

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Comprehensive Annual FINANCIAL REPORT | 2018

FINANCE DEPARTMENT 
BASIL PANAS
Chief Financial Officer
Administration Division



YEAR ENDED
JUNE 30, 2018

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Administration Division



YEAR ENDED
JUNE 30, 2018

**SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS**

**Comprehensive Annual Financial Report
Year Ended June 30, 2018
With Independent Auditors' Report**

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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**INTRODUCTORY
SECTION**

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December 20, 2018

Honorable Alan D. Wapner, President
Members of the Regional Council
Southern California Association of Governments
900 Wilshire Blvd., 17th Floor
Los Angeles, CA 90017

SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS
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Subject: SCAG’s Comprehensive Annual Financial Report for Fiscal Year
2017/18

REGIONAL COUNCIL OFFICERS

- President
Alan D. Wapner, San Bernardino
County Transportation Authority
- First Vice President
Bill Jahn, Big Bear Lake
- Second Vice President
Randon Lane, Murrieta
- Immediate Past President
Margaret E. Finlay, Duarte

Dear President Wapner and Members of the Regional Council:

As Interim Executive Director and Chief Financial Officer for the Southern California Association of Governments (SCAG), we hereby submit SCAG’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

COMMITTEE CHAIRS

- Executive/Administration
Alan D. Wapner, San Bernardino
County Transportation Authority
- Community, Economic &
Human Development
Peggy Huang, Transportation
Corridor Agencies
- Energy & Environment
Linda Parks, Ventura County
- Transportation
Curt Hagman, San Bernardino
County

This Letter of Transmittal is the first item in the introductory section of the CAFR. Its purpose is to firstly provide information about financial statements in the CAFR and give comments assessing SCAG’s financial condition. The second purpose is to profile SCAG including its governance, organization, planning mandates and requirements. It highlights significant planning programs mandated by federal and state requirements and demonstrates their successful management in FY 2017/2018.

We also prepared Management’s Discussion and Analysis (MD&A) of our financial performance for the fiscal year. Specific revenue and expenditure information about our transportation, goods movement, aviation, environmental and housing grants and the related planning work is reviewed in the MD&A. The MD&A incorporates information about grants, the project budgets, and the projects completed during the year. We encourage readers to examine the MD&A together with this transmittal letter.

The introductory section of the CAFR includes the following attachments in addition to the Letter of Transmittal:

- Listing of officers and members of the Regional Council
- SCAG's Organizational Chart
- SCAG's Finance Division organizational chart
- The Certificate of Achievement for Excellence in Financial Reporting awarded to SCAG by the Government Finance Officers Association in recognition of our FY 2016/17 CAFR.

Certificate of Achievement for Excellence in Financial Reporting

We are pleased to report that the Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to SCAG for its CAFR for the fiscal year ended June 30, 2017. This was the fifteenth consecutive year that SCAG has received this prestigious award. The award is the highest form of recognition in governmental accounting and financial reporting and its attainment represents a significant accomplishment.

The preparation and publication of the CAFR was done by the professional staff in our Accounting Department which is in the Finance Division. We express our appreciation to them and to other staff members of SCAG, who contributed in any way to the preparation of the CAFR.

The Comprehensive Annual Financial Report

This CAFR consists of required financial statements and other supplementary financial information prescribed by the Governmental Accounting Standards Board (GASB). The CAFR is a representation by management concerning SCAG's finances. Accordingly, we assert that to the best of our knowledge and belief, the CAFR is complete, accurate, and reliable in all material respects and we assume responsibility for the completeness and reliability of all of the financial information presented in this report.

To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework. This framework includes accounting, contracts, budgets, and project management policies and procedures that are designed both to protect SCAG's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the 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.

Independent Audit

SCAG's basic financial statements have been externally audited by Vavrinek, Trine, Day & Co., LLP, a certified public accounting firm, licensed and qualified to perform audits in the State of California. The goal of the independent audit is to provide reasonable assurance that the financial

statements of SCAG for the fiscal year ended June 30, 2018 are free of material misstatement. The Report of the Independent Auditors is also included in the CAFR.

The Single Audit Report

The independent audit of the financial statements in this CAFR is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards applied in the Single Audit require consideration of internal controls, and compliance with legal and federal requirements in the administration of federal awards. There were no findings reported by Vavrinek, Trine, Day and Co., LLP. The Single Audit report for the year ended June 30, 2018 is issued separately from the CAFR and is available upon written request to the Chief Financial Officer.

Management Discussion and Analysis

The provisions of GASB 34, as amended by GASB 37 and GASB 38, require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). MD&A is an opportunity for management to reach beyond the familiar to a new and different analytical overview of financial activities. The transactions and events in FY 2017/18 are discussed fully in the MD&A.

The basic financial statements are comprised of the government-wide, governmental fund financial statements, and the notes to the financial statements. These financial reports combine to form a single, integrated set of financial statements. This Letter of Transmittal is designed to complement the MD&A, which is located following the Report of Independent Auditors in the Financial Section of the CAFR.

SCAG Management & Financial Goals for FY 2017/18

- Continue to implement the initiatives set forth in the adopted 2016 Regional Transportation Plan Sustainable Communities Strategy (RTP/SCS), with a focus on the following: emerging new technologies; sustainable community and land use strategies; direct growth into High Quality Transit Areas (HQTAs), promote complete communities; conserve natural resources; first/last mile strategy and active transportation; sustainable transportation finance strategy; sustainable regional freight strategy; sustainable rail and transit strategy; and a regional aviation strategy.
- Begin development of the 2020 RTP/SCS through the creation of a collaborative sustainability scenario tool with the innovative use of community based organizations, local agency inputs and state-of-the-art scenario modeling tools.
- Finalize the Public Participation Plan and promote its use in all areas of SCAG activities such as RTP/SCS development, and enhance outreach opportunities in the development of the RTP/SCS through SCAG working groups, technical advisory committees, and various sub-regional leadership group meetings.

- Continue to raise awareness and propose solutions to the region's housing crisis and initiate the Regional Housing Needs Assessment process.
- Use the resources committed by SCAG for a consultant team and a staff technical team to assist stakeholders to compete for the statewide Cap & Trade funding for Affordable Housing and Sustainable Community (AHSC) and the new statewide Active Transportation grants. State resources were secured and deployed to build capacity and support stakeholders (particularly disadvantaged communities) in competing for future rounds of AHSC grants.
- As follow up to implement the 2016 RTP/SCS and to lay a foundation to develop the shared vision for the 2020 RTP/SCS, SCAG initiated another round of Sustainability Planning Grant (SPG) Call for Proposals in 2016 which leverages SCAG's grants and local funding to support innovative local planning efforts pilot programs, and capacity building projects that prepare local jurisdictions to apply for state and federal implementation funding. This current SPG call, which continues to facilitate land use transportation integration, active transportation planning, and incorporate broader sustainability objectives, will result in the funding of over 50 projects valued at approximately \$10 million. Moreover, additional planning resources made available through SB1, the Road Repair and Accountability Act of 2017, will provide the wherewithal to further expand the benefits of the SPG program.
- Utilize SCAG's position as a regional thought leader to convene an Open Data/Big Data – Smart and Connected SCAG Region Committee to identify ways that SCAG can support local jurisdictions with the adoption of new technologies and analysis tools. The Committee will develop a series of recommendations for SCAG and develop a framework to engage the region around issues such as open data, big data, the internet of things, and analytics to improve data driven decision making.
- Utilize SCAG's Strategic Plan update process to reflect evolved and updated mission, vision, core values, goals and objectives. The President's Strategic Plan Committee and SCAG staff collaborated throughout 2017 to comprehensively update the Strategic Plan for the first time since 2009. The update was completed in the February 2018, and will guide and inform the agency's operations and Overall Work Program. Updated goals relate to innovative planning; serving as a data & information hub; being an advocate and voice for the region; value-added membership; developing/maintaining a premier workforce and workplace; branding and communications; and resourcing accordingly.
- Continue to shape good public policy by hosting and convening thought leaders at the General Assembly, Economic Summit, and the Demographic Workshop, and continue the regional granting program to encourage member jurisdictions to implement SCAG adopted regional policies.
- Using the recommendations from the Incurred Cost and Indirect Cost Allocation Plan audits conducted by the California Department of Transportation, upgrade SCAG's project management and financial procedures to comply with state and federal requirements and fully support SCAG's present and future service delivery levels.

Profile of SCAG

Representatives from city and county governments along with other local agencies throughout Southern California come together at SCAG to develop solutions to common concerns in transportation, housing, air quality, waste management, and other issues. SCAG also acts as an information clearinghouse, providing cities and counties an array of demographic, forecasting, mapping, and other regional statistics and data.

SCAG closely coordinates its efforts with a number of partners at the local, state and federal levels. In addition to its federal and state funding partners, SCAG's planning efforts are also closely coordinated with 14 sub-regional organizations, six county transportation commissions, representatives from the tribal government planning boards, the business community and the public at large.

SCAG is the largest Metropolitan Planning Organization (MPO) in the nation representing: Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties

- 191 cities
- 16 federally-recognized tribal governments
- 38,000 square miles
- 19 million people
- 16th largest economy in the world

Governing Body of SCAG

The Regional Council is SCAG's main governing body. The membership is comprised of 88 individuals representing 191 cities, six counties, six County Transportation Commissions, one representative from the Transportation Corridor Agencies, one public transit representative, one Tribal Government representative, one representative for the air districts within Southern California and one non-voting, ex-officio representative of the private sector. Except for the private sector representative, all serve as elected officials from within the six-county region. All policy-making, the annual Overall Work Program, project budgets, and all material financial matters are discussed and acted upon through the Regional Council. A listing of each member and his or her respective representation are included in the introductory section.

The Regional Council's policy-making process and operational oversight are guided by the work of an Executive/Administration Committee (EAC), made up of the SCAG officers (President, First Vice President, Second Vice President and the Immediate Past President); the three Policy Committee chairs and vice chairs; the chair and vice chair of the Legislative, Communications and Membership Committee; four additional Regional Council members appointed by the SCAG President; one representative from the Tribal Government Planning Board; and one ex-officio, non-voting member representing the private sector. There are three main policy committees: Transportation; Community, Economic and Human Development; and Energy and Environment. In addition, all financial operations are reviewed and managed by the EAC as well as monitored by the Audit Committee.

SCAG's Mandates

As an MPO, SCAG is responsible under federal law for:

(a) Development of the RTP/SCS

The Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS) is a long-range (20+ years) visioning plan that must be updated every four years. The RTP/SCS balances future mobility and housing needs with economic, environmental and public health goals. It embodies a collective vision for the region's future and is developed with input from the public, local governments, county transportation commissions (CTCs), tribal governments, non-profit organizations, businesses and local stakeholders in the six-county region as well as other state and federal agencies.

The RTP/SCS includes a combination of transportation and land use strategies that help the region achieve state greenhouse gas emission reduction goals and Federal Clean Air Act requirements, preserve open space, improve public health and roadway safety, support our vital goods movement industry and utilize resources more efficiently. The RTP/SCS includes projections for socioeconomic growth in the region to establish a basis for developing needs and strategies for future investments. Major transportation projects of regional significance seeking federal or state funding must be consistent with the RTP/SCS. At the core of the RTP/SCS is a listing of thousands of transportation projects ranging from highway improvements, railroad grade separations, bicycle lanes, new transit hubs and replacement bridges. SCAG is also responsible for reviewing all Congestion Management Plans (CMPs) for consistency with the RTP/SCS.

As the RTP/SCS sets a framework for the region's future transportation investments, various studies are undertaken to support the development of the RTP/SCS. Transportation studies encompassing all modes of mobility (e.g., highway, transit, goods movement, capacity enhancements, etc.), policy analysis, corridor studies, and land use studies are undertaken in consultation with numerous stakeholders and project sponsors. Land use studies and environmental analyses are also undertaken to comply with various state and federal requirements.

Modeling analysis encompasses a major portion of the RTP/SCS effort. All of the major components of the RTP/SCS are subject to performance criteria that assess and measure project performance and define the benefits and impacts of proposed projects and initiatives. Modeling studies and analysis form the basis of this type of RTP/SCS work. A major modeling component is air quality and conformity analysis which ensures that all required federal and state air quality requirements are met. The RTP/SCS is also required to be financially constrained which necessitates that projects proposed for inclusion in the RTP/SCS have realistic funding streams. This ensures the integrity of the RTP/SCS.

The 2016 RTP/SCS was adopted in April 2016 and was the culmination of a multi-year effort that involved stakeholders from across the region. It represented the most comprehensive long-term vision for the future of our transportation system as well as urban forms that best complement our current and future transportation system while supporting our greenhouse gas reduction targets per SB 375. In addition to putting forth bold transportation initiatives including an unprecedented level of emphasis on system preservation, the 2016 RTP/SCS evaluated and presented some of the most innovative strategies to meet funding challenges in the near and long-term. New and expanded focus areas for the 2016 RTP/SCS include innovations in transportation technology, public health and conservation of natural and farm lands.

The RTP/SCS is a living document that must be adjusted on a regular basis to keep it valid relevant and in sync with new challenges and opportunities. It must be amended occasionally to ensure major projects being planned and implemented in the region remain consistent with the prevailing RTP/SCS. SCAG finalized its first amendment to the 2016 RTP/SCS in April 2017 and finalized its second amendment to the 2016 RTP/SCS in July 2017. SCAG is currently working on the third amendment to the 2016 RTP/SCS. Staff received approval from the Executive Advisory Committee (EAC) to release a draft of this amendment on July 9, 2018 for a 30-day public review and comment period. Staff expects to seek final approval from the Regional Council in September 2018. Concurrently, staff is also working on the development of the 2020 RTP/SCS.

(b) Development of the Federal Transportation Improvement Program

The Federal Transportation Improvement Program (FTIP) is the short-range program that includes projects to be funded with Federal Highway Administration (FHWA), Federal Transit Administration (FTA), Caltrans and local funds for the next four years. The FTIP is the process by which the RTP/SCS is implemented. SCAG is responsible for developing the FTIP in cooperation with the California Department of Transportation (Caltrans), county transportation commissions (CTCs) and public transit operators every two years.

The FTIP must include all federally funded transportation projects in the region as well as all regionally significant transportation projects which require approval from federal funding agencies regardless of the funding sources. The current 2017 FTIP was federally approved in December 2016. SCAG began the process for the 2019 FTIP in early 2017 by updating the guidelines for the 2019 FTIP. These guidelines were presented to SCAG's Transportation Committee and Regional Council for review and approval in September 2017. The Draft 2019 FTIP was approved to be released for a 30-day public review July 9, 2018. The Final 2019 FTIP will be approved by SCAG's Regional Council September 6, 2018 with federal approval expected December 17, 2018.

(c) Transportation Conformity Analysis

In developing the RTP/SCS and FTIP, SCAG is responsible for ensuring that transportation plans and programs are consistent with or conform to the goals and objectives of state air quality

plans and attain federal air quality standards as required by the Federal Clean Air Act. Failure of transportation conformity could result in rejection of the RTP/SCS and FTIP and withholding of federal funding and/or federal approval for Southern California's critical transportation needs. The FHWA and FTA have approved the transportation conformity determination for the 2016 RTP/SCS through Amendment No. 2 and 2017 FTIP through Amendment #17-21.

(d) Integrated Growth Forecast

SCAG is responsible for producing socio-economic estimates and projections at multiple geographic levels in multiple years following policy direction from the Community, Economic and Human Development (CEHD) policy committee. In addition, SCAG works closely with an expert panel of economists and demographers, California Department of Finance (DOF), California Department of Housing and Community Development (HCD), subregions, local jurisdictions, county transportation commissions, the public and other major stakeholders. The socio-economic estimates and projections are used for federal and state mandated long-range planning efforts such as the RTP/SCS, the FTIP, a portion of the Air Quality Management Plan (AQMP) and the Regional Housing Needs Assessment. The AQMP and RHNA are further described below.

SCAG is also a council of governments and is thus responsible under California state law for:

(a) Development of the Sustainable Communities Strategy (SCS)

Required by SB 375, SCAG develops the Sustainable Communities Strategy as an integral component of the plan. SCAG reaches out to local jurisdictions to determine the range of land use and transportation priorities to develop a series of scenarios for regional growth ultimately selecting a "preferred scenario" to help guide the plan's strategies, programs and projects. The 2016 RTP/SCS sets forth a forecasted development pattern for the region that integrates the transportation network, transportation measures and policies which will reduce greenhouse gas emissions from automobiles and light trucks and achieve overall greenhouse gas emission reduction targets set by the California Air Resources Board (ARB).

In June 2016, the California Air Resources Board (ARB) issued Executive Order G-16-066 accepting the determination that SCAG's 2016 RTP/SCS would meet state 2020 and 2035 regional greenhouse gas (GHG) emissions reduction targets established in 2012 of 8 percent by 2020, and 13 percent by 2035. ARB staff's evaluation showed SCAG used technical methodologies that would accurately quantify GHG reductions. Subsequent to the Executive Order, SCAG staff actively participated in ARB's first collaborative SB 375 Target Update. On March 22, 2018, ARB formally updated SCAG's per-capita greenhouse gas reduction target at an ambitious 19 percent by 2035. The 2020 per-capita greenhouse gas reduction target was not updated and remains at 8 percent.

(b) Development of the Regional Housing Needs Assessment

To ensure integration of regional plans under SB 375, a Regional Housing Needs Assessment (RHNA) is developed every eight years in conjunction with every other RTP/SCS. RHNA sets each jurisdiction's share of the region's future housing needs for all income groups and serves as the housing need goal for the local housing element update process. The most recent RHNA, the 5th cycle, which was adopted by the Regional Council in October 2012, covers the planning period from October 2013 to October 2021.

In fall 2018, SCAG will begin development of the 6th RHNA cycle by establishing the RHNA Subcommittee which will review and recommend RHNA policies, procedures, and methodology for adoption by the Regional Council. The RHNA subcommittee will also be responsible for reviewing and determining revision requests and appeals. The 6th cycle RHNA allocation is scheduled for adoption in October 2020 and will cover the planning period from October 2021 to October 2029. Currently SCAG is collecting local input from all jurisdictions that will be used as the basis to determine housing needs across the region.

(c) Development of a Portion of the Air Quality Management Plan

Pursuant to the California Health and Safety Code, SCAG is responsible for developing a portion of the Air Quality Management Plan (AQMP) prepared by the South Coast Air Quality Management District (SCAQMD). Specifically, SCAG is required to develop the socio-economic and travel activity projections as well as the Regional Transportation Plan/Sustainable Communities Strategy and Transportation Control Measures portion of the AQMP approximately every three years. SCAG prepared its portion of the latest 2016 South Coast AQMP based on the Final 2016 RTP/SCS. Adopted by the SCAQMD Governing Board and the California Air Resources Board in March 2017 respectively, the Final 2016 South Coast AQMD is currently under review for approval by the U.S. Environmental Protection Agency.

(d) Compliance with the California Environmental Quality Act and Intergovernmental Review

Pursuant to the California Environmental Quality Act ("CEQA", Pub. Res. Code § 21000 *et seq.*), SCAG is required to conduct environmental review for the RTP/SCS. SCAG fulfills this requirement with preparation of a Program Environmental Impact Report (PEIR) for the RTP/SCS. The PEIR is a programmatic document that provides a region-wide assessment of the potential significant environmental effects of implementing policies, strategies, projects and programs included in the RTP/SCS. A PEIR provides a regional consideration of cumulative effects and includes land use policy alternatives and performance standards based mitigation measures that are capable of avoiding, reducing and compensating for the significant impacts of the elements of the RTP/SCS to the maximum extent practicable. This PEIR programmatically analyzes the land use distribution patterns set forth in the SCS as well as alternative land use distribution patterns.

At its April 7, 2016 meeting, the Regional Council adopted the 2016 RTP/SCS and certified the associated Program Environmental Impact Report (PEIR). On June 1, 2016, the 2016 RTP/SCS

was certified by the California Air Resources Board (CARB) for compliance with Senate Bill 375, and by the US Department of Transportation (Federal Highway Administration (FHWA) and Federal Transit Administration (FTA)) for compliance with the Clean Air Act (transportation conformity). Since that time, SCAG staff received requests from several county transportation commissions (CTCs) to amend the 2016 RTP/SCS to reflect additions or changes to project scopes, costs, and/or schedule for a number of critical transportation projects that are ready to move to the implementation phase.

As a result of these changes staff prepared Addendum No. 1 and Addendum No. 2 to the PEIR for the 2016 RTP/SCS. These addendums were certified by the Regional Council April 6, 2017 and July 6, 2017 respectively. Certification of Addendum No. 3 for the 2016 RTP/SCS PEIR is anticipated September 6, 2018.

Additionally, pursuant to Presidential Executive Order 12372 (Intergovernmental Review (IGR) of Federal Programs), SCAG is the authorized regional agency responsible for the review of applications for federal grants and financial assistance programs, federally required state plans, federal development activities, and federal environmental documents. SCAG also reviews environmental documents of projects of regional significance for consistency with regional plans pursuant to CEQA Guidelines.

Long-Term Financial Planning

SCAG has stable finances and it continuously evaluates its financial outlook to address challenges in a proactive manner. The FY17-18 financial statements reflect the measures SCAG has taken in prior years to operate using a model that balances revenues and expenditures. Traditionally, the Consolidated Planning Grant revenue allocations (FHWA and FTA 5303 grants) have been sufficient to cover SCAG's core planning activities but those costs have grown over time as personnel costs have risen and as SCAG has broadened its activities. Fortunately, SCAG was successful in its bid to increase its Transportation Development Act revenues and thanks to Assembly Bill 1403, SCAG has had an additional annual revenue stream of around \$5.5 million since FY 2011/12 to continue its level of operations. SCAG is also receiving new Sustainable Communities Grant funds of around \$5.1 million starting in 2018 pursuant to the terms of Senate Bill 1, the Road Repair and Accountability Act of 2017. Thus, SCAG is well-positioned for the foreseeable future.

Overall Work Program

SCAG's Overall Work Program (OWP) is the foundation for annual financial planning and internal administrative control. It consists of all projects and budgets allocated and necessary to perform the planning work to be accomplished in the following year, and identifies the funding source(s) for each project. The budget includes line items for direct labor, and non-labor expenses, fringe benefits, and indirect costs. When the OWP is completed, it is submitted to and approved by the Regional Council and our external funding agencies. In addition, formal

amendments to the OWP which involve major budgetary revisions are reviewed and approved by the Regional Council and applicable funding agencies.

