

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Comprehensive Annual FINANCIAL REPORT | 2017

FINANCE DEPARTMENT 
BASIL PANAS
Chief Financial Officer
Administration Division



YEAR ENDED
JUNE 30, 2017

S O U T H E R N C A L I F O R N I A A S S O C I A T I O N O F G O V E R N M E N T S

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BASIL PANAS
Chief Financial Officer
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YEAR ENDED
JUNE 30, 2017

**SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS**

**Comprehensive Annual Financial Report
Year Ended June 30, 2017
With Independent Auditors' Report**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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**INTRODUCTORY
SECTION**



November 22, 2017

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Honorable Margaret Finlay, President, and
Members of the Regional Council
Southern California Association of Governments
818 West Seventh Street, 12th Floor
Los Angeles, CA 90017

*Subject: SCAG's Comprehensive Annual Financial Report for Fiscal Year
2016/17*

REGIONAL COUNCIL OFFICERS

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Michele Martinez, Santa Ana
First Vice President
Margaret E. Finlay, Duarte
Second Vice President
Alan Wapner, Ontario
Immediate Past President
Cheryl Viegas-Walker, El Centro

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Community, Economic &
Human Development
Bill Jahn, Big Bear Lake
Energy & Environment
Carmen Ramirez, Oxnard
Transportation
Barbara Messina, Alhambra

Dear President Finlay and Members of the Regional Council:

As Executive Director and Chief Financial Officer for the Southern California Association of Governments (SCAG), we hereby submit to you SCAG's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

This Letter of Transmittal is the first item in the introductory section of the CAFR. Its purpose is firstly to provide readers with general financial information about the basic financial statements in the CAFR and to give some general comments to assist the reader in assessing SCAG and its financial condition. The second purpose is to give readers a profile of SCAG, including its governance, organization, planning mandates and requirements, and at the same time, to highlight several significant planning programs mandated by Federal and State requirements, which were successfully managed in FY 2016/2017.

We have also prepared a narrative Management 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 this Letter of Transmittal and the following attachments:

- Listing of the Officers and Members of the Regional Council,
- The SCAG Organizational Chart,
- The SCAG Finance Division Organizational Chart, and
- The Certificate of Achievement for Excellence in Financial Reporting awarded to SCAG by the Government Finance Officers Association in recognition of our FY 2015/16 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, 2016. This was the fourteenth 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, 2017 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, 2017 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 2016/17 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.

- 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.
- To implement the 2012 RTP/SCS, SCAG initiated a successful call for projects in 2013 which funded 70 projects with \$8.9 million SCAG funding in following three major categories: integrated land use planning, active transportation and green region initiatives. In addition, as follow up to implement the 2016 RTP/SCS and lay 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 to be made available through SB1, the Road Repair and Accountability Act of 2017, can provide the wherewithal to further expand the benefits of the SPG program.
- Strategically deploy SCAG's TDA funding to maximize its leverage as match funding for critical projects.
- Utilize SCAG's position as a regional convener and 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. Once the update has been completed in the fall of 2017, it 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.

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 regional transportation planning agency in the nation, functioning as the Metropolitan Planning Organization (MPO) for six counties in the Southern California area. SCAG represents:

- Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties
- 191 cities
- 16 federally-recognized tribal governments; and comprises:
- 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/Sustainability 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 within the six-county region, and 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 areas, 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, in turn, 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 achievement 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-term as well as the long-term. New and expanded focus areas for the 2016 RTP/SCS included innovations in transportation technology, public health, and conservation of natural and farm lands.

Given the size and complexity of our region, by necessity 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. Accordingly, it must be amended occasionally between the regular four-year updates, 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.

(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 State (Caltrans), the 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 2019 FTIP which will be presented to SCAG's Transportation Committee for approval in September 2017, followed by the Regional Council review and approval in October 2017.

(c) Conformity with Federal Air Quality Standards

In developing the RTP and FTIP, SCAG is responsible for ensuring that the projects included in these transportation plans help the region maintain conformity with federal air quality standards as required by the Clean Air Act. Failure to conform to federal air quality standards could result in the federal agencies rejecting the RTP and FTIP, and consequently withholding funding for Southern California's critical transportation needs.

(d) Integrated Growth Forecast

SCAG is responsible for producing socio-economic estimates and projections at multiple geographic levels and in multiple years. It does this following policy direction from the SCAG Community, Economic and Human Development (CEHD) Policy Committee. In addition, SCAG works closely with an expert panel of economists and demographers, the California Department of Finance (DOF), 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 Plan. The last two 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) as Integral Part of RTP

Required by SB 375 (Steinberg), SCAG developed the SCS as an integral part of the RTP by reaching out to local jurisdictions to determine the range of land use and transportation priorities; developing a related series of scenarios for regional growth; and ultimately selecting a "preferred scenario" to help guide the strategies, programs and projects detailed in the Plan.

