>	<u>\$ 228,950,327</u>	<u>\$ 251,816,873</u>	<u>\$ 244,502,907</u>	<u>\$ 496,319,780</u>

Investments Authorized

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

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

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

Disclosures Related to Interest Rate Risk

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment Type	Amount Reported	Weighted Average Maturity (in years)
U.S. Treasury Obligations	\$ 30,951,375	0.81
U.S. Government Sponsored Enterprise Securities:		
FHLB	13,112,508	0.79
FHLMC	11,161,308	0.64
FFCB	6,780,550	0.63
FNMA	15,975,176	0.87
Corporate Notes	12,159,662	1.01
Local Agency Investment Fund (LAIF)	17,468,541	0.56
San Bernardino County Pool	121,134,088	0.92
Investments held by fiscal agent pursuant to debt agreements:		
Money Market Mutual Funds	244,710,026	N/A
Total	<u>\$ 473,453,234</u>	

Disclosures relating to credit risk

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

Investment Type	Total as of June 30, 2010	Exempt from Disclosure	AAA	A-1/A-1+	Not Rated
U.S. Treasury Obligations	\$ 30,951,375	\$ 30,951,375			
U.S. Government Sponsored Enterprise Securities:					
FHLB	13,112,508		\$ 13,112,508		
FHLMC	11,161,308		11,161,308		
FFCB	6,780,550		6,780,550		
FNMA	15,975,176		13,798,916	\$ 2,176,260	
Corporate Notes	12,159,662		12,159,662		
Local Agency Investment Fund (LAIF)	17,468,541				\$ 17,468,541
San Bernardino County Pool	121,134,088		97,149,542	23,984,546	
Money Market Mutual Funds	244,710,026		244,710,026		
Total	<u>\$ 473,453,234</u>	<u>\$ 30,951,375</u>	<u>\$ 398,872,512</u>	<u>\$ 26,160,806</u>	<u>\$ 17,468,541</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Custodial Credit Risk

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

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

As of June 30, 2010, SANBAG has deposits with a balance of \$22,906,859 of which \$250,000 is federally insured and the balance is collateralized in accordance with the Code.

California Local Agency Investment Fund

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

San Bernardino County Treasury Pool

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 3 – INTERFUND TRANSACTIONS

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

	Due To/From	
	Receivables	Payables
Measure I	\$ 46,306,773	\$ 6,918,067
Other Special Revenue Fund	8,278,511	38,034,045
Capital Project Fund		9,329,994
Other Nonmajor Governmental Fund		303,178
	<u>\$ 54,585,284</u>	<u>\$ 54,585,284</u>

Due To/From other funds represents temporary cash borrowings. Advances are long-term borrowings of cash between funds. There were no advances between funds in the fiscal year ending June 30, 2010.

	Transfers	
	In	Out
Operating transfers:		
General Fund	\$ 7,816,304	
Measure I Fund		\$ 6,472,050
Other Nonmajor Governmental Funds		169,920
Other Special Revenue Funds		970,419
Capital Projects Fund		203,915
General Fund	1,662,173	
Other Special Revenue Fund	9,674,800	
Local Transportation Fund		11,336,973
Debt Service Fund	26,142,104	
Measure I Fund		26,142,104
Internal Service Fund	50,000	
Other Special Revenue Fund		50,000
	<u>\$ 45,345,381</u>	<u>\$ 45,345,381</u>