Acknowledgements

On behalf of each member of the management team at SCAG, we express our sincere gratitude to you, President Wapner and all members of the Regional Council for your leadership, hard work and support throughout the year. We recognize that being a member of the Regional Council is a demanding responsibility which requires a tremendous investment of time, and we appreciate your efforts. With leadership from the Regional Council, the work of management and our excellent staff, we are prepared to continue supporting the complex and challenging work of regional planning for Southern California's future economic and social vitality.

Sincerely,

Handwritten signature of Darin Chidsey in black ink, including the initials "(ao)" in parentheses.

Darin Chidsey
Interim Executive Director

Handwritten signature of Basil Panas in blue ink, consisting of a stylized, circular flourish.

Basil Panas
Chief Financial Officer

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VISION

Southern California's Catalyst
for a Brighter Future

MISSION

To foster innovative regional solutions that improve the lives of Southern Californians through inclusive collaboration, visionary planning, regional advocacy, information sharing, and promoting best practices.

Funding: The preparation of this report was financed in part through grants from the United States Department of Transportation – Federal Highway Administration and the Federal Transit Administration in accordance with the provisions under the Metropolitan Planning Program as set forth in Section 104(f) of Title 23 of the U.S. Code. Additional financial assistance was provided by the California State Department of Transportation.

The information and content contained in this publication is provided without warranty of any kind, and the use of or reliance on any information or content contained herein shall be at the user's sole risk. In no event shall SCAG be responsible or liable for any consequential, incidental or direct damages (including, but not limited to, damages for loss of profits, business interruption, or loss of programs or information) arising from or in connection with the use of or reliance on any information or content of this publication.

REGIONAL COUNCIL

OFFICERS

President Alan D. Wapner, SBCTA

First Vice President Bill Jahn, Big Bear Lake

Second Vice President Randon Lane, Murrieta

Immediate Past President Margaret E. Finlay, Duarte

MEMBERS

Imperial County

Luis Plancarte, Imperial County

Cheryl Viegas-Walker, El Centro

Los Angeles County

Janice Hahn, Los Angeles County

Hilda Solis, Los Angeles County

Sean Ashton, Downey

Bob Blumenfeld, Los Angeles

Mike Bonin, Los Angeles

Joe Buscaino, Los Angeles

Gilbert Cedillo, Los Angeles

Margaret Clark, Rosemead

Jonathan Curtis, La Cañada Flintridge

Peggy Delach, Covina

Mitchell Englander, Los Angeles

Eric Garcetti, Los Angeles

James Gazeley, Lomita

Lena Gonzalez, Long Beach

Marqueece Harris-Dawson, Los Angeles

Carol Herrera, Diamond Bar

Steven Hofbauer, Palmdale

José Huizar, Los Angeles

Paul Koretz, Los Angeles

Paul Krekorian, Los Angeles

Victor Manalo, Artesia

Nury Martinez, Los Angeles

Marsha McLean, Santa Clarita

Dan Medina, Gardena

Barbara Messina, Alhambra

Judy Mitchell, Rolling Hills Estates

Mitch O'Farrell, Los Angeles

Sam Pedroza, Claremont

Curren D. Price, Jr., Los Angeles

Rex Richardson, Long Beach

Monica Rodriguez, Los Angeles

Laura Rosenthal, Malibu

David Ryu, Los Angeles

Meghan Sahli-Wells, Culver City

Ali Saleh, Bell

Sonny R. Santa Ines, Bellflower

Andrew Sarega, La Mirada

Emma Sharif, Compton

Jess Talamantes, Burbank

Herb J. Wesson, Jr., Los Angeles

Orange County

Shawn Nelson, Orange County

Stacy Berry, Cypress

Art Brown, Buena Park

Barbara Kogerman, Laguna Hills

Michele Martinez, Santa Ana

Fred Minagar, Laguna Niguel

Kris Murray, Anaheim

Steve Nagel, Fountain Valley

Michael Posey, Huntington Beach

Charles Puckett, Tustin

Marty Simonoff, Brea

Tri Ta, Westminster

Donald Wagner, Irvine

Riverside County

V. Manuel Pérez, Riverside County

Rusty Bailey, Riverside

Jeffrey Giba, Moreno Valley

Jim Hyatt, Calimesa

Clint Lorimore, Eastvale

Steve Manos, Lake Elsinore

Greg Pettis, Cathedral City

Michael Wilson, Indio

San Bernardino County

Curt Hagman, San Bernardino County

Ray Marquez, Chino Hills

L. Dennis Michael, Rancho Cucamonga

James Mulvihill, San Bernardino

Frank Navarro, Colton

Deborah Robertson, Rialto

Barb Stanton, Town of Apple Valley

Ventura County

Linda Parks, Ventura County

Glen Becerra, Simi Valley

John Procter, Santa Paula

Carmen Ramirez, Oxnard

Air District Representative Ben Benoit, Wildomar

Business Representative Randall Lewis, Lewis Group of Companies

Tribal Government Regional Planning Board Representative Sabrina LeRoy, San Manuel Band of Mission Indians

Imperial County Transportation Commission Jim Predmore, Holtville

Orange County Transportation Authority Richard D. Murphy, Los Alamitos

Riverside County Transportation Commission Jan Harnik, Palm Desert

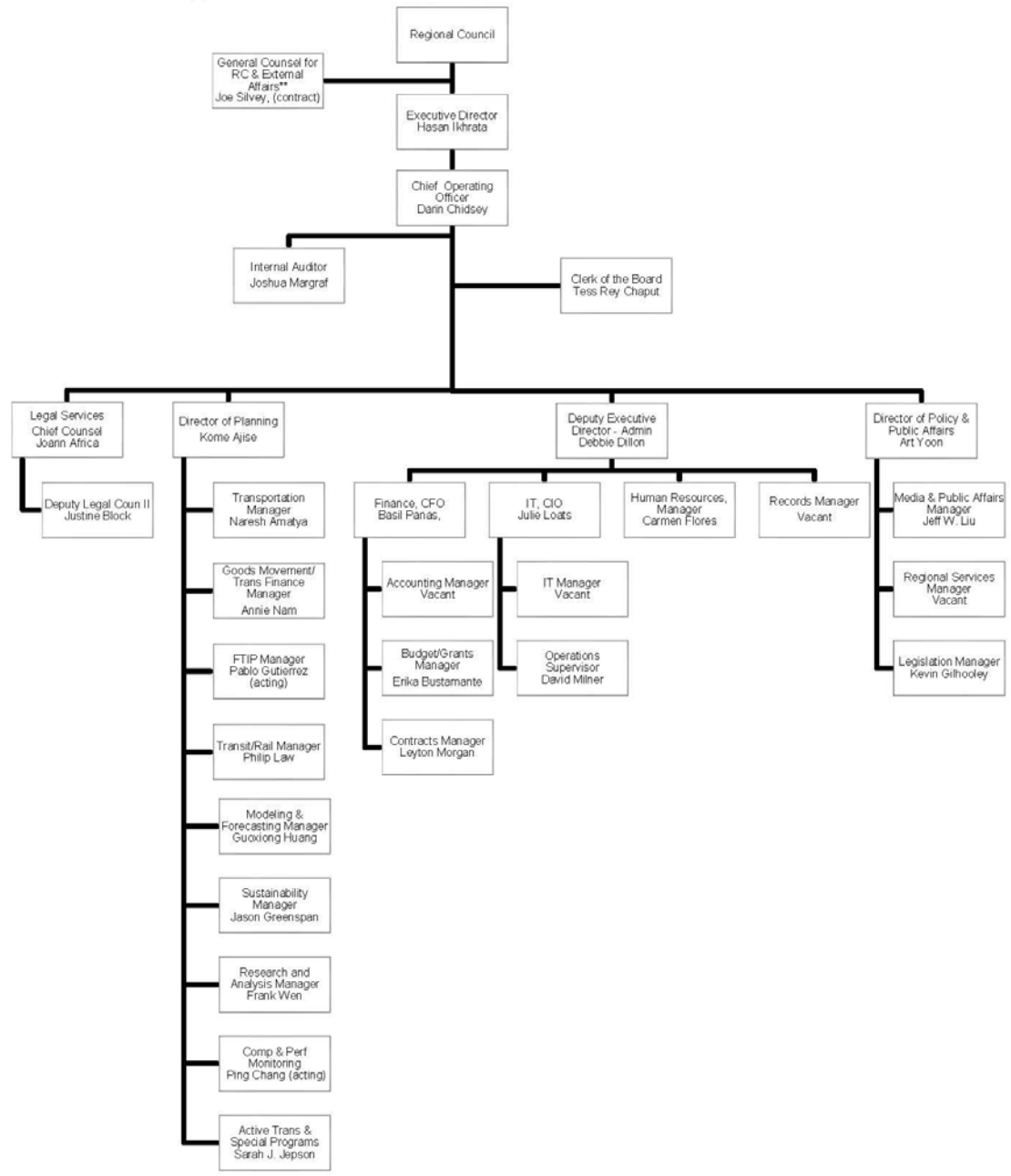
San Bernardino County Transportation Authority Alan D. Wapner, Ontario

Ventura County Transportation Commission Mike T. Judge, Simi Valley

Transportation Corridor Agencies Peggy Huang, Yorba Linda

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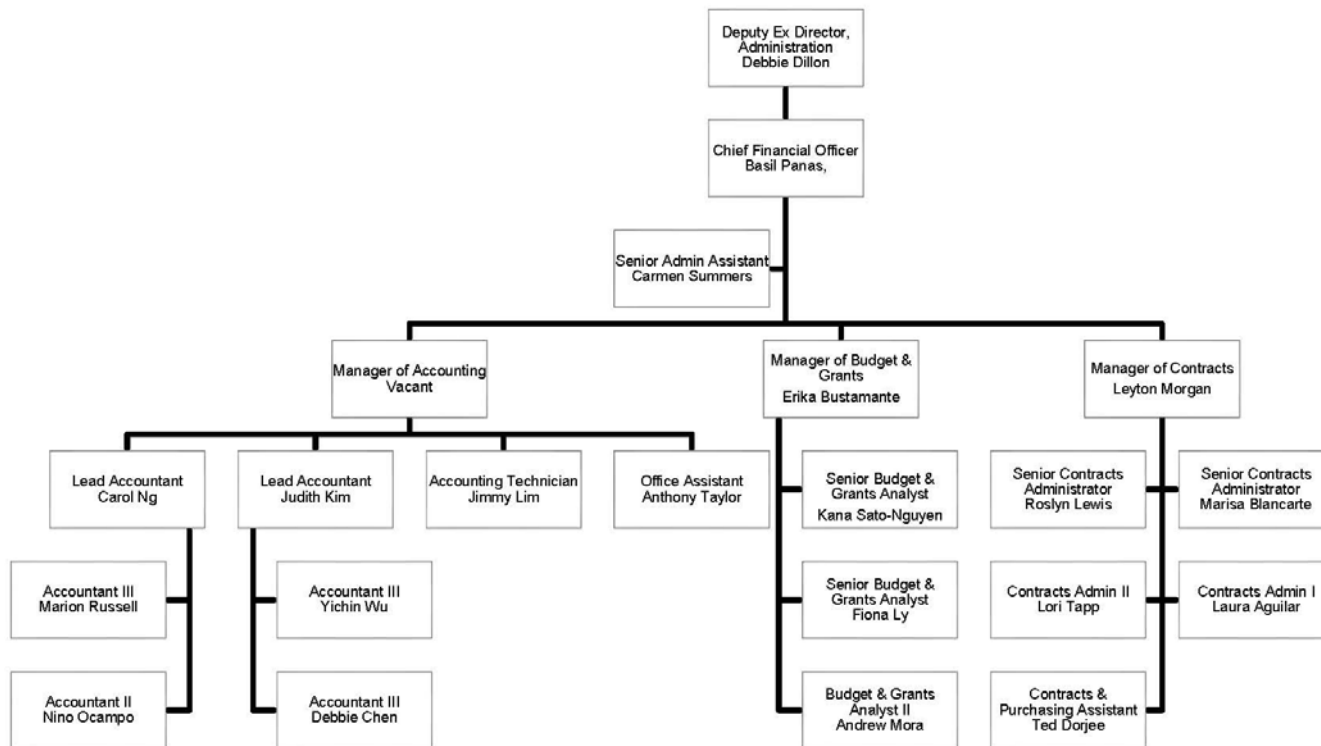
SCAG Organization Chart – June 2018



* Report to Audit Committee
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Finance Division – June 30, 2018



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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

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**FINANCIAL
SECTION**

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Regional Council
Southern California Association of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern California Association of Governments (SCAG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the SCAG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SCAG as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, SCAG adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. This resulted in a restatement of beginning net position as disclosed in note 14 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, the budgetary comparison information on pages 51-58, the Schedule of Changes in the Net Pension Liability and Related Ratios and Schedule of Plan Contribution to the California Public Employees Retirement System (CalPERS) on pages 59-60, the Schedule of Changes in the Net Pension Liability and Related Ratios and Schedule of Plan Contributions to the Public Agency Retirement System (PARS) on pages 61-62, the Schedule of Changes in the Net OPEB Liability and Related Ratios and Schedule of OPEB Contributions on pages 63-64, 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.

Other Information

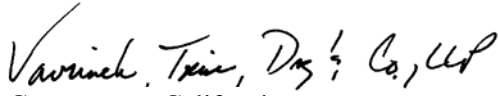
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SCAG's basic financial statements. The introductory section, supplemental combining financial statements, supplemental schedules, and statistical section, are presented for purposes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

The supplemental combining financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental combining financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of SCAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 effectiveness of the SCAG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCAG's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 20, 2018

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**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

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INTRODUCTION

This management's discussion and analysis (MD&A) of the Southern California Association of Governments' (SCAG) financial performance provides an overview of SCAG's financial activities for the fiscal year ended June 30, 2018. This overview should be read in conjunction with the transmittal letter and the accompanying financial statements in order to obtain a thorough understanding of SCAG's financial condition.

The MD&A is intended to serve as an introduction to SCAG's basic financial statements. The basic financial statements are composed of the government-wide financial statements, the governmental fund financial statements, and notes to the basic financial statements. These various presentations combine to form a single, integrated set of basic financial statements.

In this MD&A, the Statement of Net Position and the individual accounts, which comprise total assets and deferred outflows of resources and liabilities and deferred inflows of resources, are discussed and analyzed for the reader. Specific information about the functional areas of grant revenues reported in the Statement of Activities is also provided. Revenue and expenditure information about transportation, railroad, aviation, high-speed rail, housing, and other grants is reviewed. Finally, there is summary information about project work undertaken and completed by SCAG in FY 2016-2018.

FINANCIAL HIGHLIGHTS

Revenues increased to \$44.8 million in FY 2017-2018 from \$42.1 million in FY 2016-2017, an increase of \$2.7 million, or 6.4%.

Federal revenues increased by \$2.1 million; state revenues increased by \$0.5 million; local revenues decreased by \$0.03 million; and General Fund revenues increased by \$0.1 million.

Net position decreased by \$4.7 million to (\$21.0 million). This was mainly driven by the \$6.4 million increase in SCAG's net pension liability to CalPERS.

Cash decreased by \$3.3 million; receivables increased by \$0.4 million; the under-recovery of indirect costs increased by \$3.3 million; and accounts payable and contracts payable increased by \$0.9 million, all compared to FY 2016-2017.

Cash balances were adequate to support operations. There were no draws on SCAG's line of credit in FY 2016-2017. SCAG financed the purchase of \$1.2 million in furniture and \$0.7 million of audio-visual equipment for the new headquarters offices in Los Angeles in order to maintain financial flexibility.

Receivables increased \$0.4 million to \$8.0 million. No receivables are past due at year end.

Accounts and contracts payable (AP) payments to vendors are disbursed on a current basis. AP balances increased \$0.9 million to \$3.7 million. All AP obligations are current.

The unfunded net pension liability of \$42.6 million to CalPERS and PARS increased \$6.6 million from \$36.0 million last year. SCAG's liability for other post-employment benefits was \$4.7 million.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of SCAG's finances. They are similar to private sector financial statements in that both use accrual accounting, and are designed to provide operational accountability. This means reporting the extent to which SCAG met its operating objectives. There are two basic government-wide financial statements: the statement of net position and the statement of activities.

The Statement of Net Position is the basic government-wide statement of financial position. It presents information on all assets and liabilities, deferred outflows of resources and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SCAG is improving or deteriorating.

The Statement of Activities presents information showing how net position has changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the transaction occurs, regardless of when cash is received or paid. Since, it is not dependent on the timing of cash flows, some revenues and expenses that are reported in this statement will result in cash inflows and outflows in future fiscal years.

The government-wide financial statements distinguish between the activities of SCAG that are principally supported by grants or contracts, and the General Fund activities which are intended to be covered primarily by dues paid by SCAG's members. Changes in net position are a result of the financial activities of the General and Transportation Development Act (TDA) funds, not from the grant funds, which operate on a cost-reimbursement basis. The government-wide financial statements can be found on pages 15 and 16 of this report.

FUND-BASED REPORTING

The primary role of fund-based financial statements is fiscal accountability. This means demonstrating whether SCAG complied, in the short-term (usually a fiscal year), with the legal restrictions associated with its funding. The governmental funds report the same activities as the government-wide financial statements but they use modified accrual basis of accounting. Governmental funds 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 assessing a government's near-term financing requirements.

The focus of governmental funds is narrower than the government-wide financial statements; however, it is useful to compare and reconcile the governmental funds with the information presented in the government-wide financial statements. A comparison will provide a better understanding of the near-term and long-term impact of SCAG's financial decisions. Governmental funds financial statements are reconciled to the government-wide financial statements to facilitate comparison. The reconciliations are reported in the basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2018

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and the governmental funds financial statements. The notes provide the reader with information about accounting policies, data and information about cash, indirect overhead, commitments and contingencies, retirement pension plans, and other items. The notes to the basic financial statements can be found on pages 20 to 50 of this report.

Statement of Net Position

The Statement of Net Position is prepared using accrual accounting since its measurement focus is total economic resources. Thus, it reports both long-term and short-term assets and deferred outflows of resources, and liabilities and deferred inflows of resources. At the end of FY 2017-2018, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$21 million, a decrease of \$4.7 million from the restated FY 2016-2017 amount of \$16.3 million.

The following is a summary of net positions as of June 30, 2018 and 2017:

	June 30 (1)	
	2018	2017
Current and other assets	\$ 21,630,739	\$ 21,462,676
Capital assets, net	6,672,535	1,231,475
Total assets	28,303,274	22,694,151
 Deferred outflows of resources	 10,431,544	 8,506,029
 Current liabilities	 4,449,933	 6,324,454
Noncurrent liabilities	55,150,697	36,573,223
Total liabilities	59,600,630	42,897,677
 Deferred inflows of resources	 131,568	 283,671
 Net position		
Invested in capital assets	4,859,839	1,231,475
Restricted	9,327,440	9,306,432
Unrestricted	(35,184,659)	(22,519,075)
Total net position	\$ (20,997,380)	\$ (11,981,168)

(1) The net position as of June 30, 2018 was restated to recognize the effect of the implementation of GASB 75. The net position at June 30, 2017 has not been restated.

Cash and Cash Equivalents

Over the last year, cash and cash equivalents has decreased \$3.3 million to \$8.3 million. During that same period, cash as a percentage of total fell to 29%.

Included in cash were \$9.3 million of TDA, and \$0.4 million of member dues for FY 2018-2019 received in FY2017-2018.

Accounts Receivable (AR)

ARs from federal, state, local and other agencies at the end of FY 2017-2018 were \$8.0 million compared to \$7.6 million the year before. AR balances represented 28% of total assets compared to 33% in FY 2016-2017.

SCAG has continued to monitor ARs. Each AR was fully documented and its collection was carefully monitored. All AR balances are considered collectible.

Under the terms of the Master Fund Transfer Agreement (MFTA) with the California Department of Transportation, SCAG may submit billings for actual allowable costs incurred (and not necessarily paid). However, SCAG must pay all billed costs within ten days of reimbursement by Caltrans.

Federal ARs at \$5.3 million were \$0.9 million less than last year. State receivables increased by \$0.6 million to \$1.5 million. Local grants and contracts receivable dropped to \$0.5 million. Other receivables rose to \$0.6 million.

Accounts and Contracts Payable (AP)

During FY 2017-2018, SCAG met its goal of paying 95% of invoices within 30 days in ten of the twelve months. The AP balance decreased from \$4.6 million to \$3.7 million.

Line of Credit (LOC)

During FY 2017-2018, SCAG did not draw on its LOC.

The LOC is a \$6.5 million credit line with an independent financial institution, which expires on February 28, 2019. Cash advances, if requested, are secured by an assignment of moneys due only from Caltrans. Advances on the line must be in minimum amounts of \$350,000 and are due 45 days from the date of the advance. The current agreement provides for a choice of two interest rate structures. Variable rate advances incur interest at the prime rate plus 0.5%. LIBOR advances incur a fixed rate of interest for a fixed period which is 2.5% above the bank's LIBOR rate.

Financing Agreements

During FY18, SCAG entered into two five-year Equipment Financing Agreements with Bank of the West to finance the acquisition of furniture and audio-visual equipment in SCAG's new headquarters building in Los Angeles. The furniture financing was in the amount of \$1,241,979.77 at 4.8% while the equipment financing was in the amount of \$701,504.69 at 5.44%. SCAG makes monthly repayments.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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Year ended June 30, 2018

Capital Assets

Net investment in net capital assets is \$4,859,839. These assets have continuing value, which contribute to efficiency and effectiveness in conducting SCAG's transportation planning activities. For additional information, the reader is referred to note 5 of the basic financial statements.

