

SAN JOAQUIN COUNCIL OF GOVERNMENTS
STOCKTON, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Prepared by:

Steven Dial, Deputy Executive Director/Chief Financial Officer
Grace Orosco, Chief Accountant

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	3
List of Principal Officials	11
Organizational Chart	14
SJCOG Advisory Committees.....	15
GFOA Certificate of Achievement.....	16
FINANCIAL SECTION	
Independent Auditor’s Report	19
Management’s Discussion and Analysis.....	21
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	30
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	32
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
Notes to the Basic Financial Statements	39
Required Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original, Final Budget, and Actual – General Fund (By Object)	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original, Final Budget, and Actual – Measure K and Measure K Special Revenue Fund.....	66

	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original, Final Budget, and Actual – Local Transportation Special Revenue Fund.....	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original, Final Budget, and Actual – State Transit Assistance Special Revenue Fund.....	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original, Final Budget, and Actual – Regional Transportation Impact Special Revenue Fund.....	69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original, Final Budget, and Actual – SJCOG, INC. Blended Component Unit	70
Note to Required Supplemental Information.....	71
Schedule of Expenditures of Federal Awards.....	72
Note to Schedule of Expenditures of Federal Awards.....	73
Other Supplementary Information:	
Overall Work Program Costing System – Schedule of Revenues, Expenditures, and Other Items By Funding Source	76
Schedule of Direct and Indirect Expenditures.....	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original, Final Budget, and Actual – General Fund By Work Program.....	80
Schedule of Balances – Local Transportation Funds	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Local Transportation Funds	82
Schedule of Allocations and Expenditures – Local Transportation Funds	83
Schedule of Balances – State Transit Assistance Funds	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances – State Transit Assistance Funds	85
Schedule of Allocations and Expenditures – State Transit Assistance Funds	86
STATISTICAL SECTION (Unaudited)	
Statistical Section Description.....	88
Net Assets by Component	89
Government-Wide Revenues by Source	90
Changes in Net Assets.....	91
Fund Balances of Governmental Funds	92
Changes in Fund Balances of Governmental Funds	93

	<u>Page</u>
Schedule of Revenues by Source – General Fund	94
Schedule of Expenditures by Function – General Fund	95
Profile of Taxable Sales	96
Government-Wide Expenses by Function	97
Governmental Activities Sales Tax Revenues by Source.....	98
Direct and Overlapping Sales Tax Rates	99
Taxable Retail Sales by Jurisdiction	100
Ratio of Outstanding Debt by Type	101
Demographic Information.....	102
Demographic and Economic Statistics	103
San Joaquin County Employment by Industry	104
Full-Time Equivalent District Employees by Function/Program.....	105
Capital Assets Statistics by Function	106
 OTHER REPORTS	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> <i>Standards</i> and the Transportation Development Act	109
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	111
 FINDINGS AND QUESTIONED COSTS SECTION	
Schedule of Findings and Questioned Costs.....	115

INTRODUCTORY SECTION

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SAN JOAQUIN COUNCIL OF GOVERNMENTS

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www.sjcog.org

December 31, 2012

Larry Hansen
CHAIR

Ann Johnston
VICE CHAIR

Andrew T. Chesley
EXECUTIVE DIRECTOR

Member Agencies
CITIES OF
ESCALON,
LATHROP,
LODI,
MANTECA,
RIPON,
STOCKTON,
TRACY,
AND
THE COUNTY OF
SAN JOAQUIN

Honorable Board of Directors
San Joaquin Council of Governments

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the San Joaquin Council of Governments (SJCOC or the Council) for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the San Joaquin Council of Governments. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Council has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Council's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Council's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Council's financial statements have been audited by Brown Armstrong Accountancy Corporation, a licensed certified public accountant. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Council for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Council's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the San Joaquin Council of Governments 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 auditors 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 involving the administration of federal awards. These reports are presented in the Other Reports Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Council's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The San Joaquin Council of Governments is a Joint Powers Agency created in 1968 by the County of San Joaquin (County) and the Cities of Stockton, Lodi, Manteca, Tracy, Ripon, and Escalon. In 1991, the City of Lathrop signed onto the Joint Powers Agreement. The role of the Council of Governments is to serve the functions designated by the signatories to the agreement. Generically, the Council's role is to foster intergovernmental coordination both within San Joaquin County as well as with neighboring jurisdictions, the other regional agencies in the San Joaquin Valley, the State of California, and various Federal agencies. The specific roles of the Council are described below. The Council is directed by a fifteen member Board of Directors (Board) composed of twelve locally elected officials and three ex-officio members. The Board has three members of the San Joaquin County Board of Supervisors, three members of the Stockton City Council, and one member from each of the six remaining cities. The ex-officio members are a member of the Stockton Port District Board of Commissioners, a member of the Board of the San Joaquin Regional Transit District, and the Director of Caltrans District 10. The activities of the Council are carried out by a professional staff.

The Roles of the San Joaquin Council of Governments

Since 1969 the Council has filled a variety of niches for its member jurisdictions. Some of these, such as the A-95 review process, have come and gone based on changing federal policy. Others, such as the Local Transportation Authority, are relatively new functions. A short description of each of these roles is contained below:

A. Regional Transportation Planning Agency (RTPA)

In 1973, the Council was recognized as the Regional Transportation Planning Agency for San Joaquin County. Initially, the designation related solely to the administration and allocation of Transportation Development Act funds for public transit and possible road and street projects. However, over time, the role has expanded to serve as the agency responsible for adopting a Regional Transportation Plan, a Regional Transportation Improvement Program which programs local, state, and federal funds within the County's boundaries, and which gives the Council planning and coordination responsibilities over most federal and state funding programs for transportation administered by the State of California.

B. Metropolitan Planning Organization (MPO)

Metropolitan Planning Organization is a federal designation identifying the Council as the agency responsible for carrying out federal guidelines and statutes for planning and coordination. The passage of the Intermodal Surface Transportation Efficiency Act, followed by the Transportation Equity Act for the 21st Century (TEA-21), then the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), has expanded this role. Moving Ahead for Progress in the 21st Century (MAP – 21), the new federal transportation authorization, was designed to create a streamlined and performance-based surface transportation program and builds on many of the highway, transit, and pedestrian programs and policies previously established will have an impact on the activities of the Council. The Council is responsible for the development of the Regional Transportation Plan. Included in those responsibilities is the development of the Federal Transportation Improvement Program (FTIP). The FTIP is a comprehensive transportation spending plan for the region that lists every transportation project that will receive federal funds or that is subject to federally required action, such as a review and approval of environmental documents.

C. Airport Land Use Commission (ALUC)

The Council serves as the agency responsible for preparing and implementing the land use compatibility plan around each public access airport in San Joaquin County. The purpose is to eliminate the use of conflicting land uses around these airports in order to maximize public safety and the long-term effectiveness of the airports.

D. Center for Demographic Studies (CDS)

The Center for Demographic Studies (CDS) at SJCOG serves as the leading data center for the San Joaquin County region. CDS helps government entities, private businesses, non-profit organizations, and individual citizens make informed decisions by providing a wide range of the most updated data for this region. Some of the services provided include:

- Compiling and dispensing the latest data on population, economy, and transportation from various sources.
- Producing projections through different methods for population, employment, and housing growth trends in the region.
- In partnership with the University of the Pacific, a quarterly report entitled “The Regional Analyst” is published. This document takes census data, analyzes it, and presents it in a fashion that is informative to the reader.
- Integrating the cutting-edge Geographic Information System (GIS) technology with data analysis.
- Constructing maps to visually display the spatial characteristics of the data.
- Creating summaries as well as analytical reports periodically to present the latest findings drawn from the newest data.

E. Congestion Management Agency (CMA)

SJCOG is the Congestion Management Agency for San Joaquin County. As the CMA, SJCOG prepares a Congestion Management Plan, monitors levels of service on the County's roadways and works to improve all methods of transportation locally and regionally.

The Congestion Management Plan will incorporate the congestion management requirements adopted by SJCOG as a part of the Measure K Renewal transportation sales tax program with an update of the 1996 San Joaquin County Congestion Management Program.

F. Local Transportation Authority (LTA)

In November of 1990, San Joaquin County voters passed a ½ cent increase in the sales tax for a period of 20 years to support specific transportation improvements in San Joaquin County. The agency responsible for carrying out the improvements and administering the program is the Local Transportation Authority. In 1990, the Council was named the Local Transportation Authority. The monies provided under this ½ cent sales tax are referred to often in this document as Measure K funds. In November 2006, voters in San Joaquin County approved the renewal of this ½ cent sales tax, extending the life of the sales tax program and the Council's role as Local Transportation Authority from 2011 to 2041. While sales tax collections for the Renewal did not start until April 1, 2011, expenditures attributed to that program were incurred.

G. Commute Connection – Transportation Demand Management

The Council operates Commute Connection, which is a transportation demand management program designed to influence travel choices and encourage commuters to walk more, cycle, carpool, vanpool, telecommute, and use public transit. The program directly affects the region and helps reduce the impact to local roadways, reduce traffic congestion, improve air quality, and more efficiently utilize existing road systems. In addition to helping San Joaquin County residents, Commute Connection also provides services for Stanislaus and Merced County residents under a contract with Stanislaus Council of Governments and Merced Association of Governments. The Commute Connection program operates using a mixture of funding sources including Federal Congestion Management Air Quality (CMAQ) funds, vehicle registration fees collected under the Service Authority for Freeway Emergencies program, and Stanislaus Council of Governments and Merced Association of Governments. The Council has approximately 11,000 commuters participating in the program.

H. Regional Housing Needs Allocation (RHNA) Plan

Preparation of the Regional Housing Needs Allocation (RHNA) is mandated by California Government Code section 65584. The law requires that the California Department of Housing and Community Development (HCD) project housing construction needs at the county level.

HCD utilizes population and employment projections from SJCOG's Regional Transportation Plan and the Department of Finance's most recent projections as the basis for their projections. SJCOG is mandated to allocate the housing needs prepared by HCD to the jurisdictions and unincorporated areas within the County by income category.

I. Lead Agency – Transportation Air Quality Conformity

Federal planning regulations require that Metropolitan Planning Organizations demonstrate that their plans and programs conform to applicable state air quality plans to meet federal ambient air quality standards. The SJCOG traffic forecasting model is used to project future vehicle miles traveled. This is used as input into the Air Resources Board's Emission Factors (EMFAC) emissions model, and the estimated emissions are compared to emissions budgets determined as part of the air quality planning process.

J. SJCOG, INC.

SJCOG, INC., is a not-for-profit, public benefit corporation established to act as the joint powers agency organized pursuant to the San Joaquin County Multispecies Habitat Conservation Plan. The Council is the sole corporate member of SJCOG, Inc., and is responsible for the administration of SJCOG, INC., which is a blended component unit of the Council. The primary purpose of SJCOG, INC., is the acquisition, holding, administering, and managing of real property and conservation easements pursuant to the habitat conservation plan. Additional information on SJCOG, INC., can be found in Note 1 in the notes to the financial statements.

Budgetary Controls

The annual budget serves as the foundation for the Council's financial planning and control. As required by the Joint Powers Agreement of the Council, the Council prepares and legally adopts a final operating budget on or before April 1 of each year. The approved budget must then be ratified by a majority of member governments representing 55% of the population of the County. Annual budgets are legally adopted for the General Fund. Operating budgets are prepared on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the object level. Significant amendments, appropriation transfers between objects, and transfers from contingencies must be approved by the Council's Board of Directors. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board. No supplemental appropriations were required during the year ended June 30, 2012.

Budget to actual comparisons are provided in this report for the Council's General Fund. This comparison is provided on page 64 as part of the required supplemental information for the governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Council operates.

Local Economy

San Joaquin County experienced moderate economic growth early in the decade. The sales tax growth was 6.03% for 2002-2003, 6.5% in 2003-2004, 10.3% in 2004-2005, 7.6% in 2005-06, and fell to .289% in 2006-07 and declined 3.2% in 2007-08. Due to the economic downturn caused primarily by the slumping housing market and significant decline in construction-related activities along with new car sales, sales taxes declined by 11.3% in 2008-09. The economic decline continued into 2009-10 with sales tax receipts falling 14.6%; however, the fiscal year ended with positive quarter over quarter comparisons.

The economic decline bottomed out in 2009-10 with sales tax growth beginning in the 4th quarter of 2009-10. The growth trend continued into 2010-11 with sales tax receipts increasing 8.6% over 2009-10. Fiscal year 2011-12 continued the upward growth trend with the year over year sales tax increase at 11.02%. Fiscal year 2012-13 is also estimated to grow at over 11%.

Retail growth is beginning to grow again with, among other projects, a new Walmart superstore in Stockton and the planning for another new Walmart in Lodi. The lack of new home construction weighs heavily on that employment sector in the County; however, the City of Manteca and the City of Lathrop are anticipating a substantial increase in building permits in the next few years.

In addition, the County continues to be a major hub for warehousing and shipping. With the Port of Stockton, three rail lines and two interstate highways that crisscross the County, and direct interstate access to the San Francisco Bay Area, several large multi-modal facilities have opened taking advantage of the transportation network. The Port of Stockton was the recipient of US Tiger stimulus funding which is being used for the 580 Marine Highway. The Marine Highway will ship container cargo from the Port of Oakland to the Port of Stockton on barges for offloading to trucks and distribution throughout the West

Unemployment in the County traditionally is higher than the state average. That said, the University of Pacific Business Forecasting Center is projecting the Stockton MSA will make a strong return to job growth in 2012 with a 3.1% year over year increase. Total non-farm employment increased at a brisk pace throughout the first and second quarters of 2012.¹

Long-term Financial Planning

The Council's anticipated sources of funding are described below.

A. Federal Funding Sources

Federal Highways Administration PL – These are dollars made available by the Federal Highway Administration for Metropolitan Planning Organizations. They are allocated based on a statewide apportionment and are meant to carry out federal urban planning requirements and interests.

Federal Transit Administration (FTA) Funding - This federal agency is responsible for federal public transit investments. There are generally two sources of funds that have been used in this area:

FTA MPO Planning Funds are made available to the MPO to support transit planning in the urbanized areas.

FTA Planning and Research Grants are planning funds that the State allocates for special transit planning projects.

Transportation Demand Management (TDM) Funds – The Council receives a combination of CMAQ, Measure K, and other unique grant funds for Ridesharing operations in San Joaquin County and contracts with the Stanislaus Council of Governments (StanCOG), Calaveras County, and Merced County to provide services in those counties. StanCOG and Merced Association of Governments pay for these services using their CMAQ funds. Calaveras County contributes local funding for their services.

B. State Funding Sources

State Transit Assistance (STA) Funds – STA Funds continue to be distributed using Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) bond funds passed by California State voters in 2006 as the revenue source. Funds in this account are appropriated annually by the Legislature to the State Controller's Office (SCO) for allocation in accordance with Public Utilities Code formula distributions: 50% allocated to Local Operators based on fare-box revenue and 50% to Regional Entities based on population. The SCO provides a preliminary revenue estimate in January of each year, followed by a revised estimate in August. These bond funds are to be allocated over a 10 year period. Once these bond funds have been exhausted, the future of STA is unclear.

¹ California and Metro Forecast, October 2012, University of the Pacific Business Forecasting Center.

C. Local Funding Sources

Local Transportation Fund (LTF) Funds – LTF Funds are retail sales tax monies, ¼ cent, that are collected statewide under the Transportation Development Act. These funds are returned to San Joaquin County and distributed to eligible claimants to provide transit services, pedestrian/bicycle facilities, and street and roads funding.

Member Jurisdictions – Upon request, the Council will undertake a special service for a local jurisdiction. That jurisdiction will either directly pay for the Council services, or provide whatever matching funds are required to pay for the services.

Habitat Mitigation Fees – SJCOG, INC., charges Habitat Mitigation Fees on acreage being developed in order to fund the acquisition and management of land and conservation easements for habitat mitigation purposes.

Other Fees – The Council charges fees for certain functions such as the Airport Land Use Commission reviews and sales of Data Services information.

Local Transportation Authority (Measure K) – In November of 1990, San Joaquin County voters passed a ½ cent sales tax to fund specified transportation projects. In November 2006, San Joaquin County voters voted to extend the transportation sales tax until 2041. Council's administration (salaries and benefits) of that program cannot exceed 1% of receipts. Planning efforts undertaken to further a Measure K project are considered direct project delivery expenses not restricted by the 1% administration limitation and can use these monies as well.

Air Pollution Control District (APCD) Fees – The San Joaquin Valley Unified Air Pollution Control District (District) allocates funds raised from a \$6 dollar fee placed on vehicle registrations. These funds go to operate the District as well as pay for special projects that enhance the District's mission of improving air quality in the San Joaquin Valley through Remove Grants to local and regional agencies.

It is expected that these funding sources will continue to provide sufficient revenues to fund the Council's project objectives. In addition to the Council's Overall Work Program projects that involve ridesharing, transportation and transit planning, habitat plan management, and computer modeling, the following are specific areas where long-term financial planning has been a key consideration:

Measure K Renewal – In November 2006, San Joaquin County voters approved the extension of Measure K, the ½ cent transportation sales tax, originally approved by County voters in 1990 and scheduled to sunset in 2011. The renewal of Measure K will extend the sales tax for an additional 30 years (2041). The Measure K Renewal is estimated to generate \$2.9 billion dollars for the transportation programs identified in the adopted Expenditure Plan. The categorical allocations of the Measure K Renewal included Local Street Repairs and Roadway Safety (35%); Congestion Relief projects (32.5%); Railroad Crossing Safety projects (2.5%); and Passenger Rail, Bus, and Bicycle (30%). As noted above, Measure K Renewal sales tax collections began April 1, 2011. In August 2011, the SJCOG Board adopted the Measure K Renewal Strategic Plan update reflecting the impact the great recession had on the Measure K Renewal program. Approximately \$2.0 billion was taken out of the Measure K Strategic Plan. The Council elected to only program projects in the first 10 years of the strategic plan reflecting a higher degree of certainty over the funding forecast

Because the Measure K Renewal did not start collecting sales tax until April 1, 2011, funding for early project delivery is provided through a combination of uses of accumulated fund balance and the proceeds from the May 2008 Bond Anticipation Note (BAN) sale. Those notes had a hard defeasance date of March 1, 2011. The Council issued new bonds in February 2011 defeasing the BANs. The Council also decreased the size of the existing commercial paper program from \$167 million to \$75 million. The debt service for the bonds issued to defease the BANs is guaranteed by Measure K Renewal sales tax and amortized through the end of the Measure K Renewal program. The commercial paper program is also supported by the Measure K Renewal sales tax and will remain in place as long as marketing commercial paper is cost effective to the program.

Regional Transportation Impact Fee – In 2005, the Council coordinated the approval of a County-wide Regional Transportation Impact Fee. This unified fee schedule has been adopted by the member agencies and is being implemented.

Federal reauthorization of SAFETEA-LU – The Council participated in the process of reauthorization of the SAFETEA-LU Act as described below:

Federal transportation legislation has been delivered through the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA), the 1998 Transportation Equity Act for the 21st Century (TEA-21), and more recently, the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU). In October 2011, President Obama signed into law a new transportation authorization, Moving Ahead for Progress in the 21st Century (MAP – 21). The acts not only infused the region with significant amounts of funding for transportation projects, but they did so using new management tools giving the regional agencies, such as the Council, greater responsibility in programming the expenditure of these funds. Along with the responsibility to program the funds was the accountability to ensure the projects were delivered in a timely manner. MAP – 21 is a two-year funding authorization for the federal Surface Transportation Program. Typically, transportation authorizations have been for a longer-term. This would allow the development of projects that take an extensive period of time. Because this is a new authorization, there will be new guidelines and regulations in the implementation of the new law. The Council anticipates MPO planning activities will be funded at levels similar to the previous authorization.

The Council's treasury functions are with Farmer's and Mercantile Bank (FMB), headquartered in Lodi, CA. Because of state law, Transportation Development Act (TDA) funds remain with the San Joaquin County Treasurer.

The Council also invests funds with the Local Agency Investment Fund (LAIF), Public Financial Management (PFM), and California Asset Management Program (CAMP). LAIF is a special fund of the California State Treasury through which local governments may pool investments. Investments in LAIF are highly liquid and are secured by the full faith and credit of the State of California. PFM is a private investment firm specializing in providing financial advice and investment management services to state and local governments. PFM allows participants to combine the use of a money market portfolio in addition to an individually managed portfolio. The investment portfolio held by PFM consists of federal agency bonds/notes and discounted notes, corporate notes, and municipal bonds/notes. CAMP is a Joint Powers Authority formed to provide professional investment management services and allows the participants to combine the use of a money market portfolio with an individually managed portfolio. The money market portfolio offers daily liquidity and is rated AAAM by Standard and Poor's. To maintain the AAAM rating, the portfolio's weighted average maturity may not exceed seventy (70) days. The investment portfolio held by CAMP at June 30, 2012, consists of money market funds and federal agency discounted notes. Steve Dial, Deputy Executive Director and Chief Financial Officer of the Council, currently serves as president on the Board of Trustees of CAMP in a voluntary, unpaid capacity.

In 2012, SJCOG diversified its portfolio by investing \$4 million of SJCOG, INC.'s endowment funds in the Eagle Asset Management program through Raymond James. The primary goal is capital preservation with low risk tolerance and a time horizon less than five years. Secondly, the goal is income with low risk and a short investment time horizon.

The Council maintains general liability, automobile, and public entity property insurance coverage that provides limits of liability of between \$1,000,000 and \$10,000,000 per occurrence annually. The Council is not self-insured.

In January 2010, the Council became independent of the County of San Joaquin for all payroll and payroll related activities. For workers' compensation, SJCOG retained Berkshire Hathaway Insurance Services. The financial impact on the current period's financial statements is \$19,417 and \$15,876, respectively.

In March 2010, the Council moved health benefit coverage and all health benefit related activities from the County of San Joaquin to a variety of private health care providers. This includes dental and vision coverage, life insurance, short- and long-term disability, and long-term care. The medical benefit program utilizes a high deductible, Health Savings Account (HSA) approach. Exempt employees are able to use their current cafeteria allocation to deposit into their individual HSAs while the Council contributes \$2,500 into each non-exempt employee's HSA. The financial impact on the current period's financial statements is \$42,500.

In relation to the Council's Measure K and Measure K Renewal programs, the Council has \$75,000,000 of Sales Tax Revenue Tax Exempt Commercial Paper Notes outstanding at June 30, 2012. The proceeds are used to finance transportation projects under the thirty year transportation expenditure plan. Under an irrevocable direct draw letter of credit issued by JP Morgan Chase Bank, N.A, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of notes delivered to it. The letter of credit is valid through March 1, 2013, at which time it may be renewed or the Commercial Paper can be purchased by the Council reducing its obligation. This can be accomplished through the drawing on fund balance for some or all of the Commercial Paper. Please refer to Note 8 of the notes to the financial statements for further information on the Council's commercial paper notes. In addition, the Council has several capital equipment lease agreements outstanding at June 30, 2012. Please refer to Note 7 of the notes to the financial statements for additional information on the Council's lease liabilities. There are no delinquencies on debt payments.