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, if implemented, meet State currently-established 2020 and 2035 regional greenhouse gas (GHG) emissions reduction targets. ARB staff's evaluation showed SCAG used technical methodologies that would accurately quantify GHG reductions. During FY 2016/17, staff has actively participated in ARB's SB 375 Target Update process which is scheduled to be finalized in the fall of 2017.

(b) Development of the Regional Housing Needs Assessment Plan

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 process. The RHNA Allocation Plan 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 RHNA Allocation Plan, which was adopted by the Regional Council in October 2012 covers the planning period from October 2013 to October 2021.

In response to challenges raised during the development of the 5th cycle RHNA Allocation Plan, the Regional Council established the RHNA and Housing Element Reform Subcommittee to discuss and review possible reforms to the RHNA and housing element processes. The Subcommittee's recommendations, which were approved by the Regional Council at its May 2015 meeting, have been shared with other MPOs and the California Department of Housing and Community Development (HCD) for possible reform at the statewide level. In addition, some of the adopted recommendations from the Reform Subcommittee will be reviewed for the 6th cycle RHNA process, which is anticipated to begin in 2018. As part of the development of the 6th cycle RHNA, SCAG will convene a RHNA Subcommittee that will review and recommend RHNA policies, procedures, and methodology for adoption by the Regional Council. This Subcommittee will also be responsible for reviewing and determining revision requests and appeals for the RHNA process.

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

SCAG is responsible for developing a portion of the Air Quality Management Plan (AQMP) prepared by the South Coast Air Quality Management District (SCAQMD), the lead agency. Specifically, SCAG is required to develop the socio-economic and travel activity projections and the regional transportation strategy and control measures portion of the AQMP about every three years. SCAG has prepared its portion of the Draft 2016 South Coast AQMP based on the adopted 2016 RTP/SCS and submitted it to SCAQMD for inclusion in the Draft 2016 AQMP for public review.

After the public review, SCAG's portion was included in the Final 2016 South Coast AQMP adopted on March 3, 2017 and submitted to the California Air Resources Board and the U.S. Environmental Protection Agency for approval.

(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 undertakes the appropriate environmental review of the RTP/SCS. This

mostly involves the preparation of a Program Environmental Impact Report (PEIR) for the RTP/SCS and other appropriate environmental documents when SCAG is the Lead Agency under the CEQA. The Regional Council reviewed and certified the PEIR for the 2016 RTP/SCS in April 2016, and subsequently approved Addendum No. 1 and Addendum No. 2 to the PEIR for the 2016 RTP/SCS on April 6, 2017 and July 6, 2017, respectively. Additionally, pursuant to Presidential Executive Order 12372, SCAG is the authorized regional agency responsible for Inter-Governmental Review (IGR) of programs proposed for federal financial assistance (e.g., applications for federal grants and financial assistance programs) and development activities. SCAG reviews environmental documents of projects of regional significance for consistency with regional planning goals pursuant to the CEQA and 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 FY16-17 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 million since FY 2011/12 to continue its level of operations. SCAG is also looking forward to 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 of the members of the management team at SCAG, we express our sincere gratitude to you, President Finlay, and to all the 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 and 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,



Hasan Ikhata

Executive Director



Basil Panas

Chief Financial Officer

VISION

An international and regional planning forum trusted for its leadership and inclusiveness in developing plans and policies for a sustainable Southern California.

MISSION

Under the guidance of the Regional Council and in collaboration with our partners, our mission is to facilitate a forum to develop and foster the realization of regional plans that improve the quality of life for Southern Californians.

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 – under provisions of the “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users” (SAFETEA-LU). 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.

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First Vice President Alan D. Wapner, Ontario
Second Vice President Bill Jahn, Big Bear Lake
Immediate Past President Michele Martinez, Santa Ana

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San Bernardino County Curt Hagman, San Bernardino County • James Mulvihill, San Bernardino • Ray Marquez, Chino Hills • L. Dennis Michael, Rancho Cucamonga • 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