The policy with respect to capitalizing assets is that the asset must cost more than \$5,000 (\$100,000 for intangible assets) and have a useful life of more than one year. Net investment in capital assets includes computer equipment, leasehold improvements, and furniture and fixtures as follows:

	June 30	
	2018	2017
Construction in progress	\$ 23,515	\$ -
Computer equipment and software, net	449,139	1,206,943
Leasehold improvements, net	5,638,926	20,885
Furniture and fixtures, net	560,955	3,646
	\$ 6,672,535	\$ 1,231,474

Statements of Activities

	Years ended June 30	
	2018	2017
REVENUES		
Charges for services - member dues	\$ 1,986,186	\$ 1,939,700
Operating grants and contributions	42,253,899	39,672,312
General revenues:		
Interest Income	103,616	114,318
Other revenue	430,867	380,230
	44,774,568	42,106,560
EXPENSES		
Transportation	24,882,444	20,850,519
Aviation	231,662	267,597
Environmental	5,164,861	7,054,453
High-speed rail	317,393	339,370
Housing	2,032,311	3,222,728
Sustainability initiatives	8,642,100	7,521,696
Water	91,209	-
Administration	8,147,226	3,859,327
	49,509,206	43,115,690
Change in net position	(4,734,638)	(1,009,130)
Net position - beginning, as restated	(16,262,742)	(10,972,038)
Net position - ending	\$ (20,997,380)	\$ (11,981,168)

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
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All current year revenues and expenses are accounted for in the Statement of Activities. It recognizes revenues when earned and expenses when they are incurred, regardless of the timing of related cash inflows and outflows. This statement measures the results of operations over the year and can be used to analyze the revenues earned and expenses incurred to benefit the project objectives established by the grantors. Specific grants, which are included in the distribution of the functional areas of transportation, aviation, environmental, high-speed rail, housing, sustainability initiatives and administration, are described below.

Most of SCAG's funding comes from the federal government. The rest comes from state and local sources. SCAG is exploring several alternatives to diversify its funding.

Total revenues in FY 2017-2018 were \$44.8 million compared to \$42.1 million last year. This is an increase of \$2.7 million or about 6.4%.

The decrease in net position is due to the increase in SCAG's net pension obligation to CalPERS.

Major Expenses

In FY 2017-2018, salary expenses were \$12.2 million which included non-worktime (e.g., vacation leave, sick leave, and holiday). The comparable amount in FY 2016-2017 was also \$12.4 million. Salaries, including non-worktime, represent about 27% of total expenses.

Consultant expenses are the next largest expense line item. They decreased \$2.8 million to \$7.7 million in FY 2017-2018 from \$10.5 million in FY 2016-2017. They represent about 17% of total expenses. Detailed information concerning specific consultant activities is analyzed below in the discussion about major revenues and expenses of federal, state and local grants and the General Fund. In FY 2017-18 SCAG made pass-through payments, in the amount of \$8.4 million under FTA's Sec. 5339 program (see below for details).

Federal Transportation Grants

Major FHWA and FTA Grants

On annual basis, SCAG receives two major federal grants for Metropolitan Planning from each of the Federal Highway Administration (FHWA) and Section 5303 from the Federal Transit Administration (FTA). These two federal grants are used to develop regional plans for transportation, integrated planning, air quality and other regionally significant transportation related issues. In accordance with federal and state laws, SCAG develops a long-range Regional Transportation Plan (RTP) every four years and a Federal Transportation Improvement Program (FTIP) every two years.

The RTP lays out the framework for investments in transportation infrastructure and maintaining it over the long-term. The FTIP, on the other hand, is a near-term program that identifies specific funding allocations for transportation projects to be implemented within the SCAG region over the next six years. Both the RTP and the FTIP must comply with all applicable state and federal requirements, including transportation conformity, fiscal constraint and inter-agency consultation and public outreach. These two grants were billed \$24,393,384 million in FY 2017-2018 compared to \$25.8 million in FY 2016-2017. FHWA PL and FTA 5303 revenues amounted to \$18.5 million and \$5.9 million, respectively, in FY 2017-2018.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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Salaries and fringe benefits accounted for \$11.1 million, consultant expenses were \$2.6 million and the balance consisted of indirect overhead of \$9.9 million and other direct project costs of \$0.8 million. Other direct project expenses include professional services, travel, printing and other non-labor costs.

Other Federal Grants

In addition to the two metropolitan planning funding programs under the federal Consolidated Planning Grant (CPG), there are several other federal grant programs awarded to SCAG to fund specific project activities.

FTA Section 5339 Bus and Bus Facilities and FTA 5312 Low or No Emission Vehicle Deployment Program (LoNo) Program

During FY 2015-2016, in partnership with Riverside Transit Agency, SCAG applied and received a grant award in the amount of approximately \$3.2 million in FTA Section 5339 funds for their Bus Stops and Shelters Acquisition project. In FY 2016-2017, SCAG also received a grant award in the amount of approximately \$0.9 million in FTA 5339 and \$9.8 million in FTA Section 5312 funds, for SunLine's Bus Procurement project. In FY 2017-2018, SCAG continued to administer the aforementioned grant projects and received another grant award in the amount of approximately \$5.6 million in FTA Section 5312 funds for Los Angeles County Metropolitan Transportation Authority and Foothill Transit Battery Bus Procurement and Charging Equipment project. For all grant programs, SCAG is responsible for passing the funds through and ongoing monitoring and compliance of the grant program.

FTA Section 5304 and FHWA Partnership Planning

Caltrans' Sustainable Transportation Planning Grant Program offers two discretionary grant programs on an annual basis. SCAG has been a successful grant recipient under this program to further the region's RTP/SCS. Under this grant program the total FTA Section 5304 and FHWA Partnership Planning budget for FY 2017-2018 was approximately \$3.4 million. The total amount expended for these two grant programs was about \$1.1 million in FY 2017-2018. The unused balance for grants not expiring at the end of fiscal year are carried forward to FY 2018-2019 and future years, if needed, subject to authorization from Caltrans.

FHWA Active Transportation Program

SCAG received a grant award in the amount of \$2.3 Million from FHWA in FY 2014-2015 and completed the Active Transportation Safety & Encouragement Campaign Program during FY 2017-2018. With the successful implementation of the project, SCAG received another grant award in the amount of \$1.8 Million from FHWA to build onto the existing Active Transportation Program. Caltrans is the Direct Recipient of the funds from FHWA and SCAG is responsible for managing the program.

Office of Traffic Safety Active Transportation Safety

In FY 2016-2017, SCAG received a grant award in the amount of \$0.5 Million from Office of Traffic Safety (OTS) for the Active Transportation Safety and Encouragement Campaign and completed the grant activities during FY 2017-2018. The funds were used to conduct a regional active transportation safety and encouragement campaign to reduce bicycle and pedestrian collisions. In FY 2017-2018, SCAG secured another grant award from OTS in the amount of \$1.5 Million to continue the effort to promote and educate bicycle and pedestrian safety.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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Year ended June 30, 2018

Department of Energy, Energy Efficiency & Renewable Energy

SCAG received a cooperative agreement award in the amount of \$45,000 in FY 2015-2016, \$45,000 in FY 2016-2017, and an additional \$45,000 in FY 2017-2018. The funds are used for Clean Cities Outreach, Education and Performance Tracking project.

State Grants

Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017, a transportation funding bill supports and implements the RTP/SCS and achieve the State's greenhouse gas (GHG) reduction targets. SB1 expanded the existing Caltrans' Sustainable Transportation Planning Grant Program by offering a formula grant program to the MPOs. Under this formula grant program, SCAG, as an MPO, received a grant award in the amount of \$5.6 Million during FY 2017-2018. The SB1 grant funds support SCAG's Sustainability Planning Grant (SPG) program, Future Communities Initiative, and development and implementation of the SCS.

The California Energy Commission (CEC) awarded SCAG \$125,181 (for FY 2014-2015) from the Alternative and Renewable Fuel and Vehicle Technology Program. The funds will support the Multi-Unit Dwelling (MUD) Plug-in Electric Vehicle (PEV) Readiness Strategies. SCAG partnered with the Westside Cities Council of Governments and UCLA, and successfully completed the project in FY 2017-2018.

SCAG received a grant award in the amount of \$983,541 from the Strategic Growth Council (SGC) during FY 2015-2016. SCAG continued to implement the Proposition 84 Sustainable Communities Planning Grant Program and fruitfully completed the Round 3 grant program in FY 2017-2018.

Several regional agencies partnered with SCAG and applied for AB 2766/Mobile Source Air Pollution Reduction Committee (MSRC) funding for the implementation of Open Street Events in FY 2016-2017. The regional agencies are the primary recipients of the funds from the South Coast Air Quality Management District (SCAQMD) and SCAG collaborated for the implementation of the projects. This grant project was completed during FY 2017-2018. In June 2017, SCAG also received a grant award in the amount of \$2.5 Million directly from SCAQMD for the AB2766/MSRC funding program. The funds are used for implementing the *Go Human* Program.

SCAG also received a grant award in the amount of \$643,000 from the Caltrans Local Assistance Active Transportation Program in FY 2016-2017. The funds are used to develop an active transportation plan, a greenway feasibility study, and provide safety education for bicyclists within the San Gabriel Valley.

Local Revenues

Local revenues were \$5.9 million compared to \$6.0 million in FY 2016-2017, consisting of local match, mostly Transportation Development Act (TDA) funding. The TDA Fund, a major fund, had revenues of \$5.9 million. TDA funds are primarily used to meet the local match requirement for federal grants and for other unmet needs such as the Sustainability Program. SCAG receives these funds under the terms of AB1403. The TDA fund balance remained virtually unchanged at \$9.3 million as not all budgeted amounts were spent. However, the TDA fund balance is expected to decline in FY19 as commitments of \$7.6 million have been made against the fund balance and the revenues of FY19.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2018

General Fund

Management is required by SCAG's By-laws to submit an annual budget for the General Fund (GF) to the Regional Council (RC) and the RC presents it to the General Assembly for final approval. The GF is used as working capital and its resources are available for any authorized purpose, not otherwise required or allowed to be accounted for in another fund. Thus, GF cash is routinely used to pay invoices that are in the process of being billed to the grantor.

The comparative summary statement of revenues, expenditures, and changes in fund balances of the GF shown below is reported on a modified accrual basis. In FY 2017-2018, fund balance increased by \$1.2 million mainly due to the proceeds from the financing agreements for furniture and equipment for SCAG's new LA office headquarters.

	Years ended June 30	
	2018	2017
Revenues:		
Membership assessments	\$ 1,986,186	\$ 1,939,700
General assembly	392,095	327,515
Interest and other	142,388	167,033
Total revenues	2,520,669	2,434,248
Expenditures:		
Transportation	-	53,949
Administration	2,322,029	2,138,062
Debt service - principal	130,788	-
Debt service - interest	25,490	-
Capital outlay	751,872	-
Indirect cost	15,165,346	12,586,074
Indirect cost recovery	(11,898,943)	(11,403,493)
Under-recovery of indirect cost	(3,266,403)	(1,182,581)
Total expenditures	3,230,179	2,192,011
Deficiency of revenues over expenditures	(709,510)	242,237
Other financing sources (uses):		
Transfers out	(33,419)	(2,198)
Proceeds from financing	1,943,484	-
Total other financing sources (uses)	1,910,065	(2,198)
Change in fund balance	1,200,555	240,039
Fund balance, beginning of year	6,652,811	6,412,772
Fund balance, end of year	\$ 7,853,366	\$ 6,652,811

Dues assessed to member jurisdictions

The main source of revenues in the General Fund is dues assessed and collected from member cities, counties, Transportation Commissions and Tribal Governments in the region. Dues are used to fund the expenses of the RC and its committees, and other budgeted expenses described below, which are not otherwise chargeable to a grant.

The RC has implemented formal policies to retain members and grow dues collections. By-law amendments have been approved to permit increases in dues equal to the consumer price index. Member dues collections rose in FY 2017-2018 to \$1,986,186 from \$1,939,700 in FY 2016-2017, an increase of 2.4 %. This resulted from the automatic dues increase equivalent to the Consumer Price Index provided for in the Bylaws. At the end of FY 2017-2018, only two cities on the entire SCAG region were not members.

Other GF Revenues and Interest Income

Total other revenues decreased in FY 2017-2018 to \$142,388 from \$167,063 in FY 2016-2017.

Cash that was not needed as working capital to support daily operations was invested in the Los Angeles County Investment Pool. The County Pool investment policy provides that public funds are invested for the maximum security of principal with secondary emphasis on achieving the highest return. The reader is referred to the Note 2 – Cash and Cash Equivalents for additional information.

GF Budget vs. Actual Expenditures

GF expenditures overall were \$3.5 million compared to the budget of \$3.7 million, a positive variance of \$0.2 million. The GF budget includes RC expenditures including member stipends, travel, monthly RC meeting expenses, and annual meetings. It also includes contracted federal and state lobbying, and legal fees. The General fund received the proceeds of two financings that SCAG used to purchase furniture and fixtures and audio-visual equipment totaling \$1.9 million in connection with the move of SCAG's headquarters to 900 Wilshire Boulevard in Los Angeles. Only \$0.7 million of the financed assets were expensed in the General Fund which enabled GF reserves to grow. Future years reserves are expected to remain unchanged.

Next Year's Budgets

SCAG's aggregate grant budget, called the Overall Work Program (OWP), for FY 2018-2019 is \$65.9 million compared to the grant budget in FY 2017-2018 of \$43.9 million, a net increase of \$22.0 million or 50% due to an increase in CPG funds programmed (\$4.8 million), additional funding for programs funded by SB1 (\$10.7 million), an increase in ATP and MSRC funds (\$4.5 million), and in OTS funds (\$2.0 million). Most FY 2017-2018 OWP funding comes from the Federal government (42%), 19% comes from the State of California, 24% are federal pass-throughs, and 15% comes from local funds.

Requests for Information

This report is designed to provide a general overview of SCAG finances for readers of the Comprehensive Annual Financial Report. Detailed questions concerning any of the information in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Southern California Association of Governments, 900 Wilshire Boulevard, Ste. 1700, Los Angeles, California 90017.

**BASIC
FINANCIAL
STATEMENTS**

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Net Position
June 30, 2018

ASSETS

Cash and cash investments	\$	8,310,406
Receivables:		
Federal grants		5,333,602
State grants and contracts		1,525,326
Local grants and contracts		483,898
Other		629,522
Prepays		773,286
Other assets		6,266
Under-recovery of indirect costs		4,568,433
Capital assets, net		6,672,535
Total Assets		<u>28,303,274</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions		9,578,327
Deferred outflows of resources related to OPEB		853,217
Total Deferred Outflows of Resources		<u>10,431,544</u>

LIABILITIES

Accounts and contracts payable		3,651,512
Accrued liabilities		292,999
Advances from grantors		81,418
Unearned revenues		424,004
Noncurrent liabilities:		
Due within one year		1,690,225
Due in more than one year		53,460,472
Total Liabilities		<u>59,600,630</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to OPEB		<u>131,568</u>
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NET POSITION

Net investment in capital assets		4,859,839
Restricted for:		
Transportation projects		9,327,440
Unrestricted		(35,184,659)
Total Net Position		<u>\$ (20,997,380)</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services - Member Dues</u>	<u>Operating Grants and Contributions</u>	
Functions/programs:				
Transportation	\$ 24,882,444	\$ -	\$ 24,870,033	\$ (12,411)
Aviation	231,662	-	231,662	-
Environmental	5,164,861	-	5,164,861	-
High-speed rail	317,393	-	317,393	-
Housing	2,032,311	-	2,032,311	-
Sustainability initiative	8,642,100	-	8,642,100	-
Water	91,209	-	91,209	-
Administration	8,147,226	1,986,186	904,330	(5,256,710)
Total Governmental Activities	<u>\$ 49,509,206</u>	<u>\$ 1,986,186</u>	<u>\$ 42,253,899</u>	<u>(5,269,121)</u>
General revenues:				
Interest income				103,616
Other revenue				430,867
Total General Revenues				<u>534,483</u>
Change in net position				(4,734,638)
Net Position, Beginning of Year, as restated (note 14)				<u>(16,262,742)</u>
Net Position, End of Year				<u>\$ (20,997,380)</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	FTA 5303 Fund	FTA 5312 Fund	FHWA PL Fund	TDA Fund	Nonmajor Funds	Total
ASSETS							
Cash and cash equivalents	\$ 8,310,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,310,406
Receivables:							
Federal grants	-	811,684	460,642	2,668,278	-	1,392,998	5,333,602
State grants and contracts	-	-	-	-	-	1,525,326	1,525,326
Local grants and contracts	-	-	-	-	471,898	12,000	483,898
Other	629,522	-	-	-	-	-	629,522
Due from other funds	1,411,813	-	-	-	9,420,726	88,269	10,920,808
Prepays	773,286	-	-	-	-	-	773,286
Other assets	6,266	-	-	-	-	-	6,266
Under-recovery of indirect costs	4,568,433	-	-	-	-	-	4,568,433
Total Assets	<u>\$ 15,699,726</u>	<u>\$ 811,684</u>	<u>\$ 460,642</u>	<u>\$ 2,668,278</u>	<u>\$ 9,892,624</u>	<u>\$ 3,018,593</u>	<u>\$ 32,551,547</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts and contracts payable	\$ 606,172	\$ 763,279	\$ 458,646	\$ 14,670	\$ 565,184	\$ 1,243,561	\$ 3,651,512
Accrued liabilities	292,999	-	-	-	-	-	292,999
Due to other funds	6,523,185	48,405	1,996	2,653,608	-	1,693,614	10,920,808
Advances from grantors	-	-	-	-	-	81,418	81,418
Unearned revenues	424,004	-	-	-	-	-	424,004
Total Liabilities	<u>7,846,360</u>	<u>811,684</u>	<u>460,642</u>	<u>2,668,278</u>	<u>565,184</u>	<u>3,018,593</u>	<u>15,370,741</u>
Fund balances							
Nonspendable for:							
Prepays and other assets	779,552	-	-	-	-	-	779,552
Restricted:							
Transportation	-	-	-	-	9,327,440	-	9,327,440
Unassigned:							
General fund	7,073,814	-	-	-	-	-	7,073,814
Total Fund Balances	<u>7,853,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,327,440</u>	<u>-</u>	<u>17,180,806</u>
Total Liabilities and Fund Balances	<u>\$ 15,699,726</u>	<u>\$ 811,684</u>	<u>\$ 460,642</u>	<u>\$ 2,668,278</u>	<u>\$ 9,892,624</u>	<u>\$ 3,018,593</u>	<u>\$ 32,551,547</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Reconciliation of Total Governmental Fund Balances to
Net Position in the Statement of Net Position
June 30, 2018

Total governmental fund balances	\$ 17,180,806
Amounts reported for governmental activities in the accompanying statement of net position are different because:	
Capital assets, net of accumulated depreciation of \$6,193,195 used in governmental activities are not financial resources; they are therefore, not reported in the governmental funds financial statements	6,672,535
Long-term liabilities reported in the statement of net position are not considered to be fund liabilities as they are not expected to be liquidated with current financial resources	
Tenant improvement allowance	(4,682,709)
Long-term liabilities are not due and payable at year end; they are therefore, not reported in the governmental funds financial statements	
Compensated absences liabilities	(1,385,942)
Net pension liabilities	(42,575,559)
Net OPEB liability	(4,693,791)
Financing agreements	(1,812,696)
Deferred outflows of resources are not considered financial resources and are not reported in the governmental funds	
Pensions	9,578,327
OPEB	853,217
Deferred inflows of resources related to OPEB are not available to pay for current period expenses and are not reported in the governmental funds	(131,568)
Net Position	\$ (20,997,380)

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General Fund	FTA 5303 Fund	FTA 5312 Fund	FHWA PL Fund	TDA Fund	Nonmajor Funds	Total
Revenues:							
Federal grants, net	\$ -	\$ 5,853,646	\$ 7,521,550	\$ 18,539,738	\$ -	\$ 2,914,312	\$ 34,829,246
State grants and contracts	-	-	-	-	-	1,476,542	1,476,542
Local grants and contracts	-	-	-	-	5,904,397	43,714	5,948,111
Membership assessments:							
Cities	1,577,575	-	-	-	-	-	1,577,575
Counties	300,111	-	-	-	-	-	300,111
Commission	88,500	-	-	-	-	-	88,500
Transportation corridor agency	10,000	-	-	-	-	-	10,000
Air districts	10,000	-	-	-	-	-	10,000
General assembly	392,095	-	-	-	-	-	392,095
Interest and other	142,388	-	-	-	-	-	142,388
Total Revenues	<u>2,520,669</u>	<u>5,853,646</u>	<u>7,521,550</u>	<u>18,539,738</u>	<u>5,904,397</u>	<u>4,434,568</u>	<u>44,774,568</u>
Expenditures:							
Transportation	-	2,429,228	7,521,550	10,331,942	2,335,352	2,264,372	24,882,444
Aviation	-	10,402	-	170,443	50,817	-	231,662
Environmental	-	1,163,948	-	2,674,778	745,253	580,882	5,164,861
High-speed rail	-	10,402	-	256,174	50,817	-	317,393
Housing	-	478,128	-	1,183,369	285,166	85,648	2,032,311
Sustainability initiatives	-	1,751,136	-	3,893,042	1,373,901	1,624,021	8,642,100
Water	-	10,402	-	29,990	50,817	-	91,209
Administration	2,322,029	-	-	-	-	-	2,322,029
Debt Service:							
Principal	130,788	-	-	-	-	-	130,788
Interest	25,490	-	-	-	-	-	25,490
Capital outlay	751,872	-	-	-	904,330	-	1,656,202
Indirect cost	15,165,346	-	-	-	-	-	15,165,346
Indirect cost recovery	(11,898,943)	-	-	-	-	-	(11,898,943)
Under-recovery of indirect costs	(3,266,403)	-	-	-	-	-	(3,266,403)
Total Expenditures	<u>3,230,179</u>	<u>5,853,646</u>	<u>7,521,550</u>	<u>18,539,738</u>	<u>5,796,453</u>	<u>4,554,923</u>	<u>45,496,489</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(709,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,944</u>	<u>(120,355)</u>	<u>(721,921)</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	32,803	120,355	153,158
Transfers out	(33,419)	-	-	-	(119,739)	-	(153,158)
Proceeds from financing	1,943,484	-	-	-	-	-	1,943,484
Total other financing sources (uses)	<u>1,910,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,936)</u>	<u>120,355</u>	<u>1,943,484</u>
Change in fund balance	1,200,555	-	-	-	21,008	-	1,221,563
Fund Balances, Beginning of Year	<u>6,652,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,306,432</u>	<u>-</u>	<u>15,959,243</u>
Fund Balances at end of year	<u>\$ 7,853,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,327,440</u>	<u>\$ -</u>	<u>\$ 17,180,806</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Change in fund balances - total governmental funds	\$	1,221,563
Amounts reported for governmental activities in the accompanying statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities those assets costs are allocated over their respective estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay	\$	1,656,202
Assets acquired in accordance with operating lease agreement		4,829,000
Capital assets write down		(16,636)
Depreciation expense		(1,027,505)
		5,441,061
Compensated absences and tenant improvement allowance are not recorded in the governmental funds and the corresponding changes in these balances are not reflected in the change in fund balance:		
Compensated absences liabilities		(21,972)
Tenant improvement allowance		(4,829,000)
Amortization of tenant improvement allowance		200,698
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds of debt issuance		(1,943,484)
Debt service payment		130,788
Governmental funds report pension/OPEB contributions as expenditures in governmental funds. Such amounts are reported as deferred outflow of resources on full accrual basis.		
Pension contributions		2,938,424
OPEB contributions		853,217
Pension expense is reported on the statement of activities		(8,182,148)
OPEB expense is reported on the statement of activities		(543,785)
Change in net position of governmental activities	\$	(4,734,638)

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Background

The Southern California Association of Governments (SCAG) is a regional planning organization and a Council of Governments voluntarily established by its members in 1965 pursuant to the Joint Exercise of Powers Act. SCAG was established as a regional platform for the discussion, study, and agreement on long term regional policies regarding the orderly development of the Southern California Region pertaining to transportation, air quality, and growth management. The State of California and the federal government have designated SCAG as the comprehensive planning agency for the Southern California Region.