In May 2008, the Council issued \$203,355,000 in Bond Anticipation Notes (BANs) generating \$210,003,362. Proceeds were planned to partially fund certain capital portions of the Early Action Program of the Measure K Renewal program. The BANs were set to expire April 1, 2011; however the Council issued Sales Tax Revenue Bonds on March 1, 2011, to defease the BANs totaling \$212,175,000. The Council pledges 100% of the Measure K Renewal sales tax as a security for the new bonds; however, in order to maintain a high credit and coverage level, debt service is constrained at 35% of the base year's actual sales tax. Please refer to Note 8 of the notes to the financial statements for further information on the Council's Sales Tax Revenue Bonds.

The Council participates in a defined contribution pension plan and a deferred compensation plan. These plans are available to all full-time Council employees. In addition, Council employees are granted sick leave in varying accrual amounts, and post retirement sick-leave benefits are paid to certain qualifying individuals. For a more complete description of the Council's retirement plans and other benefits, please refer to Note 9 of the notes to the financial statements. As such, the Council has no other post employment benefit obligations.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Joaquin Council of Governments for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the thirteenth consecutive year that the Council has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, the cooperation and assistance received from the Planning and Office Assistance staffs, and Brown Armstrong Accountancy Corporation.

In closing, without the support of the Board of Directors, preparation of this report would not have been possible.

Respectfully submitted,



ANDREW T. CHESLEY
Executive Director



STEVE DIAL
Deputy Executive Director/CFO

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
LIST OF PRINCIPAL OFFICIALS**

BOARD OF DIRECTORS

Chair	Councilman Chuck Winn	City of Ripon
Vice Chair	Supervisor Ken Vogel	San Joaquin County
Board Member	Supervisor Steve Bestolarides	San Joaquin County
Board Member	Councilman Steve DeBrum	City of Manteca
Board Member	Councilman Dale Fritchén	City of Stockton
Board Member	Councilman Larry Hansen	City of Lodi
Board Member	Mayor Brent Ives	City of Tracy
Board Member	Mayor Ann Johnston	City of Stockton
Board Member	Councilman Jeff Laugero	City of Escalon
Board Member	Vice-Mayor Christopher Mateo	City of Lathrop
Board Member	Vice-Mayor Kathy Miller	City of Stockton
Board Member	Supervisor Carlos Villapudua	San Joaquin County

EX-OFFICIO MEMBERS

Carrie Bowen – Caltrans
Gary Giovanetti – SJRTD
Victor Mow – Port of Stockton

CITIZENS ADVISORY COMMITTEE

Michael Ballot	Representing Sierra Club
Robert Bivens	Representing San Joaquin County
Richard Blackston	Representing City of Lodi
Joseph Crist	Representing City of Manteca
Jim Hilson	Representing City of Lathrop
Karl “Nate” Knodt	Representing City of Stockton
Sondra Roeuny	Representing
Brian Young	Representing Public Transit Users
Harry Hodge	Representing NAACP
Katrina Jaggears	Representing the League of Women Voters
Kurt Danziger	Representing City of Escalon
Manuel Martin	Representing Agricultural Industry
Matthew Doss	Representing City of Tracy

EXECUTIVE COMMITTEE

Larry Hansen	City of Lodi
Mayor Ann Johnston	City of Stockton
Vice Mayor Christopher Mateo	City of Lathrop
Supervisor Ken Vogel	San Joaquin County
Councilmember Chuck Winn	City of Ripon

MANAGEMENT AND FINANCE COMMITTEE

Rad Bartlam	Lodi City Manager
Henry Hesling	Escalon City Manager
Leon Compton	Ripon City Administrator
Leon Churchill	Tracy City Manager
Karen McLaughlin	Manteca City Manager
Stephen Salvatore	Lathrop Interim City Manager
Bob Deis	Stockton City Manager
Donna DeMartino	SJRTD General Manager/CFO
Manuel Lopez	County Administrator
Stacey Mortensen	SJRRC Executive Director

SOCIAL SERVICES TRANSPORTATION ADVISORY COMMITTEE

Ashish John	SJRTD
Melissa Ogren	Human Services Agency – Department of Aging
Julia Tyack	City of Lodi
Barbara Hempstead	Caltrans
Mary Bailey	UCP
Joga Singh	Transit User with a Disability/Community Center for the Blind
Robert Balderama	Transit User with a Disability/State Council Development Disabilities – Area Board VI
Wilma Murray	Valley Mountain Regional Center
Jayne Pramod	City of Tracy
Joni Bauer	Community Center for the Blind
Mary Houlihan	City of Lathrop
John Andoh	City of Escalon
Johanna Ferriera	City of Manteca
Ann Fislser	San Joaquin ARC
Kevin Werner	City of Ripon
Deborah Gurley	Transit user 60 years or older

INTERAGENCY TRANSIT COMMITTEE

Member	John Andoh	City of Escalon
Member	Mary Houlihan	City of Lathrop
Member	Paula Fernandez	City of Lodi
Member	Johanna Ferriera	City of Manteca
Member	Kevin Werner	City of Ripon
Member	Ed Lovell	City of Tracy
Member	Megan Aguirre	San Joaquin County
Member	Nathan Atherstone	SJRTD
Member	George Fink	SJRRC

HABITAT COMMITTEE

Dave Stagnaro, Chair	City of Stockton
John Abrew	City of Escalon
Charlie Mullen, AICP	City of Lathrop
Immanuel Bereket	City of Lodi
Rad Bartlam	City of Lodi (Alt)
Mark Meissner	City of Manteca
Rochell Henson	City of Manteca (Alt)
Ken Zuidervaart	City of Ripon
Vicki Lombardo	City of Tracy
Bill Dean	City of Tracy (Alt)
Ray Hoo – Vice Chair	San Joaquin County
Kerry Sullivan	San Joaquin County (Alt)
Josh Emery	USFWS
Thomas Leeman	USFWS (Alt)
Todd Garner	Department of Fish & Game
Randi Adair	Department of Fish & Game (Alt)
Gary Stockel	SJC Ag. Commissioner's Office
Theresa Becchetti	UC Davis
John Beckman	BIA
Jane Humes	Waldo Holt Conservancy Conservation
Jeremy Terhume	Conservation (Alt)
Brad Lange	Agriculture

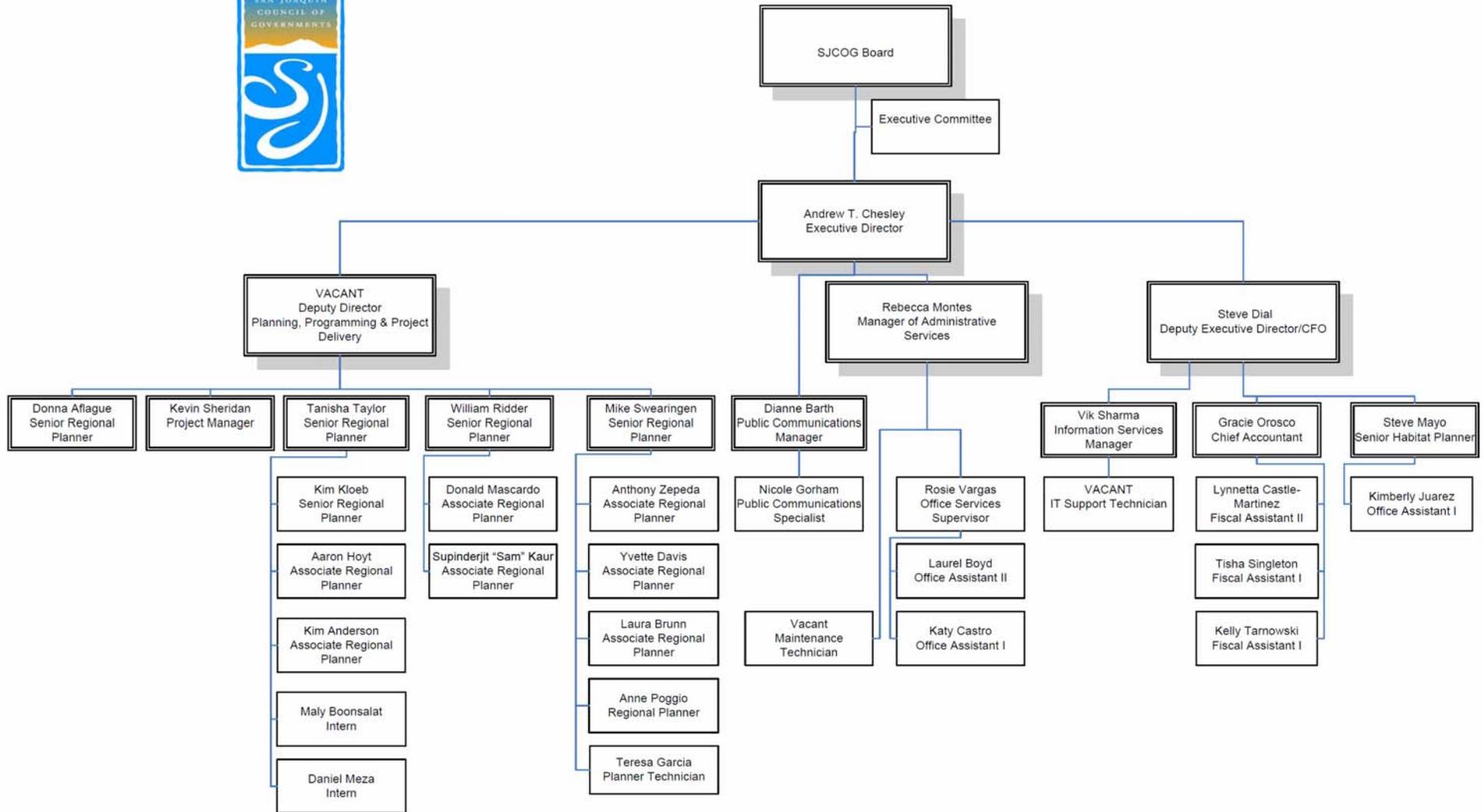
Other Parties

Monica Streeeter	SJCOG Counsel
Doug Leslie	Wildlife Biologist, ICF

TECHNICAL ADVISORY COMMITTEE

Mark Houghton	City of Manteca
Johanna Ferriera	City of Manteca
Mike Selling	San Joaquin County
Firoz Vohra	San Joaquin County
Dave Mendoza	San Joaquin County
Gary Dickson	City of Stockton
Mike McDowell	City of Stockton
Paula Fernandez	City of Lodi
Zahib Zaca	City of Tracy
George Lorente	SJRTD
Deffria Bass	SJRTD
Tom Dumas	Caltrans, District 10
Barbara Hempstead	Caltrans, District 10
George Fink	SJRR
John Abrew	City of Escalon
Ryan Bouley	City of Lathrop
Charles Swimley	City of Lodi
Ed Lovell	City of Tracy
Kevin Werner	City of Ripon
Bob Murdoch	City of Stockton
Nathan Atherstone	SJRTD
Josh Swearingen	Caltrans, District 10
John Cadrett	SJVAPCD
Vacant	Stockton Metropolitan Airport
Juan Villanueva	Port of Stockton

ORGANIZATIONAL CHART



SJCOG ADVISORY COMMITTEES



15 Member SJCOG Board



Management & Finance



Executive Committee



Habitat Committee



Technical Advisory



Citizens Advisory Committee



**Social Services
Transportation Advisory**



Interagency Transit Committee

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Joaquin Council
of Governments, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Mouill

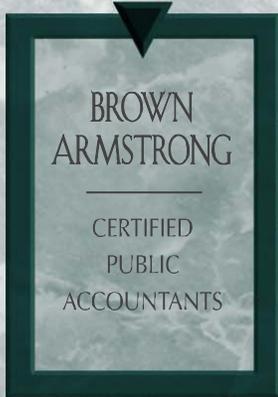
President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
San Joaquin Council of Governments
Stockton, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the San Joaquin Council of Governments (Council), Stockton, California, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Council as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the Council's internal control over financial reporting and 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.

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Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section, major fund budgetary comparison information, the other supplementary information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The major fund budgetary comparison information, the other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 31, 2012

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Within this section of the San Joaquin Council of Governments (SJCOG or the Council) annual financial report, the Council's management provides narrative discussion and analysis of the financial activities of the Council for the fiscal year ended June 30, 2012. The Council's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Additional information is available in the transmittal letter which precedes Management's Discussion and Analysis. The discussion focuses on the Council's primary government and component unit.

The nature of the Council is such that annual variations between assets and liabilities, income and expenses are not unusual, nor should they be considered out of the context of the Council's business responsibilities. Aside from the conservation easements purchased under the San Joaquin County Multispecies Habitat Conservation Plan and building-related assets, SJCOG expenditures on planning, engineering, and construction projects do not result in an increase in capital assets on the balance sheet.

From a financial perspective, the most significant program for which the Council is responsible, is managing the San Joaquin County Transportation Authority, otherwise known as the Measure K sales tax program. Measure K sales tax accumulates annually at a relatively consistent rate, however, expenditures can vary dramatically from year to year. The result is potentially wide swings in assets and liabilities and fund balance from year to year. In addition, contracts and cooperative agreements are executed committing future years' funds, potentially resulting in liabilities being stated as significantly large negative values.

Further, the Council uses debt financing to assist in cash flow and provide funding to accelerate the delivery of projects. These financings have an impact on the financial statements which can have a significant year over year impact.

Financial Highlights

- The Council's liabilities exceeded its assets by \$3,661,262 (net assets) for the fiscal year ended June 30, 2012. This compares to the previous year when assets exceeded liabilities by \$26,979,640.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt of \$45,035,979 include easements, property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$10,839,874 are restricted by constraints imposed from outside the Council, such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net deficit of (\$59,497,115) represents the portion available to maintain the Council's continuing obligations and Measure K and Measure K Renewal contract commitments in excess of current available resources. Continuing obligations and Measure K and Measure K Renewal contract commitments are secured by future sales tax revenues.
- The Council's governmental funds reported total ending fund balance of \$239,785,855 this year. This compares to the prior year ending fund balance of \$270,608,877 showing a decrease of \$30,823,022 during the current year. The Council's governmental funds reported a total unassigned fund balance deficit of (\$2,923,930) for fiscal year 2011-12 which depicts a decrease of \$86,823.

- At the end of the current fiscal year, total fund balance for the General Fund was (\$2,789,005) representing the obligation to reimburse the Measure K Fund for building debt and other current obligations in excess of available resources, showing an increase of \$121,799 over the prior year.
- At the end of the current fiscal year, total fund balance of the Combined Measure K and Measure K Renewal Fund decreased by \$36,189,542, primarily due to the Council adoption of an Early Action Plan (EAP) which advances a number of high profile capital projects.
- Total liabilities of the Council increased by \$3,594,076 to \$315,896,975 during the fiscal year primarily due to accounts payable applicable to the EAP projects. In April 2011, the Council issued \$212,175,000 in Measure K Renewal Sales Tax Bonds. Also, see Note 8 of the notes to the financial statements for further details on debt obligations.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Council's basic financial statements. The basic financial statements include: (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 Council's annual report includes two government-wide financial statements. These statements are designed to provide readers with a broad overview of the Council's finances in a manner similar to a private sector business.

The first of these government-wide statements is the *Statement of Net Assets*. This is the Council-wide statement of position presenting information that includes all of the Council's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council as a whole is improving or deteriorating.

The *Statement of Activities* presents information showing how the Council'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 future fiscal periods (e.g., uncollected claims receivable and earned but unused vacation leave).

Both of the government-wide financial statements illustrate functions of the Council that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The Council conducts no business-type activities. The governmental activities of the Council include general administration, Transportation Development Act Funds, and Measure K and Measure K Renewal Fund administration.

The government-wide financial statements include not only the Council itself (known as the *primary government*), but also a legally separate not-for-profit corporation, SJCOG, INC., the San Joaquin County Multispecies Habitat Plan, for which the Council is financially accountable. Financial information for this *blended component unit* is reported in conjunction with the financial information presented for the primary government. SJCOG, INC., is reported as a major governmental fund.

The government-wide financial statements can be found on pages 30 and 31 of this report.

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. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into two categories: governmental 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 the Council's near-term financing requirements.

Because the focus of governmental funds financial statements 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Council maintains five individual governmental funds, as well as the blended component unit. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the funds which are considered to be major funds.

The Council legally adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 32 – 38 of this report.

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 39 – 61 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Council, liabilities exceeded assets by \$3,621,262 at the close of the most recent fiscal year. In 2007, when the Council adopted the EAP and went to the capital markets to bond for \$203 million to fund the EAP, the Council recognized that the bond revenue was not sufficient to completely fund all of the projects in the EAP. Full funding would occur over time as new sales tax revenues were received. While the net liabilities exceed assets by \$3.6 million, this reflects the funding for the projects in midstream. There is an adequate sales tax revenue stream in place to negate the liabilities. In addition, the bond liability is amortized over a 30 year period.

The largest portion of the Council's assets (74 percent) reflects its cash and investment portfolio. The Council plans to use these assets to fund future transportation related projects throughout the County of San Joaquin.

At the end of the current fiscal year, the Council is able to report positive balances in two of three categories of net assets for the government as a whole. However, the negative unrestricted net assets of (\$59,497,115) is due primarily to Measure K Renewal expenditures made in advance future sales tax revenue.

The following tables related to net assets reflect the above and other activities that took place during the June 30, 2012, fiscal year. Overall, SJCOG's net assets decreased by \$30,600,902 as shown in the table below. This change is primarily due to SJCOG's EAP.

	Governmental Activities 2012	Governmental Activities 2011	Increase (Decrease)
Current and other assets	\$ 267,192,661	\$ 294,395,186	\$ (27,202,525)
Capital assets	45,083,052	44,887,353	195,699
Total assets	312,275,713	339,282,539	(27,006,826)
Long-term liabilities outstanding	288,490,169	288,516,590	(26,421)
Other liabilities	27,406,806	23,786,309	3,620,497
Total liabilities	315,896,975	312,302,899	3,594,076
Net assets:			
Invested in capital assets, net of related debt	45,035,979	39,585,252	5,450,727
Restricted	10,839,874	9,454,822	1,385,052
Unrestricted	(59,497,115)	(22,060,434)	(37,436,681)
Total net assets (deficit)	\$ (3,621,262)	\$ 26,979,640	\$ (30,600,902)
	Governmental Activities 2012	Governmental Activities 2011	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 2,302,513	\$ 2,555,273	\$ (252,760)
Operating grants and contributions:			
Sales tax	65,431,665	58,722,796	6,708,869
Other operating grants and contributions	16,128,693	30,744,699	(14,616,006)
General revenues - investments and miscellaneous	68,062	50,711	17,351
Total revenues	83,930,933	92,073,479	(8,142,546)
Expenses:			
General government	18,122,787	5,968,754	12,154,033
Transportation	95,878,429	82,211,723	13,666,706
Habitat development and management	530,619	634,819	(104,200)
Total expenses	114,531,835	88,815,296	25,716,539
Increase (Decrease) in net assets	(30,600,902)	3,258,183	(33,859,085)
Net assets, July 1, 2011	26,979,640	23,721,457	3,258,183
Net assets (deficit), June 30, 2012	\$ (3,621,262)	\$ 26,979,640	\$ (30,600,902)

There was an overall \$8,142,546 (9%) decrease in total revenues during the year. Last year SJCOG received \$22,109,000 of Assembly Bill (AB) 3090 state revenue which did not occur this year. Another contributing factor was the increase of interest revenues and cumulative impact in mark-to-market valuations for investments and cash balances in the major funds.

Financial Analysis of the Council's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Council's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Council's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$239,785,855, a decrease of \$30,823,022. Of this total amount, \$15,767,008 is *nonspendable*, \$216,103,193 is *restricted*, \$10,839,584 is *assigned*, and (\$2,923,930) is *unassigned fund balance*.

General Fund – The General Fund is the chief operating fund of the Council. At the end of the current fiscal year, fund balance of the General Fund was (\$2,789,005). The Council's Planning and Administration's fund balance increased by \$121,799 mainly due to an increase in 2011-2012 sales tax revenues.

Combined Measure K and Measure K Renewal Fund – The combined Measure K Fund and Measure K Renewal Fund, which is used to account for the additional ½ cent sales tax revenue approved by the San Joaquin County voters under Measure K had increased as compared to last year. For the June 30, 2012, fiscal year, Measure K revenue totaled \$43,374,926. The combined Measure K and Measure K Renewal Fund balance decreased by \$36,189,542 over the previous year primarily due to SJCOG's continued delivery on various projects that have come on line over the past years. These projects are in the areas of Transit, Congestion Relief, Railroad Safety, and Streets and Roads.

Local Transportation Fund – The Local Transportation Fund (LTF) is used to account for ¼ cent retail sales tax, collected statewide, and returned to San Joaquin County, that is used for Transit, Pedestrian/Bicycle, and Streets and Roads improvement projects. LTF sales tax revenues increased as compared to last year, which is encouraging. For the June 30, 2012, fiscal year LTF revenue totaled \$22,056,739, an increase of 12.5% over the previous fiscal year. The LTF Fund balance increased by \$1,778,830 due to an increase in sales tax revenues.

State Transit Assistance Fund – The State Transit Assistance Fund (STA) is used to account for Proposition 1B PTMISEA funds for Public Transit purposes. The State Controller's Office issues annual apportionments in January and a revised apportionment in August. The STA revenue for this fiscal year-end totaled \$4,600,494 compared to \$0.00 from the previous fiscal year. The STA fund balance increased by \$1,617,571, mainly due to the receipt of \$1,575,000 of Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Funds.

SJCOG, INC. – SJCOG, INC. is a not-for-profit public benefit corporation, formed to act as the designee of the joint powers agency organized pursuant to the San Joaquin County Multispecies Habitat Conservation Plan. Funds are to be used to acquire, hold, administer, and manage habitat lands and easements in accordance with the plan. Habitat Mitigation Fees for the June 30, 2012, fiscal year totaled \$2,181,260, a decrease of 10% over the previous fiscal year, reflecting a decrease in development activity and mitigation fee collections. The SJCOG, INC., fund balance increased by \$1,385,052 in the June 30, 2012, fiscal year despite the sharp decrease in fees due to fewer easement acquisitions and land management expenses. These funds are targeted for future habitat land and easement acquisitions and for management of the habitat plan.

Regional Transportation Impact Fee Fund (RTIF) – The RTIF fund is used to account for the activities of the RTIF Program. The RTIF Program objective is to obtain funding from development projects that have an impact upon the regional transportation network and to integrate these funds with federal, state, and other local funding to deliver transportation improvements identified in the RTIF Program. While the RTIF Program and the RTIF Program fee will be imposed and collected by the participating agencies, the RTIF Program is managed for the benefit of the entire County region by SJCOG. RTIF fees for the June 30, 2012, fiscal year totaled \$1,950,865 an increase of \$1,500,000 from the previous year.