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

Orange County Transportation Authority Richard D. Murphy, Los Alamitos

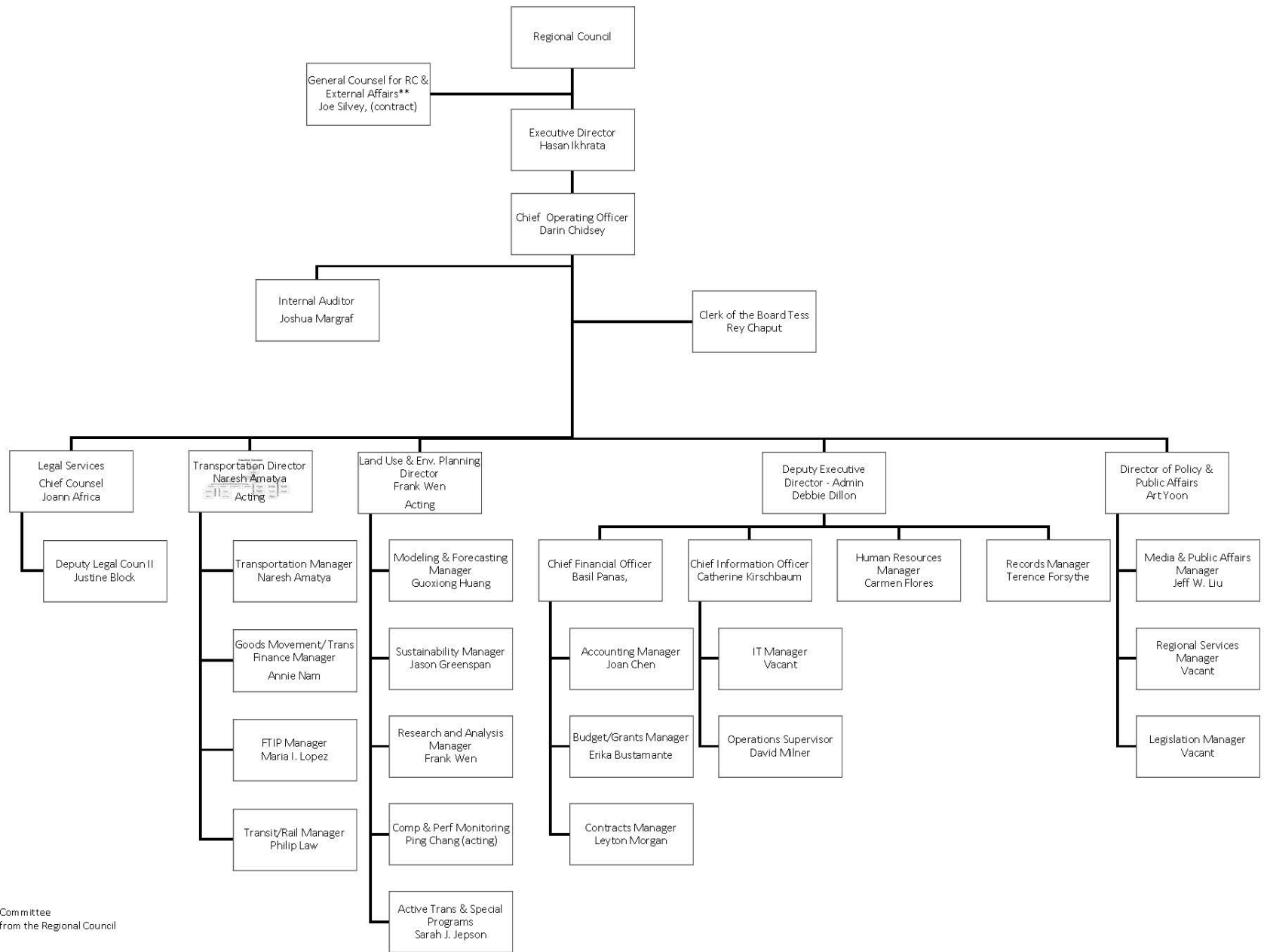
Riverside County Transportation Commission Jan Harnik, Palm Desert

San Bernardino County Transportation Authority Alan D. Wapner, Ontario

Ventura County Transportation Commission Mike T. Judge, Simi Valley

Transportation Corridor Agencies Ross Chun, Aliso Viejo

SCAG Organization Chart – June 30, 2017



* Report to Audit Committee
 ** Takes direction from the Regional Council

Finance Division – June 30, 2017





Government Finance Officers Association

**Certificate of
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Presented to

**Southern California
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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

**FINANCIAL
SECTION**



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, 2017, 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, 2017, 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.

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 4-14, the budgetary comparison information on pages 46-52, 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 53-54, 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 55-56, the Schedule of Funding Progress on page 57 and related notes on page 58 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 November 20, 2017, 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCAG's internal control over financial reporting and compliance.



Rancho Cucamonga, California
November 20, 2017

**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

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, 2017. 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 2016-2017.

FINANCIAL HIGHLIGHTS

Revenues decreased to \$42.1 million in FY 2016-2017 from \$43.5 million in FY 2015-2016, a decrease of \$1.4 million, or 3.2%.

Federal revenues decreased by \$1.2 million; state revenues increased by \$0.06 million; local revenues increased by \$0.2 million; and General Fund revenues decreased by \$0.4 million.

Net position decreased by \$1 million to (\$12.0 million). The decrease was attributable to higher operating costs.

Cash increased by \$0.9 million; receivables decreased by \$0.4 million; and accounts payable and contracts payable increased by \$1.1 million, all compared to FY 2015-2016.

Cash balances were adequate to support operations. There were no draws on SCAG's line of credit in FY 2016-2017.