The region served by SCAG includes the counties of Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura as well as cities within the boundaries of these counties. SCAG works with the region's agencies and decision makers to develop long range regional plans and strategies that provide for efficient movement of people, goods, and information; enhance economic growth and improve the quality of life. These plans can be used as a guide in addressing issues of regional/subregional concern and to help local agencies meet federal and state planning mandates. SCAG's policies and programs are governed by an 84 member Regional Council (RC). Members of the RC are locally elected officials who are appointed to serve two year terms by their respective local jurisdictions. RC officers are elected by the RC membership and serve a one year term.

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying basic financial statements include all financial activities of SCAG.

B. Government-wide and Fund Financial Statements

The basic financial statements of SCAG are composed of the following:

- Government-wide financial statements
- Governmental funds financial statements
- Notes to basic financial statements

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about SCAG as a whole. All of SCAG's operations represent governmental activities and SCAG has no business type activities. All significant interfund activity has been eliminated. 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. Amounts paid to acquire capital assets are capitalized as assets in the government wide financial statements, rather than reported as expenditures.

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available for SCAG, it is SCAG's policy to use restricted resources first, the unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) dues assessments charged to members who directly benefit from services and, 2) grants and contributions that are restricted to meeting the operational needs of a particular function. Other items not properly included among program revenues are reported as general revenues.

In general, expenses related to a predetermined fixed rate percentage applied to direct labor and fringe benefits are reported as indirect costs. SCAG policy for the allocation of indirect costs states they are allocated equitably to projects using the guidance, standards, and objectives contained in relevant federal and state regulations. Specifically, *Title 2 of U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is the primary federal reference, and the *Local Assistance Procedure Manual* is the State of California reference.

SCAG is permitted by these regulations to allocate indirect costs to projects using a predetermined fixed rate percentage applied to direct labor and fringe benefit costs incurred. The underlying documentation for the calculation of the fixed rate is submitted annually in advance to the California Department of Transportation Division of Audits and Investigations for analysis and approval of the fixed rate to be used in the following year. Upon approval of the Indirect Cost Allocation Plan, SCAG can use the rate to allocate indirect costs to grants, contracts, and other agreements with the Federal Government and the California Department of Transportation (Caltrans).

SCAG's accounting system is organized and operated on the basis of separate funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. All funds are classified as governmental funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, expenditures and liabilities are recorded when amounts are due and payable and revenue is recognized when earned and when considered measurable and available. Available means the revenue is collectible within the current period or within 5 months thereafter to be used to pay liabilities of the current period. Revenues on grants are recognized when all eligibility requirements are met and amounts are considered measurable and available.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. Generally, only current assets and current liabilities are included in the Balance Sheets. The Statements of Revenues, Expenditures, and Changes in Fund Balances for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the net current assets or fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds

SCAG considers the following funds as major governmental funds:

Governmental Funds

General Fund – The General Fund is available for any authorized purpose and is used to account for all financial activities of SCAG not required or allowed to be accounted for in another fund. The General Fund’s main source of revenue is membership dues, which are assessed and collected from the members of SCAG. The General Fund is the primary internal source of working capital.

Federal Transit Administration (FTA) Sec. 5303 Fund – This fund is established to account for revenues from FTA. These funds are available and restricted to support expenditures for specifically identified purposes and projects relating to public transportation.

Federal Transit Administration (FTA) Sec. 5312 Fund – This fund is established to account for revenues from FTA. These funds are available and restricted to support expenditures for specifically identified purposes and projects relating to Low or No Emission Vehicle Deployment program.

Federal Highway Administration (FHWA) Planning (PL) Fund – This fund is established to account for revenues from FHWA. These funds are available and restricted to support expenditures for specifically identified purposes and projects related to highways and bridges.

Transportation Development Act (TDA) Fund – This fund is established to account for revenues from TDA. These funds are available and restricted to support expenditures for specifically identified purposes and projects related to the transportation planning and programming process.

D. Grant Revenues

All major and nonmajor fund revenues are recognized as program revenue to the extent that allowable expenditures under the grant have been incurred and amounts are considered measurable and available. Grant expenditures incurred in excess of grant revenues available are funded by the General Fund or other allowable funds by transfers. Disallowed costs, if any, associated with grant expenditures submitted for reimbursement in the current fiscal year are funded by transfers from the General Fund. Disallowed costs, if any, related to grant programs already completed and closed out by SCAG are recorded as administration expenditures of the General Fund.

E. Unearned Revenue and Advances from Grantors

Cash received from grantors in advance of actual grant expenditures being incurred is recorded as advances from grantors in the accompanying basic financial statements. Additionally, some jurisdictions pay their member dues for the following year in advance. These amounts are reported as unearned revenues in the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Long-Term liabilities

SCAG’s rental cost associated with its operating lease for office space is recognized on the straight-line basis in the government-wide financial statements. The difference between cash payments and straight-line rent expense results in a credit balance that is included in noncurrent liabilities in the government-wide financial statements.

SCAG also received a benefit from certain tenant improvement allowances granted at the inception of its lease, which were recorded as deferred lease credits and are amortized on a straight-line basis over the lease term. The related credits are not, however, reported in the accompanying fund financial statements as they are not expected to be liquidated with current financial resources. They are reported in the Statement of Net Position as noncurrent liabilities (Note 9).

G. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposit accounts and amounts held by the County of Los Angeles Treasurer. Cash not needed for immediate working capital use is invested in interest bearing accounts.

H. Capital Assets

Capital assets, which include furniture and fixtures, computer equipment and leasehold improvements, are reported in the accompanying government-wide financial statements. Capital assets are defined by SCAG as assets with an initial individual cost of more than \$5,000 (\$100,000 for intangible assets) and an estimated useful life in excess of one year. Such assets are recorded at cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a concession arrangements should be reported at acquisition value.

The provision for depreciation of capital assets within SCAG is computed on the straight-line method using these estimated useful lives:

Equipment	3 years
Intangible assets	5 years
Leasehold improvements	10 years
Furniture and fixtures	3 to 7 years

I. Compensated Absences

It is SCAG’s policy to permit employees to accumulate earned but unused vacation benefits up to a maximum of 400 hours. Employees are paid 100% of their accumulated vacation when they terminate employment for any reason. All vacation is accrued and reported in the government-wide financial statements as compensated absences. It is estimated that a substantial part of the liability for compensated absences will be paid in the subsequent period from the General Fund and related Special Revenue Funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. New Government Accounting Standards Board (GASB) pronouncements adopted in the current year

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for reporting periods beginning after June 15, 2017. SCAG implemented this Statement effective July 1, 2017.

K. New Government Accounting Standards Board (GASB) pronouncements issued, not yet effective

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements prior to June 30, 2018, that have effective dates that may impact future financial statement presentation. The effect of these statements is currently under review by SCAG:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*.
- GASB Statement No. 84, *Fiduciary Activities*.
- GASB Statement No. 87, *Leases*.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*.
- GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the California Public Employees' Retirement System (CalPERS) and Public Agency Retirement System (PARS), and additions to/deductions from CalPERS' and PARS' fiduciary net positions have been determined on the same basis as they are reported by CalPERS and PARS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from CalPERS's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, CalPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

N. Deferred Outflows and Inflows of Resources

SCAG recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

SCAG reports deferred outflows and inflows of resources related to pension and OPEB on the government-wide statement of net position, under full accrual basis of accounting. Pension/OPEB related deferred outflows of resources relate to contributions made subsequent to the measurement date, which will be reflected as a reduction of net pension/OPEB liability in a future reporting period. Pension/OPEB related deferred inflows of resources include the net differences between projected and actual earnings on plan investments, and differences between expected and actual experiences, and will be recognized as part of pension/OPEB expense in future reporting periods. Refer to Note 11 for items identified as deferred inflows and outflows related to pensions and Note 13 for items identified as deferred inflows and outflows related to OPEB as of June 30, 2018.

O. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the basic financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from such estimates.

P. Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, defines fund balance as the difference between the assets and liabilities reported in SCAG's governmental funds. There are generally limitations on the purpose for which all or a portion of the resources of a governmental fund may be used. The force behind these limitations can vary significantly, depending upon their source.

Consequently, the fund balance reported in the annual financial statements is categorized into five components whereby each component identifies the extent to which a governmental entity is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The five components of fund balance are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples are inventories, prepaid expenses, long-term receivables, or non-financial assets held for resale.

Restricted fund balance includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of SCAG's highest level of decision-making authority (Regional Council).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Reporting (continued)

Assigned fund balance consists of funds that are set aside for specific purposes by SCAG’s highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance is the residual classification for SCAG’s general fund and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The General fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Regional Council, as SCAG’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Regional Council removes or changes the specific use through the same type of formal action taken to establish the commitment. SCAG does not have any fund balance that meets this classification as of June 30, 2018.

The Regional Council delegates the authority to assign fund balance to the Executive Director for purposes of reporting in the annual financial statements.

When both restricted and unrestricted resources are available for use, it is SCAG’s policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, SCAG’s policy is to use committed amounts first, followed by assigned and then unassigned.

NOTE 2 – CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

Book balance of deposits with financial institutions	\$	827,616
Cash and cash equivalents in County of Los Angeles Treasury		7,481,846
Petty cash		944
		944
	\$	8,310,406

A. Deposits

At June 30, 2018, SCAG’s cash and cash equivalents consisted of deposits with the County of Los Angeles Treasury, deposits with an independent financial institution, and petty cash on hand, all of which are presented in the accompanying basic financial statements at fair value.

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (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 SCAG’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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2018, the SCAG’s deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts of \$2,001,960 were collateralized as described above.

B. Investments Authorized by SCAG’s Investment Policy

The table below identifies the investment types that are authorized by SCAG’s investment policy. Included in SCAG’s investment policy is a statement that SCAG will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. SCAG’s investment policy also requires the diversification of investment instruments in accordance with the guidelines of Government Code Section 53600 et. seq. The table also identifies certain provisions of SCAG’s investment policy that addresses interest rate risk and concentration of credit risk.

Description	Maximum Maturities	Maximum Concentration	Maximum in One Issuer
U.S. Treasury Obligations (bills, notes and bonds)	5 years	100%	None
U.S. Government Agency Securities	5 years	100%	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	N/A	30%	None
Certificates of Deposit	N/A	30%	None
Passbook Savings Accounts	N/A	30%	None
Repurchase Agreements	92 days	20%	None
Interest-Bearing Checking Accounts	N/A	5%	None
Intermediate-Term Corporate Notes	5 years	30%	None
Bank Money Market Accounts	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	100%	(per state limit)
Los Angeles County Investment Fund (County Pool)	N/A	100%	None

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

C. County of Los Angeles Treasurer’s Pool

At June 30, 2018 and as permitted by California Government Code Section 53635, a portion of SCAG’s cash balance totaling \$7,481,846 was on deposit in the County Pool. SCAG’s investments in the County Pool represent less than 1% of the County Pool’s investments. Cash on deposit in the County Pool at June 30, 2018, is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The County Treasurer prepares an Investment Policy Statement (policy) annually, which is presented to the Board of Supervisors for approval. The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the California Government Code, and in general, the Treasurer’s policy is more restrictive than state law. At June 30, 2018, the weighted average maturity for the County pool approximated 609 days and the County pool is not rated. For further information regarding the Los Angeles County Investment Pool, refer to the County of Los Angeles Comprehensive Annual Financial Report.

Fair Value Measurements

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. SCAG categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and is as follows.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that SCAG has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management’s best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, SCAG’s cash and cash equivalents in the Los Angeles County Investment Pool at June 30, 2018 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

NOTE 3 – INDIRECT OVERHEAD

Indirect costs are budgeted and actual costs are allocated and recovered from all grantors based on a predetermined fixed rate percentage applied to the sum of actual direct labor and fringe benefit cost incurred. The annual budget and the calculations of the fixed rate percentage are reviewed, negotiated, and approved annually by the California Department of Transportation (Caltrans). A cost allocation plan is prepared and submitted to Caltrans in accordance with procedures of the Uniform Guidance, 2 CFR Part 200, Sub part E – Cost Principles. Variations between actual indirect costs incurred and the allocated and recovered amounts are recorded as receivables or liabilities, as the case may be, and are allowed by Caltrans to be carried forward to future years’ indirect cost allocation plan.

An under-recovery of \$1,302,030 was carried forward from FY 2016-2017 and added to the under-recovered indirect costs for FY 2017-2018. The under-recovered amount at June 30, 2018 is included in the General Fund and presented as an asset. The fixed percentage rate that was approved by Caltrans and used for FY 2017-2018 was 89.51% of salaries plus fringe benefits. A recap of the carryforward amount follows:

	Indirect Costs
Indirect costs	\$ 15,165,346
Indirect costs recovered	11,898,943
(Over) under-recovered indirect costs	3,266,403
(Over) under-recovered indirect costs, beginning of year	1,302,030
(Over) under-recovered indirect costs, end of year	<u>\$ 4,568,433</u>

The balance of under-recovered indirect costs at June 30, 2018 amounting to \$4,568,433 will be carried forward as an adjustment to the calculation of the indirect cost carryforward for FY 2018-2019.

NOTE 4 – UNEARNED REVENUE AND ADVANCES FROM GRANTORS

Unearned revenue consisted of the following:

A. Membership Dues

Cash received as of June 30, 2018 for member dues for the following year amounted to \$424,004. The amount is reported as unearned revenue in the governmental and government-wide statements.

B. Grant Advances

Cash advances received from various grantees and not yet expended at June 30, 2018 amounted to \$81,418. The amount is reported as advances from grantors in the governmental funds and government-wide financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS

SCAG’s capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 23,515	\$ -	\$ 23,515
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>23,515</u>	<u>-</u>	<u>23,515</u>
Capital assets being depreciated:				
Computer equipment and software	6,624,743	-	(508,797)	6,115,946
Leasehold improvements	209,867	5,823,589	(162,836)	5,870,620
Furniture and fixtures	439,579	638,098	(222,028)	855,649
Total Capital Assets Being Depreciated	<u>7,274,189</u>	<u>6,461,687</u>	<u>(893,661)</u>	<u>12,842,215</u>
Less accumulated depreciation and amortization:				
Computer equipment and software	(5,417,800)	(757,805)	508,798	(5,666,807)
Leasehold improvements	(188,982)	(188,910)	146,198	(231,694)
Furniture and fixtures	(435,933)	(80,790)	222,029	(294,694)
Total Accumulated Depreciation and Amortization	<u>(6,042,715)</u>	<u>(1,027,505)</u>	<u>877,025</u>	<u>(6,193,195)</u>
Total Capital Assets Being Depreciated, Net	<u>1,231,474</u>	<u>5,434,182</u>	<u>(16,636)</u>	<u>6,649,020</u>
Capital Assets, Net	<u>\$ 1,231,474</u>	<u>\$ 5,457,697</u>	<u>\$ (16,636)</u>	<u>\$ 6,672,535</u>

Depreciation and amortization expense was charged to SCAG’s functions/programs as follows:

Transportation	\$ 616,701
Aviation	5,755
Environmental	127,810
High speed rail	7,885
Housing	50,486
Water	2,266
Sustainability initiatives	216,602
	<u>\$ 1,027,505</u>

NOTE 6 – INTERFUND BALANCES

The interfund due to/from amounts at June 30, 2018 were as follows:

	Due From Other Funds	Due to Other Funds
Major governmental funds:		
General fund	\$ 1,411,813	\$ 6,523,185
FTA 5303 fund	-	48,405
FTA 5312 fund	-	1,996
FHWA PL fund	-	2,653,608
TDA fund	9,420,726	-
Total	10,832,539	9,227,194
Non-Major Governmental Funds	88,269	1,693,614
	\$ 10,920,808	\$ 10,920,808

SCAG’s General Fund is the organization’s main operating fund and all cash receipts and disbursements are processed through the General Fund. Interfund due to/from transactions are used to account for the other funds’ portion of these transactions. Interfund balances have been eliminated in the government wide financial statements.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. Grants

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, which include the USDOT, Caltrans, and other state agencies. Any disallowed costs, including amounts already collected, may constitute a liability of the applicable funds. The amount of costs, if any, which may be subject to repayment cannot be determined at this time. This is true of the amounts disallowed by Caltrans in their Incurred Cost Audit of SCAG dated September 2018. For more details, see Note 15.

B. Contract Commitments

At June 30, 2018, SCAG is contractually committed to pay for certain future transportation, technical and other planning consulting services amounting to \$9,370,574.

C. Operating Leases

SCAG has entered into various operating leases for the use of office space and satellite offices.

Wilshire Grand Center Office Space

On January 1, 2018 SCAG entered into a new agreement for the rental of new office space for a term of 15 years and 9 months, through September 30, 2033. The lease agreement included a beneficial occupancy period of 15 months. SCAG accounts for scheduled rent payments on a straight line basis with a monthly amount of \$116,064. In addition, SCAG received a tenant improvement allowance in the amount of \$4,829,000. Refer to Note 9 for tenant improvement allowance as long-term liabilities.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Operating Leases (continued)

At June 30, 2018, minimum lease commitments under non-cancelable operating leases with initial terms of one year or more are as follows:

Year ending June 30	Amount
2019	\$ 135,643
2020	633,526
2021	1,258,942
2022	1,303,172
2023	1,353,547
2024-2028	7,624,662
2029-2033	9,276,509
2034	505,728
Total	\$ 22,091,728

D. Contingent Liabilities

In the ordinary course of its operations, SCAG is the subject of claims and litigation from outside parties. SCAG is insured for professional and general liability claims on a claims-made basis. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect SCAG’s financial position.

E. Liability, Workers’ Compensation, and Purchased Insurance

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

SCAG is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

E. Liability, Workers' Compensation, and Purchased Insurance (continued)

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Purchased Insurance

Property Insurance

SCAG participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. SCAG's property is currently insured according to a schedule of covered property submitted by SCAG to the Authority. SCAG's property currently has all-risk property insurance protection in the amount of \$10,112,831. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

SCAG purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

E. Liability, Workers' Compensation, and Purchased Insurance (continued)

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

F. Other Employee Benefits

SCAG also provides health insurance, vision, and dental benefits to employees under fully insured plans. The benefits are funded on a pay-as you-go basis in which SCAG pays premiums up to a maximum amount to cover the employees who participate in the program or payments are made directly to employees who have elected not to participate in the program. During the year ended June 30, 2018, SCAG paid \$1,568,075 of health insurance premiums and \$230,977 of vision and dental insurance premiums, as well as \$499,854 to employees who had no health insurance elections.

NOTE 8 – LINE OF CREDIT

SCAG has a \$6.5 million line of credit arrangement with an independent financial institution, which expires on February 28, 2019. It was established to provide access to cash, if needed, on a current basis. If advances are requested, they are secured by an assignment of all monies due, or to be due, from Caltrans. Advances must be made in minimum amounts of \$350,000. The line of credit was not used in the year ended June 30, 2018 and no liability was outstanding.

The line of credit agreement contains certain covenants regarding timely repayment, maintenance of certain levels of financial position, and other criteria. At June 30, 2018, SCAG management believes SCAG was in compliance with the financial covenants.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year Ended June 30, 2018

NOTE 9 – LONG-TERM LIABILITIES

The following is a summary of changes in SCAG’s long-term liabilities for the year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018	Due within One year
Compensated absences	\$ 1,363,970	\$ 859,050	\$ 837,078	\$ 1,385,942	\$ 1,023,687
Net pension liabilities - PARS	682,117	47,216	88,430	640,903	-
Net pension liabilities - PERS	35,293,751	19,309,709	12,668,804	41,934,656	-
Net OPEB liability	5,314,773	864,939	1,485,921	4,693,791	-
Financing agreements	-	1,943,484	130,788	1,812,696	355,208
Tenant improvement allowance	54,406	4,829,000	200,697	4,682,709	311,330
Total Governmental Activities	<u>\$ 42,709,017</u>	<u>\$ 27,853,398</u>	<u>\$ 15,411,718</u>	<u>\$ 55,150,697</u>	<u>\$ 1,690,225</u>

Net pension and OPEB liabilities are liquidated from the General Fund.

A. Furniture and equipment financing agreements

During fiscal year 2018, SCAG entered into two five-year financing agreements with Bank of the West to finance the acquisition of furniture and audio-visual equipment in SCAG’s new headquarters building in Los Angeles. The furniture financing was in the amount of \$1,241,980 at 4.86% while the equipment financing was in the amount of \$701,505 at 5.44%. The amount of principal and interest outstanding as of June 30, 2018, is \$1,812,696 and \$226,044, respectively. Principal and interest paid during the current year totaled \$156,279.

The future principal and interest requirements on the financing agreements are as follows:

Fiscal Year Ending June 30,	Equipment Financing		
	Principal	Interest	Total
2019	\$ 126,639	\$ 33,198	\$ 159,837
2020	133,702	26,135	159,837
2021	141,160	18,677	159,837
2022	149,033	10,804	159,837
2023	117,205	2,673	119,878
Total	<u>\$ 667,739</u>	<u>91,487</u>	<u>759,226</u>

Fiscal Year Ending June 30,	Furniture Financing		
	Principal	Interest	Total
2019	\$ 228,569	\$ 50,598	\$ 279,167
2020	239,928	39,239	279,167
2021	251,852	27,315	279,167
2022	264,368	14,799	279,167
2023	160,241	2,606	162,847
Total	<u>\$ 1,144,957</u>	<u>134,557</u>	<u>1,279,514</u>

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

B. Tenant improvement allowance

On January 1, 2018, SCAG was granted a tenant improvement allowance in the amount of \$4,829,000 at the inception on the new office building lease for leasehold improvements. The deferred lease credits are to be amortized over the term of the lease of 15 years and 9 months. The amount amortized during the current year was \$153,322.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the year ended June 30, 2018, SCAG recorded \$1,986,186 as membership revenue. These revenues are received from member cities, counties, Transportation Commissions and two Indian tribes whose representatives also serve on the Regional Council of SCAG. Such revenues are shown as membership assessments in the accompanying basic financial statements. The individual member assessments are calculated by a variable fixed base amount dependent on population plus a pro-rata allocation based on population. The bylaws of SCAG specify the method of calculation for the annual member assessments.