Governmental Fund Budgetary Highlights

General Fund

The annual budget serves as the foundation for the Council's financial planning and control. As required by the Joint Powers Agreement of the Council, the Council prepares and legally adopts a final operating budget on or before April 1 of each year. The approved budget must then be ratified by a majority of member governments representing 55% of the population of the County of San Joaquin. Significant amendments, appropriation transfers between objects, and transfers from contingencies must be approved by the Council's Board of Directors (Board). Supplemental appropriations financed by unanticipated revenues also must be approved by the Board. No supplemental appropriations were required during the year ended June 30, 2012.

The Council's revenues are largely received on a reimbursement basis. All State and Federal funding is secured through contracts, agreements, grants, etc. However, the funds are not paid to the Council until after related expenditures have occurred and been invoiced to the proper project. Therefore, while the Council's approved budget may indicate a certain dollar amount from a particular grant, those funds may not be earned nor received in that budget period. An analysis of the General Fund budget to actual depicts a \$1,216,059 shortfall in revenue largely due to actual expenditures that were \$1,303,268 below final budgeted amounts, which is primarily due to decreased need for consultant's professional services.

	Original Budget	Final Budget	Actual	Difference Between Final Budget and Actual
REVENUES:				
Intergovernmental:				
Federal grants	\$ 2,630,832	\$ 2,698,944	\$ 2,189,332	\$ (509,612)
State grants	945,729	1,306,810	806,562	(500,248)
Local	3,552,287	3,334,509	3,150,122	(184,387)
Interest	20,000	20,000	5,928	(14,072)
Other	70,000	70,000	62,260	(7,740)
Total revenues	7,218,848	7,430,263	6,214,204	(1,216,059)
EXPENDITURES:				
Planning and administration	7,078,348	7,349,763	6,052,622	1,297,141
Capital outlay	140,500	80,500	74,373	6,127
Total expenditures	7,218,848	7,430,263	6,126,995	1,303,268
OTHER FINANCING SOURCES (USES):				
Capital leases	-	-	34,590	(34,590)
Change in fund balance	\$ -	\$ -	\$ 121,799	\$ 121,799

Capital Assets and Debt Administration

Capital assets

The Council's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$45,083,052 (net of accumulated depreciation). This investment in capital assets includes land and conservation easements; office building and improvements; office furniture and fixtures; electrical fixtures; and multi-media, office, and computer equipment. The net increase in the Council's investment in capital assets, net of depreciation, for the current fiscal year was \$195,699.

Major capital asset events during the current fiscal year included the following:

The Council acquired \$386,717 of conservation easements. In addition, the Council acquired \$74,371 of office and computer equipment during the 2011-12 fiscal year. The Council disposed of \$55,226 of capital assets in the fiscal year ended June 30, 2012.

SAN JOAQUIN COUNCIL OF GOVERNMENTS
Capital Assets
(net of depreciation)

	Governmental Activities	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land and conservation easements	\$ 38,976,085	\$ 38,589,368
Office furniture and fixtures	108,679	125,189
Office building	5,573,984	5,751,550
Building improvements	373,497	365,886
Office and computer equipment	<u>50,807</u>	<u>55,360</u>
 Total	 <u>\$ 45,083,052</u>	 <u>\$ 44,887,353</u>

Additional information on the Council's capital assets can be found in Note 5 of the notes to the financial statements.

Debt administration

At the end of the current fiscal year, the Council had total commercial paper debt outstanding of \$75,000,000 and 2011 Tax Bond of \$213,019,175.

SAN JOAQUIN COUNCIL OF GOVERNMENTS
Outstanding Debt

	Governmental Activities	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Commercial paper obligations	\$ 75,000,000	\$ 75,000,000
2011 Tax Bond, net of amortization	<u>213,019,175</u>	<u>213,062,099</u>
 Total	 <u>\$ 288,019,175</u>	 <u>\$ 288,062,099</u>

In September 2005, the Council's Board authorized an additional \$67,000,000 of commercial paper notes, bringing the total authorization up to \$167,000,000. The Council issued an additional \$67,000,000 in December 2005 in order to provide interim financing for the State of California, through the AB 3090 Financing Agreement process, in order to facilitate construction of Interstate 205 Freeway improvements. These improvements began in Spring 2006. The California Transportation Commission (CTC) has reimbursed the Council for all three of the installments. On March 1, 2011, as a component of the defeasance of the Bond Anticipation Notes, the Council reduced the commercial paper authorization and outstanding commercial paper to \$75,000,000.

In May 2008, the Council issued \$203,355,000 in Bond Anticipation Notes (BANs), generating \$210,003,362 (equal to the aggregate principal amount of the notes plus net original issue premium of \$7,734,159 less \$1,087,797 discount). Proceeds were intended to partially fund the EAP of Measure K Renewal. The BANs were set to expire April 1, 2011. On March 1, 2011, the Council issued \$212,175,000 Sales Tax Revenue Bonds, 2011 Series A to defease the BANs. The Sales Tax Revenue Bonds, 2011 Series A are rated AA by Standard and Poor's (S&P) and Aa3 by Moody's.

For additional information on long-term debt activity, refer to Note 8 of the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Council is rebounding from the Great Recession in a reasonably robust fashion. Due to the nature of the Council funding from the state and the federal government, core planning funds remained very stable during the recession. However, from fiscal year 2006-07 into fiscal year 2009-10 sales taxes revenues generated by Measure K and LTF have declined nearly 35%. In the three fiscal years since hitting the sales tax revenue low, annual sales tax growth rates have been 8.6%, 11%, and are estimated this fiscal year at over 10%. The primary economic segments driving the sales tax recovery are new-car sales and wholesale building materials.

At June 30, 2012, the Council held \$140,570,302 of liquid investments in the Public Financial Management portfolio, \$78,002,602 in the California Asset Management Pool, \$91,752 in the State of California Local Agency Investment Fund, \$6,155,312 in the San Joaquin County Pool, and \$17,740,948 in Financial Institutions.

Total operating revenues are expected to be approximately the same in the 2012-13 fiscal year.

Requests for information

This financial report is designed to provide a general overview of the San Joaquin Council of Governments' finances for all those with an interest in the Council's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy Executive Director/Chief Financial Officer, 555 East Weber Street, Stockton, California 95202.

BASIC FINANCIAL STATEMENTS

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 55,878,441
Investments	175,774,561
Sales tax receivable	4,728,100
Interest receivable	976,591
Intergovernmental receivables	3,156,920
Advances to other agencies	5,744,938
Due from other agencies	94,231
Prepays	155,850
Refunds and miscellaneous receivables	71,909
Notes receivable-related parties	9,390,991
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	10,907,914
Interest receivable	189
Intergovernmental receivables	142,026
Deposits with State of California	170,000
Capital assets:	
Land and conservation easements	38,976,085
Capital assets, net of accumulated depreciation	<u>6,106,967</u>
 Total Assets	 <u>312,275,713</u>
<u>LIABILITIES</u>	
Accounts payable	20,289,075
Wages and benefits payable	125,469
Interest payable	999,553
Unearned revenue	235,216
Liabilities payable from restricted assets	35,046
Due to other agencies	5,722,447
Noncurrent liabilities:	
Due within one year:	
Compensated absences	134,621
Lease obligations	25,383
Bond Premiums	42,924
Commercial paper	75,000,000
Due in more than one year:	
2011 MK Renewal Sales Tax Bond, net of amortization	212,976,251
Sick leave and compensated absences	289,301
Lease obligations	<u>21,689</u>
 Total Liabilities	 <u>315,896,975</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	45,035,979
Restricted for:	
Habitat acquisition and management	10,839,874
Unrestricted	<u>(59,497,115)</u>
 Total Net Assets	 <u>\$ (3,621,262)</u>

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

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
				Governmental Activities	
Primary Government:					
Governmental activities:					
General government	\$ 6,263,778	\$ 125	\$ 4,982,604	\$ -	\$ (1,281,049)
Transportation	95,878,429	-	76,577,754	-	(19,300,675)
Habitat development	530,619	2,302,388	-	-	1,771,769
Building interest expense	36,147	-	-	-	(36,147)
MKR investment interest expense	11,822,862	-	-	-	(11,822,862)
Totals	\$ 114,531,835	\$ 2,302,513	\$ 81,560,358	\$ -	(30,668,964)
General Revenues:					
					5,928
					62,134
					<u>68,062</u>
					(30,600,902)
					<u>26,979,640</u>
					<u>\$ (3,621,262)</u>

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

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Measure K and Measure K Renewal	Local Transportation Fund
ASSETS			
Cash and cash equivalents	\$ 686,026	\$ 43,933,636	\$ 4,382,171
Investments	-	175,774,561	-
Sales tax receivable	-	3,219,500	1,508,600
Interest receivable	12	971,641	3,371
Intergovernmental receivable	1,731,882	15,385	-
Advances to other agencies	-	5,744,938	-
Prepays	134,925	20,635	-
Refunds and miscellaneous receivables	50,562	-	-
Due from other funds	109,447	5,014,885	-
Due from other agencies	-	94,231	-
Notes receivable-related parties	-	9,390,991	-
Cash and investments - restricted	-	-	-
Interest receivable - restricted	-	-	-
Intergovernmental receivable - restricted	-	-	-
Deposits with State of California - restricted	-	170,000	-
Total Assets	<u>\$ 2,712,854</u>	<u>\$ 244,350,403</u>	<u>\$ 5,894,142</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 300,824	\$ 19,988,251	\$ -
Accrued salaries and benefits	125,469	-	-
Interest payable	15,385	984,168	-
Due to other funds	5,018,379	-	98,992
Due to other agencies	621	10,021	2,995,899
Deferred revenue	41,181	-	-
Total Liabilities	<u>5,501,859</u>	<u>20,982,440</u>	<u>3,094,891</u>
Fund Balances:			
Nonspendable	134,925	15,631,793	-
Restricted	-	207,736,170	2,799,251
Assigned	-	-	-
Unassigned	(2,923,930)	-	-
Total Fund Balances	<u>(2,789,005)</u>	<u>223,367,963</u>	<u>2,799,251</u>
Total Liabilities and Fund Balances	<u>\$ 2,712,854</u>	<u>\$ 244,350,403</u>	<u>\$ 5,894,142</u>

(Continued)

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

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
JUNE 30, 2012**

State Transit Assistance Fund	Regional Transportation Impact	Blended Component Unit - SJCOG, INC.	Total
\$ 1,772,986	\$ 5,103,622	\$ -	\$ 55,878,441
-	-	-	175,774,561
-	-	-	4,728,100
1,361	206	-	976,591
1,296,803	112,850	-	3,156,920
-	-	-	5,744,938
-	-	290	155,850
-	-	21,347	71,909
3,494	3,905	-	5,131,731
-	-	-	94,231
-	-	-	9,390,991
-	-	10,907,914	10,907,914
-	-	189	189
-	-	142,026	142,026
-	-	-	170,000
<u>\$ 3,074,644</u>	<u>\$ 5,220,583</u>	<u>\$ 11,071,766</u>	<u>\$ 272,324,392</u>
\$ -	\$ -	\$ 35,046	\$ 20,324,121
-	-	-	125,469
-	-	-	999,553
-	13,360	1,000	5,131,731
1,214,095	1,500,000	1,811	5,722,447
-	-	194,035	235,216
<u>1,214,095</u>	<u>1,513,360</u>	<u>231,892</u>	<u>32,538,537</u>
-	-	290	15,767,008
1,860,549	3,707,223	-	216,103,193
-	-	10,839,584	10,839,584
-	-	-	(2,923,930)
<u>1,860,549</u>	<u>3,707,223</u>	<u>10,839,874</u>	<u>239,785,855</u>
<u>\$ 3,074,644</u>	<u>\$ 5,220,583</u>	<u>\$ 11,071,766</u>	<u>\$ 272,324,392</u>

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

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**SAN JOAQUIN COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Total Fund Balances - Governmental Funds

Amounts reported for governmental activities in the statement of net assets are different because: \$ 239,785,855

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$38,976,085 (non-depreciable), plus \$8,239,871 (depreciable), less accumulated depreciation of \$2,132,904. 45,083,052

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Commercial paper bonds	\$ (75,000,000)	
MK renewal sales tax bond	(212,175,000)	
MK renewal sales tax bond premium	(844,175)	
Capital leases payable	(47,072)	
Compensated absences	(423,922)	
		(288,490,169)

Total Net Assets - Governmental Activities \$ (3,621,262)

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

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General	Measure K and Measure K Renewal	Local Transportation Fund
REVENUES			
Sales tax	\$ -	\$ 43,374,926	\$ 22,056,739
Prop 1B PTMISEA	-	-	-
Intergovernmental	6,146,016	-	-
Charges for services	125	-	-
Interest	5,700	3,359,876	14,952
Interest Prop 1B PTMISEA	-	-	-
Dividends	-	113,766	-
Gains (losses) on investments	228	(499,127)	3,670
Other	62,135	-	-
Total Revenues	<u>6,214,204</u>	<u>46,349,441</u>	<u>22,075,361</u>
EXPENDITURES			
General administration	5,985,099	177,802	902,981
Streets and roads	-	14,629,572	3,236,865
Pedestrian and bicycle	-	-	376,261
Transit	-	11,045,075	15,780,424
PTMISEA disbursements	-	-	-
Congestion relief	-	36,197,424	-
Railroad safety crossings	-	7,649,145	-
Smart growth	-	68,526	-
Habitat plan	-	-	-
Investment expense	-	948,577	-
Debt service:			
Principal	31,376	-	-
Interest	36,147	11,822,862	-
Capital outlay:			
Capital assets	39,783	-	-
Capital leases	34,590	-	-
Total Expenditures	<u>6,126,995</u>	<u>82,538,983</u>	<u>20,296,531</u>
Excess (Deficiency) of Revenues over Expenditures	<u>87,209</u>	<u>(36,189,542)</u>	<u>1,778,830</u>
OTHER FINANCING SOURCES			
Capital leases	<u>34,590</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>34,590</u>	<u>-</u>	<u>-</u>
Change in Fund Balances	<u>121,799</u>	<u>(36,189,542)</u>	<u>1,778,830</u>
Fund Balances (Deficit) at Beginning of Year	<u>(2,910,804)</u>	<u>259,557,505</u>	<u>1,020,421</u>
Fund Balances (Deficit) at End of Year	<u>\$ (2,789,005)</u>	<u>\$ 223,367,963</u>	<u>\$ 2,799,251</u>

(Continued)

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

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

State Transit Assistance Fund	Regional Transportation Impact	Blended Component Unit - SJCOG, INC.	Total
\$ -	\$ -	\$ -	\$ 65,431,665
1,575,000	-	-	1,575,000
4,600,495	-	-	10,746,511
-	1,950,865	2,181,260	4,132,250
1,182	21,857	99,774	3,503,341
1,949	-	-	1,949
-	-	-	113,766
1,604	-	-	(493,625)
-	-	21,354	83,489
<u>6,180,230</u>	<u>1,972,722</u>	<u>2,302,388</u>	<u>85,094,346</u>
73,175	9,454	292,690	7,441,201
-	-	-	17,866,437
-	-	-	376,261
4,417,624	-	-	31,243,123
71,860	-	-	71,860
-	1,500,000	-	37,697,424
-	-	-	7,649,145
-	-	-	68,526
-	-	237,929	237,929
-	-	-	948,577
-	-	-	31,376
-	-	-	11,859,009
-	-	386,717	426,500
-	-	-	34,590
<u>4,562,659</u>	<u>1,509,454</u>	<u>917,336</u>	<u>115,951,958</u>
<u>1,617,571</u>	<u>463,268</u>	<u>1,385,052</u>	<u>(30,857,612)</u>
-	-	-	34,590
-	-	-	34,590
<u>1,617,571</u>	<u>463,268</u>	<u>1,385,052</u>	<u>(30,823,022)</u>
<u>242,978</u>	<u>3,243,955</u>	<u>9,454,822</u>	<u>270,608,877</u>
<u>\$ 1,860,549</u>	<u>\$ 3,707,223</u>	<u>\$ 10,839,874</u>	<u>\$ 239,785,855</u>

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

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Total Net Change in Fund Balances - Governmental Funds \$ (30,823,022)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$461,089 exceeded depreciation of \$265,389 in the current period. 195,700

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (34,590)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 31,376

Compensated absences are measured by the amounts paid during the period in governmental funds. In the statement of activities, compensated absences are measured by the amount earned. (13,290)

If long-term debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred for governmental fund purposes, net of any bond issuance costs. In the government-wide statements, the premium and bond issuance costs are amortized as interest over the life of the debt. Amortization of bond premium, net of amortization of bond issuance costs for the period is: 42,924

Change in Net Assets - Governmental Activities \$ (30,600,902)

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

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The San Joaquin Council of Governments (Council), the regional transportation planning agency for the County of San Joaquin, was created pursuant to Title 3 of Government Code Section 29532. The Council is responsible for transportation planning activities as well as administration of the Local Transportation Fund and the State Transit Assistance Fund in accordance with the applicable sections of the Government Code, Public Utilities Code, and Administrative Code included within the Transportation Development Act.

The Council also is the Local Transportation Authority (LTA) pursuant to Section 1, Division 19 (commencing with Section 180000) of the Public Utilities Code as designated by the San Joaquin County Board of Supervisors. In 1990, the San Joaquin County voters passed an ordinance (Measure K) resulting in a sales tax increase of one-half of one percent for transportation improvements. The Council oversees the collection and distribution of the sales tax in accordance with the twenty year transportation expenditure plan. In 2006, the voters of San Joaquin County approved the Measure K Renewal expenditure plan for the 30 year period starting 2011 and ending in 2041. This approval continued the collection of a half cent sales tax during the 30 year period for transportation improvements.

The Council also administers the Freeway Service Patrol Program and the Congestion Management Program in San Joaquin County, operates a regional rideshare program, serves as the Census Data Center, operates a Research and Forecasting Center, prepares a regional housing needs plan, serves as the Airport Land Use Commission, provides technical assistance to local agencies and member jurisdictions as needed, and oversees the administration of the habitat and open space master plan for San Joaquin County.

The Council is governed by a fifteen member Board of Directors (Board), made up of three members representing San Joaquin County; three members representing the City of Stockton City Council; one member from the City Councils of the Cities of Escalon, Lathrop, Lodi, Manteca, Ripon, and Tracy; and three ex-officio, non-voting members from Caltrans District 10, the Port of Stockton, and the San Joaquin Regional Transit District.

Blended component unit

SJCOG, INC. is a not-for-profit public benefit corporation, established under Code Section 501(c)(3) of the Internal Revenue Code, of which the Council is the sole corporate member. The specific purpose of SJCOG, INC. is to act as the designee of the joint powers agency organized pursuant to the San Joaquin County Multispecies Habitat Conservation Plan, including the acquisition, holding, administering, and managing of real property pursuant to that plan. The Council is responsible for the administration of SJCOG, INC. and the San Joaquin County Multispecies Habitat Conservation Plan. The Council's Board serves as the Board of Directors of SJCOG, INC. The Council is financially responsible for SJCOG, INC. Because the Council's Board approves the component unit's fiscal and related activities, and the Council is responsible for collecting revenues, paying expenses, and administering the habitat conservation plan. SJCOG, INC. is presented as a major governmental fund.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are the only activities conducted by the Council. The Council conducts no *business-type activities*.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Government-wide and fund financial statements (Continued)

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

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council 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, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual include sales taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Council may fund certain programs and projects with a combination of cost reimbursement grants and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program and project expenditures.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

Certain indirect costs are included in program and project expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Major funds

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, defines major funds and requires that the Council's major governmental funds be identified and presented separately in the fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Major funds (Continued)

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Council may also select other funds it believes should be presented as major funds.

The Council reports the following major governmental funds:

The *General Fund* is the Council's primary operating fund. It accounts for all financial resources of the Council, except those required to be accounted for in another fund.

The Combined *Measure K and Measure K Renewal Fund* is used to account for the additional ½ cent sales tax approved by the San Joaquin County voters under Measure K in 1990 and Measure K Renewal in 2006. Revenues funded the twenty year Measure K transportation expenditure plan and will fund the thirty year Measure K Renewal transportation expenditure plan. Revenues are distributed to various entities and vendors for the design, construction, operation, and maintenance of specific projects. The Board of Directors bi-annually, if not more frequently, adopts a strategic plan implementing the expenditure plan approved by the voters and the Council enters into contracts with the agencies and vendors for the design and construction of specific projects and operations and maintenance. Council management and staff administer the Measure K and Measure K Renewal Programs, and the Council derives revenues from the fund for administrative and project management functions related to Measure K and Measure K Renewal. Sales taxes collected under the original Measure K ended March 31, 2011.

Commonly referred to as an extension of the original Measure K, sales tax revenues for the renewal did not begin to be collected until April 1, 2011. A Strategic Plan and Plan of Finance for the renewal implementing the voter-approved Expenditure Plan was adopted in December 2007 by the Board of Directors providing funding for renewal projects prior to the initiation of sales tax collection. Funding for those projects came from a bond financing program. Project expenses and debt service are tracked in the *Combined Measure K and Measure K Renewal Fund*.

The *Local Transportation Fund (LTF)* is used to account for retail sales tax, collected statewide under the Transportation Development Act that is returned to San Joaquin County. The revenues are distributed to eligible claimants to provide transit services, pedestrian/bicycle facilities, and street and roads funding. Council management and staff administer the LTF program, and the Council derives revenues from the fund for administrative and planning functions related to LTF.

The *State Transit Assistance Fund (STA)* is used to account for Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds for Public Transit purposes. The State Controller's Office issues annual apportionments in January and a revised apportionment in August.

The *Regional Transportation Impact Fee Fund (RTIF)* is used to account for the activities of the RTIF Program. The RTIF Program objective is to obtain funding for development projects that have an impact upon the regional transportation network and to integrate these funds with federal, state, and other local funding to fund transportation improvements identified in the RTIF Program.

SJCOG, INC. Fund is a not-for-profit public benefit corporation, established under Code Section 501(c)(3) of the Internal Revenue Code. The specific purpose of SJCOG, INC., is to act as the designee of the joint powers agency organized pursuant to the San Joaquin County Multispecies Habitat Conservation Plan, including the acquisition, holding, administering, and managing of real property pursuant to that plan. The Council is financially responsible for SJCOG, INC., and the Council derives revenues from the fund for related administrative and management functions.

Although the STA and RTIF Special Revenue Funds listed above do not meet the definition of major funds, the Council has elected to present them separately because of their significance to its stakeholders.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

San Joaquin County Transportation Authority (Authority)

Pursuant to Division 19 of the California Public Utilities Code, the Local Transportation Authority and Improvement Act, the Board of Supervisors of San Joaquin County created the Authority and designated the Board of Directors of the Council to serve as the Board of Directors of the Authority. The Authority is responsible for the management and implementation of the Measure K and Measure K Renewal Expenditure Plans. These programs include the collection of a ½ cent sales and use tax and the programming and delivery of the projects identified in the Expenditure Plans.

B. Assets, Liabilities, and Net Assets

Deposits and investments

The Council's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Council's cash is in the custody of the San Joaquin County Treasurer's cash and investment pool, which is recorded at fair value, and other financial institutions.