Receivables decreased \$0.4 million to \$7.6 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 \$1.1 million to \$4.6 million. All AP obligations are current.

The unfunded net pension liability of \$36.0 million increased \$7.8 million from \$28.2 million last year.

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, 2017

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 21 to 45 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 2016-2017, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11.98 million, a decrease of \$1 million from FY 2015-2016.

The following is a summary of net positions as of June 30, 2017 and 2016:

	June 30	
	2017	2016
Current and other assets	\$ 21,462,676	\$ 19,553,554
Capital assets, net	1,231,475	1,626,539
Total assets	22,694,151	21,180,093
Deferred outflows of resources	8,506,029	3,660,760
Current liabilities	6,324,454	5,108,300
Noncurrent liabilities	36,573,223	28,951,982
Total liabilities	42,897,677	34,060,282
Deferred inflows of resources	283,671	1,752,609
Net position		
Invested in capital assets	1,231,475	1,626,539
Restricted	9,306,432	8,834,336
Unrestricted	(22,519,075)	(21,432,913)
Total net position	\$ (11,981,168)	\$ (10,972,038)

Cash and Cash Equivalents

Over the last year, cash and cash equivalents has increased \$0.9 million to \$11.6 million. During that same period, cash as a percentage of total assets remained the same as 51%.

Included in cash were \$10.4 million of TDA, and \$0.5 million of member dues for FY 2017-2018 received in FY2016-2017.

Accounts Receivable (AR)

ARs from federal, state, local and other agencies at the end of FY 2016-2017 were \$7.6 million compared to \$7.9 million the year before. AR balances represented 33% of total assets compared to 37% in FY 2015-2016.

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 \$6.2 million were \$0.5 million less than last year. State receivables increased by \$0.1 million to \$0.9 million. Local grants and contracts receivable remained at \$0.3 million. Other receivables also remained at \$0.1 million.

Accounts and Contracts Payable (AP)

During FY 2016-2017, SCAG met its goal of paying 95% of invoices within 30 days in eleven of the twelve months. The AP balance increased from \$3.5 million to \$4.6 million.

Line of Credit (LOC)

During FY 2016-2017, 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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2017

Capital Assets

Net investment in net capital assets is \$1,231,475. 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	
	2017	2016
Computer equipment and software, net	\$ 1,206,943	\$ 1,555,055
Leasehold improvements, net	20,885	29,727
Furniture and fixtures, net	3,647	41,757
	\$ 1,231,475	\$ 1,626,539

Statements of Activities

	Years ended June 30	
	2017	2016
REVENUES		
Charges for services - member dues	\$ 1,939,700	\$ 1,900,950
Operating grants and contributions	39,672,312	40,616,883
General revenues:		
Interest income	114,318	92,093
Gain on disposition of capital assets	-	343,314
Other revenue	380,230	542,022
	42,106,560	43,495,262
EXPENSES		
Transportation	20,850,519	30,851,350
Aviation	267,597	575,716
Environmental	7,054,453	1,459,853
High-speed rail	339,370	290,497
Housing	3,222,728	981,416
Sustainability initiatives	7,521,696	7,506,301
Administration	3,859,327	2,138,873
	43,115,690	43,804,006
Change in net position	(1,009,130)	(308,744)
Net position - beginning	(10,972,038)	(10,663,294)
Net position - ending	\$ (11,981,168)	\$ (10,972,038)

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2017

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 2016-2017 were \$42.1 million compared to \$43.5 million last year. This is a decrease of \$1.4 million or about 3.2%.

The decrease in net position is due to higher operating costs.

Major Expenses

In FY 2016-2017, salary expenses were \$12.4 million which included non-worktime (e.g., vacation leave, sick leave, and holiday). The comparable amount in FY 2015-2016 was also \$12.4 million. Salaries, including non-worktime, represent about 29% of total expenses.

Consultant expenses are the next largest expense line item. They decreased \$1.3 million to \$10.5 million in FY 2016-2017 from \$11.8 million in FY 2015-2016. They represent about 24% 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 2016-17 SCAG made pass-through payments, in the amount of \$4.1 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 \$25.8 million in FY 2016-2017 compared to \$26.1 million in FY 2015-2016. FHWA PL and FTA 5303 revenues amounted to \$18.2 million and \$7.6 million, respectively, in FY 2016-2017.

Salaries and fringe benefits accounted for \$12.8 million, consultant expenses were \$2.0 million and the balance consisted of indirect overhead of \$10.2 million and other direct project costs of \$0.8 million. Other direct project expenses include professional services, travel, printing and other non-labor costs.

FTA Section 5339 Bus and Bus Facilities

As the Designated and Direct Recipient, SCAG is responsible for passing the funds through to eligible sub-recipients and for ongoing monitoring and compliance of the grant program. For FY 2015-2016, approximately \$31.1 million was appropriated to the SCAG region. For FY2016-2017, approximately \$32.1 million was appropriated to the SCAG region. During FY 2016-2017, the program was continued, with some modifications in the recently authorized Fixing America's Surface Transportation (FAST) Act.

