

COUNTY OF SAN BERNARDINO, CALIFORNIA

MEASURE I FUNDS

**Financial Statements and
Independent Auditors' Reports**

For the year ended June 30, 2016

COUNTY OF SAN BERNARDINO, CALIFORNIA

**San Bernardino Associated Governments
Measure I Funds
For the Year Ended June 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds), of the County of San Bernardino, California (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure I Funds of the County of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Funds and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 11 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

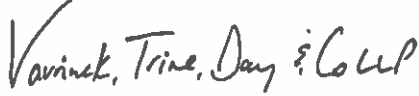
Management has omitted the Management's Discussion and Analysis for the Measure I Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure I Funds of the County's basic financial statements. The other information on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the County's internal control over financial reporting of the Measure I Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure I Funds' internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 22, 2016

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**BALANCE SHEET
JUNE 30, 2016**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
ASSETS		
Cash and Investments	\$ 1,259,042	\$ 23,633,122
Cash with Fiscal Agent	-	33,950
Receivables:		
Accounts Receivable	-	1,199
Taxes	-	1,418,108
Due from Other Governments		49,020
Total Assets	<u>\$ 1,259,042</u>	<u>\$ 25,135,399</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ -	\$ 68,647
Retentions Payable	-	68,314
Due to Other County Funds	-	3,385,721
Total Liabilities	<u>-</u>	<u>3,522,682</u>
Deferred Inflows of Resources:		
Unavailable revenue	<u>-</u>	<u>8,710</u>
Fund Balance:		
Restricted	<u>1,259,042</u>	<u>21,604,007</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,259,042</u>	<u>\$ 25,135,399</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Measure I 1990-2010</u>	<u>Measure I 2010-2040</u>
REVENUES		
Measure I Sales Tax	\$ -	\$ 8,771,881
Interest, net of Unrealized Gain/(Losses)	10,220	184,106
Other Revenue	96,913	160,307
Total Revenues	<u>107,133</u>	<u>9,116,294</u>
EXPENDITURES		
Capital:		
Construction, Maintenance & Engineering	<u>-</u>	<u>9,321,004</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>107,133</u>	<u>(204,710)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	1,312,476
Transfers Out	<u>(1,312,476)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,312,476)</u>	<u>1,312,476</u>
Net Changes in Fund Balances	(1,205,343)	1,107,766
Fund Balance Beginning of Year	<u>2,464,385</u>	<u>20,496,241</u>
Fund Balance End of Year	<u>\$ 1,259,042</u>	<u>\$ 21,604,007</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – GENERAL INFORMATION

Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the County of San Bernardino, California (County) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the County and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Measure I

Measure I is the half-cent sales tax collected throughout San Bernardino County for transportation improvements. In 2004, San Bernardino County voters approved the extension of the Measure I sales tax through 2040. See Note 4 for a detailed description of the Measure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Measure I Funds of the County conform to accounting policies generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Basis of Accounting

Governmental Fund Financial Statements

Fund Accounting

The accounts of the County are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The County accounts for the Measure I activities within its Measure I Fund 1990-2010 and Measure I Fund 2010-2040 Special Revenue Funds.

Special Revenue Funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes.

Measurement Focus and Basis of Accounting

The Special Revenue Funds of the County are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

C. Fund Balances

Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first.

D. Cash and Investments

Cash and investments are pooled by the County to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure I Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Funds, are those of the County and are disclosed in the County's basic financial statements. The County's basic financial statements can be obtained at the Auditor Controller's office or website.

The Measure I Funds' cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Measure I Funds' deposits and withdrawals in the County Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the Measure I Funds' investment in the County Investment Pool is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

E. Maintenance of Effort

In accordance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the San Bernardino County Transportation Authority, Local Street Program funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes. The maintenance of effort (MOE) base year level was determined based upon the discretionary General Fund expenditures for transportation-related construction and maintenance activities in Fiscal Year 2008/2009. The MOE base year level as approved by the SANBAG Board of Directors shall remain in effect until the expiration of Measure I 2010-2040. General Fund expenditures in excess of the MOE base year level will carry over to subsequent fiscal years and can be applied in a future year to offset the amount the local agency may need to meet the MOE requirement. The County's determined MOE base level is \$0.

F. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, unavailable revenues, represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represent the Measure I sales tax revenues for the fiscal year received from the San Bernardino County Transportation Authority after June 30, 2016.

NOTE 4 – MEASURE I FUNDS

The California State Legislature authorized county transportation authorities to enact local option sales tax measures for transportation improvements in the late 1980s, under provisions of Division 19 (commencing with Section 180000) of the Public Utilities Code. In November 1989, San Bernardino County voters approved passage of Measure I, authorizing the San Bernardino County Transportation Authority to impose a half cent retail transactions and use tax applicable in the incorporated and unincorporated areas of the County of San Bernardino for the 20-year period between April 1, 1990 and March 31, 2010. San Bernardino Associated Governments (SANBAG), acting as the Authority, was authorized to administer the programs described in the Measure.

Early in the second decade of Measure I, it became apparent that continuation of the half cent sales tax would be critical to maintaining funding for transportation in San Bernardino County. SANBAG member jurisdictions and transportation stakeholders worked to identify transportation needs, and an expenditure plan was developed to serve as a basis for the renewal of Measure I. Ordinance No. 04-01 was placed before voters in November 2004, and Measure I was renewed. The new Measure I extends the half cent sales tax for 30 years, from April 1, 2010 through March 31, 2040. The new Measure is referred to as Measure I 2010-2040 to distinguish it from the first Measure I. The County of San Bernardino accounted for the funding sources in separate Funds which are referred to a Measure I 1990-2010 and Measure I 2010-2040 Funds in these Financial Statements.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – MEASURE I FUNDS, (CONTINUED)

San Bernardino Associated Governments (SANBAG), acting as the Authority, is authorized to administer the programs described in the Measure. The SANBAG Board serves as the Authority Board of Directors. Revenue from the tax can only be used for transportation improvement and traffic management programs authorized in the Expenditure Plan.

Measure I 2010-2040 has a return-to-source provision that states that funds shall be allocated to subareas in accordance with the actual revenue collected in each subarea. After deduction of required Board of Equalization fees and authorized administrative costs, revenues generated in each subarea are to be expended on projects of direct benefit to that subarea. Revenues are accounted for separately for each subarea and then allocated to specified project categories in each subarea. These project categories are termed “programs” in this Strategic Plan. Decisions on how revenues are expended within the subareas are made by the SANBAG Board of Directors, based upon recommendations of local subarea representatives. Other than the projects identified in the Cajon Pass Expenditure Plan, revenues generated within a subarea can be expended outside of that subarea only upon approval of two-thirds (2/3) of the jurisdictions within the affected subarea. A proportional share of projected State and federal transportation funds is to be reserved for use solely within the Valley Subarea and individual Mountain/Desert (Colorado River, Morongo Basin, Mountains, North Desert and Victor Valley) Subareas. In the San Bernardino Valley Subarea, Measure I 2010-2040 contains the following programs:

- Freeway Program
- Freeway Interchange Program
- Major Street Program
- Local Street Program
- Metrolink/Rail Program
- Express Bus/Bus Rapid Transit Program
- Senior and Disabled Transit Program
- Traffic Management Systems Program

In each of the Mountain/Desert Subareas, Measure I 2010-2040 contains the following programs:

- Local Street Program
- Major Local Highway Program
- Senior and Disabled Transit Program

NOTE 5 – DUE TO OTHER COUNTY FUNDS

Several of the County’s transportation related projects have multiple funding sources, such as Prop 1B, TDA allocations and Department of Transportation (DOT) grants. These various funding sources are tracked in separate funds within the County and then transferred into the fund(s) where the project(s) are taking place, resulting in monies due to/from other funds within the County as projects progress.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – OTHER REVENUE

Several of the County's Measure I projects have multiple funding sources, such as Prop 1B, TDA allocations and Department of Transportation (DOT) grants. When these various funding sources are received to aid in a Measure I project, the receipts are recorded as other revenues within the Measure I fund where the projects are taking place. This segregates the Measure I sales tax revenues from the other revenue sources utilized in the funding of the projects.