The General Fund received transfers totaling \$7,816,304 from the Measure I Fund, Other Special Revenue Fund, and Other Nonmajor Governmental Funds for indirect costs and administration of the funds. The Local Transportation Fund transferred \$11,336,973 to the Other Special Revenue Fund and the General Fund for LTF Planning and Administration and Article 3 activity. Measure I transferred \$26,142,104 to the Debt Service Fund in order to fund debt service principal and interest payments.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance at July 1, 2009	Additions	Reclasses	Retirements	Balance at June 30, 2010
Governmental activities:					
Land	\$ 60,057,004			\$ (75,000)	\$ 59,982,004
Total Capital Assets Not Being Depreciated	60,057,004			(75,000)	59,982,004
Capital assets, being depreciated					
Buildings	4,827,137	\$ 17,745			4,844,882
Equipment, furniture and vehicles	6,101,650	298,355		(2,968,040)	3,431,965
Total Capital Assets Being Depreciated	10,928,787	316,100		(2,968,040)	8,276,847
Less accumulated depreciation for:					
Buildings	(783,756)	(178,669)			(962,425)
Equipment, furniture and vehicles	(5,970,524)	(105,422)		2,968,040	(3,107,906)
Total Accumulated Depreciation	(6,754,280)	(284,091)		2,968,040	(4,070,331)
Total Capital Assets, Being Depreciated, Net	4,174,507	32,009			4,206,516
Governmental Activities Capital Assets, Net	\$ 64,231,511	\$ 32,009	\$ -	\$ (75,000)	\$ 64,188,520

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

Governmental Activities:	
General government	\$ 104,419
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	179,672
Total Depreciation Expense, Governmental Activities	\$ 284,091

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of the changes in the long-term obligations for the year ended June 30, 2010:

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Due within One Year
Revenue bonds payable	\$ 287,380,000		\$ 37,380,000	\$ 250,000,000	
Bond premium, issuance cost and arbitrage, net	10,160,089		2,950,181	7,209,908	
Compensated absences	672,578	\$ 108,636	50,974	730,240	\$ 35,787
Total Long-Term Obligation	<u>\$ 298,212,667</u>	<u>\$ 108,636</u>	<u>\$ 40,381,155</u>	<u>\$ 257,940,148</u>	<u>\$ 35,787</u>

Revenue bonds payable as of June 30, 2010 consist of the following:

	Amount Outstanding
1996 Series A Sales Tax Revenue Bonds-Original Issue \$65,035,000 - The remaining issue consists of \$6,180,000 in serial bonds, which have scheduled maturities through March 1, 2010 and interest rates varying from 4.00% to 6.25%. The 1996 Series A Bonds are not subject to redemption prior to stated maturities. SANBAG made the final payment of \$6,180,000 during the fiscal year.	\$ -
1997 Series A Sales Tax Revenue Bonds-Original Issue \$65,000,000 - The issue consists of \$10,035,000 in serial bonds outstanding at June 30, 2009, which have scheduled maturities through March 1, 2010 and interest rates varying from 3.90% to 5.25%. Those bonds maturing after March 1, 2008 are subject to redemption beginning March 1, 2008. SANBAG made the final payment of \$10,035,000 during the fiscal year.	-
2001 Series A Sales Tax Revenue Bonds-Original Issue \$85,000,000 -The issue consists of \$11,110,000 in serial bonds outstanding at June 30, 2009, which have scheduled maturities through March 1, 2010 and interest rates varying from 3.50% to 5.00%. The Series A Bonds are not subject to redemption prior to stated maturities. SANBAG made the final payment of \$11,110,000 during the fiscal year.	-
2001 Series B Sales Tax Revenue Funding (Limited Tax) Bonds-Original Issue \$47,020,000 - The issue consists of \$10,055,000 in serial bonds outstanding at June 30, 2009, which have scheduled maturities through March 1, 2010 and interest rates varying from 3.50% to 5.00%. The Series B Bonds are not subject to redemption prior to stated maturities. SANBAG made the final payment of \$10,055,000 during the fiscal year.	-
2009 Series A Sales Tax Revenue Bonds-Original Issue \$250,000,000 - The issue consists of \$250,000,000 in serial bonds outstanding at June 30, 2009. The bond was issued of May 1, 2009 and has a scheduled maturity on May 1, 2012. Interest rates vary from 2.5% to 5.0%.	\$ 250,000,000
	<u>\$ 250,000,000</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

The bonds are secured by a pledge of all receipts of sales tax, less an administrative fee of 1.58% of sales tax receipts paid to the State Board of Equalization for administration, and less sales tax receipts allocable to the Mountain-Desert region, except for certain jurisdictions covered by the pledge. The total sales tax revenue received was \$106,073,764 and for the current year the total principal and interest paid for the bonds was \$50,276,543.