Other Federal Grants

In addition to the two metropolitan planning funding programs under the federal Consolidated Planning Grant (CPG) as well as the FTA Section 5339 Bus and Bus Facilities funds, there are eight federal grant programs awarded to SCAG to fund specific project activities.

FTA Section 5316 Jobs Access and Reverse Commute (JARC) and 5317 New Freedom

SCAG is responsible for the administration of the program fund allocations for Riverside and San Bernardino counties and to ensure that projects that are selected are included in the Federal Transportation Improvement Program and the State Transportation Improvement Plan.

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

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. SCAG also applied and 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. For both grant programs, SCAG is responsible for passing the funds through and ongoing monitoring and compliance of the grant program.

Other Federal Grants (SCAG as a Sub-Recipient)

FTA Section 5304 and FHWA Partnership Planning

The total FTA Section 5304 and FHWA Partnership Planning budget for FY 2016-2017 was approximately \$3.4 million. The total amount expended for these two grant programs was about \$1.2 million in FY 2016-2017. The unused balance for grants not expiring at the end of fiscal year are carried forward to FY 2017-2018 and future years, if needed, subject to authorization from Caltrans.

FHWA Value Pricing Pilot (VPP) Program

SCAG received a grant award in the amount of \$916,802 from FHWA and continued to implement the Value Pricing Pilot Program, Express Travel Choices Phase III during FY 2016-2017. Caltrans is the

Direct Recipient of the funds from FHWA and SCAG is responsible for managing the program. Phase II of the project was funded in prior years from the same source in the amount of \$3.2 million.

FHWA Greenhouse Gas and Energy Analysis Demonstration

SCAG received a grant award in the amount of \$60,000 from FHWA and continued to implement the Solicitation for Demonstration Projects: Planning-Level Greenhouse Gas and Energy Analyses during FY 2016-2017. Caltrans is the Direct Recipient of the funds from FHWA and SCAG is responsible for managing the program. The funds are used for the First Last Mile Greenhouse Demonstration Analysis.

FHWA Active Transportation Program

SCAG received a grant award in the amount of \$2.3 Million from FHWA and continued to implement the Active Transportation Program during FY 2016-2017. Caltrans is the Direct Recipient of the funds from FHWA and SCAG is responsible for managing the program. The funds are used for the Southern California Active Transportation Safety & Encouragement Campaign.

Office of Traffic Safety Active Transportation Safety

SCAG received a grant award in the amount of \$500,000 from Office of Traffic Safety for Active Transportation Safety and Encouragement Campaign. The funds are used to conduct a regional active transportation safety and encouragement campaign to reduce bicycle and pedestrian collisions.

Department of Energy, Energy Efficiency & Renewable Energy

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

State Grants

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 to continue its efforts on this project.

SCAG received three grants from the Strategic Growth Council (SGC). The Proposition 84 Sustainable Communities Planning Grant Program Round 2 SGC grant awarded is \$1 million and Round 3 grant awarded is \$983,541. Additionally, SCAG received a grant from the Affordable Housing and Sustainable Communities (AHSC) Program in the amount of \$189,948.

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. 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. In June 2017, SCAG also received a grant award in the amount of \$2,500,000 directly from SCAQMD for the AB2766/MSRC funding program. The funds will be used to continue implementing the Go Human Program during FY 2017-2018.

SCAG also received a grant award in the amount of \$643,000 from the Caltrans Active Transportation Program. The funds will be 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 \$6.0 million compared to \$5.8 million in FY 2015-2016, consisting of local match, mostly Transportation Development Act (TDA) funding. The TDA Fund, a major fund, had revenues of \$5.7 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 increased \$0.5 million in FY 2016-2017 to \$9.3 million due to unspent budget, but is expected to decline in FY18 as commitments of \$8.9 million have been made against the fund balance and the revenues of FY18.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2017

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 2016-2017, fund balance increased by \$0.2 million mainly due unspent capital expenditures.

	Years ended June 30	
	2017	2016
Revenues:		
Membership assessments	\$ 1,939,700	\$ 1,900,950
General assembly	327,515	351,165
Gain on disposition of capital assets	-	343,314
Interest and other	167,033	282,950
Total revenues	2,434,248	2,878,379
 Expenditures:		
Transportation	53,949	199,508
Housing	-	19,558
Administration	2,138,062	1,543,263
Indirect cost	12,586,074	11,606,931
Indirect cost recovery	(11,403,493)	(10,516,364)
Under-recovery of indirect cost	(1,182,581)	(1,090,567)
Total expenditures	2,192,011	1,762,329
Deficiency of revenues over expenditures	242,237	1,116,050
 Other financing sources:		
Transfer out	(2,198)	-
Change in fund balance	240,039	1,116,050
Fund balance, beginning of year	6,412,772	5,296,722
Fund balance, end of year	\$ 6,652,811	\$ 6,412,772

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 2016-2017 to \$1,939,700 from \$1,900,950 in FY 2015-2016, an increase of 2.0 %. This resulted from the automatic dues increase equivalent to the Consumer Price Index provided for in the Bylaws. At the end of FY 2016-2017, only two cities on the entire SCAG region were not members.