Under state law the Council may invest in obligations of the U.S. Treasury, U.S. agencies, State of California, local agencies and instrumentalities, commercial paper of the highest short-term rating category as provided by Moody's Investor Service, Inc. or Standard and Poor's Corporation, banker's acceptances, repurchase agreements, medium-term corporate notes, mutual funds, time certificates of deposit, the Local Agency Investment Fund (LAIF), local government investment pools, Public Financial Management (PFM), the California Asset Management Program (CAMP), and shares of beneficial interest issued by diversified management companies. All of the above operate in accordance with appropriate state laws and regulations. The investments for the Council, as well as for its component unit, are recorded at fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding between funds at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All "due to/from" balances at June 30, 2012, are considered to be current and due to be repaid within the upcoming fiscal year.

All accounts receivable and intergovernmental receivables and advances are shown at their net collectible balances. Accounts receivable represent various non-intergovernmental collectible amounts due at June 30, 2012. Intergovernmental receivables represent claims for reimbursements and sales tax revenues receivable from various federal, state, and local governmental agencies as of June 30, 2012.

Advances and notes receivable, as reported in the fund financial statements, are designated as a nonspendable fund balance account in applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Restricted assets are those portions of net assets that are not available for appropriation or expenditure and/or are legally segregated for a specific future use.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Assets, Liabilities, and Net Assets (Continued)

Certain proceeds of the Council's bond anticipation notes and commercial paper are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited to transportation program expenses and repayment of debt.

The restricted net asset balance for habitat conservation and management represents the net assets of SJCOG, INC. and represents net assets that are restricted for the San Joaquin County Multispecies Habitat Conversation Plan.

Net Asset/Fund Balance

The Council adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011. As a result, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Council is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the Council's highest level of decision-making authority (the Board) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be Board resolution.
- *Assigned fund balance* – amounts that are constrained by the Council's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The Board delegated authority to assign fund balance for a specific purpose to the Manager of Finance.
- *Unassigned fund balance* – the residual classification for the Council's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, followed by the unrestricted committed, assigned, and unassigned resources as they are needed.

There is no minimum fund balance policy.

Capital assets

Capital assets, which include office furniture and equipment, leasehold improvements, and assets under capital leases, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Assets, Liabilities, and Net Assets (Continued)

Capital assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Equipment, furniture and fixtures, building, building improvements, and assets under capital lease of the primary government are depreciated using the straight-line method over periods ranging from five (5) years to forty (40) years. Land related to the Council's Headquarters building and parking lot is not subject to depreciation. Capital assets of the component unit consist entirely of land and real property easements and are not subject to depreciation because they are considered to have indefinite lives.

Compensated absences

It is the Council's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, which are then paid out of the General Fund. There is limited liability for unpaid accumulated sick pay for employees. This benefit is limited to employees who have completed twenty (20) years of service or have reached the normal retirement age, and have accumulated a minimum of 160 hours of sick pay. Compensated absences are reported in the governmental funds only if they have matured. The amount of compensated absences within the General Fund that are due within one year was \$134,621 at June 30, 2012.

Debt obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

The Council is authorized to issue up to \$75,000,000 of commercial paper notes. These notes are payable from and secured by a subordinate pledge of certain revenues derived from the one-half of one percent retail transactions and use tax in San Joaquin County. The notes mature every 1 to 270 days and, unless defeased, are repaid with new notes. Credit for these notes is provided through an irrevocable direct draw letter of credit expiring March 1, 2013. These notes can be rolled over until March 1, 2013, at which time all principal must be repaid.

The Council issued Bond Anticipation Notes (BANs) on May 21, 2008, to provide funding for the Measure K and Measure K Renewal programs. The Council received \$210,003,362 in proceeds at a discount of \$203,355,000. The BANs were replaced by the issuance of \$212,175,000 in Sales Tax Revenue Bonds, 2011 Series A. Proceeds are invested in both the CAMP pool and in an individual portfolio with PFM.

The Council uses Commercial Paper, BANs and, subsequently, the \$212,175,000 Sales Tax Revenue Bonds, 2011 Series A proceeds to provide funding to accelerate the delivery of transportation projects. In fiscal year 2011-12, commercial paper interest expense of \$125,000 and \$11,697,862 of the \$212,175,000 Sales Tax Revenue Bonds, 2011 Series A interest expense are categorized as Measure K Renewal Investment Interest Expense in the Government-wide Statement of Activities.

C. Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 60

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement 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. The statement provides guidance on whether the transferor or the operator should report the capital asset in its financial statements, when to recognize up-front payments from an operator as revenue, and how to record any obligations of the transferor to the operator. The requirements for GASB Statement No. 60 are effective for financial statements for periods beginning after December 15, 2011; SJCOG does not expect GASB Statement No. 60 will have an effect on SJCOG's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Future Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 61

GASB Statement No. 61 – The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34 modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. As of the date of these financial statements, the Council has not made an assessment of any changes that will occur upon this statement's implementation.

Governmental Accounting Standards Board Statement No. 62

GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements – Financial Accounting Standards (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codified what is current practice, there is no net effect on the Council's accounting or financial reporting upon the statement's implementation.

Governmental Accounting Standards Board Statement No. 63

GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position modifies current financial reporting of those elements. The statement is effective for periods beginning after December 15, 2011. The Council is assessing, but has not yet determined, the effects the implementation of this standard will have on the financial statements.

Governmental Accounting Standards Board Statement No. 65

GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012, although earlier application is encouraged. The Council is assessing, but has not yet determined, the effects the implementation of this standard will have on the financial statements.

Governmental Accounting Standards Board Statement No. 66

GASB Statement No. 66 – Technical Corrections 2012- an amendment of GASB Statements No. 10 and No. 62 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012, although earlier application is encouraged. GASB Statement No. 66 will not have an effect on the Council's financial statements.

Governmental Accounting Standards Board Statement No. 67

GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 improves financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for periods beginning after June 15, 2013, although earlier application is encouraged. GASB Statement No. 67 will not have an effect on the Council's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Future Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 68

GASB Statement No. 68 – Financial Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014, although earlier application is encouraged. The Council is assessing, but has not yet determined, the effects the implementation of this standard will have on the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

As required by the Council's Joint Powers Authority agreement, the Council prepares and legally adopts a final operating budget on or before April 1 of each fiscal year. Annual budgets are legally adopted for the General Fund. As required by the Joint Powers Authority, the budget is adopted by the Board and ratified by member agencies. Operating budgets are prepared on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the object level. Transfers of appropriations within major objects may be approved by the Executive Director. Significant amendments, appropriation transfers between objects, and transfers from contingencies must be approved by the Council's Board. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board. No supplemental appropriations were required during the year ended June 30, 2012. The bi-annual Strategic Plan and revenue estimate for the Measure K Fund are approved by the SJCOG Board. The Local Transportation Fund (LTF) revenue estimate is created by Council staff and approved by the San Joaquin County Auditor-Controller. The revenue estimate is apportioned to each claimant based on population. The State Transit Assistance Fund (STA) budget revenue estimate is created and allocated by the California State Controller's Office. Budgets for the LTF, STA, and Regional Transportation Impact (RTIF) Funds are approved by the SJCOG Board. Budgetary amounts for the special revenue funds are presented at their lowest level of budgetary control, which is the object level, as described above.

During the year certain amendments were approved by the Board. Certain reclassifications were made within an object category, which were approved by the Executive Director. The supplemental budgetary appropriations and reclassifications within object categories made in the General Fund were not material.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments

Cash and investments are reported in the accompanying financial statements as follows:

Statement of net assets:	
Cash	\$ 55,878,441
Investments	175,774,561
Restricted - cash	<u>10,907,914</u>
Total cash and investments	<u><u>\$ 242,560,916</u></u>

NOTE 3 – CASH AND INVESTMENTS (Continued)*Cash and investments* (Continued)

Cash and investments as of June 30, 2012, consist of the following:

Cash in County treasury	\$ 6,155,312
Deposits in financial institutions	17,740,948
Local Agency Investment Fund (LAIF)	91,752
Cash and investments held by bond trustee	<u>218,572,904</u>
Total cash and investments	<u>\$ 242,560,916</u>

Investments authorized by the California Government Code and the Council's investment policy

The table below identifies the investment types that are authorized by the Council's investment policy. The table also identifies certain provisions of the Council's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Council, rather than the general provisions of the California Government Code or the Council's investment policy.

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of * portfolio</u>	<u>Maximum investment in one issuer</u>
State & Local Agency Bonds	5 years	None	None
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	30 days	None	None
Commercial Paper	270 days	25%	10%
State of California Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
FDIC Certificates of Deposit	5 years	None	None
Negotiable Bank Certificates of Deposit	5 years	30%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program	270 days	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments authorized by debt agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Council’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker’s Acceptances	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures relating 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 the Council 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 evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Council’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Council’s investments by maturity:

Investment type	Total	Remaining maturity (in months)			
		12 months or less	13 to 24 months	25 to 60 months	More than 60 months
Cash in County & FNM Bank	\$ 6,155,312	\$ 6,155,312	\$ -	\$ -	\$ -
State investment pool	91,752	91,752	-	-	-
Held by trustee:					
Cash	410,314	410,314	-	-	-
Commercial paper	22,794,334	22,794,334	-	-	-
Money market funds	42,890,095	42,890,095	-	-	-
Municipal Bond Notes	1,890,689	-	-	1,890,689	-
Certificates of Deposit	17,214,838	8,399,341	8,815,497	-	-
Corporate debt securities	25,882,012	-	-	25,882,012	-
Corporate bonds	473,578	244,145	-	229,433	-
ABS/MBS/CMOs	756,492	-	-	627,745	2,013,503
Government sponsored securities	408,815	-	408,815	-	-
U.S. Treasury securities	45,790,039	-	5,228,444	40,561,595	-
Federal agency securities	60,061,698	8,326,887	18,107,234	31,742,821	-
	<u>\$ 224,819,968</u>	<u>\$ 89,312,180</u>	<u>\$ 32,559,990</u>	<u>\$ 100,934,295</u>	<u>\$ 2,013,503</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments with fair values highly sensitive to interest rate fluctuations

Highly Sensitive Investments	Fair Value at Year-End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 60,061,698

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 below is the minimum rating required by (where applicable) the Council's investment policy or debt agreements and the actual rating as of year-end for each investment type.

Investment type	Total	Minimum legal rating	Ratings as of year-end	Not rated
County investment pool	\$ 6,155,312	N/A	N/A	\$ 6,155,312
State investment pool	91,752	N/A	N/A	91,752
Held by trustee:				
Cash	410,314	N/A	N/A	410,314
Money market funds	42,890,095	AAA/Aa	AAA _m	-
Commercial paper				
Deutsche Bank AG	5,697,800	A	A-1+/P-1	-
General Electric Co	5,699,128	A	A-1+/P-1	-
Nordea Bank AB	5,698,427	A	A-1+/P-1	-
Toyota Motor Corp	5,698,979	A	A-1+/P-1	-
Certificates of Deposit:				
Bank of Nova Scotia	4,400,229	A	AA-/Aa1	-
Royal Bank of Canada	4,400,189	A	A-1+/P-1	-
National Australia Bank	3,999,153	A	A-1+/P-1	-
Westpac Banking Corp	4,415,267	A	A-1+/P-1	-
Corporate debt securities:				
Berkshire Hathaway Inc.	2,531,490	A	AA+/Aa2	-
Caterpillar INC	3,312,083	A	A/A2	-
General Electric Co.	4,087,745	A	AA+/A1	-
IBM Corp.	5,659,074	A	AA-/Aa3	-
JPMorgan Chase & Co.	4,031,019	A	A/A2	-
McDonalds Corp	999,884	A	A/A2	-
Procter & Gamble Co.	1,203,116	A	AA-/Aa3	-
US Bankcorp	4,057,601	A	A/Aa3	-
US Treasury Bonds/Notes	45,328,370	TSY	AA+/Aaa	-
Municipal Bonds/Notes	1,890,689	N/A	AA/Aa2	-
US Treasury Securities	461,669	A	AA+	-
Government Sponsored Enterprise Securities	408,815	A	AA+	-
Corporate Bonds	473,578	A	AA+	-
ABS/MBS/CMOs	756,492	A	AA+	-
Federal agency securities	60,061,698	N/A	AAA/Aaa	-
	\$ 224,819,968			\$ 6,657,378

NOTE 3 – CASH AND INVESTMENTS (Continued)

Concentration of credit risk

The investment policy of the Council contains certain limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Council investments are as follows:

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>
FANNIE MAE	Federal agency securities	\$ 12,706,070
FHLMC	Federal agency securities	14,986,670
FNMA	Federal agency securities	9,295,505
FHLB	Federal agency securities	23,073,453
		<u>\$ 60,061,698</u>

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 the Council'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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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 Council deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in San Joaquin County Pool

By statute, the Council maintains LTF and STA cash balances in the San Joaquin County (County) Treasury Investment Pool. The pool is non-SEC registered and is invested in accordance with California State Government Code and the San Joaquin County Treasurer's Investment Policy. California State Government Code requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Oversight Committee reviews the monthly investment report prior to presentation to the County's Board of Supervisors and causes an audit of investments to occur annually. The fair value of the Council's shares in the San Joaquin County Pools is the same as the value of the pool shares. The Council had a total of \$6,155,312 invested in the San Joaquin County Pool at June 30, 2012.

Deposits in Financial Institutions

All deposits in financial institutions are fully collateralized in accordance with Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associations to secure the Council's deposits by pledging government securities as collateral. The Council had a total of \$17,740,948 deposited in financial institutions at year end.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool

The Council is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair value of the Council's investment in this pool is reported in the accompanying financial statements at amounts based upon the Council's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total fair value amount invested by all public agencies in LAIF at June 30, 2012, was \$60.6 billion, managed by the State Treasurer. Of that amount, 100 percent was invested in non-derivative financial products and none in derivative financial products. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by state statute. The value of pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Council's position in the pool. Investments in LAIF are highly liquid and are secured by the full faith and credit of the State of California. The Council's investment in LAIF at June 30, 2012, was \$91,752.

Investments in Public Financial Management and CAMP

Public Financial Management (PFM) manages a significant portion of the Council's investments. These investments include corporate notes, federal agency bonds/notes, U.S. Treasury bonds/notes, commercial paper, federal agency discounted notes, and money market funds.

The U.S. Government money market funds invest in short-term debt obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities, some of which may be subject to repurchase agreements. The securities in the fund have an average life as of June 30, 2012, of 270 days.

CAMP is a Joint Powers Authority formed to provide professional investment management services and allows the participants to combine the use of a money market portfolio with an individually managed portfolio. The money market portfolio offers daily liquidity and is rated Aam by Standard and Poor's. To maintain the Aam rating, the portfolio weighted average maturity may not exceed 70 days.

Included in the CAMP money market fund balances are accounts that are created for the payment and tracking of interest and principal on the commercial paper debt obligations, totaling \$153,501 and \$38,745,478, respectively. The investments with fiscal agents as well as the \$3,903,231 and \$8,297,455 of the CAMP balances are also created for the payment and tracking of Measure K project expenditures.

Investments in Raymond James

In 2012, SJCOG diversified its portfolio by investing \$4 million of SJCOG, INC.'s endowment funds in the Eagle Asset Management program through Raymond James. The primary goal is capital preservation with low risk tolerance and a time horizon less than five years. Secondly, the goal is income with low risk and a short investment time horizon.

Investments for the Council as well as its component unit are reported at fair value as determined by quoted market prices. Changes in the fair value of investments are included with all other investment income. Cash on deposit with the San Joaquin County Treasurer is invested as authorized by statutes.

NOTE 4 – RECEIVABLES

Accounts receivable balances as of year-end for the Council’s individual major funds are as follows:

	General	Measure K	Local Trans- portation	State Transit Assistance	RTIF	SJCOG INC.	Total
Receivables:							
Interest	\$ 12	\$ 971,641	\$ 3,371	\$ 1,361	\$ 206	\$ -	\$ 976,591
Sales taxes	-	3,219,500	1,508,600	-	-	-	4,728,100
Miscellaneous receivables	50,562	-	-	-	-	21,347	71,909
Intergovernmental	1,731,882	15,385	-	1,296,803	112,850	-	3,156,920
Intergovernmental - Restricted	-	170,000	-	-	-	142,026	312,026
Interest - restricted	-	-	-	-	-	189	189
Total Receivables	<u>\$ 1,782,456</u>	<u>\$ 4,376,526</u>	<u>\$ 1,511,971</u>	<u>\$ 1,298,164</u>	<u>\$ 113,056</u>	<u>\$ 163,562</u>	<u>\$ 9,245,735</u>

Intergovernmental Receivables

The intergovernmental receivable balance consisted of \$112,850 of Regional Transportation Impact Fees receivable, \$1,731,882 of General Fund claims receivable from various federal, state, and local agencies, and 1,296,803 of State Transit Assistance Proposition 1B PTMISEA receivables.

The restricted intergovernmental receivable balance of \$142,026 and related interest balances of \$189 for SJCOG INC. are for mitigation fees receivable and related interest.

Notes Receivable

On December 14, 2008, the Council extended a line of credit of \$9,174,426 to the San Joaquin Regional Rail Commission (Commission) to provide the resources to purchase land for their anticipated maintenance facility. This line was to be repaid by the Commission with receipts of a loan from the Federal Rail Administration within 180 days. The FRA loan did not occur; however, the Commission was able to use a bond program created in the American Recovery and Restoration Act to acquire the needed resources for the facility. The bond issuance, however, required the line of credit to be subordinated to the bonds. In accordance with terms of the agreement, the Commission will make interest only payments for the first two years of the ten year note and make eight years of principal and interest payments. The first interest only payment will begin July 1, 2012, and the second annual interest only payment will be due July 1, 2013. The eight remaining annual payments of interest and principal will be due annually thereafter. The Commission note balance as of June 30, 2012, is \$8,256,677. Accrued interest receivable on these borrowings is \$404,195 at June 30, 2012.

On December 9, 2008, the Council approved a line of credit of \$863,589 in Measure K Renewal funds to allow the City of Stockton to prepare preliminary design plans for the I-5/Otto Drive interchanges. The design plans have been completed incurring a total cost of \$646,793. The City of Stockton’s note receivable balance as of June 30, 2012, is \$646,793. The accrued interest on the borrowings is \$70,174. In accordance with terms of the agreement, the loan sum plus interest is to be repaid in full by December 2, 2013.

On June 19, 2012, the Council approved a line of credit not to exceed \$1,500,000 in Measure K Renewal funds for construction in support of the MH580 Marine Highway Barge Modification Project. The Port of Stockton’s receivable balance as of June 30, 2012, is \$487,521. The accrued interest on the borrowings is \$584. In accordance with the agreement the \$1,500,000 plus interest will be repaid in three yearly installments commencing July 1, 2013

The Commission and the City of Stockton depend on the SJCOG for significant portions of their transportation related operating funds, and therefore are considered to be related parties.

NOTE 4 – RECEIVABLES (Continued)

Advances

On July 1, 2008, the Council advanced \$6,543,238 of Measure K Funds to the City of Stockton for Local Streets and Roads (LSR) projects. The advance is amortized quarterly from future allocations to the City. At June 30, 2012 the outstanding advance balance is \$2,130,471.

On July 1, 2008, the Council advanced \$9,647,678 of Measure K Funds to the County of San Joaquin for LSR projects. The advance is amortized quarterly from future allocations to the County. At June 30, 2012 the outstanding advance balance is \$3,141,273.

On November 1, 2011, the Council entered into the Stockton Sperry Road Extension, advanced project funding and interest reimbursement agreement. In accordance with terms of the agreement, SJCOG will reimburse the City of Stockton for project-eligible costs up to the sum of \$6,320,000. The City of Stockton will pay SJCOG, the interest component of debt service on the SJCOG long-term bonds in a single lump sum in October 2014.

Originally, the City and County advances were to have been absorbed through growth in sales tax revenue by March 31, 2011. However, with the lack of growth in sales tax revenue, and each agency's loss of other LSR funds, they were not able to completely resolve the advances. The Board approved the two agencies to amortize the payments over an extended period of time, including allowing payments beyond March 31, 2011. Upon the expiration date of the Measure K program (March 31, 2011), the advances were reclassified as notes receivable. Interest on any unpaid balance was assessed at the Council's then current borrowing rate plus .45%.

The City of Stockton and County of San Joaquin depend on the SJCOG for a significant portion of their transportation related funding, and therefore are considered to be related parties.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	June 30, 2011	Additions	Disposals	June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Conservation easements and credits	\$ 38,189,368	\$ 386,717	\$ -	\$ 38,576,085
Land	400,000	-	-	400,000
Total capital assets, not being depreciated	<u>38,589,368</u>	<u>386,717</u>	<u>-</u>	<u>38,976,085</u>
Capital assets, being depreciated:				
Office furniture and fixtures	247,653	-	-	247,653
Office building	7,102,653	-	-	7,102,653
Building improvements	572,991	39,783	-	612,774
Office and computer equipment	297,429	34,588	(55,226)	276,791
	<u>8,220,726</u>	<u>74,371</u>	<u>(55,226)</u>	<u>8,239,871</u>
Less accumulated depreciation for:				
Office furniture and fixtures	(122,464)	(16,510)	-	(138,974)
Office building	(1,351,103)	(177,566)	-	(1,528,669)
Building improvements	(207,105)	(32,172)	-	(239,277)
Office and computer equipment	(242,069)	(39,141)	55,226	(225,984)
	<u>(1,922,741)</u>	<u>(265,389)</u>	<u>55,226</u>	<u>(2,132,904)</u>
Total capital assets being depreciated, net	<u>6,297,985</u>	<u>(191,018)</u>	<u>-</u>	<u>6,106,967</u>
Governmental activities capital assets, net	<u>\$ 44,887,353</u>	<u>\$ 195,699</u>	<u>\$ -</u>	<u>\$ 45,083,052</u>

Depreciation

All depreciation expense is related to the general administrative functions of the Council.

Depreciation expense was charged to the following activities of the Council as follows:

	2012	2011
Governmental activities		
General government	\$ 265,389	\$ 273,721

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2012, is as follows:

Due To/From	Interfund	
	Receivables	Payables
Governmental Funds:		
General Fund	\$ 109,447	\$ 5,018,379
Measure K/Measure K Renewal	5,014,885	-
Local Transportation Fund	-	98,992
State Transit Assistance Fund	3,494	-
Regional Transportation Impact Fund	3,905	13,360
SJCOG, Inc.	-	1,000
Totals	<u>\$ 5,131,731</u>	<u>\$ 5,131,731</u>

The General Fund receivable from RTIF, and LTF represent the final accrued Planning funds due to the General Fund at June 30, 2012.

The Measure K receivables from the General Fund represent balance of advance utilized to finance construction of SJCOG's Office Building.

The SJCOG, INC. receivable represents Habitat Management fees due back from the General Fund at June 30, 2012.