NOTE 11 – RETIREMENT PLANS

SCAG participates in the California Public Employees’ Retirement System (CalPERS) and Public Agency Retirement System (PARS) for supplemental pension plan which are subject to GASB Statement No. 68. A summary of pension amounts for SCAG’s plans at June 30, 2018 is presented below:

	CalPERS	PARS	Total
Deferred outflows - pensions	\$ 9,575,753	\$ 2,574	\$ 9,578,327
Net pension liability	41,934,656	640,903	42,575,559
Pension expenses (credits)	8,223,739	(41,591)	8,182,148

Defined Benefit Pension Plan - California Public Employees’ Retirement System (CalPERS)

A. General Information about the Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the SCAG’s Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and SCAG’s resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52 depending on the member’s date of entry into CalPERS, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible annual compensation	1.1% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.127%	8.127%

Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	199
Inactive employees entitled to but not yet receiving benefits	198
Active employees	132
Total	529

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for each of the Tiers within the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. SCAG’s contributions to the Plan for the year ended June 30, 2018 were \$2,938,424.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability

SCAG’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can found on the CalPERS website.

Change of Assumptions - The discount rate of 7.15 percent used for the June 30, 2017 measurement date was decreased from 7.65 percent used for the June 30, 2016 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees’ Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB 68 section.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

(a) An expected inflation rate of 2.5% used for this period

(b) An expected inflation rate of 3.0% used for this period

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year Ended June 30, 2018

NOTE 11 – RETIREMENT PLANS (CONTINUED)

C. Changes in the Net Pension Liability

The following table shows the changes in net position liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$ 112,614,161	\$ 77,320,410	\$ 35,293,751
Changes in the year:			
Service Cost	2,343,160	-	2,343,160
Interest on the total pension liability	8,507,621	-	8,507,621
Differences between expected and actual experience	1,846,790	-	1,846,790
Changes in assumptions	6,497,980	-	6,497,980
Contributions from the employer	-	2,934,589	(2,934,589)
Contributions from the employee	-	1,165,262	(1,165,262)
Net investment income	-	8,568,953	(8,568,953)
Benefit payments, including refunds of employee contributions	(6,285,626)	(6,285,626)	-
Administrative expenses	-	(114,158)	114,158
Net changes during measurement period	12,909,925	6,269,020	6,640,905
Balance at June 30, 2017	\$ 125,524,086	\$ 83,589,430	\$ 41,934,656

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of SCAG for the Plan, calculated using the discount rate for the Plan, as well as what the SCAG’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous		
	1% Decrease (6.15%)	Current Discount rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 57,411,236	\$ 41,934,656	\$ 29,014,117

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, SCAG recognized pension expense of \$8,223,739. At June 30, 2018, SCAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 3,998,757	\$ -
Differences between expected and actual experiences	1,546,883	-
Net differences between projected and actual earnings on plan investments	1,091,689	-
Contributions subsequent to measurement date	2,938,424	-
Total	\$ 9,575,753	\$ -

\$2,938,424 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30		
2019	\$	3,561,555
2020		3,235,083
2021		473,508
2022		(632,817)
Total	\$	6,637,329

Supplemental Defined Benefit Pension Plan – Public Agency Retirement System (PARS)

A. General Information about the Pension Plan

Plan Description

On January 1, 2002, SCAG adopted a PARS Supplementary Retirement Plan (Plan). It was established to provide supplemental retirement benefits to certain eligible employees who retired in 1999. The Plan is a single-employer defined benefit plan to pay the equivalent of retirement benefits based on the amount of a bonus paid to each employee as an incentive to early retirement. Management believed the bonus was eligible for retirement pension benefits through PERS. The bonuses were later deemed ineligible by PERS for the purpose of calculating benefits; consequently, the Plan was established to pay each retiree the retirement amount they would have received from PERS, if the bonus had been deemed eligible. The Plan is closed to new entrants. The Plan does not issue stand-alone financial reports.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

The PARS' trust administrator is Phase II Systems, which was appointed by the member agencies affiliated with the trust. The US Bank is the appointed trustee and has full power and authority with respect to property held in the trust. The distributions by PARS are in addition to the retirement benefits received from PERS.

Benefits Provided

A participant is fully vested and eligible to receive benefits under the Plan, if designated by the plan administrator. There are 11 designated participants, and the amount of their monthly distribution is stated in the Plan. It is anticipated that there will not be any future eligible participants added to the Plan.

The Plan provides a lifetime retirement benefit in the amount specified in the Plan with respect to each participant. At the effective date of the Plan, the amount of the supplementary benefit was determined based on the participant's selection from various retirement benefit options available. Distributions are paid consistent with the method of distribution by PERS, including an annual two-percent (2 percent) compounding cost-of-living adjustment effective each year on May 1st.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

Employees Covered

At June 30, 2018, all employees covered by the benefit terms for each Plan were inactive employees or beneficiaries currently receiving benefits. There were 10 covered employees.

Contributions

Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by the actuarial firm of Milliman. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits paid to retirees during the year on a pay-as-you-go basis. SCAG is not prefunding these benefits.

The SCAG's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of that date. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.87%
Inflation	0.00%
Payroll Growth	None (1)
Projected Salary Increase	None (1)
Investment Rate of Return	6.0% (2)
Mortality	Males: RP-2000 Males rate projected to 2020 using scale BB (as prescribed by PARS) Females: RP-2000 Female rates projected to 2020 using scale BB (as prescribed by PARS)

(1) Plan has no active members.

(2) Net of pension plan investment expenses, including inflation

Discount Rate

The primary assumption in determining the sufficiency of a plan’s fiduciary net position relates to expected employer contributions. As of June 30, 2018, the Plan is not being prefunded. Thus the employer contributions are sufficient to cover only current benefit payments. Since there is a date of depletion, the discount rate is much lower than the current 6% investment return assumption. Projected benefit payments are discounted using the municipal bond index after the date that assets are expected to be depleted. SCAG chose the Bond Buyer GO 20-Bond Municipal Bond Index. The bond index increased from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018. The Fiduciary Plan Net Position is \$30,176, leaving an unfunded liability, known as the Net Pension Liability of \$640,903.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year Ended June 30, 2018

NOTE 11 – RETIREMENT PLANS (CONTINUED)

C. Changes in the Net Pension Liability

The following table shows the changes in net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 704,896	\$ 22,779	\$ 682,117
Interest on the total pension liability	24,138	-	24,138
Effect of economic/demographic gains or losses	17,893	-	17,893
Effect of assumption changes or inputs	(13,995)	-	(13,995)
Benefit payments	(61,853)	(61,853)	-
Contributions from the employer	-	74,235	(74,235)
Net investment income	-	200	(200)
Administrative expenses	-	(5,185)	5,185
Net changes during 2017-18	(33,817)	7,397	(41,214)
Balance at June 30, 2018	<u>\$ 671,079</u>	<u>\$ 30,176</u>	<u>\$ 640,903</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of SCAG for the Plan, calculated using the discount rate for the Plan, as well as what the SCAG's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Net Pension Liability	\$ 691,361	\$ 640,903	\$ 596,240

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, SCAG recognized a pension credit of (\$41,591). At June 30, 2018, the SCAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings	\$ 2,574	\$ -

NOTE 11 – RETIREMENT PLANS (CONTINUED)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2019	\$ 1,003
2020	768
2021	527
2022	276
Total	2,574

NOTE 12 – DEFERRED COMPENSATION

SCAG has a deferred compensation plan that is available to substantially all employees. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may withdraw their participation at any time by giving written notice at least 30 days prior to the effective date of withdrawal. At June 30, 2018, plan assets totaling \$24,212,826 were held by independent trustees and, as such, are not reflected in the accompanying basic financial statements.

All amounts of compensation deferred under the plans are solely the property and rights of each beneficiary (pursuant to legislative changes effective in 1998 to the Internal Revenue Code Section 457, this includes all property and rights purchased and income attributable to these amounts until paid or made available to the employee or other beneficiary).

NOTE 13 – POST EMPLOYMENT HEALTHCARE PLAN

A. Plan Description

SCAG participates in the California Public Employees’ Retirement System’s (CalPERS) California Employer’s Retiree Benefit Trust Program (CERBT) to assist SCAG’s payment of other post employment benefits (OPEB). SCAG’s Retiree Health Program (Plan) provides OPEB for all permanent full-time employees. The Plan is an agent multiple-employer defined benefit other postemployment benefits plan administered by the California Public Employees’ Retirement System (CalPERS). CalPERS issues a publicly available financial report that can be found on the CalPERS website.

B. Benefits Provided

SCAG provides healthcare benefits through the CalPERS Health Program for all eligible retirees and their dependents. Retirees are eligible for this benefit if they are 50 years of age or over, have completed 5 years of employment, or they have taken disability retirement. Healthcare benefit payments are made monthly for each retired employee up to a maximum of \$550 and no future increases are assumed. Retirees can select a healthcare plan from only among the plans available through CalPERS. All of the retiree health benefit continues to the surviving spouse.

NOTE 13 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

B. Benefits Provided (continued)

Employees Covered by Benefit Terms

At June 30, 2017, the most recent valuation date, the following current and former employees were covered by the benefit terms of the plan:

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	15
Active employees	131
Total	243

Contributions

The annual contribution is based on the actuarially determined contribution. Employees are not required to contribute to the plan. Contributions recognized by the Plan from the employer for the year ended June 30, 2018 were \$853,217.

C. Net OPEB Liability

SCAG’s net OPEB liability was measured as the total OPEB liability, less the OPEB plan’s fiduciary net position. The net OPEB liability was measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the net OPEB liability is shown below.

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	6.75%
Mortality	(1)
Healthcare Trend Rate	PPO - 6.5% for 2019 HMO - 6.0% for 2019

(1) Derived using CalPERS Membership Data for all Funds

Mortality rates were based on the CalPERS 1997-2011 Experience Study, which assumed future mortality improvements using Society of Actuaries (SOA) Scale BB. The Experience Study report can be obtained on the CalPERS website under Forms and Publications.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period.

NOTE 13 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

C. Net OPEB Liability (continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that SCAG’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
CERBT		
US Equity	30%	4.85%
International Equity	27%	5.85%
REITs	8%	3.65%
US Fixed Income	27%	2.35%
Commodities	3%	1.75%
Inflation Assets	5%	1.50%
Total	<u>100%</u>	

D. Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2017	<u>\$ 9,370,476</u>	<u>\$ 4,055,703</u>	<u>\$ 5,314,773</u>
Changes in the year:			
Service cost	234,601	-	234,601
Interest on the total OPEB liability	628,051	-	628,051
Contributions - employer	-	1,033,199	(1,033,199)
Net investment income	-	452,722	(452,722)
Benefit payments, including refunds of member contributions	(601,224)	(601,224)	-
Administrative expenses	-	(2,287)	2,287
Net changes	<u>261,428</u>	<u>882,410</u>	<u>(620,982)</u>
Balance at June 30, 2018	<u>\$ 9,631,904</u>	<u>\$ 4,938,113</u>	<u>\$ 4,693,791</u>

NOTE 13 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

D. Changes in Net OPEB Liability (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate– The following presents the net OPEB liability of SCAG, as well as what SCAG’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 5,672,716	\$ 4,693,791	\$ 3,855,155

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of SCAG, as well as what the SCAG’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (HMO - 5 percent decreasing to 4 percent; PPO – 5.5 percent decreasing to 4 percent) or 1-percentage-point higher (HMO - 7 percent decreasing to 6 percent; PPO – 7.5 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00%HMO/5.50%PPO decreasing to 4.00%HMO/4.00%PPO)	Healthcare Cost Trend Rates (6.00%HMO/6.50%PPO decreasing to 5.00%HMO/5.00%PPO)	1% Increase (7.00%HMO/7.50%PPO decreasing to 6.00%HMO/6.00%PPO)
Net OPEB Liability	\$ 4,497,743	\$ 4,693,791	\$ 4,870,435

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CalPERS financial reports

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, SCAG recognized OPEB expense of \$543,785. At June 30, 2018, SCAG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 853,217	\$ -
Net difference between projected and actual earnings on plan investments	-	131,568
Total	\$ 853,217	\$ 131,568

NOTE 13 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

\$853,217 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amortization
2019	\$ (32,892)
2020	(32,892)
2021	(32,892)
2022	(32,892)
Total	\$ (131,568)

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

As discussed under Note 1, SCAG implemented GASB 75 effective July 1, 2017. Refer to Note 13 for further disclosures related to the OPEB plan and related balances. As a result of the implementation; SCAG restated beginning net position for governmental activities as noted below:

	Governmental Activities
Beginning of the year, as previously reported	
Net Position	\$ (11,981,168)
Contributions after the June 30, 2017 measurement date- deferred outflows of resources	1,033,199
Net OPEB Liability as of the measurement date of June 30, 2017	(5,314,773)
Beginning of the year, as restated	
Net Position	\$ (16,262,742)

Following is a pro forma effect of the retroactive application:

	June 30, 2017		June 30, 2017
	Previously Presented	Restatement	Restated
Net OPEB Liability	\$ -	\$ 5,314,773	\$ 5,314,773
Deferred outflows of resources	-	1,033,199	1,033,199

NOTE 15 – SUBSEQUENT EVENTS

On September 21, 2018, the California Department of Transportation (Caltrans) issued an Incurred Cost Audit report on SCAG which is available at <http://www.dot.ca.gov/audits/INC.html>. The audit was performed to determine whether costs claimed by, and reimbursed to, SCAG between April 2015 and June 2015 were adequately supported and in accordance with Caltrans agreement provisions and state and federal regulations.

Consequently, Caltrans disallowed \$2,510,015 of reimbursed costs but indicated that \$1,558,051 of these costs may be eligible for recapture by SCAG as indirect costs if approved by the California Department of Transportation Planning. SCAG intends to apply for this relief.

SCAG has submitted a draft corrective action plan addressing the recommendations in the report, including estimated timelines and is waiting for Caltrans to issue the final corrective action plan. SCAG is utilizing the services of an external project management consultant to reengineer SCAG's internal processes to make them compliant with all applicable state and federal regulations and robust enough to support SCAG's greatly expanded scale of operations. The amount of disallowed costs that SCAG will ultimately be required to reimburse Caltrans is unknown and is part of the ongoing negotiations between SCAG and Caltrans.

Caltrans is also expected to issue an Indirect Cost Rate Proposal (ICRP) Audit report on SCAG. This audit was performed to determine whether SCAG's FY2014/15 ICRP was prepared in accordance with Title 2 Code of Federal Regulations Part 200, and Chapter 5 of the Caltrans Local Assistance Procedures Manual.