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

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011		\$ 11,477,825	\$ 11,477,825
2012	\$ 250,000,000	9,564,854	259,564,854
Total	<u>\$ 250,000,000</u>	<u>\$ 21,042,679</u>	<u>\$ 271,042,679</u>

NOTE 6 – LEASE COMMITMENTS AND TOTAL RENTAL EXPENSE

SANBAG leases various office spaces under operating leases expiring in June 2011. In addition, SANBAG leases a copier under a five-year lease agreement expiring in September 2012. The leases provide that the lessee shall pay all insurance and maintenance. The total rental expenditures included in the financial statements for the year ended June 30, 2010 were \$176,125.

The total minimum rental commitment at June 30, 2010 is due as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2011	\$ 146,103
2012	33,026
2013	10,479
2014	3,229
Total	<u>\$ 192,836</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 7 – PENSION PLAN

San Bernardino County Employee's Retirement Association (SBCERA)

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

Funding policy: General members are required to contribute 7.42% to 12.96% of their annual compensation to SBCERA. SANBAG is required to make periodic contributions to SBCERA in amounts that are estimated to remain a constant percentage of covered employee compensation such that, when combined with covered employees' contributions, will fully provide for all covered employees' benefits by the time they retire. The current employer rate is 19.42%. SANBAG has elected to pay the employees' portion of contributions. SANBAG's contributions to SBCERA for the years ended June 30, 2010 was \$1,116,950 which equal the required contributions for the year. The actuarial methods and assumptions are those adopted by the SBCERA Board of Retirement.

Three-Year Trend Information for the Plan:

<u>Fiscal Year</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2008	\$ 886,308	100%	0
6/30/2009	1,340,695	100%	0
6/30/2010	1,116,950	100%	0

California Public Employees' Retirement System (CalPERS)

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 7 – PENSION PLAN, (Continued)

Funding policy: Participants in the plan have already retired from SANBAG and are not actively contributing to the plan. Initial unfunded liabilities are amortized over a closed period that depends on the date of entry into PERS. Subsequent plan amendments are amortized as a level of the percentage of pay over a closed 20-year period. All gains and losses are tracked and amortized over a rolling 30-year period with the exception of gains and losses in fiscal years 2008-09, 2009-10 and 2010-2011 in which each year’s gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If the plan’s accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

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

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship and the relationship with the unfunded actuarial accrued liability to payroll.

Three-Year Trend Information for the Plan:

<u>Fiscal Year Ending</u>	<u>Employer Contribution Rate</u>	<u>Annual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	0%	\$ 12,496	100%	0
6/30/2009	0%	12,441	100%	0
6/30/2010	0%	12,666	100%	0

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 8 – COMMITMENTS

Transportation

Outstanding contracts: As of June 30, 2010, 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 \$455,655,930 at June 30, 2010. Of this total, \$191,310,592 is expected to be expended in the year ending June 30, 2011.

Local Stimulus Program

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

The \$31.4 million is a reallocation of Measure I Major Projects fund balance and FY 2009/2010 Measure I Major Projects fund from the I-215 project to the Local Stimulus Program. The portion allocated for the cities in the Valley Subarea was \$19,706,413. The portion allocated for the cities and towns in the Mountain/Desert Subarea was \$5,873,881. San Bernardino County also spent \$2,550,000 of their rural and urban funds in the Mountain/Desert Subarea. Agencies have 36 months from the date of the Local Stimulus Program Allocation Letter to complete their projects and submit invoices for reimbursement. If the agencies fail to submit reimbursement requests or incur the necessary project costs, then the available funding would be re-allocated back into the SANBAG Measure I pool.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 8 – COMMITMENTS, (Continued)

Local Stimulus Program, (Continued)

The following summarizes the declared projects with projected costs:

<u>Location of Project</u>	<u>Projected Cost</u>
Adelanto	\$ 400,678
Apple Valley	990,333
Barstow	343,238
Big Bear Lake	300,000
Chino	1,193,217
Chino Hills	1,115,987
Colton	732,660
Fontana	2,679,518
Grand Terrace	300,000
Hesperia	1,250,076
Highland	742,413
Loma Linda	320,642
Montclair	523,993
Needles	300,000
Ontario	2,455,073
Rancho Cucamonga	2,519,544
Redlands	1,015,637
Rialto	1,417,889
San Bernardino	2,898,703
San Bernardino County - Rural	2,050,000
San Bernardino County - Urban	3,769,705
Twentynine Palms	437,067
Upland	1,063,679
Victorville	1,551,410
Yucaipa	727,458
Yucca Valley	301,079
Total Commitment	<u>\$ 31,400,000</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 8 – COMMITMENTS, (Continued)

Local Stimulus Program, (Continued)

As of June 30, 2010, the following short term liabilities were recognized:

<u>Entity</u>	<u>Amount of Current Liabilities</u>
Chino	\$ 1,193,217
Chino Hills	807,635
Chino Hills	84,454
Fontana	13,560
Fontana	1,600
Hesperia	400,001
Rancho Cucamonga	582,475
Redlands	913,923
Redlands	101,714
Twentynine Palms	437,067
Total Due To Other Governments	<u><u>\$ 4,535,646</u></u>

NOTE 9 – JOINT VENTURE

SANBAG is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in June 1992. The SCRRA's Board consists of one member from the Ventura County Transportation Commission; two each from the Orange County Transit Authority, SANBAG and the Riverside County Transportation Commission; and four members from Los Angeles County Metropolitan Transportation Authority. The SCRRA is responsible for implementing and operating a regional commuter rail system (Metrolink) in five Southern California counties. As a member of the SCRRA, SANBAG makes capital and operating contributions for its pro rata share of rail lines servicing the County of San Bernardino. SANBAG expended \$9,454,041 during 2010 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by and available from the SCRRA.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 10 – CONTINGENCY

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

As discussed in Note 9, SANBAG is a member of the Southern California Regional Rail Authority (SCRRA) through a Joint Exercise of Powers Agreement (JPA). The purpose of SCRRA is to plan, design, construct and administer the operation of regional rail lines serving the member agencies. It is noted that prior to FY09-10, SCRRA, the operator of Metrolink, was involved in accidents that resulted in a number of claims. In March 2010, another such case arose from an individual claiming that SANBAG negligently owned, maintained, or operated the train which struck her and suffered injuries that have resulted in medical expenses exceeding \$400,000. This claim has been tendered for defense and indemnity to SCRRA under the Joint Powers Authority Agreement between SANBAG and SCRRA. It is premature to evaluate fully the merits of the case at this time.

The San Bernardino County Flood Control District (District) is suing SANBAG, Caltrans and the City of Rialto what is called the Cactus Basin Channel. This litigation stems from a dispute certain flood control improvement facilities that were constructed for the new 210 Freeway project in the City of Rialto. The District alleges that these improvements have resulted in an overburdening of certain basins owned and operated by the District. The District is claiming damages of as much as \$35 million to improve the basins. As of early 2010, all parties and the court have agreed that this case should be heard after the Colonies related trial. The current trial date is September 30, 2011. However, because the Colonies trial has been moved to August 2011, SANBAG and other parties will be requesting to continue the Cactus Basin trial. The parties have produced extensive documents (exceeding 100,000 pages). Additional extensive discovery is supposed to be forthcoming from the District but may require a motion to compel by SANBAG. This information is needed before any depositions are commenced and no party has noticed any depositions to date. It is anticipated depositions will commence the first part of 2011. It is anticipated that various parties, including SANBAG, may file dispositive motions, such as for summary judgment prior to trial. The case remains active, but it is still premature to evaluate fully the merits of the case.