Interfund Advance

The Council completed major construction of new administrative facilities in November of 2003. Total cost for completion of the three story structure, including equipment upgrades, furnishings, and fixtures, was \$7,935,244. Land, valued at \$400,000, was donated by the Stockton, California, Redevelopment Agency for the building site. Commercial paper obligations in the amount of \$8,000,000 were issued in October of 2003. \$2,000,000 was repaid from General Fund reserves to the Measure K Fund in April of 2005. The Measure K Fund, in turn, retired \$2,000,000 of commercial paper obligations. The General Fund reserves of \$2,000,000 covered the cost of construction of the third floor of the building. Debt service on the commercial paper obligations is being reimbursed from the General Fund to the Measure K Fund. The repayment schedule consists of monthly principal and interest payments that vary from month to month at a rate of 45 basis points over the Commercial Paper's rate.

The balance of debt service and interest for the General Fund as of fiscal year ended June 30, 2012, was \$5,014,885. The Council currently occupies the lower two floors of the three story building. The Council may rent the third floor to a commercial tenant.

NOTE 7 – LEASES

Operating leases

The Council leases various office equipment under noncancellable operating leases as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 118,861
2014	118,861
2015	117,835
2016	108,205
2017	62,741
Total	<u>\$ 526,503</u>

NOTE 7 – LEASES (Continued)*Capital leases*

The Council entered into various lease agreements to provide office and computer equipment for Council staff. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 75,948
Less: Accumulated depreciation	<u>(28,876)</u>
Total	<u>\$ 47,072</u>

As of June 30, 2012, the future minimum lease payments and the net present value of these minimum lease payments were as follows:

<u>Fiscal Year Ending June 30,</u>	
2013	\$ 27,943
2014	19,517
2015	<u>3,084</u>
Total payments	50,544
Less amounts representing interest	<u>(3,472)</u>
Net present value of future minimum lease payments	<u>\$ 47,072</u>

NOTE 8 – DEBT OBLIGATIONS AND LONG-TERM LIABILITIES

Activity during the year ended June 30, 2012, was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Bonds:					
Bond anticipation notes	\$ 212,175,000	\$ -	\$ -	\$ 212,175,000	\$ -
Premium, net of amortization	<u>887,099</u>	<u>-</u>	<u>(42,924)</u>	<u>844,175</u>	<u>42,924</u>
Total bonds	<u>213,062,099</u>	<u>-</u>	<u>(42,924)</u>	<u>213,019,175</u>	<u>42,924</u>
Commercial paper	75,000,000	-	-	75,000,000	75,000,000
Sick leave benefits payable	246,197	20,980	(8,634)	258,543	-
Compensated absences	164,436	165,380	(164,436)	165,380	134,621
Capital leases	<u>43,858</u>	<u>34,590</u>	<u>(31,376)</u>	<u>47,072</u>	<u>25,383</u>
Total	<u>\$ 288,516,590</u>	<u>\$ 220,950</u>	<u>\$ (247,370)</u>	<u>\$ 288,490,170</u>	<u>\$ 75,202,928</u>

NOTE 8 – DEBT OBLIGATIONS AND LONG-TERM LIABILITIES (Continued)

Commercial paper obligations

The Council was originally authorized to issue up to \$100,000,000 of these notes. In September 2005, the SJCOG Board of Directors authorized an additional \$67,000,000 of commercial paper notes, bringing the total authorization up to \$167,000,000. The Council issued an additional \$72,000,000 of commercial paper notes (\$5 million unissued from the original authorization and \$67 million from the September 2005 authorization) on November 29, 2005, in order to provide interim financing for the State of California in order to facilitate construction of Interstate 205 Freeway improvements. These improvements began in the spring of 2006. The California Transportation Commission (CTC) has reimbursed the Council on all three installments. On March 1, 2011, the Council's Board reduced the commercial paper authorization to \$75,000,000 to constrain with coverage requirements of a bond defeasance.

These notes are payable from and secured by a subordinate pledge of certain revenues derived from the one-half of one percent retail transactions and use tax in San Joaquin County. The notes mature anywhere from 1 to 270 days and are repaid with new notes. These notes can be rolled over until March 1, 2013, at which time all principal must be repaid. These notes are considered a long-term obligation because the Council does not intend to refund or retire the principal within the next operating cycle. The notes outstanding as of June 30, 2012, bear interest at .17% which is payable upon maturity of the note. There are no minimum debt service requirements. Revenues of the Measure K Fund are used to repay the commercial paper obligations.

In addition, under an irrevocable direct draw letter of credit issued by JP Morgan Chase Bank, N.A., the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of notes delivered to it. The letter of credit is valid through March 1, 2013, at which time it may be renewed. The letter of credit fees are paid at an annual rate of .82% of the stated amount. Citibank, N.A., issuer of the previous letter of credit, was replaced by JP Morgan Chase Bank, N.A on March 1, 2011.

If the remarketing agent is unable to resell any notes drawn on the letter of credit after 90 days, JP Morgan Chase Bank, N.A., will convert the notes to a term loan payable over a three-year period bearing an interest rate equal to the Bank Rate (base rate plus 1 percent). The term out agreement expires March 1, 2013. If the term out agreement were to be exercised because the entire outstanding balance of \$75,000,000 of notes was not resold, the Council would be required to pay \$28,448,432 a year for three years under the installment loan agreement assuming a 6.75% interest rate.

The annual obligation on commercial paper as of June 30, 2012, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	<u>\$ 75,000,000</u>
Total	<u>\$ 75,000,000</u>

2011 Series A Sales Tax Revenue Bonds

The Council issued long-term debt on March 1, 2011, to defease Bond Anticipation Notes issued in 2008, totaling \$212,175,000. Actual Measure K sales tax revenue received in fiscal year 2009/10 constrained the amount of the new issuance; however, there were sufficient proceeds to defease the BANs, fund cost of issuance and a debt service reserve fund at one-half Maximum Annual Debt Service (MADS). The Council pledges 100% of the Measure K Renewal sales tax as a security for the new bonds; however, in order to maintain a high credit and coverage level, debt service is constrained at 35% of last year's actual sales tax. MADS is expected to be 2.26x with annual coverage at 2.8x. The structure insures all the other programs in the Measure K Renewal will have full funding.

NOTE 8 – DEBT OBLIGATIONS AND LONG-TERM LIABILITIES (Continued)

The Series 2011 Bonds bear interest until maturity date at the rates per annum as set forth below:

Bond Component	Maturity Date	Principal Amount	Coupon	Price
Serial Bonds:	3/1/2016	\$ 475,000	3.00%	102.858
	3/1/2017	1,530,000	4.00%	106.699
	3/1/2018	2,700,000	5.00%	111.607
	3/1/2019	4,015,000	4.00%	103.321
	3/1/2020	5,025,000	5.00%	108.995
	3/1/2021	5,275,000	5.00%	107.322
	3/1/2022	5,540,000	5.25%	107.151
	3/1/2023	5,830,000	5.25%	105.491
	3/1/2024	6,135,000	5.25%	104.024
	3/1/2025	6,455,000	5.25%	102.741
	3/1/2026	6,795,000	5.25%	101.633
	3/1/2027	7,150,000	5.00%	98.058
	3/1/2028	7,510,000	5.75%	103.930
	3/1/2029	7,940,000	5.75%	103.301
	3/1/2030	8,400,000	5.75%	102.755
3/1/2031	<u>8,880,000</u>	5.25%	96.754	
		89,655,000		
2036 Term Bond:	3/1/2032	9,350,000	6.00%	103.031
	3/1/2033	9,910,000	6.00%	103.031
	3/1/2034	10,505,000	6.00%	103.031
	3/1/2035	11,135,000	6.00%	103.031
	3/1/2036	<u>11,800,000</u>	6.00%	103.031
		52,700,000		
2041 Term Bond:	3/1/2037	12,510,000	5.50%	96.445
	3/1/2038	13,200,000	5.50%	96.445
	3/1/2039	13,925,000	5.50%	96.445
	3/1/2040	14,690,000	5.50%	96.445
	3/1/2041	<u>15,495,000</u>	5.50%	96.445
		69,820,000		

Defeased Debt

The 2008 Bond Anticipation Notes (BANs) of the Council have been defeased by placing the proceeds of the 2011 Series A Sales Tax Revenue Bonds in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury Obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the Council's financial statements. The defeased bonds outstanding at June 30, 2012, considered extinguished are as follows:

2008 Bond Anticipation Notes	\$203,355,000
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NOTE 9 – COMMITMENTS AND CONTINGENCIES

Risk management

In January 2010, the Council became independent of San Joaquin County for all payroll and payroll related activities. For workers' compensation, SJCOG retains and pays premiums to ICW Group Insurance Services.

In March 2010, the Council moved health benefit coverage and all health benefit related activities from San Joaquin County to a variety of private health care providers. This includes dental and vision coverage, life insurance, short- and long-term disability, and long-term care. The medical benefit program utilizes a high deductible, Health Savings Account (HSA) approach. Exempt employees are able to use their current cafeteria allocation to deposit into their individual HSAs while the Council contributes \$2,500 into each non-exempt employee's HSA.

The Council is self-funded for dental and vision benefits. This coverage is administered by Administrative Solutions, Inc, which provides claims review and processing services.

As of January 2010, the Council contracted Paychex Payroll Services to provide a Flexible Spending Account option for all employees. The annual maximum was set at \$2,600; however the amount will be decreased to \$2,500 in the upcoming year. These pre-tax dollars can be used for eligible medical costs and dependent care.

The Council carries commercial insurance to cover all claims for other risks of loss to which the Council is exposed, including automobile liability, property damage, public official's errors and omissions, personal injury, physical loss or damage, commercial crime, machinery, and employee health. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Compensated absences

Council employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation at various rates. Employees have the option to sell accrued vacation hours at their current base rate of pay as long as they have a minimum of 80 hours remaining following the transaction. Employees that have reached the normal retirement age or have completed twenty years of continuous service and have accrued a minimum of 160 hours of sick leave may elect to convert unused sick leave to cover the continuation of health care insurance premiums at retirement. As of June 30, 2012, only one retiree met these eligibility requirements. Other than this conversion at retirement, there is no cash payment of sick leave. As of June 30, 2012, accrued vacation and sick leave pay totaled \$423,923. Payment of accrued sick leave to eligible employees upon termination is the only post employment benefit provided by the Council.

Contract commitments

Measure K funded the design, environmental, and/or construction work on state highways, some of which are in progress. In January 2008, the SJCOG Board adopted the Measure K Renewal Strategic Plan to begin delivering some of the Renewal projects prior to 2011. The Council has active projects as of June 30, 2012, funded through Measure K and Measure K Renewal programs and has outstanding commitments of \$2,858,835 and \$230,836,537, respectively, under these programs.

Employee retirement plan

The Council participates in a defined contribution pension plan through the Council Retirement Plan which is available to all employees who have attained 19 years of age. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Contributions to the plan are entrusted to the ICMA Retirement Corporation, which provides investment consultation and administration.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Contributions to the plan by the Council are limited to 15% of compensation. The Council does not contribute into Social Security for employees. Certain legacy employees also do not have a Medicare contribution of the Council. Newer employees have a Medicare contribution. The Council's contributions are fully vested after six years of continuous service or when they reach the age of 50. The plan does not provide for employee contributions. The Council will not be required to pay prior year employer contributions for anyone having worked for the Council prior to the initiation of the retirement program.

Plan provisions and contribution requirements for the plan are established and may be amended by the Council's Board of Directors. The Council's total salaries, including vacation and termination pay, for the year ended June 30, 2012, was \$2,466,148. The Council's total contributions to the retirement plans on behalf of employees were \$444,713 for the year ended June 30, 2012.

NOTE 10 – EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2012, General Fund expenditures did not exceed appropriations. A provision for compensated absences related to vacation sales and related fringe benefit costs was not made in the 2011-12 budget. Due to the increased demand for project delivery, the Measure K, LTF, STA and RTIF funds have incurred an excess of expenditures over appropriations.

The following special revenue funds had excess expenditures over appropriations at June 30, 2012:

	Measure K Fund & Measure K Renewal Fund	Local Transportation Fund	State Transit Assistance	Regional Transport- ation Impact Fund
General Administration	\$ -	\$ (39,279)	\$ -	\$ -
Streets and Roads	(1,593,110)	-	-	-
Transit	-	(3,115,616)	-	-
Congestion Relief	(24,098,837)	-	-	(1,500,000)
Railroad Safety Crossing	(6,805,058)	-	-	-
PTMISEA	-	-	(71,860)	-
Investment Expense	(948,577)	-	-	-
Interest Expense	(11,822,862)	-	-	-

NOTE 11 – FUND BALANCE/NET ASSET DEFICIT

The General Fund has a fund balance deficit of \$(2,788,962) at June 30, 2012. As described in Note 6, the deficit is primarily related to an interfund advance. Once this advance for the construction of the Council's administrative building has been repaid, the negative unreserved fund balance is expected to be corrected.

The Council's Government-wide Statement of Net Assets shows a net asset deficit of \$(2,614,506). In 2008, the Council adopted an Early Action Plan (EAP) that would advance a number of high profile capital projects. The original EAP approved approximately \$320,000,000 to match other funding sources. To provide resources for the EAP, the Board approved a Bond Anticipation Note (BAN) program. The BAN program provided up front funding for these projects that are being accelerated into action, while pledging future Measure K and Measure K Renewal revenues. The BAN program was subsequently defeased in 2011, and replaced with a new, long-term bond issuance. The capital projects that were accelerated into action however, are expensed on the Council's financial statements, and decrease net assets as a result. Management believes that future revenues will exceed future debt payments and will begin to recover the deficit net asset balance that occurred as a result of the EAP.

NOTE 12 – PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement.

SJCOG is the recipient agency of PTMISEA funds for the cities of Escalon, Manteca, and Tracy. During the fiscal years ended June 30, 2012 and 2011, SJCOG received \$1,575,000 from the State's PTMISEA account for disbursement to the above mentioned cities. As of June 30, 2012 and 2011, PTMISEA funds received and claims paid to cities were verified in the course of our audit as follows:

	<u>2012</u>	<u>2011</u>
PTMISEA balance designated for future claims, beginning	\$ 202,111	\$ 207,634
PTMISEA funds received	1,575,000	40,000
Interest earned on PTMISEA deposits	3,659	1,210
Claims paid to cities	<u>(71,861)</u>	<u>(46,733)</u>
PTMISEA balance designated for future claims, ending	<u>\$ 1,708,909</u>	<u>\$ 202,111</u>
RECONCILIATION TO FINANCIAL STATEMENT		
Designated for PTMISEA claims	\$ 1,708,909	\$ 202,111
Designated for other STA claims	<u>151,640</u>	<u>40,867</u>
Designated for future claims	<u>\$ 1,860,549</u>	<u>\$ 242,978</u>

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 31, 2012, which is the date the financial statements were available to be issued.

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**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ORIGINAL, FINAL BUDGET, AND ACTUAL –
GENERAL FUND (By Object)
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ 7,198,848	\$ 7,410,263	\$ 6,146,016	\$(1,264,247)
Use of money and property	5,000	5,000	5,928	928
Other	15,000	15,000	62,260	47,260
Total Revenues	7,218,848	7,430,263	6,214,204	(1,216,059)
<u>EXPENDITURES</u>				
Salaries and benefits:				
Salaries	2,634,288	2,634,288	2,466,148	168,140
Salaries - vacation sales	-	-	59,826	(59,826)
Fringe benefits	1,001,722	1,001,722	985,936	15,786
Total Salaries and Benefits	3,636,010	3,636,010	3,511,910	124,100
Service and supplies:				
Office expense	256,000	256,000	153,123	102,877
Communications	60,000	60,000	53,229	6,771
Memberships	42,000	42,000	31,407	10,593
Rents and leases - equipment	167,000	166,000	118,762	47,238
Debt service:				
Principal	39,000	39,000	31,376	7,624
Interest - leases	4,000	5,000	4,112	888
Interest - building debt service	240,500	240,500	32,035	208,465
Transportation, travel, and training	110,000	110,000	96,324	13,676
Allocated service cost	4,000	4,000	-	4,000
Publications and legal notices	27,000	27,000	4,763	22,237
Insurance	85,000	85,000	85,227	(227)
Rents - other	1,000	1,000	-	1,000
Maintenance - equipment	13,000	13,000	3,981	9,019
Maintenance - building and grounds	30,000	87,500	85,472	2,028
Utilities	30,000	73,500	73,041	459
Total Service and Supplies	1,108,500	1,209,500	772,852	436,648
Professional and special services	2,333,838	2,504,253	1,767,860	736,393
Capital outlay	140,500	80,500	74,373	6,127
Total Expenditures	7,218,848	7,430,263	6,126,995	1,303,268
<u>OTHER FINANCING SOURCES</u>				
Capital leases	-	-	34,590	34,590
Total Other Financing Sources	-	-	34,590	34,590
Net Change in Fund Balance	\$ -	\$ -	121,799	\$ 121,799
Fund Balance (Deficit) - Beginning			(2,910,804)	
Fund Balance (Deficit) - Ending			<u><u>\$(2,789,005)</u></u>	

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ORIGINAL, FINAL BUDGET, AND ACTUAL –
MEASURE K AND MEASURE K SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Measure K sales tax revenue	\$ 37,515,000	\$ 37,515,000	\$ 43,374,926	\$ 5,859,926
Use of money and property	-	-	2,974,515	2,974,515
Total Revenues	<u>37,515,000</u>	<u>37,515,000</u>	<u>46,349,441</u>	<u>8,834,441</u>
<u>EXPENDITURES</u>				
General administration	375,150	375,150	177,802	197,348
Streets and roads	13,036,462	13,036,462	14,629,572	(1,593,110)
Transit	11,160,712	11,092,186	11,045,075	47,111
Congestion relief	12,098,588	12,098,588	36,197,424	(24,098,836)
Railroad safety crossings	844,088	844,088	7,649,145	(6,805,057)
Smart Growth	-	68,526	68,526	-
Investment expense	-	-	948,577	(948,577)
Interest expense	-	-	11,822,862	(11,822,862)
Total Expenditures	<u>37,515,000</u>	<u>37,515,000</u>	<u>82,538,983</u>	<u>(45,023,983)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(36,189,542)	<u>\$ (36,189,542)</u>
Net Change in Fund Balance			<u>(36,189,542)</u>	
Fund Balance (Deficit) - Beginning of Year			<u>259,557,505</u>	
Fund Balance (Deficit) - Ending			<u>\$ 223,367,963</u>	

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ORIGINAL, FINAL BUDGET, AND ACTUAL –
LOCAL TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
LTF sales tax revenue	\$ 18,757,000	\$ 22,056,739	\$ 22,056,739	\$ -
Use of money and property	-	-	18,622	18,622
Total Revenues	18,757,000	22,056,739	22,075,361	18,622
<u>EXPENDITURES</u>				
General administration	764,710	863,702	902,981	(39,279)
Streets and roads	6,865,103	8,087,094	3,236,865	4,850,229
Pedestrian and bicycle	375,140	441,135	376,261	64,874
Transit	10,752,047	12,664,808	15,780,424	(3,115,616)
Total Expenditures	18,757,000	22,056,739	20,296,531	1,760,208
Net Change in Fund Balance	\$ -	\$ -	1,778,830	\$ 1,778,830
Fund Balance - Beginning			1,020,421	
Fund Balance - Ending			\$ 2,799,251	

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ORIGINAL, FINAL BUDGET, AND ACTUAL –
STATE TRANSIT ASSISTANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Prop 1B PTMISEA PUC 99313	\$ 3,775,046	\$ 4,615,805	\$ 4,600,495	\$ (15,310)
Use of money and property PTMISEA	-	1,575,000	1,575,000	-
Use of money and property	-	-	4,735	4,735
 Total Revenues	 <u>3,775,046</u>	 <u>6,190,805</u>	 <u>6,180,230</u>	 <u>(10,575)</u>
<u>EXPENDITURES</u>				
General administration	59,186	76,669	73,175	3,494
RTIF program updates	-	-	71,860	(71,860)
Transit	<u>3,715,860</u>	<u>6,114,136</u>	<u>4,417,624</u>	<u>1,696,512</u>
 Total Expenditures	 <u>3,775,046</u>	 <u>6,190,805</u>	 <u>4,562,659</u>	 <u>1,628,146</u>
 Net Change in Fund Balance	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 1,617,571	 <u><u>\$ 1,617,571</u></u>
 Fund Balance - Beginning			 <u>242,978</u>	
 Fund Balance - Ending			 <u><u>\$ 1,860,549</u></u>	

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ORIGINAL, FINAL BUDGET, AND ACTUAL –
REGIONAL TRANSPORTATION IMPACT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Charges for services	\$ 1,900,000	\$ 1,900,000	\$ 1,950,865	\$ 50,865
Use of money and property	-	-	21,857	21,857
 Total Revenues	 <u>1,900,000</u>	 <u>1,900,000</u>	 <u>1,972,722</u>	 <u>72,722</u>
<u>EXPENDITURES</u>				
General administration	9,500	9,500	9,454	46
Congestion relief	-	-	1,500,000	(1,500,000)
 Total Expenditures	 <u>9,500</u>	 <u>9,500</u>	 <u>1,509,454</u>	 <u>(1,499,954)</u>
 Net Change in Fund Balance	 <u><u>\$ 1,890,500</u></u>	 <u><u>\$ 1,890,500</u></u>	 463,268	 <u><u>\$ (1,427,232)</u></u>
 Fund Balance - Beginning			 <u>3,243,955</u>	
 Fund Balance - Ending			 <u><u>\$ 3,707,223</u></u>	

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ORIGINAL, FINAL BUDGET, AND ACTUAL –
SJCOG, INC. BLENDED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ 2,000,000	\$ 2,000,000	\$ 2,181,260	\$ 181,260
Use of money and property	-	-	121,128	121,128
Total Revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,302,388</u>	<u>302,388</u>
<u>EXPENDITURES</u>				
General administration	300,000	300,000	292,690	7,310
Habitat plan	<u>700,000</u>	<u>700,000</u>	<u>624,646</u>	<u>75,354</u>
Total Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>917,336</u>	<u>82,664</u>
Net Change in Fund Balance	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	1,385,052	<u>\$ 385,052</u>
Fund Balance - Beginning			<u>9,454,822</u>	
Fund Balance - Ending			<u>\$ 10,839,874</u>	

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

BUDGETARY BASIS OF ACCOUNTING

As required by the San Joaquin Council of Government's (Council) Joint Powers Authority agreement, the Council prepares and legally adopts a final operating budget on or before April 1 of each fiscal year. Annual budgets are legally adopted for the General Fund. As required by the Joint Powers Authority, the budget is adopted and ratified by member agencies. Operating budgets are prepared on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the object level. Transfers of appropriations within major objects may be approved by the Executive Director. Significant amendments, appropriation transfers between objects, and transfers from contingencies must be approved by the Council's Board of Directors. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board. No supplemental appropriations were required during the year ended June 30, 2012. The bi-annual Strategic Plan and revenue estimate for the Measure K Fund are approved by the SJCOG Board. The Local Transportation Fund (LTF) budgeted revenue is created by Council staff and approved by the San Joaquin County Auditor-Controller. The budgeted revenue is allocated to each claimant based on population. The State Transit Assistance Fund (STA) budget is created and allocated by the California State Controller's Office. Budgets for the LTF, STA, and Regional Transportation Impact (RTIF) funds are approved by the SJCOG Board; however, they are not considered to be legally adopted. Budgetary amounts for the special revenue funds are presented at their lowest level of budgetary control, which is the object level, as described above.