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/ (Negative)
Revenues:				
Membership assessments:				
Cities	\$ 1,569,192	\$ 1,569,192	\$ 1,577,575	\$ 8,383
Counties	300,111	300,111	300,111	-
Commissions	85,000	85,000	88,500	3,500
Transportation corridor agency	10,000	10,000	10,000	-
Air districts	10,000	10,000	10,000	-
	<u>1,974,303</u>	<u>1,974,303</u>	<u>1,986,186</u>	<u>11,883</u>
General assembly	284,500	284,500	392,095	107,595
Interest and other	180,000	180,000	142,388	(37,612)
Total Revenues	<u>2,438,803</u>	<u>2,438,803</u>	<u>2,520,669</u>	<u>81,866</u>
Expenditures:				
Administration:				
Salaries and wages	229,711	229,711	81,217	148,494
Allocated fringe benefits	176,844	176,346	62,175	114,171
Allocated indirect costs	335,223	363,474	128,350	235,124
Contractual and professional services	400,850	403,031	752,350	(349,319)
Capital outlay >\$5,000	1,300,000	979,448	751,873	227,575
Principal, interest and fees	12,500	211,118	169,140	41,978
Resources materials/subscription	-	4,000	3,453	547
Hardware, software support and equipment <\$5,000	-	6,500	5,312	1,188
Meetings and conferences	120,000	160,500	205,165	(44,665)
General assembly	500,000	481,500	557,489	(75,989)
SCAG memberships	32,750	62,750	63,347	(597)
Office supplies	25,000	17,500	18,342	(842)
Reproduction and printing	10,500	6,000	8,119	(2,119)
Stipend-RC Mtg	215,925	194,925	191,350	3,575
RC sponsorships	135,000	145,000	182,096	(37,096)
Economic and labor summit	120,000	100,500	108,378	(7,878)
Travel	92,500	149,000	177,934	(28,934)
Other	32,000	47,500	57,306	(9,806)
Total Administration	<u>3,738,803</u>	<u>3,738,803</u>	<u>3,523,396</u>	<u>215,407</u>
Total Expenditures	<u>3,738,803</u>	<u>3,738,803</u>	<u>3,523,396</u>	<u>215,407</u>
Excess (deficiency) of revenues over (under) expenditures	(1,300,000)	(1,300,000)	(1,002,727)	(133,541)
Other financing sources (uses)				
Transfers out	-	-	(33,419)	(33,419)
Proceeds from financing	-	-	1,943,484	1,943,484
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,910,065</u>	<u>1,910,065</u>
Change in fund balance	(1,300,000)	(1,300,000)	907,338	(166,960)
Fund balances, Beginning of Year	6,428,161	6,428,161	6,428,161	-
Fund Balances, End of Year	<u>\$ 5,128,161</u>	<u>\$ 5,128,161</u>	<u>\$ 7,335,499</u>	<u>\$ (166,960)</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Transportation Administration 5303
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ 8,525,555	\$ 11,134,609	\$ 5,853,646	\$ (5,280,963)
Expenditures:				
Transportation:				
Salaries and wages	518,040	515,787	316,325	199,462
Allocated fringe benefits	391,887	381,378	232,567	148,811
Allocated indirect costs	750,275	803,077	491,313	311,764
Contractual and professional services	1,625,387	2,427,119	1,302,226	1,124,893
Hardware, software support and equipment <\$5,000	-	-	2,692	(2,692)
Resources material/subscription	127,500	127,500	79,603	47,897
Meetings and conferences	-	-	1,155	(1,155)
Travel	2,500	2,500	3,169	(669)
Other	-	-	178	(178)
Total Transportation	<u>3,415,589</u>	<u>4,257,361</u>	<u>2,429,228</u>	<u>1,828,133</u>
Aviation:				
Salaries and wages	19,786	18,561	3,109	15,452
Allocated fringe benefits	15,232	14,249	2,380	11,869
Allocated indirect costs	28,874	29,369	4,913	24,456
Total Aviation	<u>63,892</u>	<u>62,179</u>	<u>10,402</u>	<u>51,777</u>
Environmental:				
Salaries and wages	361,672	351,546	237,525	114,021
Allocated fringe benefits	231,089	225,736	159,973	65,763
Allocated indirect costs	488,757	516,740	355,801	160,939
Contractual and professional services	537,636	802,125	321,432	480,693
Hardware, software support and equipment <\$5,000	-	-	2,692	(2,692)
Resources material/subscription	127,500	127,500	79,603	47,897
Meetings and conferences	-	-	178	(178)
Travel	4,950	4,950	5,589	(639)
Other	-	-	1,155	(1,155)
Total Environmental	<u>1,751,604</u>	<u>2,028,597</u>	<u>1,163,948</u>	<u>864,649</u>
Housing:				
Salaries and wages	86,204	90,979	77,721	13,258
Allocated fringe benefits	47,888	46,813	46,402	411
Allocated indirect costs	110,565	123,341	111,103	12,238
Contractual and professional services	320,739	510,798	155,607	355,191
Resources materials/subscription	127,500	127,500	79,603	47,897
Hardware, software support and equipment <\$5,000	-	-	2,692	(2,692)
Meetings and conferences	-	-	178	(178)
Travel	3,200	3,200	3,667	(467)
Other	-	-	1,155	(1,155)
Total Housing	<u>696,096</u>	<u>902,631</u>	<u>478,128</u>	<u>424,503</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Transportation Administration 5303
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Sustainability initiatives:				
Salaries and wages	\$ 328,824	\$ 315,598	\$ 253,129	\$ 62,469
Allocated fringe benefits	182,705	181,250	164,906	16,344
Allocated indirect costs	421,778	444,743	374,183	70,560
Contractual and professional services	1,403,433	2,684,042	868,252	1,815,790
Resources materials/subscription	127,500	127,500	79,603	47,897
Hardware, software support and equipment <\$5,000	-	-	2,692	(2,692)
Meetings and conferences	-	-	178	(178)
Travel	6,350	6,350	7,038	(688)
Other	-	-	1,155	(1,155)
Total Sustainability Initiatives	<u>2,470,590</u>	<u>3,759,483</u>	<u>1,751,136</u>	<u>2,008,347</u>
High Speed Rail:				
Salaries and wages	19,786	18,561	3,109	15,452
Allocated fringe benefits	15,232	14,249	2,380	11,869
Allocated indirect costs	28,874	29,369	4,913	24,456
Total High Speed Rail	<u>63,892</u>	<u>62,179</u>	<u>10,402</u>	<u>51,777</u>
Water:				
Salaries and wages	19,786	18,561	3,109	15,452
Allocated fringe benefits	15,232	14,249	2,380	11,869
Allocated indirect costs	28,874	29,369	4,913	24,456
Total Water	<u>63,892</u>	<u>62,179</u>	<u>10,402</u>	<u>51,777</u>
Total Expenditures	<u>8,525,555</u>	<u>11,134,609</u>	<u>5,853,646</u>	<u>5,280,963</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Transportation Administration 5312
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ -	\$ 15,378,890	\$ 7,521,550	\$ (7,857,340)
Expenditures:				
Transportation:				
Salaries and wages	-	9,901	1,264	8,637
Allocated fringe benefits	-	7,602	967	6,635
Allocated indirect costs	-	15,667	1,997	13,670
Pass-through payments	-	15,252,582	7,517,322	7,735,260
Other	-	93,138	-	93,138
Total Transportation	-	15,378,890	7,521,550	7,857,340
Total Expenditures	-	15,378,890	7,521,550	7,857,340
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Highway Administration PL
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ 19,475,131	\$ 19,768,871	\$ 18,539,738	\$ (1,229,133)
Expenditures:				
Transportation:				
Salaries and wages	3,242,325	3,169,335	3,061,703	107,632
Allocated fringe benefits	2,447,870	2,384,951	2,308,422	76,529
Allocated indirect costs	4,691,816	4,971,790	4,806,799	164,991
Hardware, software support and equipment <\$5,000	61,808	74,308	55,763	18,545
Scag memberships	6,000	6,000	-	6,000
Resources material/subscription	107,801	108,084	28,704	79,380
Meetings and conferences	26,526	26,526	51	26,475
Reproduction and printing	14,750	14,750	1,922	12,828
Travel	80,700	80,700	67,927	12,773
Other	-	20,007	651	19,356
Total Transportation	<u>10,679,596</u>	<u>10,856,451</u>	<u>10,331,942</u>	<u>524,509</u>
Aviation:				
Salaries and wages	112,349	104,128	53,333	50,795
Allocated fringe benefits	86,492	79,937	36,444	43,493
Allocated indirect costs	163,953	164,761	80,359	84,402
Travel	1,800	1,800	307	1,493
Total Aviation	<u>364,594</u>	<u>350,626</u>	<u>170,443</u>	<u>180,183</u>
Environmental:				
Salaries and wages	884,665	825,432	791,531	33,901
Allocated fringe benefits	633,199	585,945	578,359	7,586
Allocated indirect costs	1,251,545	1,263,360	1,226,189	37,171
Hardware, software support and equipment <\$5,000	62,558	75,058	55,763	19,295
Resources materials/subscription	1,626	1,767	5,539	(3,772)
Meetings and conferences	3,316	3,316	152	3,164
Travel	22,725	22,725	15,562	7,163
Reproduction and printing	1,250	1,250	961	289
Other	-	11,507	722	10,785
Total High-speed rail	<u>2,860,884</u>	<u>2,790,360</u>	<u>2,674,778</u>	<u>115,582</u>
High-speed rail				
Salaries and wages	111,117	95,175	76,564	18,611
Allocated fringe benefits	85,544	73,065	58,613	14,452
Allocated indirect costs	162,156	150,596	120,997	29,599
Total High-speed rail	<u>358,817</u>	<u>318,836</u>	<u>256,174</u>	<u>62,662</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Highway Administration PL
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Housing:				
Salaries and wages	\$ 404,143	\$ 376,037	\$ 341,057	\$ 34,980
Allocated fringe benefits	284,918	262,540	249,771	12,769
Allocated indirect costs	568,161	571,607	528,850	42,757
Hardware, software support and equipment <\$5,000	62,558	75,058	55,763	19,295
Resources materials/subscription	225	225	11	214
Travel	13,100	13,100	7,494	5,606
Reproduction and printing	1,250	1,250	-	1,250
Other	-	-	423	(423)
Total Housing	<u>1,334,355</u>	<u>1,299,817</u>	<u>1,183,369</u>	<u>116,448</u>
Sustainability initiatives:				
Salaries and wages	1,186,063	1,225,660	1,157,569	68,091
Allocated fringe benefits	840,269	868,301	843,114	25,187
Allocated indirect costs	1,670,798	1,874,360	1,790,811	83,549
Hardware, software support and equipment <\$5,000	65,308	77,808	55,763	22,045
Resources materials/subscription	17,451	17,592	13,098	4,494
Meetings and conferences	3,316	3,316	303	3,013
Travel	35,175	35,175	29,324	5,851
Reproduction and printing	2,750	2,750	961	1,789
Other	-	17,521	2,099	15,422
Total Sustainability initiatives	<u>3,821,130</u>	<u>4,122,483</u>	<u>3,893,042</u>	<u>229,441</u>
Water:				
Salaries and wages	17,266	9,044	8,963	81
Allocated fringe benefits	13,292	6,943	6,862	81
Allocated indirect costs	25,197	14,311	14,165	146
Total Water	<u>55,755</u>	<u>30,298</u>	<u>29,990</u>	<u>308</u>
Total Expenditures	<u>19,475,131</u>	<u>19,768,871</u>	<u>18,539,738</u>	<u>1,229,133</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Transportation Development Act
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Local grants and contracts	\$ 5,555,582	\$ 5,555,582	\$ 5,904,397	\$ 348,815
Expenditures:				
Transportation:				
Salaries and wages	496,107	527,433	365,470	161,963
Allocated fringe benefits	358,114	381,153	253,579	127,574
Allocated indirect costs	706,663	815,817	557,391	258,426
Contractual and professional services	1,248,611	2,602,270	1,135,920	1,466,350
Resources material/subscription	7,969	7,687	17,685	(9,998)
Meetings and conferences	600	600	-	600
Reproduction and printing	600	600	-	600
Travel	2,300	2,300	5,307	(3,007)
Other	-	4,958	-	4,958
Total Transportation	<u>2,820,964</u>	<u>4,342,818</u>	<u>2,335,352</u>	<u>2,007,466</u>
Aviation:				
Salaries and wages	14,478	17,446	12,660	4,786
Allocated fringe benefits	11,146	13,393	9,514	3,879
Allocated indirect costs	21,128	27,605	19,848	7,757
Contractual and professional services	10,000	12,500	6,598	5,902
Resources material/subscription	-	-	1,769	(1,769)
Travel	-	-	428	(428)
Total Aviation	<u>56,752</u>	<u>70,944</u>	<u>50,817</u>	<u>20,127</u>
Environmental:				
Salaries and wages	219,800	240,412	194,741	45,671
Allocated fringe benefits	145,397	160,812	124,705	36,107
Allocated indirect costs	303,440	361,663	289,216	72,447
Contractual and professional services	175,807	434,062	124,097	309,965
Resources material/subscription	3,985	3,843	8,843	(5,000)
Meetings and conferences	450	450	-	450
Reproduction and printing	450	450	-	450
Travel	1,744	1,809	3,651	(1,842)
Other	-	2,373	-	2,373
Total Environmental	<u>851,073</u>	<u>1,205,874</u>	<u>745,253</u>	<u>460,621</u>
High-speed rail:				
Salaries and wages	14,478	17,446	12,660	4,786
Allocated fringe benefits	11,146	13,393	9,514	3,879
Allocated indirect costs	21,128	27,605	19,848	7,757
Contractual and professional services	10,000	12,500	6,598	5,902
Resources material/subscription	-	-	1,769	(1,769)
Travel	-	-	428	(428)
Total High-speed rail	<u>56,752</u>	<u>70,944</u>	<u>50,817</u>	<u>20,127</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Transportation Development Act
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Housing:				
Salaries and wages	\$ 88,535	\$ 96,360	\$ 86,928	\$ 9,432
Allocated fringe benefits	42,177	48,065	40,882	7,183
Allocated indirect costs	107,778	129,279	114,402	14,877
Contractual and professional services	76,556	276,998	39,684	237,314
Resources material/subscription	-	-	1,769	(1,769)
Meeting and conferences	450	450	-	450
Reproduction and printing	450	450	-	450
Travel	832	843	1,501	(658)
Other	-	277	-	277
Total Housing	<u>316,778</u>	<u>552,722</u>	<u>285,166</u>	<u>267,556</u>
Sustainability initiatives:				
Salaries and wages	376,870	362,475	328,771	33,704
Allocated fringe benefits	256,791	258,837	225,515	33,322
Allocated indirect costs	529,440	563,705	505,982	57,723
Contractual and professional services	469,344	1,418,344	303,718	1,114,626
Resources material/subscription	3,985	3,843	1,769	2,074
Meetings and conferences	1,500	1,500	-	1,500
Reproduction and printing	1,500	1,500	-	1,500
Travel	4,947	4,979	8,146	(3,167)
Other	-	2,845	-	2,845
Total Sustainability Initiatives	<u>1,644,377</u>	<u>2,618,028</u>	<u>1,373,901</u>	<u>1,244,127</u>
Water:				
Salaries and wages	14,478	17,446	12,660	4,786
Allocated fringe benefits	11,146	13,393	9,514	3,879
Allocated indirect costs	21,128	27,605	19,848	7,757
Contractual and professional services	10,000	12,500	6,598	5,902
Resources material/subscription	-	-	1,769	(1,769)
Travel	-	-	428	(428)
Total Water	<u>56,752</u>	<u>70,944</u>	<u>50,817</u>	<u>20,127</u>
Administration:				
Capital Outlay > \$5,000	-	1,100,000	904,330	195,670
Total Administration	<u>-</u>	<u>1,100,000</u>	<u>904,330</u>	<u>195,670</u>
Total Expenditures	<u>5,803,448</u>	<u>10,032,274</u>	<u>5,796,453</u>	<u>4,235,821</u>
Excess (deficiency) of revenues over (under) expenditures	(247,866)	(4,476,692)	107,944	4,584,636
Other financing uses				
Transfer in	-	-	32,803	32,803
Transfer out	-	-	(119,739)	(119,739)
Change in fund balance	(247,866)	(4,476,692)	21,008	4,497,700
Fund balances, Beginning of Year	<u>9,306,432</u>	<u>9,306,432</u>	<u>9,306,432</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 9,058,566</u>	<u>\$ 4,829,740</u>	<u>\$ 9,327,440</u>	<u>\$ 4,497,700</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
California Public Employees' Retirement System (CalPERS)
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years*
As of June 30, 2018

	2015	2016	2017	2018
Total Pension Liability				
Service cost	\$ 1,926,065	\$ 1,848,012	\$ 2,111,871	\$ 2,343,160
Interest on total pension liability	7,284,415	7,705,889	8,138,979	8,507,621
Differences between expected and actual experiences	-	1,664,721	1,778,383	1,846,790
Changes in assumptions	-	(1,702,023)	-	6,497,980
Benefit payments, including refunds of employee contributions	(5,397,736)	(5,660,486)	(5,945,299)	(6,285,626)
Net changes in total pension liability	3,812,744	3,856,113	6,083,934	12,909,925
Total pension liability - beginning	98,861,370	102,674,114	106,530,227	112,614,161
Total pension liability - ending (a)	<u>\$ 102,674,114</u>	<u>\$ 106,530,227</u>	<u>\$ 112,614,161</u>	<u>\$ 125,524,086</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,911,321	\$ 2,257,575	\$ 2,688,004	\$ 2,934,589
Contributions - employee	962,936	973,611	1,100,545	1,165,262
Net investment income	11,968,522	1,777,972	391,145	8,568,953
Plan to plan resource movement	-	(1,489)	(465)	-
Administrative expense	-	(89,199)	(48,228)	(114,158)
Benefit payments	(5,397,736)	(5,660,486)	(5,945,299)	(6,285,626)
Net change in plan fiduciary net position	9,445,043	(742,016)	(1,814,298)	6,269,020
Plan fiduciary net position - beginning	70,431,681	79,876,724	79,134,708	77,320,410
Plan fiduciary net position - ending (b)	<u>\$ 79,876,724</u>	<u>\$ 79,134,708</u>	<u>\$ 77,320,410</u>	<u>\$ 83,589,430</u>
Net pension liability - ending (a)-(b)	22,797,390	27,395,519	35,293,751	41,934,656
Plan fiduciary net position as a percentage of total pension liability	77.80%	74.28%	68.66%	66.59%
Covered payroll	\$ 12,208,828	\$ 12,363,763	\$ 14,479,749	\$ 13,449,458
Net pension liability as a percentage of covered payroll	186.73%	221.58%	243.75%	311.79%

* Fiscal year 2015 was the first year of implementation.

Changes of Assumption

The discount rate changed from 7.65 percent used for the June 30, 2016 measurement date to 7.15 percent used for the June 30, 2017 measurement date.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
California Public Employees' Retirement System (CalPERS)
Schedule of Plan Contributions
Last Ten Years*
As of June 30, 2018

	2015	2016	2017	2018
Actuarially determined contribution	\$ 2,257,575	\$ 2,688,004	\$ 2,934,588	\$ 2,938,424
Contribution made	(2,257,575)	(2,688,004)	(2,934,588)	(2,938,424)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 12,363,763</u>	<u>\$ 14,479,749</u>	<u>\$ 13,449,458</u>	<u>\$ 13,659,971</u>
Contributions as a percentage of covered payroll	18.26%	18.56%	21.82%	21.51%

Notes to Schedule

Valuation date: 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Market Value of Assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3%
Investment rate of return	7.15%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	Derived using CalPERS' membership data for all funds which included 20 years of mortality improvements using Society of Actuaries Scale BB.

* Fiscal year 2015 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Public Agency Retirement System (PARS) Supplementary Retirement Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years*
As of June 30, 2018

	2015	2016	2017	2018
Total Pension Liability				
Interest on total pension liability	\$ 29,637	\$ 23,361	\$ 23,351	\$ 24,138
Effect of economic/demographic gains or losses	18,819	24,562	(63,489)	17,893
Effect of assumptions changes or inputs	25,827	139,540	(40,318)	(13,995)
Benefit payments	(65,430)	(66,738)	(67,444)	(61,853)
Net change in total pension liability	8,853	120,725	(147,900)	(33,817)
Total pension liability - beginning	723,218	732,071	852,796	704,896
Total pension liability - ending (a)	<u>\$ 732,071</u>	<u>\$ 852,796</u>	<u>\$ 704,896</u>	<u>\$ 671,079</u>
Plan Fiduciary Net Position				
Benefit payments	\$ (65,430)	\$ (66,738)	\$ (67,444)	\$ (61,853)
Administrative expense	(3,933)	(4,011)	(3,088)	(5,185)
Contributions - employer	69,953	71,352	72,779	74,235
Expected investment income (net of investment expenses)	1,175	-	-	-
Investment gains or losses	(1,175)	6	41	200
Net change in plan fiduciary net position	590	609	2,288	7,397
Plan fiduciary net position - beginning	19,292	19,882	20,491	22,779
Plan fiduciary net position - ending (b)	<u>\$ 19,882</u>	<u>\$ 20,491</u>	<u>\$ 22,779</u>	<u>\$ 30,176</u>
Net pension liability - ending (a)-(b)	\$ 712,189	\$ 832,305	\$ 682,117	\$ 640,903
Plan fiduciary net position as a percentage of total pension liability	2.72%	2.40%	3.23%	4.50%
Covered payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Public Agency Retirement System (PARS) Supplementary Retirement Plan
Schedule of Contributions
Last Ten Years*
As of June 30, 2018

	2015	2016	2017	2018
Actuarially determined contribution	\$ 69,953	\$ 71,352	\$ 72,779	\$ 74,235
Contribution made	(69,953)	(71,352)	(72,779)	(74,235)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: 6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	1 year
Asset valuation method	Actuarial value of assets
Inflation	0%
Salary increases	N/A
Payroll growth	None
Investment rate of return	6.0%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	Males: RF-2000 male rates projected to 2020 using Scale BB (As prescribed by PARS) Females: RP-2000 female rates projected to 2020 using Scale BB (As prescribed by PARS)

* Fiscal year 2015 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Years*
As of June 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 234,601
Interest on the total OPEB liability	628,051
Benefit payments, including refunds of member contributions	(601,224)
Net change in total OPEB liability	261,428
Total OPEB liability - beginning	9,370,476
Total OPEB liability - ending (a)	\$ 9,631,904
 Plan Fiduciary Net Position	
Contributions - employer	\$ 1,033,199
Net investment income	452,722
Benefit payments, including refunds of member contributions	(601,224)
Administrative expenses	(2,287)
Net change in plan fiduciary net position	882,410
Plan fiduciary net position - beginning	4,055,703
Plan fiduciary net position - ending (b)	4,938,113
 Net OPEB liability - ending (a)-(b)	\$ 4,693,791
 Plan fiduciary net position as a percentage of the total OPEB liability	51.27%
 Covered-employee payroll	\$ 13,449,458
 Net OPEB liability as a percentage of covered-employee payroll	34.90%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Schedule of OPEB Contributions
Last Ten Years*
As of June 30, 2018

	2018
Actuarially determined contribution	\$ 853,217
Contributions in relation to the actuarially determined contributions	(853,217)
Contribution deficiency (excess)	\$ -
 Covered-employee payroll	\$ 13,659,971
 Contributions as a percentage of covered-employee payroll	6.25%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of June 30 one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Amortization period	10 years
Asset valuation method	Market value
Inflation	2.75%
Healthcare cost trend rates	PPO- 6.5% for 2019, decreasing 0.5% to an ultimate rate of 5% in 2022 and later years HMO- 6.0% for 2019, decreasing 0.5% to an ultimate rate of 5% in 2022 and later years
Salary increases	3.00%
Investment rate of return	6.75%
Retirement age	Based on CalPERS Experience Study
Mortality	Based on CalPERS Experience Study

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year Ended June 30, 2018

BUDGETARY BASIS OF ACCOUNTING

SCAG prepares the annual Comprehensive Budget and it is made up of the General Fund and the Overall Work Program (OWP). These budgets are approved separately by the General Assembly and the Regional Council respectively, as required by the By-Laws. The General Fund finances activities not chargeable to SCAG's grants while the OWP uses grant and TDA funding for its planning programs.

All expenditures are controlled at the functional level and are reviewed by SCAG's management and funding agencies (Caltrans, FHWA and FTA). SCAG is subject to audit by these agencies.

The OWP identifies grant sources and the line item budget allocation to support each project's direct and indirect costs. The OWP is intended to comply with SCAG's federal grant responsibilities and to serve as a management device to measure financial and program performance. Federal and state representatives, SCAG's Executive/Administration Committee, the Regional Council, and Caltrans are responsible to review and adopt the annual project budgets in the OWP.

Management determines line item budget amounts for all projects in accordance with the objectives and tasks of each project. Line item budgets are established for staff, indirect and fringe benefits, consultants, travel, and other designated line items.

The following are summaries of the differences in the presentation of revenues and expenditures in the budget as compared to the presentation of revenues and expenditures and transfers in the accompanying financial statements.

General Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues	\$ 2,520,669	\$ 2,520,669	\$ -
Total expenditures	(3,523,396)	(3,230,179)	(293,217)
Deficiency of revenues under expenditures	\$ (1,002,727)	\$ (709,510)	\$ (293,217)

Difference pertains to depreciation expense that was not reported in the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

FTA 5303 Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues	\$ 5,853,646	\$ 5,853,646	\$ -
Total expenditures	(5,853,646)	(5,853,646)	-
Net change in fund balances	\$ -	\$ -	\$ -

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year Ended June 30, 2018

FTA 5312 Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues	\$ 7,521,550	\$ 7,521,550	\$ -
Total expenditures	(7,521,550)	(7,521,550)	-
Net change in fund balances	\$ -	\$ -	\$ -

FHWA PL Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues	\$ 18,539,738	\$ 18,539,738	\$ -
Total expenditures	(18,539,738)	(18,539,738)	-
Net change in fund balances	\$ -	\$ -	\$ -

TDA Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues and transfers	\$ 5,904,397	\$ 5,904,397	\$ -
Total expenditures	(5,796,453)	(5,796,453)	-
Net change in fund balances	\$ 107,944	\$ 107,944	\$ -

In the Statement of Revenues, Expenditures, and Changes in Fund Balance, indirect costs incurred by the General Fund are reported as transportation expenditures in the General Fund, and transfers from the other governmental funds to the General Fund are recorded to reflect the reimbursement of such costs. For budgetary purposes, indirect costs are allocated to the other funds and are reported as expenditures of those funds. Additionally, disallowance of certain grant receivables recorded in other funds are reported as operating contributions to projects in the General Fund's budget but are reflected as transfers out in the accompanying fund financial statements for reporting purposes. Depreciation and the amortization of deferred lease credits are also included as indirect costs and the related revenues are included in the FTA and FHWA funds.

**SUPPLEMENTAL
COMBINING
FINANCIAL STATEMENTS**

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Nonmajor Funds
June 30, 2018

	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Assets				
Receivables:				
Federal grants	\$ 1,392,998	\$ -	\$ -	\$ 1,392,998
State grants and contracts	-	1,525,326	-	1,525,326
Local grants and contracts	-	-	12,000	12,000
Due from other funds	-	-	88,269	88,269
Total Assets	<u>\$ 1,392,998</u>	<u>\$ 1,525,326</u>	<u>\$ 100,269</u>	<u>\$ 3,018,593</u>
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 824,757	\$ 410,453	\$ 8,351	\$ 1,243,561
Advances from grantors	-	-	81,418	81,418
Due to other funds	568,241	1,114,873	10,500	1,693,614
Total Liabilities	1,392,998	1,525,326	100,269	3,018,593
Fund balances - restricted	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ 1,392,998</u>	<u>\$ 1,525,326</u>	<u>\$ 100,269</u>	<u>\$ 3,018,593</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds
Year Ended June 30, 2018

	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Grant revenue, net	\$ 2,914,312	\$ 1,476,542	\$ 43,714	\$ 4,434,568
Expenditures:				
Transportation:				
Salaries and wages	33,166	27,025	-	60,191
Allocated fringe benefits	22,937	20,400	-	43,337
Allocated indirect costs	47,349	42,038	-	89,387
Contractual services	872,664	263,351	14,563	1,150,578
Pass-through payments	907,639	-	-	907,639
Other	872	12,368	-	13,240
Total Transportation	<u>1,884,627</u>	<u>365,182</u>	<u>14,563</u>	<u>2,264,372</u>
Environmental:				
Salaries and wages	24,346	30,434	-	54,780
Allocated fringe benefits	11,276	23,010	-	34,286
Allocated indirect costs	23,278	47,425	-	70,703
Contractual services	191,520	207,946	3,989	403,455
Other	5,833	11,825	-	17,658
Total Transportation	<u>256,253</u>	<u>320,640</u>	<u>3,989</u>	<u>580,882</u>
Housing:				
Salaries and wages	1,228	2,375	-	3,603
Allocated fringe benefits	940	1,818	-	2,758
Allocated indirect costs	1,941	3,753	-	5,694
Contractual services	758	72,835	-	73,593
Total Environmental	<u>4,867</u>	<u>80,781</u>	<u>-</u>	<u>85,648</u>
Sustainability:				
Salaries and wages	25,062	81,268	-	106,330
Allocated fringe benefits	16,732	61,348	-	78,080
Allocated indirect costs	34,540	126,423	-	160,963
Contractual services	689,084	525,517	25,423	1,240,024
Other	3,147	35,477	-	38,624
Total Sustainability	<u>768,565</u>	<u>830,033</u>	<u>25,423</u>	<u>1,624,021</u>
Total Expenditures	<u>2,914,312</u>	<u>1,596,636</u>	<u>43,975</u>	<u>4,554,923</u>
Excess (deficiency) of revenues over (under) expenditures	-	(120,094)	(261)	(120,355)
Other financing sources (uses)				
Transfers in	-	120,094	261	120,355
Net change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCAG considers the following funds to be nonmajor federal governmental funds:

NHTS –OTS:

This fund is established to account for revenues from the National Highway Traffic Safety Administration for the Active Transportation Safety Campaign. These funds are administered by the California Office of Traffic Safety.