San Bernardino County and the San Bernardino County Flood Control District have filed a suit for indemnity, contribution and declaratory relief against SANBAG, Caltrans, and the City of Upland. This litigation stems from a dispute regarding the 20th Street Storm Drain facility related to the construction of the 210 freeway that has arisen in a quiet title action and a separate inverse condemnation action the Colonies brought against the District and/or the County. The Plaintiffs seek indemnification and damages for a \$102 million settlement they entered with the Colonies. As of this date, the parties continue to engage in significant written discovery and extensive depositions. Much more discovery remains to be conducted by all sides and trial is currently scheduled for August 2011. It is anticipated that expert designations will occur later this year. The Colonies settlement is the subject of a felony complaint filed by the California Attorney General and the San Bernardino County District Attorney in 2010. They allege that the Colonies settlement was the result of a bribery-extortion scheme involving County supervisors. These issues have been raised by defendants as a defense, along with several other defenses and cross-complaints. It is premature to evaluate fully the merits of the case at this time.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 10 – CONTINGENCY, (Continued)

The owners of approximately 1,380 residential dwellings within a one mile radius of the centerline of the 210 Freeway extensions in San Bernardino County joined as plaintiffs to file a lawsuit for inverse condemnation against SANBAG. Originally, all plaintiffs were suing for nuisance, both during the construction and in the ongoing maintenance and operation of the 210 Freeway Extension Project. In mid-2009, plaintiffs dismissed private and public nuisance causes of action against all defendants. Plaintiffs are now limiting their claims to property damage sustained during construction. The measure of for each homeowner is cost of repair, or diminution in value, whichever is less. The original five-year statute of limitations in which to bring the case to trial would have expired in April 2008. In March 2010, the plaintiffs dismissed SANBAG, in exchange for a waiver of costs; SANBAG's role in the active litigation is now solely as cross-complainant against Yeager and Riverside, the construction companies, to secure contribution from them for demands now being made by Caltrans in the sum of \$4,942,132 for expert fees and related costs incurred in defending these matters. Caltrans has made a formal demand in correspondence directed to counsel for SANBAG, Yeager and Riverside, and to four other entities which, according to Caltrans, are contractually obligated to defend and indemnify Caltrans. As of June 30, 2010, the total number of plaintiffs has decreased to about fifteen, but the case remains active, and it is premature to evaluate fully the merits of the case.

NOTE 11 – FUTURE REVENUES PLEDGED (PROJECT ADVANCEMENT AGREEMENTS)

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

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

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

The following summarizes the declared projects with Project Advancement Agreements:

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

Program name	Location	Project Name	Cost Estimate	Measure I Share
Valley Major Street	R Cucamonga	Foothill and East Ave	\$ 158,000	\$ 112,180
Valley Major Street	R Cucamonga	Foothill and Malachite	158,000	112,180
Valley Major Street	R Cucamonga	Haven and Trademark	158,000	112,180
Valley Major Street	R Cucamonga	Haven and Wilson	158,000	112,180
Valley Major Street	R Cucamonga	Hermosa and Church	158,000	112,180
Valley Major Street	R Cucamonga	Wilson and San Sevaive	158,000	112,180
Valley Major Street	R Cucamonga	Wilson and Wardman Bullock	158,000	112,180
Valley Major Street	Rialto	Bloomington Ave and Willow Ave	395,000	237,000
Valley Major Street	Rialto	Merrill Ave and Willow Ave	282,000	169,200
Valley Major Street	Rialto	Cactus Ave and Walnut Ave	282,000	169,200
Valley Major Street	Rialto	Cactus and Randall Ave	282,000	169,200
Valley Major Street	Rialto	Riverside Ave and Alder Ave	282,000	169,200
Valley Major Street	Yucaipa	Yucaipa Blvd	2,898,400	1,224,750
Valley Major Street	Yucaipa	Oak Glen Rd	500,000	345,000
Valley Major Street	Yucaipa	Oak Glen Rd	1,800,000	1,242,000
Valley Major Street	Yucaipa	Wildwood Canyon Rd	551,605	380,880
Total Measure I Commitment For Project Advancement Agreements			<u>\$ 249,753,618</u>	<u>\$ 127,101,001</u>