During the year, certain amendments were approved by the Board. Certain reclassifications were made within an object category, which were approved by the Executive Director. The supplemental budgetary appropriations and reclassifications within object categories made in the General Fund were not material.

EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2012, General Fund expenditures did not exceed appropriations. A provision for compensated absences related to vacation sales and related fringe benefit costs was not made in the 2011-12 budget.

The following special revenue funds had excess expenditures over appropriations at June 30, 2012:

	Measure K Fund & Measure K <u>Renewal Fund</u>	Local Transportation Fund	State Transit Assistance	Regional Transport- ation Impact Fund
General Administration	\$ -	\$ (39,279)	\$ -	\$ -
Streets and Roads	(1,593,110)	-	-	-
Transit	-	(3,115,616)	-	-
Congestion Relief	(24,098,837)	-	-	(1,500,000)
Railroad Safety Crossing	(6,805,058)	-	-	-
PTMISEA	-	-	(71,860)	-
Investment Expense	(948,577)	-	-	-
Interest Expense	(11,822,862)	-	-	-

The accompanying note is an integral part of this schedule.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Pass-Through Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through the State of California Department of Transportation			
Highway Planning and Construction Cluster			
Federal Transit Administration	20.205 *	MFTA # 74A0139 CH. 53, Section 5303	\$ 271,510
Federal Highway Administration	20.205 *	MFTA # 74A0139 FHWA PL 2012 OW	1,208,862
CMAQ - CMLG-6088 (038)	20.205 *	CMLG-6088 (038)	157,825
CMAQ - CMLG-6088 (041)	20.205 *	CMLG-6088 (041)	387,312
STPL - STPL - 6088 (043)	20.205 *	STPL-6088 (043) : L23R Regional Surface Transportation Program	<u>129,813</u>
Total Highway Planning and Construction Cluster			<u>2,155,322</u>
Public Transportation Research	20.514	MFTA #74A0139 Section 5304	29,100
State Planning and Research	20.515	MFTA # 74A0139 FY 2011 SP&R Special Studies	4,909
Federal Transit Administration	20.516	Section 5316 #648628 Job Access Reverse Commute Program	97,884
Federal Transit Administration	20.516	Section 5316 #648679 Job Access Reverse Commute Program	<u>2,575</u>
Total U.S. Department of Transportation			<u>2,289,790</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,289,790</u>

* Denotes major program

The accompanying note is an integral part of this schedule.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the San Joaquin Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Council's basic financial statements.

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OTHER SUPPLEMENTARY INFORMATION

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
OVERALL WORK PROGRAM COSTING SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND
OTHER ITEMS BY FUNDING SOURCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budget	General Fund				
		Local Transp. Funds	State Transit Assist.	Surland Settlement	CMAQ	Fwy Service Patrol
Revenues:						
Local Transportation Fund	\$ 562,710	\$ 700,981	\$ -	\$ -	\$ -	\$ -
State Transit Assistance	76,669	-	73,175	-	-	-
Surland Settlement	40,000	-	-	30,542	-	-
Congestion Mitigation Air Quality	818,077	-	-	-	545,137	-
State/Caltrans - Fwy Svc patrol	639,952	-	-	-	-	218,774
RSTP	215,433	-	-	-	-	-
StanCOG CMAQ TDM Ridesharing	178,500	-	-	-	-	-
Merced COG CMAQ TDM Ridesharing	47,422	-	-	-	-	-
Planning - SJCOG (TDA)	200,000	-	-	-	-	-
FTA MPO Planning	262,330	-	-	-	-	-
Caltrans SP&R Smart Growth Plan	209,155	-	-	-	-	-
FTA 5304 ESCALON with match	576	-	-	-	-	-
FTA 5304 SJCOG Internship Grant	16,704	-	-	-	-	-
FTA 5304 SJRTD Internship Grant	39,407	-	-	-	-	-
FTA 5304 SJCOG Multi Modal Trip Planning Grant	120,000	-	-	-	-	-
Caltrans SP&R I-5/SR99 Freight Movement Study	52,405	-	-	-	-	-
Federal Highway Plannng & Admin.	1,221,508	-	-	-	-	-
FHWA - SP&R Partnership Planning	4,909	-	-	-	-	-
Interest	20,000	-	-	-	-	-
Measure K (LTA admin)	375,150	-	-	-	-	-
Measure K (LTA planning)	1,000,000	-	-	-	-	-
RTIF	45,000	-	-	-	-	-
JARC FTA 5316	176,034	-	-	-	-	-
Valley Wide Air Quality	172,322	-	-	-	-	-
STIP PPM 11/12	205,000	-	-	-	-	-
Amador County / Rideshare	12,000	-	-	-	-	-
SJCOG Fees/Local other	30,000	-	-	-	-	-
SJCOG Fees/ALUC	-	-	-	-	-	-
SACOG SAFE	128,000	-	-	-	-	-
SACOG SP&R	-	-	-	-	-	-
Habitat Plan Administration SJCOG, INC.	561,000	-	-	-	-	-
Total Revenues	7,430,263	700,981	73,175	30,542	545,137	218,774
Expenditures:						
601.01 RTP Update	240,000	-	-	-	-	-
601.02 RTP - Studies	155,000	-	-	-	-	-
602.01 R.T.I.P.	285,060	-	20,000	-	-	-
603.01 Road/Street Monitoring	559,000	-	-	-	-	-
603.02 Transit Coordination	471,079	-	-	-	-	-
603.021 FTA 5304 Transit Coordination	44,607	-	-	-	-	-
603.03 Transportation Air Quality	478,480	-	19,000	-	-	-
603.04 Trans/Air Quality Model	133,095	-	-	-	-	-
701.01 Technical Assistance	20,000	-	-	-	-	-
801.01 Intergov. Coordination	251,000	-	-	-	-	-
801.02 Projects & Forecasts	92,500	-	29,988	-	-	-
801.03 Aviation and Land Use	200,000	-	3,069	30,542	-	-
801.04 Congestion Mgmt.	402,433	-	-	-	-	-
801.05 Regional Planning	30,500	-	1,118	-	-	-
801.06 Valley MPO Coord.	89,940	-	-	-	-	-
801.07 Interregional Partnership	17,909	-	-	-	-	-
801.08 S.J. Valley Blueprint	-	-	-	-	-	-
801.09 Habitat Plan Implementation	566,000	-	-	-	-	-
901.01 Measure K program mgt.	195,550	-	-	-	-	-
901.02 RTIF	105,000	-	-	-	-	-
901.03 Smart Growth	319,155	-	-	-	-	-
1001.01 COG OWP mgmt. & admin.	262,390	-	-	-	-	-
1001.02 TDA Administration	275,870	-	-	-	-	-
1001.03 Community Involvement	179,710	-	-	-	-	-
1101.01 TDM Ridesharing	1,303,033	-	-	-	545,137	-
1201.01 Freeway Service Patrol	752,952	-	-	-	-	218,774
Total Expenditures	7,430,263	-	73,175	30,542	545,137	218,774
Other Items (not billed through OWP):						
Additional Provision for Capital Outlay	-	74,373	-	-	-	-
Depreciation Cost Recovery (A-87 Eligible Only)	-	(212,889)	-	-	-	-
Cumulative Under-Recovered	-	1,158,453	-	-	-	-
Total Other Items	-	1,019,937	-	-	-	-
Total Expenditures and Other Items	7,430,263	1,019,937	73,175	30,542	545,137	218,774
Excess (Deficiency) of Revenues over Expenditures and Other Items Current	\$ -	\$ (318,956)	\$ -	\$ -	\$ -	\$ -

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
OVERALL WORK PROGRAM COSTING SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND
OTHER ITEMS BY FUNDING SOURCE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

General Fund										Variance with Final Budget
JARC FTA 5316	Valley Wide Air Quality	6088(035) STIP PP&M	Amador County	Interest Other Local	ALUC	SAFE 511 & FSP Match	SACOG SP & R	Habitat Plan Admin. SJCOG, INC.	Totals	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,981	\$ 138,271
-	-	-	-	-	-	-	-	-	73,175	(3,494)
-	-	-	-	-	-	-	-	-	30,542	(9,458)
-	-	-	-	-	-	-	-	-	545,137	(272,940)
-	-	-	-	-	-	-	-	-	218,774	(421,178)
-	-	-	-	-	-	-	-	-	129,813	(85,620)
-	-	-	-	-	-	-	-	-	153,978	(24,522)
-	-	-	-	-	-	-	-	-	36,867	(10,555)
-	-	-	-	-	-	-	-	-	224,835	24,835
-	-	-	-	-	-	-	-	-	271,510	9,180
-	-	-	-	-	-	-	-	-	209,155	-
-	-	-	-	-	-	-	-	-	576	-
-	-	-	-	-	-	-	-	-	9,446	(7,258)
-	-	-	-	-	-	-	-	-	19,078	(20,329)
-	-	-	-	-	-	-	-	-	-	(120,000)
-	-	-	-	-	-	-	-	-	-	(52,405)
-	-	-	-	-	-	-	-	-	1,208,862	(12,646)
-	-	-	-	-	-	-	-	-	4,909	-
-	-	-	-	5,929	-	-	-	-	5,929	(14,071)
-	-	-	-	-	-	-	-	-	171,515	(203,635)
-	-	-	-	-	-	-	-	-	1,203,635	203,635
100,459	-	-	-	-	-	-	-	-	60,565	15,565
-	190,061	-	-	-	-	-	-	-	100,459	(75,575)
-	-	205,000	-	-	-	-	-	-	190,061	17,739
-	-	-	12,000	-	-	-	-	-	205,000	-
-	-	-	-	31,717	-	-	-	-	12,000	-
-	-	-	-	-	1,790	-	-	-	31,717	1,717
-	-	-	-	-	-	79,602	-	-	1,790	1,790
-	-	-	-	-	-	-	21,603	-	79,602	(48,398)
-	-	-	-	-	-	-	-	292,690	21,603	21,603
-	-	-	-	-	-	-	-	-	292,690	(268,310)
100,459	190,061	205,000	12,000	37,646	1,790	79,602	21,603	292,690	6,214,204	(1,216,059)
-	-	-	-	-	-	-	-	-	161,325	78,675
-	-	-	-	-	-	-	-	-	126,098	28,902
-	-	146,000	-	-	-	-	-	-	284,602	458
-	-	59,000	-	-	-	-	-	-	534,837	24,163
-	-	-	-	-	-	-	-	-	248,340	222,739
-	190,061	-	-	-	-	-	-	-	19,078	25,529
-	-	-	-	-	-	-	-	-	473,827	4,653
-	-	-	-	-	-	-	21,603	-	82,035	51,060
-	-	-	-	-	-	-	-	-	11,045	8,955
-	-	-	-	14,967	-	-	-	-	250,967	33
-	-	-	-	-	-	-	-	-	91,988	512
-	-	-	-	-	1,790	-	-	-	96,874	103,126
-	-	-	-	-	-	-	-	-	282,224	120,209
-	-	-	-	-	-	-	-	-	28,118	2,382
-	-	-	-	-	-	-	-	-	76,544	13,396
-	-	-	-	-	-	-	-	-	16,804	1,105
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	41,014	524,986
-	-	-	-	22,679	-	-	-	-	171,514	24,036
-	-	-	-	-	-	-	-	-	85,853	19,147
-	-	-	-	-	-	-	-	-	269,805	49,350
-	-	-	-	-	-	-	-	-	146,601	115,789
-	-	-	-	-	-	-	-	-	272,981	2,889
100,459	-	-	12,000	-	-	-	-	-	125,327	54,383
-	-	-	-	-	-	12,800	-	-	889,091	413,942
-	-	-	-	-	-	66,802	-	-	285,576	467,376
100,459	190,061	205,000	12,000	37,646	1,790	79,602	21,603	-	5,072,468	2,357,795
-	-	-	-	-	-	-	-	-	74,373	(74,373)
-	-	-	-	-	-	-	-	-	(212,889)	212,889
-	-	-	-	-	-	-	-	-	1,158,453	(1,158,453)
-	-	-	-	-	-	-	-	-	1,019,937	(1,019,937)
100,459	190,061	205,000	12,000	37,646	1,790	79,602	21,603	-	6,092,405	1,337,858
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,690	\$ 121,799	\$ 121,799

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF DIRECT AND INDIRECT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Direct</u>	<u>Indirect</u>	<u>Unallowable Expense</u>	<u>Total</u>
Salaries	\$ 1,337,831	\$ 1,125,412	\$ 17,885	\$ 2,481,128
Unallowable Salaries	-	-	(14,980)	(14,980)
Fringe benefits	567,303	477,227	7,584	1,052,114
Unallowable Fringe benefits	-	-	(6,352)	(6,352)
Office expense	32,469	120,655	-	153,124
Communications	9,097	44,132	-	53,229
Memberships	5,555	20,382	5,470	31,407
Rent - equipment	-	118,762	-	118,762
Capital lease principal payments	-	-	31,376	31,376
Capital lease interest payments	-	4,111	-	4,111
Interest - building debt service	-	5,910	26,126	32,036
Transportation, travel, and training	83,657	7,661	5,006	96,324
Professional and special services	1,579,948	111,863	76,049	1,767,860
Publications and legal notices	2,358	2,405	-	4,763
Insurance	-	68,995	16,231	85,226
Capital outlay	-	-	74,373	74,373
Maintenance - equipment	-	3,981	-	3,981
Maintenance - structures and grounds	-	83,182	2,290	85,472
Utilities	-	69,597	3,444	73,041
TOTAL EXPENDITURES	3,618,218	2,264,275	244,502	6,126,995
Other reconciling items:				
Depreciation	-	212,889	52,500	265,389
Total expenditures recovered under indirect cost rate	<u>\$ 3,618,218</u>	2,477,164	<u>\$ 297,002</u>	<u>\$ 6,392,384</u>
Direct Salaries & Fringe Benefits	1,905,134			
Allocated Indirect Cost Rate 125%		2,381,418		
Actual Indirect Cost, Excludes unallowable		<u>2,477,164</u>		
2011-12 under recovered indirect cost carryforward		<u>\$ (95,747)</u>		

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
ORIGINAL, FINAL BUDGET, AND ACTUAL –
GENERAL FUND BY WORK PROGRAM
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 7,198,848	\$ 7,361,263	\$ 6,146,016	\$ (1,215,247)
Use of Money and Property	6,000	6,000	5,928	(72)
Miscellaneous	14,000	63,000	62,260	(740)
	<u>7,218,848</u>	<u>7,430,263</u>	<u>6,214,204</u>	<u>(1,216,059)</u>
<u>EXPENDITURES</u>				
Regional Transportation Plan	185,000	240,000	161,325	78,675
Regional Planning Studies	310,000	155,000	126,098	28,902
Transportation Improvement Program	294,060	285,060	284,602	458
Roads and Streets Monitoring	628,000	559,000	534,837	24,163
Transit Coordination and Planning	380,120	515,686	267,419	248,267
Transportation Air Quality Planning	351,158	478,480	473,827	4,653
Goods Movement	160,690	133,095	82,034	51,061
Ongoing Technical Assistance	40,000	20,000	11,045	8,955
Intergovernmental Coordination	210,000	251,000	250,967	33
Projections and Forecasts	105,500	92,500	91,988	512
Aviation/Airport and Land Use	140,000	200,000	96,875	103,125
Congestion Management Prog/Sys	390,912	402,433	282,224	120,209
Regional Planning	75,500	30,500	28,117	2,383
Valley MPO Coordination	139,940	89,940	76,544	13,396
Interregional Partnership	-	17,909	16,804	1,105
Habitat Plan Implementation	561,000	566,000	41,014	524,986
Measure K Program Mgmt/Admin	197,550	195,550	171,515	24,035
RTIF	65,000	105,000	85,853	19,147
Smart Growth	260,000	319,155	269,804	49,351
COG Overall Work Plan Administration	277,390	262,390	146,601	115,789
TDA Administration	265,870	275,870	272,981	2,889
Community Involvement Program	248,725	179,710	125,327	54,383
Transportation Demand Management	1,388,704	1,303,033	889,092	413,941
Freeway Service Patrol	543,729	752,952	285,575	467,377
	<u>7,218,848</u>	<u>7,430,263</u>	<u>5,072,468</u>	<u>2,357,795</u>
Total 2011/12 Project Expenditures				
Other (Not Billed Through Overall Work Program):				
Additional Provision for Capital Outlay	-	-	74,373	(74,373)
Depreciation Cost Recovery A-87 Assets Only	-	-	(212,889)	212,889
	<u>-</u>	<u>-</u>	<u>(138,516)</u>	<u>138,516</u>
Total Other				
Overhead (Overclaimed) Underclaimed - Prior Periods	-	-	1,158,453	(1,158,453)
	<u>-</u>	<u>-</u>	<u>1,158,453</u>	<u>(1,158,453)</u>
Total Adjusted Project Expenditures	<u>7,218,848</u>	<u>7,430,263</u>	<u>6,092,405</u>	<u>1,337,858</u>
Net Change in Fund Balance	-	-	121,799	121,799
Fund Balance (Deficit) - Beginning	(2,910,804)	(2,910,804)	(2,910,804)	-
Fund Balance (Deficit) - Ending	<u>\$ (2,910,804)</u>	<u>\$ (2,910,804)</u>	<u>\$ (2,789,005)</u>	<u>\$ 121,799</u>

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF BALANCES
LOCAL TRANSPORTATION FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>SJRTD</u>	<u>Lathrop</u>	<u>Lodi</u>	<u>Manteca</u>	<u>Tracy</u>	<u>Ripon</u>	<u>Escalon</u>	<u>SJRRC</u>	<u>S.J. County</u>	<u>Stockton</u>	<u>SJCOG Planning</u>	<u>SJCOG TDA Admin.</u>	<u>S.J. County Auditor</u>	<u>Total LTF Funds</u>
ASSETS:														
Cash in treasury	\$ 1,075,469	\$ 105,492	\$ 351,728	\$ 216,539	\$ 2,484,992	\$ 40,313	\$ 32,000	\$ 1,377	\$ 62,920	\$ 11,341	\$ -	\$ -	\$ -	\$ 4,382,171
Sales tax apportionment receivable	902,409	39,044	138,083	149,595	178,407	33,610	15,612	-	51,840	-	-	-	-	1,508,600
Interest receivable	(154,705)	(4,985)	(17,632)	(19,102)	(22,781)	(4,291)	(1,993)	93,640	5,089	27,768	98,992	-	-	-
Due from other funds	163	343	650	893	1,092	70	13	-	64	83	-	-	-	3,371
Total Assets	\$ 1,823,336	\$ 139,894	\$ 472,829	\$ 347,925	\$ 2,641,710	\$ 69,702	\$ 45,632	\$ 95,017	\$ 119,913	\$ 39,192	\$ 98,992	\$ -	\$ -	\$ 5,894,142
LIABILITIES AND FUND EQUITY														
Liabilities:														
Intergovernmental payable	\$ 1,819,121	\$ -	\$ -	\$ -	\$ 1,176,731	\$ -	\$ -	\$ -	\$ -	\$ 47	\$ 98,992	\$ -	\$ -	\$ 3,094,891
Fund Equity:														
Apportioned	4,215	139,894	472,829	347,925	1,464,979	69,702	45,632	95,017	119,913	39,145	-	-	-	2,799,251
Total Liabilities and Fund Equity	\$ 1,823,336	\$ 139,894	\$ 472,829	\$ 347,925	\$ 2,641,710	\$ 69,702	\$ 45,632	\$ 95,017	\$ 119,913	\$ 39,192	\$ 98,992	\$ -	\$ -	\$ 5,894,142

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
LOCAL TRANSPORTATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>SJRTD</u>	<u>Lathrop</u>	<u>Lodi</u>	<u>Manteca</u>	<u>Tracy</u>	<u>Ripon</u>	<u>Escalon</u>	<u>SJRRRC</u>	<u>S.J. County</u>	<u>Stockton</u>	<u>SJCOG Planning</u>	<u>SJCOG TDA Admin.</u>	<u>S.J. County Auditor</u>	<u>Total LTF Funds</u>
REVENUE:														
Sales Tax	\$ 12,038,881	\$ 532,297	\$ 1,882,518	\$ 2,039,461	\$ 2,432,264	\$ 458,210	\$ 212,842	\$ 625,927	\$ 785,023	\$ 185,614	\$ 661,702	\$ 200,000	\$ 2,000	\$ 22,056,739
Interest	1,033	1,535	2,153	2,603	5,211	341	185	993	561	337	-	-	-	14,952
Unrealized Gains (Losses) on Investments	1,049	(4)	347	211	1,923	39	31	1	61	12	-	-	-	3,670
Total Revenue	12,040,963	533,828	1,885,018	2,042,275	2,439,398	458,590	213,058	626,921	785,645	185,963	661,702	200,000	2,000	22,075,361
EXPENDITURES:														
SJRTD	12,038,881	-	-	-	-	-	-	-	-	-	-	-	-	12,038,881
Lathrop	-	786,146	-	-	-	-	-	-	-	-	-	-	-	786,146
Lodi	-	-	1,529,736	-	-	-	-	-	-	-	-	-	-	1,529,736
Manteca	-	-	-	1,821,853	-	-	-	-	-	-	-	-	-	1,821,853
Tracy	-	-	-	-	1,176,731	-	-	-	-	-	-	-	-	1,176,731
Ripon	-	-	-	-	-	416,387	-	-	-	-	-	-	-	416,387
Escalon	-	-	-	-	-	-	180,686	-	-	-	-	-	-	180,686
SJRRRC	-	-	-	-	-	-	-	570,288	-	-	-	-	-	570,288
S.J. County	-	-	-	-	-	-	-	-	714,543	-	-	-	-	714,543
Stockton	-	-	-	-	-	-	-	-	-	158,300	-	-	-	158,300
SJCOG Planning	-	-	-	-	-	-	-	-	-	-	700,980	-	-	700,980
SJCOG TDA Admin.	-	-	-	-	-	-	-	-	-	-	-	200,000	-	200,000
S.J. County Auditor/Contr.	-	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000
Total Expenditures	12,038,881	786,146	1,529,736	1,821,853	1,176,731	416,387	180,686	570,288	714,543	158,300	700,980	200,000	2,000	20,296,531
Excess (Deficiency) of Revenues Over Expenditures	2,082	(252,318)	355,282	220,422	1,262,667	42,203	32,372	56,633	71,102	27,663	(39,278)	-	-	1,778,830
Fund Balance Beginning of Year	2,133	392,212	117,547	127,503	202,312	27,499	13,260	38,384	48,811	11,482	39,278	-	-	1,020,421
Fund Balance End of Year	\$ 4,215	\$ 139,894	\$ 472,829	\$ 347,925	\$ 1,464,979	\$ 69,702	\$ 45,632	\$ 95,017	\$ 119,913	\$ 39,145	\$ -	\$ -	\$ -	\$ 2,799,251