FTA 5339 – Bus and Bus Facilities:

This fund is established to account for the pass-through of FTA Sec. 5339 Bus and Bus Facilities funds to subrecipients.

FTA – Sec. 5304:

This fund is established to account for revenues from the Federal Transit Administration Sec. 5304 Metropolitan Planning Program.

FHWA – ATP I:

This fund is established to account for revenues from the Federal Highway Administration for the Active Transportation Program.

OTS II:

This fund is established to account for revenues from the National Highway Traffic Safety Administration for pedestrian and bike safety.

Other Federal Funds:

These funds are established to account for the revenues from: the FHWA for the Greenhouse Gas First Mile/Last Mile Demonstration Analysis; the FHWA for the Express Travel Choices Phase III study; from the Department of Energy for the Clean Cities program; the FHWA for the Active Transportation Program and from the Federal Highway Administration for transportation partnership planning studies.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Federal Nonmajor Funds
June 30, 2018

	FTA			FHWA		Other Federal Funds	Total Federal Nonmajor Funds
	NHTS-OTS	Sec. 5339	Sec. 5304	FHWA ATP I	OTS II		
	20039	20040	20070	20035	20043	20036, 20037, 20038, 20042 20098	
Assets							
Receivables - federal grants	\$ -	\$ 44,855	\$ 338,927	\$ 82,102	\$ 609,469	\$ 317,645	\$ 1,392,998
Total Assets	\$ -	\$ 44,855	\$ 338,927	\$ 82,102	\$ 609,469	\$ 317,645	\$ 1,392,998
Liabilities and Fund Balances							
Accounts and contracts payable	\$ -	\$ 44,855	\$ 256,393	\$ -	\$ 395,602	\$ 127,907	\$ 824,757
Due to other funds	-	-	82,534	82,102	213,867	189,738	568,241
Total Liabilities	-	44,855	338,927	82,102	609,469	317,645	1,392,998
Fund balances - restricted	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ 44,855	\$ 338,927	\$ 82,102	\$ 609,469	\$ 317,645	\$ 1,392,998

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Federal Nonmajor Funds
Year Ended June 30, 2018

	FTA			FHWA		Other Federal Funds	Total Federal Nonmajor Funds
	NHTS-OTS	Sec. 5339	Sec. 5304	FHWA ATP I	OTS II		
	20039	20040	20070	20035	20043	20036, 20037, 20038, 20042 20098	
Federal grants and services	\$ 49,728	\$ 907,639	\$ 644,792	\$ 95,455	\$ 701,462	\$ 515,236	\$ 2,914,312
Expenditures:							
Transportation:							
Salaries and wages	3,205	-	2,858	12,491	14,533	79	33,166
Allocated fringe benefits	-	-	2,188	9,562	11,126	61	22,937
Allocated indirect costs	-	-	4,517	19,740	22,967	125	47,349
Contractual services	6,401	-	210,615	34,570	231,427	389,651	872,664
Pass-through payments	-	907,639	-	-	-	-	907,639
Other	340	-	-	-	532	-	872
Total Transportation	9,946	907,639	220,178	76,363	280,585	389,916	1,884,627
Environmental:							
Salaries and wages	9,616	-	94	-	7,267	7,369	24,346
Allocated fringe benefits	-	-	72	-	5,562	5,642	11,276
Allocated indirect costs	-	-	148	-	11,484	11,646	23,278
Contractual services	19,202	-	47,879	-	115,713	8,726	191,520
Other	1,018	-	-	-	266	4,549	5,833
Total Environmental	29,836	-	48,193	-	140,292	37,932	256,253
Housing:							
Salaries and wages	-	-	-	-	-	1,228	1,228
Allocated fringe benefits	-	-	-	-	-	940	940
Allocated indirect costs	-	-	-	-	-	1,941	1,941
Other	-	-	-	-	-	758	758
Total Housing	-	-	-	-	-	4,867	4,867
Sustainability							
Salaries and wages	3,205	-	516	3,123	14,533	3,685	25,062
Allocated fringe benefits	-	-	395	2,391	11,126	2,820	16,732
Allocated indirect costs	-	-	815	4,935	22,967	5,823	34,540
Contractual services	6,401	-	374,695	8,643	231,427	67,918	689,084
Other	340	-	-	-	532	2,275	3,147
Total Sustainability	9,946	-	376,421	19,092	280,585	82,521	768,565
Total Expenditures	49,728	907,639	644,792	95,455	701,462	515,236	2,914,312
Net change in fund balance	-	-	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SCAG considers the following funds to be nonmajor state governmental funds:

SGC SCS Round 3:

This is the third award of Prop 84 funds intended for projects that further the goal laid out in AB 32, specifically greenhouse gas emissions reduction.

CA Energy Commission:

This is the second round of funding from the California Energy Commission for the development of a regional plan to support the Plug-In Electric Vehicle Readiness project.

MSRC:

These are funds awarded by the Mobile Source Air Pollution Review Committee, which was established by AB2766, for the purpose of reducing air pollution from motor vehicles within the South Coast Air District.

SGVCOG - ATP:

SCAG has agreed to administer these funds which were awarded by Caltrans to the San Gabriel Valley Council of Governments to develop the SGV Regional Active Transportation Planning Initiative.

MSRC – SP, GH:

This is California Assembly Bill 2766 funding for the Regional Active Transportation Planning Partnership Planning Program.

SB1 SCFG:

This is the fiscal year 2018 California Senate Bill 1 Sustainable Communities Formula Grant Program.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
State Nonmajor Funds
June 30, 2018

	<u>SGC R3</u>	<u>CEC</u>	<u>AQMD MSRC</u>	<u>SGVOCOG</u>	<u>MSRC SP GH</u>	<u>SB 1 SCFG</u>	<u>Total State Nonmajor Funds</u>
	<u>30206</u>	<u>30207</u>	<u>30208</u>	<u>30210</u>	<u>30211</u>	<u>30212</u>	
Assets							
Receivables - state grants	\$ -	\$ 25,658	\$ 220,094	\$ 241,082	\$ 875,688	\$ 162,804	\$ 1,525,326
Due from other funds	-	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 25,658</u>	<u>\$ 220,094</u>	<u>\$ 241,082</u>	<u>\$ 875,688</u>	<u>\$ 162,804</u>	<u>\$ 1,525,326</u>
Liabilities and Fund Balances							
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 79,114	\$ 199,359	\$ 131,980	\$ 410,453
Due to other funds	-	25,658	220,094	161,968	676,329	30,824	1,114,873
Total Liabilities	-	25,658	220,094	241,082	875,688	162,804	1,525,326
Fund Balances - restricted	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 25,658</u>	<u>\$ 220,094</u>	<u>\$ 241,082</u>	<u>\$ 875,688</u>	<u>\$ 162,804</u>	<u>\$ 1,525,326</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
State Nonmajor Funds
Year Ended June 30, 2018

	SGC R3	CEC	AQMD MSRC	SGVOCOG	MSRC SP GH	SB 1 SCFG	Total State Nonmajor Funds
	30206	30207	30208	30210	30211	30212	
State grants and contracts	\$ 121,479	\$ 9,714	\$ (62,641)	\$ 350,976	\$ 875,688	\$ 181,326	\$ 1,476,542
Expenditures:							
Transportation:							
Salaries and wages	-	705	-	1,691	24,290	339	27,025
Allocated fringe benefits	-	251	-	1,294	18,595	260	20,400
Allocated indirect costs	-	444	-	2,672	38,386	536	42,038
Contractual services	18,275	-	-	134,734	82,041	28,301	263,351
Other	-	543	-	-	11,825	-	12,368
Total Transportation	18,275	1,943	-	140,391	175,137	29,436	365,182
Environmental:							
Salaries and wages	-	705	-	845	24,290	4,594	30,434
Allocated fringe benefits	-	251	-	647	18,595	3,517	23,010
Allocated indirect costs	-	444	-	1,336	38,386	7,259	47,425
Contractual services	18,275	543	11,420	67,366	82,041	28,301	207,946
Other	-	-	-	-	11,825	-	11,825
Total Environmental	18,275	1,943	11,420	70,194	175,137	43,671	320,640
Housing:							
Salaries and wages	-	-	-	-	-	2,375	2,375
Allocated fringe benefits	-	-	-	-	-	1,818	1,818
Allocated indirect costs	-	-	-	-	-	3,753	3,753
Contractual services	36,550	-	7,984	-	-	28,301	72,835
Total Housing	36,550	-	7,984	-	-	36,247	80,781
Sustainability:							
Salaries and wages	-	2,113	-	1,691	72,870	4,594	81,268
Allocated fringe benefits	-	753	-	1,294	55,785	3,516	61,348
Allocated indirect costs	-	1,331	-	2,672	115,159	7,261	126,423
Contractual services	48,734	1,631	37,694	134,734	246,123	56,601	525,517
Other	-	-	-	-	35,477	-	35,477
Total Sustainability	48,734	5,828	37,694	140,391	525,414	71,972	830,033
Total Expenditures	121,834	9,714	57,098	350,976	875,688	181,326	1,596,636
Excess of revenues over expenditures	(355)	-	(119,739)	-	-	-	(120,094)
Other financing sources:							
Transfers in	355	-	119,739	-	-	-	120,094
Net change in fund balance	-	-	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SCAG considers the following funds to be nonmajor local governmental funds:

LACMTA Express Travel Choices:

This represents funding from the LA County Metropolitan Transportation Authority to support work on the Express Travel Choices Project and Active Transportation Database project.

Combined Other Accounts:

These funds are established to account for revenues from the City of Vernon, and from Los Angeles County Metropolitan Transportation Authority and the San Bernardino County Transportation Authority. These funds account for the cash match from participating agencies for various SCAG projects.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Local Nonmajor Funds
June 30, 2018

	<u>LACMTA Express</u>	<u>Other Local Funds</u>	<u>Total Local Nonmajor Funds</u>
	<u>60038, 60044</u>	<u>60042, 60043, 60045, 60048, 60051, 60052</u>	
Assets			
Receivables - local grants	\$ 12,000	\$ -	\$ 12,000
Due from other funds	5,500	82,769	88,269
Total Assets	<u>\$ 17,500</u>	<u>\$ 82,769</u>	<u>\$ 100,269</u>
Liabilities and Fund Balances			
Accounts and contracts payable	\$ 1,500	\$ 6,851	\$ 8,351
Advances from grantors	5,500	75,918	81,418
Due to other funds	10,500	-	10,500
Total Liabilities	<u>17,500</u>	<u>82,769</u>	<u>100,269</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 17,500</u>	<u>\$ 82,769</u>	<u>\$ 100,269</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Local Nonmajor Funds
Year Ended June 30, 2018

	<u>LACMTA Express</u>	<u>Other Local Funds</u>	<u>Total Local</u>
	<u>60038, 60044</u>	<u>60042, 60043, 60045, 60048,</u> <u>60051, 60052</u>	<u>Nonmajor</u> <u>Funds</u>
Local grants and services	\$ 12,000	\$ 31,714	\$ 43,714
Expenditures:			
Transportation:			
Contractual services	4,800	9,763	14,563
Total Transportation	4,800	9,763	14,563
Environmental:			
Contractual services	1,200	2,789	3,989
Total Environmental	1,200	2,789	3,989
Sustainability:			
Contractual services	6,000	19,423	25,423
Total Sustainability	6,000	19,423	25,423
Total Expenditures	12,000	31,975	43,975
Excess of revenues over expenditures	-	(261)	(261)
Other financing uses:			
Transfers in	-	261	261
Net change in fund balance	-	-	-
Fund Balances, Beginning of Year	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -

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**SUPPLEMENTAL
SCHEDULES**

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Indirect Costs
Year Ended June 30, 2018

Indirect costs:

Salaries and wages	\$	4,510,450
Temporary help		174,768
Fringe benefits		3,422,346
Consultants		1,287,548
Legal services		39,398
Computer support		418,289
Equipment repairs and maintenance		62,453
Office space leases		1,030,088
Lease termination payment		1,555,787
Equipment lease		130,222
Security services		64,218
Insurance		150,011
Taxes		5,659
Bank fees		12,898
Office purchases under \$5,000		1,436,556
Office and graphic supplies		73,357
Telephone		174,966
Postage and delivery		3,787
Memberships		99,563
Professional material		46,761
Depreciation and amortization		277,670
Recruitment costs		32,353
Conference registration		17,817
Printing		17,750
Travel		119,606
Other		1,025
Total Indirect Costs		15,165,346

Indirect costs recovered

General fund		128,352
Federal Transportation Administration		1,347,138
Federal Highway Administration		8,568,171
Transportation Development Act		1,526,537
Nonmajor Funds		328,745
Total Indirect Costs Recovered		11,898,943

Over (under) recovered (3,266,403)

Over (Under) Recovered Indirect Costs, Beginning of Year		(1,302,030)
Over (Under) Recovered Indirect Costs, End of Year	\$	(4,568,433)

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Fringe Benefits
Year Ended June 30, 2018

Fringe benefits:	
Employee leave and other salary benefits	\$ 2,059,400
PERS/Other Retirement Plans	3,810,990
Life insurance	86,181
Health insurance	2,298,905
Medicare and social security taxes - employer share	223,435
Tuition reimbursement	39,836
Transit passes	140,381
Worker's compensation/unemployment insurance	167,171
Deferred compensaton employer match	81,129
Housing allowance	15,000
Other	87,317
Total Indirect Costs	9,009,745
Fringe benefits recovered:	
Allocated to indirect costs	3,422,346
General Fund	62,175
Federal Transportation Administration	610,987
Federal Highway Administration	4,081,585
Transportation Development Act	673,223
Nonmajor Funds	159,429
Total Indirect Costs Recovered	9,009,745
Over (under) recovered	-
Over (Under) Recovered Indirect Costs, Beginning of Year	-
Over (Under) Recovered Indirect Costs, End of Year	\$ -

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Distribution of Salaries and Fringe Benefits by Project Type
Year Ended June 30, 2018

	Salaries and Wages	Fringe Benefits	Salaries, Wages and Fringe Benefits
Charges to Direct projects	\$ 7,624,805	\$ 5,525,224	\$ 13,150,029
Charges to General Fund projects	81,217	62,175	143,392
Charges to Indirect projects	4,510,450	3,422,346	7,932,796
Totals	\$ 12,216,472	\$ 9,009,745	\$ 21,226,217

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**STATISTICAL
SECTION**

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This part of the Southern California Association of Governments' Comprehensive Annual Financial Report provides information to better understand Southern California Association of Governments' overall financial condition. This information has not been audited by an independent auditor.

Financial Trends Information contains information to assist the reader understand how Southern California Association of Governments' financial performance has changed over time.

Revenue Capacity Information contains information to help the reader assess Southern California Association of Governments' ability to generate its own revenue.

Demographic and Economic Information assists the user in understanding the environment within which Southern California Association of Governments' financial activities take place.

Operating Information provides service and infrastructure data to help the reader understand how Southern California Association of Governments' financial statement information relates to services Southern California Association of Governments provides and the activities it performs.

Sources:

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 1 – Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Invested in capital assets	\$ 746,236	1,645,468	1,536,963	1,615,120	1,954,455	2,766,741	2,251,523	1,626,539	1,231,475	4,859,839
Restricted		1,534,921	1,417,565	3,547,633	4,408,177	8,195,221	9,857,806	8,834,336	9,306,432	9,327,440
Unrestricted	<u>4,055,685</u>	<u>2,400,417</u>	<u>3,173,237</u>	<u>3,228,709</u>	<u>3,205,903</u>	<u>2,856,658</u>	<u>(22,772,623)</u>	<u>(21,432,913)</u>	<u>(22,519,075)</u>	<u>(35,184,659)</u>
Total governmental activities										
net assets	\$ <u>4,801,921</u>	<u>5,580,806</u>	<u>6,127,765</u>	<u>8,391,462</u>	<u>9,568,535</u>	<u>13,818,620</u>	<u>(10,663,294)</u>	<u>(10,972,038)</u>	<u>(11,981,168)</u>	<u>(20,997,380)</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 2 – Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Expenses:										
Transportation	\$ 26,911,029	33,509,240	27,318,795	30,615,654	24,518,174	23,153,109	31,710,847	30,851,350	20,838,392	24,882,444
High speed rail	91,840	37,979	87,980	135,882	196,200	305,054	281,500	290,497	339,370	317,393
Aviation	17,275	289,498	845,705	472,799	357,539	303,773	585,322	575,716	267,597	231,662
Energy	47,152	-	-	-	-	-	-	-	-	-
Environmental	-	-	1,809,901	2,626,070	320,850	1,403,147	1,450,795	1,459,853	7,054,453	5,164,861
Housing	-	-	1,194,623	665,008	1,993,419	1,505,232	1,128,200	981,416	3,222,728	2,032,311
Water	-	-	-	-	-	-	-	-	-	91,209
Sustainability Initiatives	1,407,836	1,033,877	1,342,674	1,678,605	5,473,095	2,173,803	5,463,860	7,506,301	7,521,696	8,642,100
Administration	-	-	-	-	1,560,377	2,005,412	1,864,232	2,138,873	3,871,454	10,090,710
Total expenses	<u>28,475,132</u>	<u>34,870,594</u>	<u>32,599,678</u>	<u>36,194,018</u>	<u>34,419,654</u>	<u>30,849,530</u>	<u>42,484,756</u>	<u>43,804,006</u>	<u>43,115,690</u>	<u>51,452,690</u>
Program revenues:										
Charges for services - member dues	1,609,029	1,494,523	1,566,006	1,759,631	1,779,184	1,834,522	1,871,720	1,900,950	1,939,700	1,986,186
Operating grants and contributions	<u>27,643,659</u>	<u>33,834,170</u>	<u>30,949,013</u>	<u>36,245,424</u>	<u>33,510,829</u>	<u>32,833,285</u>	<u>42,318,755</u>	<u>40,616,883</u>	<u>39,672,312</u>	<u>42,253,899</u>
Total program revenues	<u>29,252,688</u>	<u>35,328,693</u>	<u>32,515,019</u>	<u>38,005,055</u>	<u>35,290,013</u>	<u>34,667,807</u>	<u>44,190,475</u>	<u>42,517,833</u>	<u>41,612,012</u>	<u>44,240,085</u>
Net revenues (expenses)	777,556	458,099	(84,659)	1,811,037	870,359	3,818,277	1,705,719	(1,286,173)	(1,503,678)	(7,212,605)
General revenues and other changes in net assets:										
Interest income	86,581	49,759	51,647	46,580	26,479	53,149	75,652	92,093	114,318	142,388
Other income	<u>61,383</u>	<u>271,027</u> ¹	<u>579,971</u> ²	<u>406,080</u> ³	<u>278,235</u> ⁵	<u>378,659</u>	<u>407,156</u>	<u>885,336</u>	<u>380,230</u>	<u>392,095</u>
Proceeds from financing	-	-	-	-	-	-	-	-	-	1,943,484
Changes in net assets	<u>\$ 925,520</u>	<u>778,885</u>	<u>546,959</u>	<u>2,263,697</u>	<u>1,175,073</u>	<u>4,250,085</u>	<u>2,188,527</u>	<u>(308,744)</u>	<u>(1,009,130)</u>	<u>(4,734,638)</u>

¹ Other income for the year ended June 30, 2010 includes the refund from the JPIA amounting to \$307,281.

² Other income for the year ended June 30, 2012 includes the refund from the JPIA amounting to \$155,750.

³ Other income for the year ended June 30, 2010 includes the refund from the JPIA amounting to \$307,281.

⁴ Certain amounts in 2012 have been reclassified to conform with the 2013 presentation.