Other GF Revenues and Interest Income

Total other revenues decreased in FY 2016-2017 to \$167,033 from \$282,950 in FY 2015-2016. In FY 2015-16 there was a one-time revenue of \$343,314 which represented a fixed asset valuation adjustment.

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 \$2.4 million compared to the budget of \$3.4 million, a positive variance of \$1.0 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's budget included the revenues and expenditures related to a large leasehold improvement which did not occur. Thus there was a large negative variance in the General Fund's revenues which was offset by a large positive variance in expenditures.

Next Year's Budgets

SCAG's aggregate grant budget, called the Overall Work Program (OWP), for FY 2017-2018 is \$46.8 million compared to the grant budget in FY 2016-2017 of \$66.0 million, a net decrease of \$19.2 million or 29% due to lower pass-through payments of Sec. 5339 monies. Leaving aside those pass-through payments, most FY 2017-2018 OWP funding comes from the Federal government (74%), 20% comes from local sources, and 6% from the State of California.

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, 16th Floor, Los Angeles, California 90017.

**BASIC
FINANCIAL
STATEMENTS**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Net Position

June 30, 2017

ASSETS

Cash and cash investments	\$ 11,649,240
Receivables:	
Federal grants	6,213,492
State grants and contracts	900,869
Local grants and contracts	354,503
Other	115,218
Prepays	913,678
Other assets	13,646
Under-recovery of indirect costs	1,302,030
Capital assets, net	1,231,475
Total Assets	<u>22,694,151</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	<u>8,506,029</u>
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LIABILITIES

Accounts and contracts payable	4,598,221
Accrued liabilities	309,376
Advances from grantors	88,942
Unearned revenues	506,894
Noncurrent liabilities:	
Due within one year	821,021
Due in more than one year	36,573,223
Total Liabilities	<u>42,897,677</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	<u>283,671</u>
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NET POSITION

Net investment in capital assets	1,231,475
Restricted for:	
Transportation projects	9,306,432
Unrestricted	(22,519,075)
Total Net Position	<u>\$ (11,981,168)</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year Ended June 30, 2017

		Program Revenues		
	Expenses	Charges for Services - Member Dues	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Functions/programs:				
Transportation	\$ 20,838,392	\$ -	\$ 21,266,468	\$ 428,076
Aviation	267,597	-	267,597	-
Environmental	7,054,453	-	7,054,453	-
High-speed rail	339,370	-	339,370	-
Housing	3,222,728	-	3,222,728	-
Sustainability initiative	7,521,696	-	7,521,696	-
Administration	3,871,454	1,939,700	-	(1,931,754)
Total Governmental Activities	\$ 43,115,690	\$ 1,939,700	\$ 39,672,312	(1,503,678)
General revenues:				
Interest income				114,318
Other revenue				380,230
Total General Revenues				494,548
Change in net position				(1,009,130)
Net Position, Beginning of Year				(10,972,038)
Net Position, End of Year				\$ (11,981,168)

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**Balance Sheet
Governmental Funds
June 30, 2017**

	General Fund	FTA 5303 Fund	FHWA PL Fund	TDA Fund	Nonmajor Funds	Total
ASSETS						
Cash and cash equivalents	\$ 11,649,240	\$ -	\$ -	\$ -	\$ -	\$ 11,649,240
Receivables:						
Federal grants	-	1,959,523	2,681,661	-	1,572,308	6,213,492
State grants and contracts	-	-	-	-	900,869	900,869
Local grants and contracts	-	-	-	230,606	123,897	354,503
Other	115,218	-	-	-	-	115,218
Due from other funds	-	-	-	10,403,541	68,028	10,471,569
Prepays	913,678	-	-	-	-	913,678
Other assets	13,646	-	-	-	-	13,646
Under-recovery of indirect costs	1,302,030	-	-	-	-	1,302,030
Total Assets	<u>\$ 13,993,812</u>	<u>\$ 1,959,523</u>	<u>\$ 2,681,661</u>	<u>\$ 10,634,147</u>	<u>\$ 2,665,102</u>	<u>\$ 31,934,245</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts and contracts payable	\$ 730,063	\$ 1,089,113	\$ 33,258	\$ 1,327,715	\$ 1,418,072	\$ 4,598,221
Accrued liabilities	309,376	-	-	-	-	309,376
Due to other funds	5,794,668	870,410	2,648,403	-	1,158,088	10,471,569
Advances from grantors	-	-	-	-	88,942	88,942
Unearned revenues	506,894	-	-	-	-	506,894
Total Liabilities	<u>7,341,001</u>	<u>1,959,523</u>	<u>2,681,661</u>	<u>1,327,715</u>	<u>2,665,102</u>	<u>15,975,002</u>
Fund balances						
Nonspendable for:						
Prepays and other assets	927,324	-	-	-	-	927,324
Restricted:						
Transportation	-	-	-	9,306,432	-	9,306,432
Unassigned:						
General fund	5,725,487	-	-	-	-	5,725,487
Total Fund Balances	<u>6,652,811</u>	<u>-</u>	<u>-</u>	<u>9,306,432</u>	<u>-</u>	<u>15,959,243</u>
Total Liabilities and Fund Balances	<u>\$ 13,993,812</u>	<u>\$ 1,959,523</u>	<u>\$ 2,681,661</u>	<u>\$ 10,634,147</u>	<u>\$ 2,665,102</u>	<u>\$ 31,934,245</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, 2017