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

PUC Section	Purpose	Allocated/ Expended
99233.1	Administration: Council County of San Joaquin	\$ 200,000 <u>2,000</u>
		202,000
99234	Pedestrian and Bicycle Facilities: County of San Joaquin City of Escalon City of Stockton City of Tracy City of Lodi City of Manteca City of Ripon City of Lathrop	79,446 3,882 158,295 44,364 34,337 37,199 8,358 <u>10,380</u>
		376,261
99260	Public Transportation: San Joaquin Regional Transit District San Joaquin Regional Rail Commission City of Ripon	12,038,881 570,287 <u>4,500</u>
		12,613,668
99260	Public Transportation System Planning: Council	700,981
99400(a)	Streets, Roads, Pedestrian and Bicycle Projects: County of San Joaquin City of Escalon City of Tracy City of Ripon City of Manteca City of Lathrop	635,097 143,167 464,803 403,530 814,500 <u>775,768</u>
		3,236,865
99400(c)	Contracted Public Transportation - Operations: City of Escalon City of Tracy City of Lodi City of Manteca	33,638 327,597 1,495,400 <u>489,375</u>
		2,346,010
99400(e)	Contracted Public Transportation - Capital: City of Tracy City of Manteca	339,967 <u>480,779</u>
		<u>820,746</u>
	Total:	<u><u>\$20,296,531</u></u>

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF BALANCES
STATE TRANSIT ASSISTANCE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>SJRTD</u>	<u>Lodi</u>	<u>Ripon</u>	<u>SJRRC</u>	<u>Manteca</u>	<u>Tracy</u>	<u>Escalon</u>	<u>Total STA Funds</u>
<u>ASSETS</u>								
Cash in treasury	\$ 4,296	\$ 1,023	\$ 67	\$ 946	\$1,604,450	\$ 110,521	\$ 51,683	\$1,772,986
Sales tax apportionment receivable	917,149	50,378	1,253	302,403	6,013	18,389	1,218	1,296,803
Due from other fund	2,145	70	254	587	105	79	254	3,494
Interest receivable	311	56	-	45	847	55	47	1,361
Total Assets	<u>\$ 923,901</u>	<u>\$ 51,527</u>	<u>\$ 1,574</u>	<u>\$ 303,981</u>	<u>\$1,611,415</u>	<u>\$ 129,044</u>	<u>\$ 53,202</u>	<u>\$3,074,644</u>
<u>LIABILITIES AND FUND BALANCE</u>								
Liabilities:								
Intergovernmental payable	\$ 921,787	\$ 50,512	\$ 1,546	\$ 157,076	\$ 6,664	\$ 72,070	\$ 4,440	\$1,214,095
Total Liabilities	<u>921,787</u>	<u>50,512</u>	<u>1,546</u>	<u>157,076</u>	<u>6,664</u>	<u>72,070</u>	<u>4,440</u>	<u>1,214,095</u>
Fund Balance:								
Apportioned	<u>2,114</u>	<u>1,015</u>	<u>28</u>	<u>146,905</u>	<u>1,604,751</u>	<u>56,974</u>	<u>48,762</u>	<u>1,860,549</u>
Total Liabilities and Fund Balance	<u>\$ 923,901</u>	<u>\$ 51,527</u>	<u>\$ 1,574</u>	<u>\$ 303,981</u>	<u>\$1,611,415</u>	<u>\$ 129,044</u>	<u>\$ 53,202</u>	<u>\$3,074,644</u>

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
STATE TRANSIT ASSISTANCE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>SJRTD</u>	<u>Lodi</u>	<u>Ripon</u>	<u>SJCRRC</u>	<u>Manteca</u>	<u>Tracy</u>	<u>Escalon</u>	<u>SJCOG STA Admin.</u>	<u>Total STA Funds</u>
REVENUE:									
Intergovernmental	\$ 3,534,359	\$ 200,511	\$ 5,068	\$ 686,647	\$ 23,665	\$ 72,070	\$ 5,000	\$ 73,175	\$ 4,600,495
Prop 1B PTMISEA	-	-	-	-	1,500,000	-	75,000	-	1,575,000
Interest STA	649	141	1	242	16	132	1	-	1,182
Interest PTMISEA	-	-	-	-	1,656	140	153	-	1,949
Unrealized Gains (Losses) on Investments	(6)	(63)	-	-	1,556	72	45	-	1,604
Total Revenue	<u>3,535,002</u>	<u>200,589</u>	<u>5,069</u>	<u>686,889</u>	<u>1,526,893</u>	<u>72,414</u>	<u>80,199</u>	<u>73,175</u>	<u>6,180,230</u>
EXPENDITURES:									
SJRTD	3,567,359	-	-	-	-	-	-	-	3,567,359
Lodi	-	200,511	-	-	-	-	-	-	200,511
Ripon	-	-	5,046	-	-	-	-	-	5,046
SJRRC	-	-	-	544,076	-	-	-	-	544,076
Manteca	-	-	-	-	23,664	-	-	-	23,664
Manteca (PTMISEA)	-	-	-	-	28,267	-	-	-	28,267
Tracy	-	-	-	-	-	72,069	-	-	72,069
Escalon	-	-	-	-	-	-	4,898	-	4,898
Escalon (PTMISEA)	-	-	-	-	-	-	43,594	-	43,594
SJCOG TDA Admin.	-	-	-	-	-	-	-	73,175	73,175
Total Expenditures	<u>3,567,359</u>	<u>200,511</u>	<u>5,046</u>	<u>544,076</u>	<u>51,931</u>	<u>72,069</u>	<u>48,492</u>	<u>73,175</u>	<u>4,562,659</u>
Excess (Deficiency) of Revenues Over Expenditures	(32,357)	78	23	142,813	1,474,962	345	31,707	-	1,617,571
Fund Balances Beginning of Year	<u>34,471</u>	<u>937</u>	<u>5</u>	<u>4,092</u>	<u>129,789</u>	<u>56,629</u>	<u>17,055</u>	<u>-</u>	<u>242,978</u>
Fund Balances End of Year	<u>\$ 2,114</u>	<u>\$ 1,015</u>	<u>\$ 28</u>	<u>\$ 146,905</u>	<u>\$ 1,604,751</u>	<u>\$ 56,974</u>	<u>\$ 48,762</u>	<u>\$ -</u>	<u>\$ 1,860,549</u>

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
STATE TRANSIT ASSISTANCE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>PUC Section</u>	<u>Purpose</u>	<u>Allocated/ Expended</u>
6730(a)	Public Transit:	
	San Joaquin Regional Transit District	\$ 2,856,787
	San Joaquin Regional Rail Commission	-
	City of Escalon	4,898
	City of Lodi	-
	City of Ripon	5,046
	City of Manteca	23,664
	City of Tracy	72,070
		<u>2,962,465</u>
6730(b)	Transit Capital:	
	San Joaquin Regional Transit District	710,572
	San Joaquin Regional Rail Commission	544,076
	City of Lodi	200,511
		<u>1,455,159</u>
6731(b)	Transit Administration/Planning:	
	Council	73,175
Prop 1B	PTMISEA (CAPITAL)	
	City of Tracy	43,594
	City of Manteca	28,267
		<u>71,861</u>
	Total:	<u><u>\$ 4,562,660</u></u>

**STATISTICAL SECTION
(Unaudited)**

SAN JOAQUIN COUNCIL OF GOVERNMENTS STATISTICAL SECTION

This part of the San Joaquin Council of Governments' comprehensive annual financial report presents detailed information as a context for a better understanding of SJCOG's overall financial condition.

Contents	Page
Financial Trends.....	89-98
These schedules contain trend information to help the reader understand how SJCOG's financial performance has changed over time.	
Revenue Capacity.....	99-100
These schedules contain information to help the reader assess SJCOG's most significant local revenue sources, the sales tax.	
Debt Capacity.....	101
This schedule presents information to help the reader assess the affordability of SJCOG's current levels of outstanding debt and SJCOG's ability to issue additional debt in the future.	
Demographic and Economic Information.....	102-104
These schedules offer demographic and economic indicators to help the reader understand the environment within which SJCOG's financial activities take place.	
Operating Information	105-106
These schedules contain service and infrastructure data to help the reader understand how the information in SJCOG's financial report relates to the services SJCOG provides and the activities it performs.	

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 143,686	\$ 8,199,237	\$ 1,922,459	\$ 15,326,492	\$ 21,546,388	\$ 31,734,543	\$ 35,758,363	\$ 38,656,399	\$ 39,585,252	\$ 45,035,979
Restricted for:										
Habitat acquisition and management	5,773,546	8,379,820	10,772,195	10,747,589	13,485,889	11,582,285	7,811,087	8,138,003	9,454,822	10,839,874
Apportioned	64,449,709	45,263,481	42,408,568	70,648,046	72,126,166	95,593,101	8,837,068	-	-	-
Debt service	2,952,922	135,443	443	183,693	230,773	2,568,434	91,671,112	-	-	-
Unrestricted	972,217	833,460	7,019,869	(35,798,151)	(66,054,863)	(130,293,050)	(100,703,058)	(23,072,945)	(22,060,434)	(58,528,039)
Total Primary Government Net Assets	\$ 74,292,080	\$ 62,811,441	\$ 62,123,534	\$ 61,107,669	\$ 41,334,353	\$ 11,185,313	\$ 43,374,572	\$ 23,721,457	\$ 26,979,640	\$ (2,652,186)

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
GOVERNMENT-WIDE REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<u>Program Revenues:</u>										
Governmental activities:										
Charges for services	\$ 2,813,277	\$ 2,687,413	\$ 2,890,046	\$ 13,486,878	\$ 10,132,732	\$ 9,439,404	\$ 1,515,686	\$ 4,425,233	\$ 2,555,273	\$ 2,302,513
Operating grants and contributions	66,270,395	64,893,087	73,098,323	83,038,339	93,886,407	90,771,419	146,120,142	68,236,918	89,467,495	81,560,358
Capital grants and contributions	-	34,291	-	-	-	-	-	-	-	-
 Total Program Revenues - primary government	<u>69,083,672</u>	<u>67,614,791</u>	<u>75,988,369</u>	<u>96,525,217</u>	<u>104,019,139</u>	<u>100,210,823</u>	<u>147,635,828</u>	<u>72,662,151</u>	<u>92,022,768</u>	<u>83,862,871</u>
 <u>General Revenues:</u>										
Governmental activities:										
Unrestricted investment earnings	173,892	28,231	16,210	33,470	48,782	38,103	40,790	7,308	5,399	5,928
Miscellaneous	82,685	39,484	73,578	59,766	96,255	66,404	28,029	27,602	45,312	62,134
 Total General Revenues - primary government	<u>256,577</u>	<u>67,715</u>	<u>89,788</u>	<u>93,236</u>	<u>145,037</u>	<u>104,507</u>	<u>68,819</u>	<u>34,910</u>	<u>50,711</u>	<u>68,062</u>
 Total Revenues - primary government	<u>\$ 69,340,249</u>	<u>\$ 67,682,506</u>	<u>\$ 76,078,157</u>	<u>\$ 96,618,453</u>	<u>\$ 104,164,176</u>	<u>\$ 100,315,330</u>	<u>\$ 147,704,647</u>	<u>\$ 72,697,061</u>	<u>\$ 92,073,479</u>	<u>\$ 83,930,933</u>

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
EXPENSES										
Governmental Activities:										
General government	\$ 3,985,528	\$ 4,069,600	\$ 4,483,182	\$ 4,708,473	\$ 6,986,738	\$ 6,493,431	\$ 6,292,146	\$ 6,203,470	\$ 5,921,697	\$ 6,263,778
Transportation	71,275,686	74,914,345	71,652,827	92,855,576	115,748,171	122,691,177	124,121,214	84,886,628	82,211,723	106,732,215
Habitat development	349,176	316,077	494,808	682,184	968,753	1,062,862	1,080,070	1,055,063	634,819	530,619
Interest expense	8,714	112,417	135,247	195,905	233,830	216,900	212,874	205,015	47,057	36,147
Total Primary Government Expenses	<u>75,619,104</u>	<u>79,412,439</u>	<u>76,766,064</u>	<u>98,442,138</u>	<u>123,937,492</u>	<u>130,464,370</u>	<u>131,706,304</u>	<u>92,350,176</u>	<u>88,815,296</u>	<u>113,562,759</u>
PROGRAM REVENUES										
Governmental Activities:										
Charges for services:										
General government	4,478	1,158	2,863	2,998	1,801	722	696	815	251	125
Habitat development	2,808,799	2,686,255	2,887,183	13,483,880	10,130,931	9,438,682	1,514,990	4,424,418	2,555,022	2,302,388
Operating grants and contributions	66,270,395	64,893,087	73,098,323	83,038,339	93,886,407	90,771,419	146,120,142	68,236,918	89,467,495	81,560,358
Capital grants and contributions	-	34,291	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>69,083,672</u>	<u>67,614,791</u>	<u>75,988,369</u>	<u>96,525,217</u>	<u>104,019,139</u>	<u>100,210,823</u>	<u>147,635,828</u>	<u>72,662,151</u>	<u>92,022,768</u>	<u>83,862,871</u>
Total Primary Government Net Revenue (Expense)	<u>(6,535,432)</u>	<u>(11,797,648)</u>	<u>(777,695)</u>	<u>(1,916,921)</u>	<u>(19,918,353)</u>	<u>(30,253,547)</u>	<u>15,929,524</u>	<u>(19,688,025)</u>	<u>3,207,472</u>	<u>(29,699,888)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
Governmental Activities:										
Unrestricted investment earnings	173,892	28,231	16,210	33,470	48,782	38,103	40,790	7,308	5,399	5,928
Miscellaneous	82,685	39,484	73,578	59,766	96,255	66,404	28,029	27,602	45,312	62,134
Total General Revenues - primary government	<u>256,577</u>	<u>67,715</u>	<u>89,788</u>	<u>93,236</u>	<u>145,037</u>	<u>104,507</u>	<u>68,819</u>	<u>34,910</u>	<u>50,711</u>	<u>68,062</u>
CHANGE IN NET ASSETS TOTAL PRIMARY GOVERNMENT	<u><u>\$ (6,278,855)</u></u>	<u><u>\$ (11,729,933)</u></u>	<u><u>\$ (687,907)</u></u>	<u><u>\$ (1,823,685)</u></u>	<u><u>\$ (19,773,316)</u></u>	<u><u>\$ (30,149,040)</u></u>	<u><u>\$ 15,998,343</u></u>	<u><u>\$ (19,653,115)</u></u>	<u><u>\$ 3,258,183</u></u>	<u><u>\$ (29,631,826)</u></u>

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11 *</u>	<u>2011-12 *</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Unreserved	972,217	(4,583,715)	(4,722,759)	(4,042,126)	(3,732,171)	(3,172,720)	(2,686,636)	(3,393,120)		
Nonspendable									\$ 99,949	\$ 134,925
Unassigned									(3,010,753)	(2,923,930)
Total General Fund	<u>\$ 972,217</u>	<u>\$ (4,583,715)</u>	<u>\$ (4,722,759)</u>	<u>\$ (4,042,126)</u>	<u>\$ (3,732,171)</u>	<u>\$ (3,172,720)</u>	<u>\$ (2,686,636)</u>	<u>\$ (3,393,120)</u>	<u>\$ (2,910,804)</u>	<u>\$ (2,789,005)</u>
All Other Governmental Funds										
Reserved	\$ 154,789,582	\$ 145,992,981	\$ 143,371,222	\$ 204,631,247	\$ 184,816,451	\$ 353,867,089	\$ 379,306,780	\$ 409,558,264		
Nonspendable									\$ 21,455,781	\$ 15,632,083
Restricted									242,609,078	217,072,269
Assigned									9,454,822	10,839,584
Total All Other Governmental Funds	<u>\$ 154,789,582</u>	<u>\$ 145,992,981</u>	<u>\$ 143,371,222</u>	<u>\$ 204,631,247</u>	<u>\$ 184,816,451</u>	<u>\$ 353,867,089</u>	<u>\$ 379,306,780</u>	<u>\$ 409,558,264</u>	<u>\$ 273,519,681</u>	<u>\$ 243,543,936</u>

* Beginning in 2010, the City began reporting fund balance in conformity with GASB Statement No. 54, which changed how fund balance is classified.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
REVENUES										
Sales tax	\$ 56,220,317	\$ 60,762,403	\$ 67,439,208	\$ 74,394,499	\$ 77,799,996	\$ 73,149,434	\$ 62,476,792	\$ 58,090,065	\$ 58,722,796	\$ 65,431,665
Prop 1B PTMISEA	-	-	-	-	-	-	-	89,000	40,000	1,575,000
Intergovernmental	4,201,070	6,388,567	4,196,645	5,146,041	5,996,146	7,732,701	70,387,640	5,500,686	28,143,994	10,746,511
Charges for services	2,813,277	2,610,642	2,745,671	13,218,708	10,777,411	9,627,908	1,645,111	4,757,357	2,796,000	4,132,250
Investment earnings	6,687,520	1,363,123	3,305,289	5,671,684	10,844,856	11,528,055	14,579,218	5,359,772	3,452,217	3,125,431
Charitable contributions - easements	-	201,805	-	-	-	-	-	-	-	-
Other	82,685	39,484	73,578	59,766	146,155	68,875	28,029	27,602	45,311	83,489
Total Revenues	70,004,869	71,366,024	77,760,391	98,490,698	105,564,564	102,106,973	149,116,790	73,824,482	93,200,318	85,094,346
EXPENDITURES										
General administration	4,729,944	7,586,419	5,896,553	6,277,914	8,559,267	8,457,347	7,848,755	7,408,261	7,084,839	7,441,201
Transportation	69,608,545	73,511,899	69,645,387	88,117,490	109,520,850	111,268,790	112,255,930	75,118,626	74,982,641	94,003,700
Habitat plan	349,176	66,077	112,392	297,201	488,657	534,850	601,724	707,193	301,390	237,929
Investment expense	446,428	582,363	633,784	840,548	740,270	5,397,353	748,954	699,422	2,021,595	948,577
Debt service:										
Principal	29,028	28,519	38,583	40,901	54,075	54,296	65,901	58,620	38,849	31,376
Interest	1,229,427	1,182,500	1,759,929	4,578,834	5,688,210	6,416,338	13,654,547	11,598,938	7,037,856	11,859,009
Capital outlay:										
Capital assets	14,556	7,935,244	42,191	21,998	6,441,954	13,576,217	4,206,120	3,047,841	676,403	426,500
Capital leases	49,693	49,516	24,085	18,368	87,314	72,344	50,316	8,330	37,938	34,590
Total Expenditures	76,456,797	90,942,537	78,152,904	100,193,254	131,580,597	145,777,535	139,432,247	98,647,231	92,181,511	114,982,882
Excess of Revenues Over (Under) Expenditures	(6,451,928)	(19,576,513)	(392,513)	(1,702,556)	(26,016,033)	(43,670,562)	9,684,543	(24,822,749)	1,018,807	(29,888,536)
OTHER FINANCING SOURCES (USES)										
Commercial paper proceeds	-	8,000,000	-	72,000,000	-	-	-	-	216,190,785	-
Bond anticipation note proceeds	-	-	-	-	-	210,003,362	-	-	-	-
Bond anticipation note defeasement	-	-	-	-	-	-	-	-	(206,469,378)	-
Commercial paper proceeds	-	-	-	-	-	-	-	-	-	-
Commercial paper retirements	-	(2,000,000)	-	-	-	-	-	-	(92,000,000)	-
Operating transfers - in	-	-	-	-	-	-	-	-	255,239	-
Operating transfers - out	-	-	-	-	-	-	-	-	(255,239)	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-
Proceeds on sale of assets	-	-	-	-	-	3,204,945	-	-	-	-
Capital leases	49,693	49,516	24,085	18,368	87,314	72,344	50,316	8,330	37,938	34,590
Total Other Financing Sources (Uses)	49,693	6,049,516	24,085	72,018,368	87,314	213,280,651	50,316	8,330	(82,240,655)	34,590
NET CHANGE IN FUND BALANCES	\$ (6,402,235)	\$ (13,526,997)	\$ (368,428)	\$ 70,315,812	\$ (25,928,719)	\$ 169,610,089	\$ 9,734,859	\$ (24,814,419)	\$ (81,221,848)	\$ (29,853,946)
Debt service as a percentage of noncapital expenditures	1.65%	1.46%	2.30%	4.61%	4.59%	4.90%	10.15%	12.20%	7.74%	10.38%

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE FISCAL YEARS ENDING JUNE 30, 2003 THROUGH JUNE 30, 2012**

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
INTERGOVERNMENTAL										
TDA Administration	\$ 133,000	\$ 158,000	\$ 160,000	\$ 200,000	\$ 190,531	\$ 181,271	\$ 214,176	\$ 146,711	\$ 242,475	\$ 224,835
State Transit Assistance	16,658	18,003	20,459	35,607	18,988	137,964	40,822	-	72,019	73,175
RTIF Administration & third party costs	-	-	-	-	20,072	22,169	2,126	11,109	59,160	60,565
Freeway Service Patrol	289,007	336,806	330,361	323,127	437,571	469,166	478,210	217,446	217,845	218,774
Ridesharing - S.J. County TDM	164,000	-	-	-	-	-	-	-	-	-
Ridesharing - Stanislaus Co.	109,000	121,000	139,000	155,000	155,000	160,000	141,500	132,247	143,779	153,978
Ridesharing - Merced County TDM	-	-	-	-	-	-	-	-	2,578	36,867
National Fish & Wildlife	-	-	-	-	21,100	12,000	12,000	12,000	12,000	12,000
Habitat Funds/Habitat Management	296,163	250,000	382,415	384,983	434,797	528,012	478,344	347,870	333,429	292,690
Measure K	965,000	3,515,617	1,038,517	1,644,128	1,181,080	1,180,287	1,401,413	1,000,000	1,366,000	1,375,150
Fed. Highways Png. & Admin/SPR/PPM	801,168	872,450	980,375	782,606	1,187,526	1,546,086	1,518,403	1,555,945	1,079,826	1,213,771
Federal Transit Administration	184,297	172,757	188,008	179,054	149,338	218,673	296,091	213,067	301,454	300,610
JARC Mobility & Operations FTA 5316	-	-	-	-	-	-	-	-	63,545	100,459
RSTP	-	-	-	-	-	-	-	151,195	22,510	129,813
Department of Education	257,990	-	32,352	-	-	-	-	-	-	-
CMAQ/IRP/WTW/CIRIS	91,339	120,030	105,414	79,733	-	-	-	-	-	-
CMAQ/Congest. Mitigation/Rideshare	179,798	68,924	24,956	343,911	353,139	404,113	488,462	486,047	918,808	545,137
San Joaquin Valley APCD	500	500	-	-	-	-	-	-	-	-
Airport Land Use Commission	3,920	3,270	4,390	3,430	2,702	665	900	1,610	1,843	1,790
Sacramento COG 511 Program	-	-	-	-	-	-	115,016	94,621	79,818	79,602
Sacramento COG SP&R	-	-	-	-	-	-	-	-	2,595	21,603
Great Valley Ctr. Legacy Grant	15,000	-	-	-	-	-	-	-	-	-
Caltrans SP&R Smart Growth Program	-	-	-	-	-	-	-	-	90,845	209,155
Caltrans PPM Program	212,000	-	-	-	-	-	-	-	-	-
SB 45 STIP PP&M Program	-	-	90,556	94,444	249,677	431,323	300,000	192,059	218,941	205,000
Urban Area Focus/Strat. Deployment	-	-	-	-	-	-	-	-	-	-
Manteca/Lathrop Interchange Feasibility	55,161	43,454	-	-	-	-	-	-	-	-
Interregional Partnership - ABAG	12,938	46,651	-	-	-	-	-	-	-	-
San Joaquin A-Plus Reading Program	76,621	-	-	-	-	-	-	-	-	-
Valley CAN/Valley blue print	-	-	24,000	80,070	423,640	172,673	129,449	71,448	20,884	-
USDOT SR130/FAA	-	-	-	90,692	401,144	300,494	86,096	-	-	-
Valley Wide Air Quality	-	-	-	-	-	-	-	148,436	99,653	190,061
ALUP - SJCOG TDA	-	-	-	-	-	255,399	344,601	139,397	50,000	-
Planning - SJCOG TDA	547,500	626,815	675,842	749,256	789,912	829,407	608,125	538,590	559,603	700,981
Total Intergovernmental	4,411,060	6,354,277	4,196,645	5,146,041	6,016,217	6,849,702	6,655,734	5,459,798	5,959,610	6,146,016
USE OF MONEY AND PROPERTY										
Interest Income	18,606	29,025	16,255	32,942	48,782	44,261	31,670	8,519	6,496	5,700
Unrealized Gain (Loss) On Inv.	(2,169)	(794)	(45)	529	531	(6,158)	9,120	(1,211)	(1,097)	228
Total Use of Money and Property	16,437	28,231	16,210	33,471	49,313	38,103	40,790	7,308	5,399	5,928
OTHER REVENUE										
SJCOG Fees - Data Sales	4,478	1,158	1,406	2,827	539	364	696	815	251	125
Donations & Other Local Revenue	82,685	39,484	75,034	59,936	77,446	66,762	25,903	27,602	45,312	62,135
Total Other Revenue	87,163	40,642	76,440	62,763	77,985	67,126	26,599	28,417	45,563	62,260
Total Revenues	\$ 4,514,660	\$ 6,423,150	\$ 4,289,295	\$ 5,242,275	\$ 6,143,515	\$ 6,954,931	\$ 6,723,123	\$ 5,495,523	\$ 6,010,572	\$ 6,214,204