⁵ Other income for the year ended June 30, 2013 includes the refund from the JPIA amounting to \$147,196.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 3 – Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2009	2010	2011*	2012	2013	2014	2015	2016	2017	2018
General fund:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved	3,431,480	4,506,578	-	-	-	-	-	-	-	-
Nonspendable	-	-	317,801	502,200	262,658	652,453	580,163	763,655	927,324	779,552
Unassigned	-	-	<u>4,357,692</u>	<u>4,444,550</u>	<u>4,546,068</u>	<u>4,126,906</u>	<u>4,716,559</u>	<u>5,649,117</u>	<u>5,725,487</u>	<u>7,073,814</u>
Total general fund	\$ <u>3,431,480</u>	<u>4,506,578</u>	<u>4,675,493</u>	<u>4,946,750</u>	<u>4,808,726</u>	<u>4,779,359</u>	<u>5,296,722</u>	<u>6,412,772</u>	<u>6,652,811</u>	<u>7,853,366</u>
All other governmental funds:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	1,997,894	1,534,921	-	-	-	-	-	-	-	-
Restricted	-	-	<u>1,417,565</u>	<u>3,547,633</u>	<u>4,408,177</u>	<u>4,408,177</u>	<u>9,857,806</u>	<u>8,834,336</u>	<u>9,306,432</u>	<u>9,327,440</u>
Total all other governmental funds	\$ <u>1,997,894</u>	<u>1,534,921</u>	<u>1,417,565</u>	<u>3,547,633</u>	<u>4,408,177</u>	<u>4,408,177</u>	<u>9,857,806</u>	<u>8,834,336</u>	<u>9,306,432</u>	<u>9,327,440</u>

* SCAG implemented GASB 54 for the fiscal year ended June 30, 2011

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 4 – Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Federal grants	\$ 25,556,990	32,429,892	29,131,559	30,204,434	27,849,710	26,845,417	35,850,884	33,900,754	32,703,938	34,829,246
State grants and contracts	986,200	270,940	582,123	1,682,599	798,043	489,803	639,123	932,566	994,427	1,476,542
Local grants and contracts	1,100,469	1,133,338	1,235,331	4,358,391	4,863,076	5,498,065	5,828,748	5,783,563	5,973,947	5,948,111
Membership assessments	1,609,029	1,494,523	1,566,006	1,759,631	1,779,184	1,834,522	1,871,720	1,900,950	1,939,700	1,986,186
Interest and other	147,964	324,153	324,337	731,702	306,714	431,808	482,808	977,429	494,548	534,483
Total revenues	29,400,652	35,652,846	32,839,356	38,736,757	35,596,727	35,099,615	44,673,283	43,495,262	42,106,560	44,774,568
Expenditures:										
Current:										
Transportation	26,911,029	33,867,010	28,601,593	31,672,376	26,662,798	24,726,670	33,556,910	30,739,916	20,838,392	24,882,444
Aviation	17,275	163,086	636,484	277,796	176,017	174,845	451,493	573,374	267,597	231,662
Water	-	-	-	-	-	-	-	-	-	91,209
High speed rail	91,840	-	44,538	68,460	96,590	140,800	161,423	290,595	339,370	317,393
Housing	-	-	746,686	342,391	1,180,258	922,718	706,129	980,086	3,222,728	2,032,311
Energy	47,152	-	-	-	-	-	-	-	-	-
Environmental	-	-	1,090,079	1,598,322	158,345	887,807	969,338	1,448,295	7,054,453	5,164,861
Sustainability Initiatives	1,041,644	924,182	1,196,508	1,727,671	3,959,891	1,325,204	4,524,338	7,403,783	7,521,696	8,642,100
Administration	-	-	-	-	1,646,163	1,685,534	1,841,987	1,543,263	2,138,062	2,322,029
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	130,788
Interest	-	-	-	-	-	-	-	-	-	25,490
Capital outlay	366,192	86,443	471,909	648,416	994,145	1,478,360	281,717	423,370	12,127	1,656,202
Total expenditures	28,475,132	35,040,721	32,787,797	36,335,432	34,874,207	31,341,938	42,493,335	43,402,682	41,394,425	45,496,489
Excess (deficiency) of revenues over (under) expenditures	925,520	612,125	51,559	2,401,325	722,520	3,757,677	2,179,948	92,580	712,135	(721,921)
Other financing sources (uses)										
Transfers in	10,118,305	9,843,270	10,442,938	10,168,814	10,987,675	10,093,426	10,085,526	-	7,198	-
Transfers out	(10,118,305)	(9,843,270)	(10,442,938)	(10,168,814)	(10,987,675)	(10,093,426)	(10,085,526)	-	(7,198)	-
Proceeds from financing	-	-	-	-	-	-	-	-	-	1,943,484
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	1,943,484
Net change in fund balances	\$ 925,520	612,125	51,559	2,401,325	722,520	3,757,677	2,179,948	92,580	712,135	1,221,563

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 5 – Indirect and Fringe Benefit Costs
Last Ten Fiscal Years

Fiscal year	Indirect cost	Fringe benefits	Totals
2009	9,688,278	5,559,745	15,248,023
2010	9,552,824	5,782,910	15,335,734
2011	11,021,062	6,446,777	17,467,839
2012	10,892,283	6,993,925	17,886,208
2013	10,625,503	7,291,029	17,916,532
2014	9,870,796	7,406,943	17,277,739
2015	10,858,012	8,082,809	18,940,821
2016	11,613,300	8,891,915	20,505,215
2017	12,586,074	9,311,132	21,897,206
2018	15,165,346	9,009,745	24,175,091

Source: SCAG Finance Department.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Table 6 – Member Dues

Last Ten Fiscal Years

	<u>Cities & Indian Tribes</u>			<u>Counties</u>			<u>Commissions</u>	
	<u>No. of Members</u>	<u>Population</u>	<u>Annual Dues</u>	<u>No. of Members</u>	<u>Population</u>	<u>Annual Dues</u>	<u>No. of Members</u>	<u>Annual Dues</u>
2009	171	14,815,707	1,231,148	6	2,179,564	292,881	4	85,000
2010	175	15,211,463	1,149,862	6	2,101,655	262,161	4	82,500
2011	182	16,097,577	1,209,583	6	2,101,655	261,423	5	95,000
2012	190	16,035,831	1,373,766	6	2,115,074	290,865	5	95,000
2013	191	16,377,980	1,411,942	6	2,066,588	290,942	5	95,000
2014	191	15,764,229	1,444,701	6	1,967,621	293,146	5	95,000
2015	189	16,304,097	1,484,363	6	1,950,310	292,357	5	95,000
2016	189	16,368,268	1,511,946	6	1,963,578	294,004	5	95,000
2017	189	16,476,665	1,543,468	6	1,973,786	297,899	5	95,000
2018	189	16,686,338	1,577,575	6	1,989,806	300,111	6	98,500

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 7 – Principal Members
Current Year and Five Years Ago

<u>City/County</u>	<u>2018</u>		<u>2013</u>	
	<u>Annual Dues</u>	<u>Percent of Total Dues Assessment</u>	<u>Annual Dues</u>	<u>Percent of Total Dues Assessment</u>
City of Los Angeles	\$ 359,024	18%	\$ 333,042	18%
County of Los Angeles	128,372	6%	120,971	7%
County of Riverside	57,344	3%	62,047	3%
County of San Bernardino	52,494	3%	48,844	3%
City of Long Beach	43,794	2%	40,837	2%
County of Orange	36,132	2%	34,850	2%
City of Anaheim	32,537	2%	29,407	2%
City of Santa Ana	31,188	2%	29,735	2%
City of Riverside	29,569	1%	25,383	1%
SBCTA (SANBAG)	25,000	1%	25,000	1%
RCTC	25,000	1%	25,000	1%
OCTA	25,000	1%	25,000	1%
City of Irvine	23,684	1%	18,394	1%
County of Ventura	18,727	1%	17,675	1%
City of Glendale	18,650	1%	17,590	1%
City of San Bernardino	19,876	1%	N/A	N/A
Santa Clarita	20,242	1%	N/A	N/A
	<u>\$ 946,633</u>	<u>47%</u>	<u>853,775</u>	<u>46%</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Table 8 – Population by County in the SCAG Region

Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2009	179,254	10,393,185	3,139,017	2,107,653	2,060,950	836,080	18,716,139
2010	175,107	9,837,011	3,014,962	2,196,137	2,044,228	824,467	18,091,912
2011	177,718	9,900,858	3,048,993	2,228,044	2,064,734	831,450	18,251,797
2012	179,414	9,988,287	3,084,036	2,253,317	2,077,560	836,553	18,419,167
2013	180,300	10,055,477	3,110,802	2,276,765	2,092,149	842,639	18,558,132
2014	183,179	10,124,684	3,137,744	2,305,796	2,111,913	847,885	18,711,201
2015	185,328	10,185,487	3,161,218	2,329,256	2,129,851	852,013	18,843,153
2016	187,157	10,229,245	3,181,371	2,360,727	2,147,933	854,383	18,960,816
2017	189,062	10,257,450	3,203,912	2,399,509	2,167,111	858,607	19,075,651
2018	190,624	10,283,729	3,221,103	2,415,955	2,174,938	859,073	19,145,422

Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018. Sacramento, California, May 2018.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 9 – Number of Households by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2009	50,059	3,274,667	1,000,798	677,582	610,352	268,444	5,881,902
2010	49,126	3,241,204	992,781	686,260	611,618	266,920	5,847,909
2011	49,167	3,248,724	996,021	691,691	615,407	267,885	5,868,895
2012	49,267	3,258,804	1,000,546	695,706	618,937	268,735	5,891,995
2013	49,449	3,270,216	1,006,701	700,199	621,931	269,791	5,918,287
2014	49,630	3,282,308	1,013,470	704,928	624,649	270,999	5,945,984
2015	49,824	3,296,656	1,019,730	709,837	627,292	272,278	5,975,617
2016	50,015	3,315,276	1,026,415	714,970	630,166	273,436	6,010,278
2017	50,205	3,333,896	1,033,101	720,102	633,041	274,594	6,044,939
2018	50,091	3,338,658	1,037,173	729,920	644,247	273,672	6,073,761

Source: Processed by SCAG Staff based on State of California, Department of Finance, E-5 City/County Population and Housing Estimates

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 10 – Wage and Salary Employment by County in the SCAG Region
Last Ten Calendar Years

<u>Calendar year</u>	<u>Imperial</u>	<u>Los Angeles</u>	<u>Orange</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Ventura</u>	<u>Total</u>
2009	57,100	3,987,800	1,391,400	559,700	623,700	302,100	6,921,800
2010	57,800	3,929,000	1,374,900	549,200	616,500	300,500	6,827,900
2011	58,900	3,950,700	1,390,700	561,800	607,500	303,300	6,872,900
2012	60,200	4,040,300	1,427,100	573,600	626,600	310,100	7,037,900
2013	61,900	4,117,200	1,465,700	599,500	648,300	317,000	7,209,600
2014	63,900	4,193,900	1,499,300	628,100	675,600	320,200	7,381,000
2015	64,600	4,286,500	1,546,900	657,900	710,100	322,800	7,588,800
2016	63,700	4,395,700	1,582,600	688,400	727,100	325,800	7,783,300
2017	64,400	4,439,100	1,588,900	704,600	744,200	334,100	7,875,300
2018	64,075	4,476,020	1,629,760	740,144	773,264	332,320	8,015,583

Source: Processed by SCAG Staff; CA EDD - March 2017 Benchmark

http://www.labormarketinfo.edd.ca.gov/LMID/Employment_by_Industry_Data.html

Historical Annual average data: 2009 - 2018 Total, All Industries=wage and salary employment

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Table 11 – Labor Force by County in the SCAG Region

Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2009	75,600	4,914,700	1,589,300	915,800	857,700	430,300	8,783,400
2010	78,700	4,917,400	1,537,200	976,400	890,300	430,000	8,830,000
2011	79,500	4,928,500	1,546,400	978,500	888,500	431,700	8,853,100
2012	79,300	4,915,300	1,562,100	987,100	892,200	434,700	8,870,700
2013	78,300	4,967,000	1,565,300	996,300	896,600	434,000	8,937,500
2014	78,400	5,006,800	1,572,000	1,013,000	907,100	430,900	9,008,200
2015	78,100	5,000,600	1,588,700	1,035,500	921,000	428,400	9,052,300
2016	76,900	5,043,300	1,602,400	1,051,800	935,600	427,800	9,137,800
2017	74,700	5,089,600	1,588,700	1,056,100	941,000	429,800	9,179,900
2018	70,923	5,161,354	1,621,045	1,086,334	961,827	425,099	9,326,582

Source: Processed by SCAG Staff; CA EDD - March 2017 Benchmark

http://www.labormarketinfo.edd.ca.gov/LMID/Employment_by_Industry_Data.html

Civilian Labor Force=Labor Force

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 12 – Unemployment by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2009	20,700	569,500	137,600	120,000	108,600	41,500	997,900
2010	22,700	615,100	149,700	135,200	120,400	46,600	1,089,700
2011	22,900	600,500	140,000	128,900	114,300	44,200	1,050,800
2012	21,700	536,900	122,900	114,800	101,800	39,500	937,600
2013	19,600	485,000	102,900	98,600	87,500	34,200	827,800
2014	18,800	412,900	86,200	83,000	72,600	28,600	702,100
2015	18,700	332,400	70,700	69,100	59,100	24,100	574,100
2016	18,100	264,500	64,300	63,800	53,400	22,100	486,200
2017	15,500	229,100	56,900	56,000	47,500	19,200	424,200
2018	11,487	219,645	44,914	44,381	36,754	15,020	372,201

Source: Processed by SCAG Staff; CA EDD - March 2017 Benchmark

http://www.labormarketinfo.edd.ca.gov/LMD/Employment_by_Industry_Data.html

Civilian Unemployment=unemployment

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 13 – Largest Employer County in the SCAG Region
Current Year

Imperial			Riverside				
	Employees	Type of Business		Employees	Type of Business		
1	Imperial Irrigation District	3,030	Harvesting	1	UC Riverside	5,300	Government
2	Calipatria State Prison	1,200	Utilities	2	Riverside Unified School District	3,600	Government
3	Centinela State Prison	1,200	Retailer	3	City of Riverside	2,600	Education
4	Walmart Supercenter	1,160	Government	4	Pacific Bell - AT&T	1,800	Education
5	El Centro Regional Medical Ctr	860	Government	5	Kaiser Permanente Riverside Medical Center	1,700	Hospital
6	Jjall Lc	800	Correctional Institution	6	Jurupa Unified School District	1,500	Government
7	El Centro Naval Air Facility	780	Correctional Institution	7	HUB International Insurance Services Inc.	1,500	Education
8	Pioneers Memorial Hosp-Doctors	630	Hospital	8	The Press Enterprise Co.	1,300	Hospital
9	Imperial County Office-Educ	600	Labor Contractors	9	Alvord Unified School District	1,200	Education
10	Us Border Patrol	540	Hospital	10	Riverside Community Hospital	1,000	Hospital
Los Angeles			San Bernardino				
1	County of Los Angeles	107,500	Government	1	Arrowhead Regional Medical Center	18,000	Hospital
2	Los Angeles Unified School District	90,800	Education	2	Stater Bros. Markets	18,000	Grocery
3	City of Los Angeles (including DWP)	49,500	Government	3	County Of San Bernardino	17,400	Government
4	University of California, Los Angeles	46,200	Education	4	San Bernardino City Unified Sschool District	8,570	Education
5	Federal Government (non-Defense)	45,000	Government	5	Ontario International Airport	7,510	Airport
6	Kaiser Permanente	36,900	Hospital	6	Kaiser Medical Center	5,680	Hospital
7	State of California (non-education)	29,900	Government	7	Loma Linda University Medical Center	4,680	Hospital
8	University of Southern California	18,900	Aerospace and Defense	8	Fontana Unified School Distric	3,950	Education
9	Northrop Grumman Corp.	16,600	Retail	9	Loma Linda University	3,910	Education
10	Target Corp.	15,000	Hospital	10	San Manuel Band Of Mission Indians	3,260	Government
Orange			Ventura				
1	Walt Disney Co	29,000	Hospitality and Entertainment	1	Naval Base Ventura County	14,210	Government
2	University of California, Irvine	23,610	Education	2	County of Ventura	9,150	Government
3	St. Joseph Health	11,930	Hospital	3	Amgen Inc	5,500	Biomedical
4	Allied Universal	8,230	Hospital	4	Wellpoint	2,860	Hospital
5	Kiaser Permanente	7,690	Hospital	5	Simi Valley Unified School District	2,740	Education
6	The Boeing Company	6,100	Aerospace	6	Community Memorial Hospital	2,100	Hospital
7	Walmart	6,000	Retail	7	Conejo Valley Unified School District	2,000	Education
8	California State University, Fullerton	5,780	Education	8	Dignity Health	1,900	Hospital
9	Bank of America Corp	5,500	Finance	9	Ventura Unified School District	1,830	Education
10	Target Corp.	5,400	Retail	10	Ventura Community College District	1,740	Education

Data provided courtesy of Infogroup, Orange County Business Journal, Riverside Economic Development Agency, Los Angeles Almanac, San Bernardino Area Chamber of Commerce

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 14 – Housing Units by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2009	56,237	3,418,698	1,035,491	780,112	690,234	277,895	6,258,667
2010	56,067	3,445,076	1,048,907	800,707	699,637	281,695	6,332,089
2011	56,173	3,451,136	1,051,284	806,442	702,177	282,596	6,349,808
2012	56,373	3,458,773	1,054,285	810,102	703,726	283,249	6,366,508
2013	56,628	3,468,837	1,059,584	814,621	705,427	284,032	6,389,129
2014	56,844	3,480,863	1,066,214	819,960	707,850	285,149	6,416,880
2015	57,066	3,495,818	1,072,584	825,647	710,583	286,444	6,448,142
2016	57,288	3,515,722	1,079,637	831,518	713,708	287,577	6,485,450
2017	57,510	3,535,626	1,086,691	837,388	716,832	288,710	6,522,757
2018	57,737	3,546,853	1,094,169	840,904	719,911	288,579	6,548,153

Source: Processed by SCAG Staff based on State of California, Department of Finance, E-5 City/County Population and Housing Estimates

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 15 – Median Home Values by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Average
2009	130,550	394,458	495,850	222,458	197,175	415,133	366,584
2010	122,325	388,833	493,958	213,642	184,375	410,875	360,124
2011	119,417	364,767	463,550	205,158	174,808	383,100	338,490
2012	119,433	361,475	462,158	206,750	175,750	380,883	336,651
2013	131,042	417,225	541,842	247,400	209,000	437,125	391,597
2014	137,092	458,758	583,817	284,025	246,883	476,933	431,796
2015	145,608	489,858	613,342	303,267	265,300	502,333	459,268
2016	167,592	529,725	648,467	324,758	287,367	535,275	493,589
2017	186,658	568,950	681,175	347,250	314,508	564,283	527,645
2018	190,500	604,840	710,780	368,160	333,940	592,700	558,177

Source: Zillow.com

2018 data: Estimation based on average between Jan 18 and May 18

Note: Average is weighted by housing units

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Table 16 – Land Area by County in the SCAG Region

Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2009	4,175	4,060	790	7,208	20,062	1,846	38,141
2010	4,175	4,060	790	7,208	20,062	1,846	38,141
2011	4,175	4,060	790	7,208	20,062	1,846	38,141
2012	4,175	4,060	790	7,208	20,062	1,846	38,141
2013	4,175	4,060	790	7,208	20,062	1,846	38,141
2014	4,175	4,060	790	7,208	20,062	1,846	38,141
2015	4,175	4,060	790	7,208	20,062	1,846	38,141
2016	4,175	4,060	790	7,208	20,062	1,846	38,141
2017	4,175	4,060	790	7,208	20,062	1,846	38,141
2018	4,175	4,060	790	7,208	20,062	1,846	38,141

Source: Census Bureau Tiger File <https://www.census.gov/geo/maps-data/data/tiger.html>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 17 – Assessed Valuation by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2009	\$ 11,096,494,701	1,080,877,140,886	426,132,974,772	240,799,096,250	185,367,040,358	107,273,535,930	2,051,546,282,897
2010	\$ 10,786,878,349	1,075,011,703,995	420,208,433,390	215,292,421,831	174,112,125,571	104,656,698,553	2,000,068,261,689
2011	\$ 10,636,065,947	1,055,470,089,596	417,961,898,748	205,709,223,529	166,489,324,697	104,382,110,478	1,960,648,712,995
2012	\$ 10,335,759,824	1,070,532,689,445	422,054,150,027	203,143,376,088	165,720,121,024	104,392,245,689	1,976,178,342,097
2013	\$ 10,393,345,085	1,093,886,934,773	429,315,145,388	202,209,185,045	166,970,746,909	105,066,235,097	2,007,841,592,297
2014	\$ 11,230,818,021	1,145,256,478,683	445,068,356,853	210,726,246,610	172,112,462,762	108,574,635,076	2,092,968,998,005
2015	\$ 11,648,369,468	1,207,856,228,771	473,782,781,168	228,233,802,746	182,705,725,334	114,663,397,481	2,218,890,304,968
2016	\$ 12,400,979,037	1,282,508,084,556	507,799,267,525	240,933,731,456	192,319,791,501	119,407,609,899	2,355,369,463,974
2017	\$ 12,689,982,548	1,354,458,674,851	528,711,072,636	253,658,272,351	200,564,761,328	123,951,233,364	2,474,033,997,078
2018	\$ 12,984,173,804	1,435,385,941,470	561,278,774,948	266,916,802,097	214,878,403,179	129,987,341,366	2,621,431,436,864

Source: State of California – Controller's Office.

Note: Assessed valuations show total State and County assessed valuation

<https://bythenumbers.sco.ca.gov/Raw-Data/Assessed-Valuation-Raw-Data-for-Fiscal-Years-2003-/qky3-f2m4>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 18 – Full-time and Part-time Employees as of June 30
Last Ten Fiscal Years

Full-Time and Part-Time Employees as of June 30

Fiscal Year	Transportation	High Speed Rail	Aviation	Environmental	Housing	Water	Administration	Total
2009	44	1	1	3	2		57	108
2010	49	1	1	3	2		52	108
2011	48	1	1	3	2		55	110
2012	60	1	1	3	2		61	128
2013	55	1	1	2	1		67	127
2014	57	1	1	2	1		58	120
2015	61	1	1	1	1		66	131
2016	58	1	1	3	1		67	131
2017	60	1	0	3	1		60	125
2018	64	1	1	3	1		63	133

Source: SCAG HR Department.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 19 – Operating Indicators by Function
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Transportation										
No. of projects undertaken	24	55	50	48	49	82	85	89	80	65
Grants & Contracts Revenue \$	29,929,881	33,664,593	29,354,637	23,819,826	23,880,028	23,120,187	25,928,208	26,127,909	21,402,980	24,825,186
High Speed Rail										
No. of projects undertaken	1	1	1	1	1	1	1	1	1	1
Grants & Contracts Revenue \$	32,989	42,594	98,354	137,330	21,200	263,579	281,779	290,593	339,370	317,393
Aviation										
No. of projects undertaken	1	3	3	2	1	1	1	1	1	1
Grants & Contracts Revenue \$	276,933	266,702	884,816	461,819	347,880	196,948	579,242	550,584	267,597	231,660
Environmental										
No. of projects undertaken	2		7	9	6	13	1	5	20	17
Grants & Contracts Revenue \$	49,467		2,401,731	2,881,315	587,435	1,601,570	1,587,158	1,448,295	6,592,728	5,144,977
Housing										
No. of projects undertaken			2	2	2	3	3	2	9	9
Grants & Contracts Revenue \$			1,306,547	1,345,833	2,088,856	1,599,668	1,176,694	960,528	3,187,930	2,032,313
Sustainability Initiatives										
No. of projects undertaken				6	9	12	14	25	28	41
Grants & Contracts Revenue				6,200,905	6,089,132	2,511,049	5,457,158	7,345,383	7,098,027	8,719,261

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 20 – Capital Assets Statistics by Function
Last Ten Fiscal Years

No capital assets indicators are available to SCAG.

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

The Honorable Members of the Regional Council
Southern California Association of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments (SCAG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SCAG's basic financial statements, and have issued our report thereon dated December 20, 2018. Our report included an emphasis of matter regarding SCAG's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCAG's financial statements are free from 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. 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*.

Purpose of this Report

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



Rancho Cucamonga, California
December 20, 2018

Comprehensive Annual FINANCIAL REPORT | 2018

YEAR ENDED JUNE 30, 2018

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