Total governmental fund balances	\$ 15,959,243
Amounts reported for governmental activities in the accompanying statement of net position are different because:	
Capital assets, net of accumulated depreciation of \$6,042,714 used in governmental activities are not financial resources; they are therefore, not reported in the governmental funds financial statements	1,231,475
Other 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	(54,406)
Compensated absences liabilities are not due and payable at year end; they are therefore, not reported in the governmental funds financial statements	(1,363,970)
Net pension liabilities are not due and payable at year end; they are therefore, not reported in the governmental funds financial statements	(35,975,868)
Deferred outflows of resources related to pensions are not considered financial resources and are not reported in the governmental funds	8,506,029
Deferred inflows of resources related to pensions are not available to pay for current period expenses and are not reported in the governmental funds	<u>(283,671)</u>
Net Position	<u><u>\$ (11,981,168)</u></u>

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, 2017

	<u>General Fund</u>	<u>FTA 5303 Fund</u>	<u>FHWA PL Fund</u>	<u>TDA Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:						
Federal grants, net	\$ -	\$ 7,646,620	\$ 18,159,576	\$ -	\$ 6,897,742	\$ 32,703,938
State grants and contracts	-	-	-	-	994,427	994,427
Local grants and contracts	-	-	-	5,721,383	252,564	5,973,947
Membership assessments:						
Cities	1,543,468	-	-	-	-	1,543,468
Counties	297,899	-	-	-	-	297,899
Commission	85,000	-	-	-	-	85,000
Transportation corridor agency	10,000	-	-	-	-	10,000
Air districts	3,333	-	-	-	-	3,333
General assembly	327,515	-	-	-	-	327,515
Interest and other	167,033	-	-	-	-	167,033
Total Revenues	<u>2,434,248</u>	<u>7,646,620</u>	<u>18,159,576</u>	<u>5,721,383</u>	<u>8,144,733</u>	<u>42,106,560</u>
Expenditures:						
Transportation	53,949	2,984,773	9,074,223	2,488,223	6,237,224	20,838,392
Aviation	-	-	267,597	-	-	267,597
Environmental	-	1,544,780	4,002,595	750,866	756,212	7,054,453
High-speed rail	-	339,370	-	-	-	339,370
Housing	-	1,312,434	1,299,932	543,351	67,011	3,222,728
Sustainability initiatives	-	1,465,263	3,503,102	1,471,847	1,081,484	7,521,696
Administration	2,138,062	-	-	-	-	2,138,062
Capital outlay	-	-	12,127	-	-	12,127
Indirect cost	12,586,074	-	-	-	-	12,586,074
Indirect cost recovery	(11,403,493)	-	-	-	-	(11,403,493)
Under-recovery of indirect costs	(1,182,581)	-	-	-	-	(1,182,581)
Total Expenditures	<u>2,192,011</u>	<u>7,646,620</u>	<u>18,159,576</u>	<u>5,254,287</u>	<u>8,141,931</u>	<u>41,394,425</u>
Excess of revenues over expenditures	<u>242,237</u>	<u>-</u>	<u>-</u>	<u>467,096</u>	<u>2,802</u>	<u>712,135</u>
Other financing sources (uses)						
Transfers in	-	-	-	5,000	2,198	7,198
Transfers out	(2,198)	-	-	-	(5,000)	(7,198)
Change in fund balance	240,039	-	-	472,096	-	712,135
Fund Balances, Beginning of Year	<u>6,412,772</u>	<u>-</u>	<u>-</u>	<u>8,834,336</u>	<u>-</u>	<u>15,247,108</u>
Fund Balances at end of year	<u>\$ 6,652,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,306,432</u>	<u>\$ -</u>	<u>\$ 15,959,243</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, 2017

Change in fund balances - total governmental funds	\$	712,135
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	\$	12,127
Depreciation expense	<u>(407,191)</u>	(395,064)
Compensated absences and other long-term liabilities 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		80,489
Other long-term liabilities		27,147
Governmental funds report retirement/pension contributions as expenditures in governmental funds. Such amounts are reported as deferred outflow of resources on full accrual basis.		
		3,007,367
Pension expense is reported on the statement of activities		(4,441,204)
Change in net position of governmental activities	<u>\$</u>	<u>(1,009,130)</u>

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 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. Other 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 issued, not yet effective

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements prior to June 30, 2017, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*.
- GASB Statement No. 84, *Fiduciary Activities*.
- GASB Statement No. 85, *Omnibus 2017*.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*.
- GASB Statement No. 87, *Leases*.