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL FUND
FOR THE FISCAL YEARS ENDING JUNE 30, 2003 THROUGH JUNE 30, 2012**

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
EXPENDITURES										
RTP Update	\$ 45,629	\$ 74,841	\$ 87,440	\$ 89,731	\$ 413,442	\$ 104,159	\$ 150,218	\$ 409,341	\$ 139,322	\$ 161,325
RTP Studies	57,967	18,752	72,319	149,458	344,264	504,228	567,449	286,784	72,953	126,098
Regional Transp. Improv. Plan	232,800	151,315	182,096	341,682	177,677	267,209	255,668	334,835	348,878	284,602
Road/Street Monitoring	366,457	321,224	506,476	357,210	540,141	773,030	830,392	547,751	610,351	534,837
Transit Coordination	211,690	200,209	213,414	203,517	162,369	356,637	483,932	240,499	337,769	267,419
Transportation Air Quality	131,709	90,903	173,907	258,762	316,860	211,804	219,606	362,956	301,574	473,827
Good Movements	-	-	-	-	-	124,998	97,093	57,032	74,382	82,034
Technical Assistance	458,423	76,221	100,838	50,921	37,429	37,267	25,453	20,643	15,921	11,045
Intergovernmental Coordination	304,212	299,515	340,899	291,893	424,375	406,864	344,386	280,077	292,606	250,967
Projects and Forecasts	143,816	124,636	97,117	10,299	25,676	100,092	65,407	75,957	72,680	91,988
Aviation and Land Use	6,242	12,808	3,740	80,379	266,781	260,339	367,155	139,397	133,158	96,875
Congestion Management	283	1,161	13,444	12,653	51,727	290,491	160,898	325,680	131,578	282,224
Regional Planning	302,577	515,446	539,041	26,890	17,192	86,888	33,502	2,010	10,587	28,117
Valley M.P.O. Coordination	23,160	15,073	14,515	7,926	100,638	123,667	169,988	108,074	112,993	76,544
Interregional Partnership	107,511	59,563	6,791	1,607	5,991	10,323	17,819	7,444	254,997	16,804
Measure K Program Management	201,596	157,741	243,150	312,057	259,198	346,961	256,309	169,049	56,257	-
San Joaquin Valley Blueprint	-	-	-	80,506	438,418	208,222	214,025	116,721	11,223	41,014
Habitat Implementation	-	-	-	241,459	43	-	5,125	23,302	252,460	171,515
RTIF	-	-	-	-	-	34,877	32,419	16,596	76,580	85,853
Smart Growth	-	-	-	-	-	99,672	31,285	-	113,557	269,804
COG OWP Mgmt. & Admin.	171,771	153,050	155,404	166,162	189,732	237,752	203,873	139,644	166,163	146,601
TDA Administration	134,823	154,835	133,284	199,767	190,531	181,271	214,176	146,711	242,475	272,981
Community Involvement	249,420	330,221	296,176	687,150	630,564	349,511	277,043	143,789	81,553	125,327
Capital Outlay/Deprec/Ins Adjustment	(6,106)	7,818,061	(152,087)	(200,121)	(136,175)	(93,171)	(170,027)	(206,027)	182,914	(103,927)
ISTEA/TEA-21 Management	5,096	1,742	735	8,276	13,866	-	-	-	-	-
Ridesharing - S.J. County/Stan. County TDM	546,020	442,989	431,861	511,567	709,962	818,667	663,440	643,407	1,186,219	889,092
Freeway Service Patrol	361,259	421,007	414,316	443,969	567,343	570,490	577,445	299,876	290,506	285,575
Under (Over) - Applied Costs	161,438	537,768	553,463	469,795	85,516	55,576	193,278	1,524,189	251,777	1,158,454
Total Expenditures	\$ 4,217,793	\$ 11,979,081	\$ 4,428,339	\$ 4,803,515	\$ 5,833,560	\$ 6,467,824	\$ 6,287,357	\$ 6,215,737	\$ 5,821,433	\$ 6,126,995

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
PROFILE OF TAXABLE SALES
2003 – 2012
(UNAUDITED)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Retail Stores										
Apparel stores	3.29%	3.39%	3.49%	3.54%	3.72%	3.79%	4.77%	5.12%	4.75%	* n/a
General merchandise	10.99%	10.79%	10.58%	10.59%	10.67%	9.91%	11.14%	11.66%	10.77%	* n/a
Specialty stores	9.82%	9.79%	9.76%	9.77%	6.08%	5.31%	6.87%	6.90%	6.48%	* n/a
Eating and drinking group	8.70%	8.65%	8.64%	8.80%	9.21%	9.77%	11.21%	10.77%	10.77%	* n/a
Building material group	6.13%	6.83%	6.73%	6.46%	5.83%	5.22%	5.45%	5.20%	5.10%	* n/a
Automotive group	20.60%	20.70%	20.89%	20.58%	21.01%	21.36%	18.55%	19.42%	21.46%	* n/a
Other retail stores	10.06%	9.86%	9.91%	9.79%	12.47%	12.16%	9.66%	9.39%	9.10%	* n/a
Business and personal services	4.71%	4.46%	4.30%	4.23%	4.16%	4.19%	4.79%	4.53%	4.42%	* n/a
All other	25.70%	25.53%	25.70%	26.24%	26.85%	28.29%	27.56%	27.01%	27.15%	* n/a
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

SOURCE: CALIFORNIA STATE BOARD OF EQUALIZATION

* 2011 Data reflects 1st and 2nd quarter. 3rd and 4th quarter data was not yet available.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<u>Governmental Activities:</u>										
General government	\$ 3,985,528	\$ 4,069,600	\$ 4,483,182	\$ 4,708,473	\$ 6,986,738	\$ 6,493,431	\$ 6,292,146	\$ 6,203,470	\$ 5,921,697	\$ 6,263,778
Transportation	71,275,686	74,914,345	71,652,827	92,855,576	115,748,171	122,691,177	124,121,214	84,886,628	82,211,723	106,732,215
Habitat development	349,176	316,077	494,808	682,184	968,753	1,062,862	1,080,070	1,055,063	634,819	530,619
Interest expense	8,714	112,417	135,247	195,905	233,830	216,900	212,874	205,015	47,057	36,147
 Total Expenses	<u>\$ 75,619,104</u>	<u>\$ 79,412,439</u>	<u>\$ 76,766,064</u>	<u>\$ 98,442,138</u>	<u>\$ 123,937,492</u>	<u>\$ 130,464,370</u>	<u>\$ 131,706,304</u>	<u>\$ 92,350,176</u>	<u>\$ 88,815,296</u>	<u>\$ 113,562,759</u>

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
GOVERNMENTAL ACTIVITIES SALES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Fiscal Year	Local Transportation Fund	State Transit Assistance	Measure K	Total
2011-12	\$ 22,059,739	\$ -	\$ 43,374,926	\$ 65,434,665
2010-11	19,609,278	-	39,113,518	58,722,796
2009-10	17,953,026	4,587,275	35,549,764	58,090,065
2008-09	20,270,843	1,739,077	40,466,872	62,476,792
2007-08	23,155,198	3,661,440	45,580,925	72,397,563
2006-07	23,709,474	6,927,579	47,162,943	77,799,996
2005-06	24,975,210	2,251,762	47,167,527	74,394,499
2004-05	22,528,054	1,285,581	43,625,573	67,439,208
2003-04	20,375,418	1,165,914	39,221,071	60,762,403
2002-03	18,768,399	1,073,638	36,378,280	56,220,317

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
DIRECT AND OVERLAPPING SALES TAX RATES
2003 – 2012**

Fiscal Year	Sales Tax Measure K	County of San Joaquin *	City of Manteca	City of Stockton	City of Tracy
2012	0.50%	7.75%	8.25%	8.00%	8.25%
2011	0.50%	7.75%	8.25%	8.00%	8.75%
2010	0.50%	8.75%	9.25%	9.00%	n/a
2009	0.50%	8.25%	8.75%	8.50%	n/a
2008	0.50%	7.25%	7.75%	7.50%	n/a
2007	0.50%	7.25%	7.75%	7.50%	n/a
2006	0.50%	7.25%	7.25%	7.50%	n/a
2005	0.50%	7.25%	7.25%	7.50%	n/a
2004	0.50%	7.25%	7.25%	7.25%	n/a
2003	0.50%	7.25%	7.25%	7.25%	n/a

Source: California State Board of Equalization

* Excludes the Cities of Manteca, Stockton, and Tracy

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
TAXABLE RETAIL SALES BY JURISDICTION**

County and Cities	2010			2001	
	Rank	Taxable Sales	Percentage of Total	Taxable Sales	Percentage of Total
San Joaquin County		\$ 7,602,090	100.00%	\$ 6,995,905	100.00%
Stockton	1	2,867,407	37.72%	2,811,410	40.19%
Unincorporated	2	1,083,086	14.25%	1,020,000	14.58%
Tracy	3	928,740	12.22%	752,663	10.76%
Unallocated	4	841,981	11.08%	741,787	10.60%
Manteca	5	745,216	9.80%	595,564	8.51%
Lodi	6	729,432	9.60%	728,405	10.41%
Lathrop	7	198,512	2.61%	169,955	2.43%
Ripon	8	154,352	2.03%	113,849	1.63%
Escalon	9	53,364	0.70%	62,272	0.89%
Total San Joaquin County		<u>\$ 7,602,090</u>	<u>100.00%</u>	<u>\$ 6,995,905</u>	<u>100.00%</u>

Source: California State Board of Equalization
Data for 2011 is not yet available.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FISCAL YEAR	GOVERNMENTAL ACTIVITIES					TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME
	BOND ANTICIPATION NOTES	2011 Sales Tax Bond	CAPITAL LEASES	COMMERCIAL PAPER			
2012	\$ - *	\$ 212,175,000	\$ 47,072	\$ 75,000,000	\$ 287,222,072	N/A	
2011	- *	212,175,000	43,858	75,000,000	287,218,858	N/A	
2010	205,114,860	- **	44,770	167,000,000	372,159,630	N/A	
2009	207,461,341	- **	95,059	167,000,000	374,556,400	1.7863%	
2008	209,807,822	- **	110,644	167,000,000	376,918,466	1.7845%	
2007	- *	- **	92,597	167,000,000	167,092,597	0.8705%	
2006	- *	- **	47,825	167,000,000	167,047,825	0.9216%	
2005	- *	- **	70,358	95,000,000	95,070,358	0.5509%	
2004	- *	- **	84,856	95,000,000	95,084,856	0.5743%	
2003	- *	- **	63,860	89,000,000	89,063,860	0.5718%	

SOURCE: FINANCE DEPARTMENT

Data not available because:

(*) Bond Anticipation Notes were not issued until May 2008 and were defeased in March of 2011.

(**) Sales Tax Bonds were not issued until March 2011.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
DEMOGRAPHIC INFORMATION
(UNAUDITED)
LAST TEN YEARS**

YEAR	COUNTY POPULATION (JANUARY 1)	TOTAL HOUSING UNITS	NEW HOUSING UNITS	TAXABLE SALES (IN THOUSANDS)	
2012	695,750	234,992	649	n/a	**
2011	690,899	234,355	4,528	\$ 3,961,181	*
2010	694,293	229,827	846	\$ 7,602,090	
2009	689,480	228,981	1,642	\$ 7,260,073	
2008	682,316	227,339	3,370	\$ 8,696,074	
2007	679,687	223,969	4,252	\$ 9,326,761	
2006	668,265	219,717	5,950	\$ 9,528,419	
2005	653,333	213,688	6,239	\$ 9,612,059	
2004	636,466	207,449	6,074	\$ 8,703,241	
2003	616,500	201,375	4,082	\$ 7,745,868	

SOURCES:

POPULATION AND NEW HOUSING – CALIFORNIA DEPARTMENT OF FINANCE

TAXABLE SALES – CALIFORNIA STATE BOARD OF EQUALIZATION

* TAXABLE SALES DATA FOR 2011 REFLECTS 1ST, 2ND, & 3RD QUARTER, 4TH QUARTER DATA NOT AVAILABLE

** TAXABLE SALES DATA FOR 2012 WAS NOT YET AVAILABLE

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
DEMOGRAPHIC AND ECONOMIC STATISTICS
(UNAUDITED)
LAST TEN FISCAL YEARS**

CALENDAR YEAR	COUNTY ⁽¹⁾ POPULATION (JANUARY 1)	PERSONAL ⁽²⁾ INCOME \$ THOUSANDS	PER CAPITA PERSONAL INCOME	UNEMPLOYMENT ⁽²⁾ RATE
2012	698,750	N/A *	N/A	N/A
2011	689,160 *	N/A *	N/A	16.89%
2010	694,293	21,133,128	30,732	17.30%
2009	689,480	20,968,710	30,412	15.39%
2008	682,316	21,121,955	30,956	10.39%
2007	679,687	19,194,503	28,240	8.10%
2006	668,265	18,125,182	27,123	7.40%
2005	653,333	17,256,675	26,413	7.90%
2004	636,466	16,555,526	26,012	8.80%
2003	616,500	15,576,802	25,267	9.20%

SOURCE: California Employment Development Department

(1) California Department of Finance

(2) California Employment Development Department

(*) Data for 2011-2012 is not yet available, therefore, 2010 data is the most current year provided.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SAN JOAQUIN COUNTY EMPLOYMENT BY INDUSTRY
CALENDAR YEAR 2011 AND TEN YEARS PRIOR**

Industry Type	2002		2011	
	Average Annual Employment	% of Total Employment	Average Annual Employment	% of Total Employment
Agriculture	\$ 15,900	7.57%	\$ 15,100	7.53%
Natural Resources & Mining	13,700	6.52%	7,400	3.69%
Manufacturing	20,800	9.90%	17,500	8.73%
Trade, Transportation & Utilities	44,800	21.33%	48,400	24.14%
Financial Activities	9,400	4.48%	7,400	3.69%
Professional & Business Services	16,800	8.00%	15,000	7.48%
Government	40,100	19.10%	36,300	18.10%
Educational & Health Services	23,200	11.05%	29,100	14.51%
Leisure & Hospitality	15,900	7.57%	16,200	8.08%
Other Services	6,300	3.00%	6,100	3.04%
Information	3,100	1.48%	2,000	1.00%
Total, All Industries	\$ 210,000	100.0%	\$ 200,500	100.0%

SOURCE: California Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force - by Annual Average, March 2008 Benchmark.

Employment figures may not add up to totals due to rounding.

(1) Data for 2012 is not yet available; therefore, 2011 data is provided.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
FULL-TIME EQUIVALENT COUNCIL EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS**

FUNCTION	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Executive Director	1	1	1	1	1	1	1	1	1	1
Deputy Executive Director/CFO	1	1	1	1	1	1	1	1	1	1
Deputy Director	1	1	1	1	1	1	1	1	1	1
Manager of Administrative Services	1	1	1	1	1	1	1	1	1	1
Public Communications Manager	-	-	-	-	-	1	1	1	1	1
Project Manager	-	-	-	1	1	1	1	1	1	1
Planners	13	13	15	15	15	15	15	15	16	16
Finance	3	3	4	5	5	5	5	4	4	4
Information Technology	1	1	1	1	1	2	2	2	1	1
Administration	4	4	4	5	5	5	4	4	4	4
Building Maintenance	1	1	1	1	1	1	1	1	-	-
Interns	-	-	-	-	-	1	-	-	1	2
Total Approved Full-Time Positions	26	26	29	32	32	35	33	32	32	33

**BY PROJECT
LAST TEN YEARS**

DIRECT PROJECTS	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Regional Transportation Plan Update	0.19	0.36	0.42	0.43	1.51	0.36	0.51	1.80	0.53	0.67
Regional Planning Studies	0.24	0.09	0.35	0.71	1.26	1.74	1.93	1.26	0.28	0.52
Regional Transportation Improvement Plan	0.95	0.73	0.88	1.62	0.65	0.92	0.87	1.47	1.33	1.18
Roads & Streets Planning	1.49	1.55	2.45	1.69	1.97	2.67	2.83	2.40	2.32	2.21
Transit coordination Planning	0.86	0.97	1.03	0.97	0.59	1.23	1.65	1.06	1.29	1.11
Transportation Air Quality	0.53	0.44	0.84	1.23	1.16	0.73	0.75	1.59	1.15	1.96
Goods Movement	-	-	-	-	-	0.43	0.33	0.25	0.28	0.34
Ongoing Technical Assistance	1.86	0.37	0.49	0.24	0.14	0.13	0.09	0.09	0.06	0.05
Intergovernmental Coordination	1.24	1.45	1.65	1.38	1.55	1.41	1.17	1.23	1.11	1.04
Projections & Forecast	0.58	0.60	0.47	0.05	0.09	0.35	0.22	0.33	0.28	0.38
Aviation and Land Use	0.03	0.06	0.02	0.38	0.97	0.90	1.25	0.61	0.51	0.40
Congestion Management Prog/Sys	0.00	0.01	0.07	0.06	0.19	1.00	0.55	1.43	0.50	1.17
Regional Planning Studies	1.23	2.49	2.61	0.13	0.06	0.30	0.11	0.01	0.04	0.12
Valley MPO Coordination	0.09	0.07	0.07	0.04	0.37	0.43	0.58	0.47	0.43	0.32
Interregional Partnerships	0.44	0.29	0.03	0.01	0.02	0.04	0.06	0.03	0.97	0.07
S.J. Valley Blueprint	-	-	-	0.38	1.60	0.72	0.73	0.51	0.21	-
Habitat Implementation	-	-	-	1.15	0.00	-	0.02	0.10	0.04	0.17
Measure K Administration	0.82	0.76	1.18	1.48	0.95	1.20	0.87	0.74	0.96	0.71
Regional Transportation Impact Fee	-	-	-	-	-	0.12	0.11	0.07	0.29	0.36
Smart Growth	-	-	-	-	-	0.34	0.11	-	0.43	1.12
COG OWP Management & Administration	0.70	0.74	0.75	0.79	0.69	0.82	0.69	0.61	0.63	0.61
TDA Administration	0.55	0.75	0.65	0.95	0.70	0.63	0.73	0.64	0.92	1.13
Community Involvement	1.01	1.59	1.43	3.26	2.30	1.21	0.94	0.63	0.31	0.52
ISTEA/TEA-21 Management	0.02	0.01	0.00	0.04	0.05	-	-	-	-	-
Transportation Demand Management	2.22	2.14	2.09	2.43	2.59	2.83	2.26	2.82	4.51	3.68
Freeway Service Patrol	1.47	2.03	2.01	2.11	2.07	1.97	1.97	1.32	1.12	1.16
Subtotal - Direct Projects	16.50	17.50	19.50	21.50	21.50	22.50	21.33	21.50	20.50	21.00
INDIRECT	9.50	8.50	9.50	10.50	10.50	12.50	11.50	10.50	11.50	12.00
Total FTEs Based on Total Hours	26	26	29	32	32	35	33	32	32	33

SOURCE: San Joaquin Council of Governments

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN YEARS**

FUNCTION/PROGRAM	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Square footage of SJCOG Complex	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
SJCOG INC.										
Acres of Habitat Easements	690.19	1,094.10	1,239.10	2,592.40	6,138.40	7,815.41	8,327.41	8,910.11	9,510.11	9,894.11
Preservation Credit	-	-	10.34	10.34	10.34	10.34	10.34	10.34	10.34	10.34

SOURCE: San Joaquin Council of Governments Records

OTHER REPORTS

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BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S 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 THE TRANSPORTATION DEVELOPMENT ACT

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Board of Directors
San Joaquin Council of Governments
Stockton, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Joaquin Council of Governments (Council), as of and for the year ended June 30, 2012, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the rules and regulations of the Transportation Development Act (TDA).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that allocations made and expended by the Council were made in accordance with the TDA as required by Sections 6661, 6664, 6666, and 6751 of Article 5.5 of the California Code of Regulations. 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*.

This report is intended solely for the information and use of the Council's management, others within the Council, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the company.

Bakersfield, California
December 31, 2012

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
San Joaquin Council of Governments
Stockton, California

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Compliance

We have audited the San Joaquin Council of Governments' (Council) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2012. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Council's management, others within the Council, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the company.

Bakersfield, California
December 31, 2012

FINDINGS AND QUESTIONED COSTS SECTION

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**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Significant deficiencies identified that are not considered to be material weaknesses? 	<p>No</p> <p>None reported</p>
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Significant deficiencies identified that are not considered to be material weaknesses? 	<p>No</p> <p>None reported</p>
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA# 20.205	Highway Planning and Construction Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

2. Financial Statement Findings

None.

**SAN JOAQUIN COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012**

3. Federal Award Findings and Questioned Costs

None.

4. Status of Prior Year Findings and Questioned Costs

None.