NOTE 7 – INTEREST INCOME

The County allocates interest to funds on a quarterly basis. The allocation is based on the funds' average daily cash balance in the pool. At year-end the County records an adjustment for fair value measurement; this adjustment is recorded in the interest income account in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The GASB 31 adjustment is allocated based on the Funds' portion of interest earned in the year as a percentage of the total interest earned in the pool.

NOTE 8 – TRANSFERS

Transfers out of Measure I 1990-2010 and into the Measure I 2010-2040 in the amount of \$1,312,476 represent unspent program amounts of sub-funds after project completion.

REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 1990-2010 FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest, net of Unrealized Losses	\$ 1,500	\$ 1,500	\$ 10,220	\$ 8,720
Other Revenue	-	-	96,913	96,913
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>107,133</u>	<u>105,633</u>
EXPENDITURES				
Capital:				
Construction, Maintenance and Engineering	<u>95,000</u>	<u>95,000</u>	<u>-</u>	<u>95,000</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(93,500)</u>	<u>(93,500)</u>	<u>107,133</u>	<u>200,633</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>-</u>	<u>(1,312,476)</u>	<u>(1,312,476)</u>
Net Changes in Fund Balance	(93,500)	(93,500)	(1,205,343)	(1,111,843)
Fund Balance Beginning of Year	<u>2,464,385</u>	<u>2,464,385</u>	<u>2,464,385</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 2,370,885</u>	<u>\$ 2,370,885</u>	<u>\$ 1,259,042</u>	<u>\$ (1,111,843)</u>

See accompanying note to required supplementary information.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
MEASURE I 2010-2040 FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Measure I Sales Tax	\$ 6,405,581	\$ 6,405,581	\$ 8,771,881	\$ 2,366,300
Interest, net of Unrealized Losses	75,869	75,869	184,106	108,237
Other Revenue	-	-	160,307	160,307
Total Revenues	<u>6,481,450</u>	<u>6,481,450</u>	<u>9,116,294</u>	<u>2,634,844</u>
EXPENDITURES				
Capital:				
Construction, Maintenance & Engineering	<u>19,425,450</u>	<u>22,893,114</u>	<u>9,321,004</u>	<u>13,572,110</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(12,944,000)</u>	<u>(16,411,664)</u>	<u>(204,710)</u>	<u>16,206,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>1,310,451</u>	<u>1,312,476</u>	<u>2,025</u>
Net Changes in Fund Balance	(12,944,000)	(15,101,213)	1,107,766	16,208,979
Fund Balance Beginning of Year	<u>20,496,241</u>	<u>20,496,241</u>	<u>20,496,241</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 7,552,241</u>	<u>\$ 5,395,028</u>	<u>\$ 21,604,007</u>	<u>\$ 16,208,979</u>

See accompanying note to required supplementary information.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – BUDGETARY DATA

The County adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

OTHER INFORMATION

**COUNTY OF SAN BERNARDINO, CALIFORNIA
MEASURE I FUNDS**

**PROGRAM STATUS: COMPARISON OF 5 YEAR PLAN PROJECT
BUDGET TO CURRENT YEAR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016**

The Measure I Five Year Capital Improvement Plan for local streets was adopted by the County Board of Supervisors Resolution No. 2015-181. Of the funds allocated under the Measure I Five Year Capital Improvement Plan, the following programs were affected during the current fiscal year:

Local Projects:	5-Year Plan Project Budget	Current Fiscal Year Expenditures	Unexpended Budget
Parker Dam Road, Aqueduct Rd (SH62) N 2miles - AC Overlay	\$ 500	\$ 12,507	\$ (12,008)
Apache Drive, Rio Mesa Dr NW/.04M N, EL PASEO - AC Overlay	57,854	59,647	(1,793)
Park Blvd, Alta Loma N to 29 Palms Hwy, Reconstruction	100,000	40,310	59,690
Yard 12 Overlay '15 Calico Road, Yermo Road, Mt View Road, National Trails, Santa Fe Street	183,960	50,581	133,379
Yard 12 Chip Seal '15 (Yermo Road and Others) - Black Butte Road, Calico Blvd, Calico Road, Ghost Town Road, Mountain View Road, National Trails Highway, Riverside Road, Yermo Road, Santa Fe Street, Newberry Road, Old Highway 58	1,511,068	1,602,999	(91,931)
Goff's Road and Lanfair Road Chip Seal (Yard 15)	1,365,700	342,332	1,023,368
Trona Northern Bike Path - Overlay	5,000	309	4,691
Maple Lane, .27M N, Baldwin Ln/SH38 - Drainage Improvement	500	116	384
North Bay Road - Pavement Improvement North Bay Road, SH173 Ely/Golden Rule Lane, North Bay Road, SH189 N&E/SH173	2,846,916	2,343,354	503,562
Jurupa Avenue and Others Rehabilitation, Cedar Ave E/.09M W, Willow Ave; Cactus Ceres Avenue, Merrill Ave N&E/Catawba - Rehabilitation	1,363,904	1,333,074	30,830
Live Oak Avenue- Rehabilitation, LIVE OAK AVENUE, Merrill Ave N&E/Catawba	346,173	321,809	24,364
Etiwanda Avenue, North Abutment of I-10 Bridge to 400' N of Valley, Reconstruction	598,524	547,944	50,580
Sand Canyon Road - Overlay	1,157,000	91,719	1,065,281
Spring Valley Lake area - Pavement Improvement: Chinquapin Drive, Vista Ponit Dr NWLY/Ridge Crest Rd; Country Club Drive, Spg Valley Pky ELY/Riverview Dr; Driftwood Drive, Riverview Dr NWLY/Spg Valley Pky; Honeycomb Lane, Hidden Valley Rd E/Spring Valley Pky; Kalin Ranch Drive, Spr Valley Pky NE/Arrowhead Tr; Makai Court, Country Club Dr N/End ; Mauka Court, Country Club Dr NLY/End; Pah-ute Road, Ridge Crest Rd E/.08M E, Spg Valley Pky ; Rancho Bonita Rd, Hidden Valley Rd ELY/Spg Valley Pky; Rolling Ridge Drive, .0004M S, Mtn Meadows NLY/Country Clud Dr	30,000	6,896	23,104
Victor Valley Area Overlay Yard 11 - Dos Palmas Road, Duncan Road, El Evado Road, Phelan Road, Pine Street	2,852,477	958,656	1,893,821
National Trails Highway, Victorville CL N/N Bryman Rd - Pavement Improvement	173,298	41,158	132,140
Yard 11 Chip Seals - Arrowhead Drive, Aster Road, Bear Valley Road, Beekley Road, Bellflower Street, Braceo Street, Canyon Drive, Caughlin Road, Deer Haven Drive, Desmond Drive, El Centro Road, Farmington Street, Fawn Court, Fuchsia Lane, Jenny Street, Landover Ave, Mirandy Way, Oak Hill Road, Sheep Creek Road, Silver Ridge Drive, Sky Line Ave, Snow Line Drive, Sunnyslope Road, Whitehaven Street	1,200,000	751,395	448,605
Luna Road, .0006M, W, San Martin Rd E/El Rio Rd - Overlay	757,664	757,664	-
Ridge Crest Road @ Chinquapin Dr- Left Turn Improvement w/Temporary Signal	-	57,990	(57,990)
	-	544	(544)
		<u>\$ 9,321,004</u>	
	Measure I 1990-2010 Funds	\$ -	
	Measure I 2010-2040 Funds	<u>9,321,004</u>	
	Total expenditures for year ending June 30, 2016	<u>\$ 9,321,004</u>	

Footnote:

Transfer out in the amount of \$1,312,476 from the Measure I Funds 1990-2010 was transferred to the Measure I Funds 2010-2040.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS AND MEASURE I COMPLIANCE REQUIREMENTS*

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, 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, the financial statements of the Measure I 1990-2010 and the Measure I 2010-2040 Funds (Measure I Funds) of the County of San Bernardino, California (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Measure I Funds' basic financial statements, and have issued our report thereon dated December 22, 2016. Our report included an emphasis of matter stating that the financial statements of the Measure I Funds do not purport to, and do not, present fairly the financial position of the County as of June 30, 2016. Our report included an explanatory paragraph stating that the financial statements do not include Management Discussion and Analysis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting of the Measure I Funds (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Funds of the County are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure I as specified in the agreement between the County and San Bernardino Associated Governments (SANBAG), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Measure I requirements as specified in the agreement between the County and SANBAG.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
December 22, 2016