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

The following summarizes the amounts to be recognized as liabilities for FY 2009/2010:

	Victor Valley Major Local Highways	Valley Freeway Interchange	Valley Major Street	Total
Current Liabilities		\$ 766,528	\$ 1,393,688	\$ 2,160,216
Long Term Liabilities		12,120,144	66,336,644	78,456,788
Commitments	\$ 8,598,000	21,450,581	16,435,416	46,483,997
Total	<u>\$ 8,598,000</u>	<u>\$ 34,337,253</u>	<u>\$ 84,165,748</u>	<u>\$ 127,101,001</u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

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, 2010.

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, 2010.

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

A total of \$28,548,700 should be recognized as long term liabilities in FY 2009/2010, while the remaining \$49,908,088 of the total long term liabilities illustrated above are recognized retroactively in FY 2008/2009 as prior period adjustments (See Note 14).

NOTE 12 – PTMISEA FUNDING

As of June 30, 2010, San Bernardino Associated Governments (SANBAG) received a total of \$9,229,525 in Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds. These funds are designated to be used for the purchase of three rail cars by SCRRA for Metrolink operations \$(5,500,000), replacement paratransit vehicles by SANBAG-City of Barstow \$(420,000), and metrolink positive train control by SCRRA \$(3,309,525). As of June 30, 2010, the funds are accounted for within the Other Special Revenue Fund; \$3,729,525 has been accounted for as deferred revenue and \$4,125,000 was disbursed during the fiscal year and \$1,375,000 was disbursed in FY 07-08.

NOTE 13 – DEFICIT FUND BALANCES

The Other Special Revenue Fund ended the fiscal year with the following deficit fund balances:

Other Special Revenue Fund	\$ (7,602,533)
----------------------------	----------------

SANBAG was awarded grant funding from federal, state, and county agencies (including stimulus funding). Most grants are on a reimbursement basis so the revenue is not received until after the end of the recognition criteria of 60 days. Finance Department records all the detail of grant revenues and expenditure to ensure reimbursement from grant agencies.

Encumbrances of \$38,871,767 consist of purchase orders for projects under federal, state, and county grants. The unreserved fund balance of \$(46,474,300) is due to liabilities exceeding assets of \$7,602,533 and recording of a reserve for encumbrances of \$38,871,767. The obligation of the encumbrances will be paid by future revenues (reimbursements) received from grant agencies.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 14 – RESTATEMENT OF FUND BALANCES AND NET ASSETS

An analysis of Measure I fund expenditures was since conducted the inception of Measure I sales tax in 1990 to fiscal year 2009. The analysis revealed several reclassifications adjustments between the Measure I Fund (including project areas Major and Arterial, Rail, and Elderly & Handicap), the Capital Project Fund, and the Other Special Revenue Fund due to expenditures which were recorded in the incorrect funds in prior years.

As results of this classification issue, a total of \$1,360,444 in expenditures for the Measure I Fund should have been recorded in the Capital Projects Fund based on the source of funding; a loan between the project areas within the Other Special Revenue Fund was instead recorded under the Measure I Fund; and a number of expenditures belonging to the Measure I Fund’s Major Project Area was instead recorded under the Other Special Revenue Fund.

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

	Measure I Special Revenue	Other Special Revenue	Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
Fund Balances, as previously reported	\$ 143,421,697	\$ (4,188,689)	\$ 215,780,821
Restatement	<u>(6,918,067)</u>	<u>8,278,511</u>	<u>(1,360,444)</u>
Fund balances at June 30, 2009, as restated	<u><u>\$ 136,503,630</u></u>	<u><u>\$ 4,089,822</u></u>	<u><u>\$ 214,420,377</u></u>

Another restatement to the beginning net assets at June 30, 2009 related to the Project Advancement Agreement as described above in Note 11 has been recorded:

	Total Governmental Funds
	<u> </u>
Net Assets, as previously reported	\$ 302,230,088
Restatement	<u>(49,908,088)</u>
Net Assets at June 30, 2009, as restated	<u><u>\$ 255,147,122</u></u>

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 15 – GASB PRONOUNCEMENTS

Implemented/Effective During 2009-2010

- GASB Statement No. 51 – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. SANBAG has determined that the impact on the financial statements was not material.
- GASB Statement No. 53 – In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. SANBAG has determined that the impact on the financial statements was not material.
- GASB Statement No. 58 – In June 2009 the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement establishes accounting and financial reporting requirements for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effect for financial statements for periods beginning after June 15, 2009. SANBAG has determined that the impact on the financial statements was not material.

Effective in Future Years:

- GASB Statement No. 54 – In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by defining a hierarchy of classifications to which governments are bound to observe imposed constraints upon the use of reported resources. This statement is not effective until June 30, 2011.
- GASB Statement No. 59 – In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. In June 2010, the GASB issued Stated No. 59; the statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. It increases the consistency of measurements and providing clarification of existing standards. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010.
- GASB Statement No. 60 – In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Statement 60 addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is not effective until periods beginning after December 15, 2011.

SAN BERNARDINO ASSOCIATED GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 15 – GASB PRONOUNCEMENTS, (Continued)

Effective in Future Years:

- GASB Statement No. 61 – In December 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. Statement 61 is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999 respectively. The Statement amends the criteria for including component units, blending, and reporting equity interest in component units. The requirements of Statement 61 are effective for financial statements for periods beginning after June 15, 2012.
- GASB Statement No. 62 – In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. By incorporating and maintaining this guidance in a single source, the Statement reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports. The requirements of Statement 62 are effective for financial statements for periods beginning after December 15, 2011.

SUPPLEMENTARY INFORMATION

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

SAN BERNARDINO ASSOCIATED GOVERNMENTS

GENERAL GOVERNMENTAL REVENUE BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Transactions and Use Tax</u>	<u>Local Transportation Fund</u>	<u>State Transit Assistance Fund</u>	<u>Vehicle Registration Fees</u>	<u>Other Local</u>	<u>Investment Income</u>
2000-01	\$ 90,618,695	\$ 48,566,103	\$ 2,838,017	\$ 1,331,954	\$ 2,363,292	\$ 9,125,119
2001-02	94,524,807	49,713,962	5,694,689	1,361,485	5,265,682	9,154,912
2002-03	104,063,009	54,693,963	2,956,387	1,405,996	2,033,947	5,562,045
2003-04	111,575,283	59,335,936	3,242,050	1,487,896	4,336,062	1,284,521
2004-05	131,902,744	69,042,522	3,775,237	1,575,365	3,353,696	4,924,308
2005-06	148,073,689	80,291,612	6,222,728	1,639,975	2,710,654	7,746,516
2006-07	147,929,491	78,833,385	19,935,558	1,659,579	2,823,249	12,313,655
2007-08	140,547,350	74,557,995	6,455,483	1,649,657	1,449,777	11,988,570
2008-09	114,901,053	62,726,230	8,813,610	1,632,912	13,758,271	6,133,700
2009-10	106,073,764	58,681,660	13,137,744	1,590,158	19,619,658	9,745,049

Federal	State	Refunds	Other Financing Sources	Total
\$ 20,597,662	\$ 5,500,695	\$ 205,795		\$ 181,147,332
69,100,788	7,403,669	237,709		242,457,703
31,060,639	4,045,087	205,291		206,026,364
3,003,402	25,329,378	209,597		209,804,125
11,677,403	25,016,959	940,204		252,208,438
22,085,428	41,775,823	116,797	\$ 240,315	310,903,537
34,217,715	9,323,997	90,648		307,127,277
16,942,174	33,002,057	121,748		286,714,811
11,781,742	20,451,779	121,748	260,372,920	500,693,965
27,738,925	14,542,800	1,005,402		252,135,160