K. 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.

L. 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.

M. Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance Reporting (continued)

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).

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, 2017.

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	\$ 1,438,992
Cash and cash equivalents in County of Los Angeles Treasury	10,209,248
Petty cash	1,000
	\$ 11,649,240

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits

At June 30, 2017 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.

At June 30, 2017 SCAG’s carrying amount of cash in checking and payroll accounts was \$1,438,992 while the bank balance was \$1,530,284; the difference is attributable to outstanding checks. All of a depositor’s accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. As of June 30, 2017, SCAG’s cash in bank balance in excess of the amount insured amounted to \$1,280,284.

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 custodial risk of the investments are considered to be of the lowest degree and consistent with SCAG’s investment policy. The table also identifies certain provisions of SCAG’s investment policy that addresses interest rate risk and concentration of credit risk.

<u>Description</u>	<u>Maximum Maturities</u>	<u>Maximum Concentration</u>	<u>Maximum in One Issuer</u>
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)	(per state limit)	100%	None
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, 2017 and as permitted by California Government Code Section 53635, a portion of SCAG’s cash balance totaling \$10,209,248 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, 2017, 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, 2017, the weighted average maturity for the County pool approximated 672 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, 2017 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 \$119,449 was carried forward from FY 2015-2016 and added to the under-recovered indirect costs for FY 2016-2017. The under-recovered amount at June 30, 2017 is included in the General Fund and presented as an asset. The fixed percentage rate that was approved by Caltrans and used for FY 2016-2017 was 79.54% of salaries plus fringe benefits. A recap of the carryforward amount follows:

	Indirect Costs
Indirect costs	\$ 12,586,074
Indirect costs recovered	11,403,493
(Over) under-recovered indirect costs	1,182,581
(Over) under-recovered indirect costs, beginning of year	119,449
(Over) under-recovered indirect costs, end of year	\$ 1,302,030

The balance of under-recovered indirect costs at June 30, 2017 amounting to \$1,302,030 will be carried forward as an adjustment to the calculation of the indirect cost carryforward for FY 2017-2018.

NOTE 4 – UNEARNED REVENUE AND ADVANCES FROM GRANTORS

Unearned revenue consisted of the following:

A. Membership Dues

Cash received as of June 30, 2017 for member dues for the following year amounted to \$506,894. 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, 2017 amounted to \$88,942. 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, 2017

NOTE 5 – CAPITAL ASSETS

SCAG’s capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:				
Computer equipment and software	\$ 6,760,696	\$ 12,127	\$ (148,080)	\$ 6,624,743
Leasehold improvements	209,867	-	-	209,867
Furniture and fixtures	439,579	-	-	439,579
Total Capital Assets Being Depreciated	<u>7,410,142</u>	<u>12,127</u>	<u>(148,080)</u>	<u>7,274,189</u>
Less accumulated depreciation and amortization:				
Computer equipment and software	(5,205,641)	(360,239)	148,080	(5,417,800)
Leasehold improvements	(180,140)	(8,842)	-	(188,982)
Furniture and fixtures	(397,822)	(38,110)	-	(435,932)
Total Accumulated Depreciation and Amortization	<u>(5,783,603)</u>	<u>(407,191)</u>	<u>148,080</u>	<u>(6,042,714)</u>
Capital Assets, Net	<u>\$ 1,626,539</u>	<u>\$ (395,064)</u>	<u>\$ -</u>	<u>\$ 1,231,475</u>

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

Transportation	\$ 224,117
Aviation	2,810
Environmental	69,019
High speed rail	3,543
Housing	33,390
Sustainability initiatives	74,312
	<u>\$ 407,191</u>

NOTE 6 – INTERFUND BALANCES

The interfund due to/from amounts at June 30, 2017 we as follows:

	Due From Other Funds	Due to Other Funds
Major governmental funds:		
General fund	\$ -	\$ 5,794,668
FTA 5303 fund	-	870,410
FHWA PL fund	-	2,648,403
TDA fund	10,403,541	-
Total	<u>10,403,541</u>	<u>9,313,481</u>
Non-Major Governmental Funds	<u>68,028</u>	<u>1,158,088</u>
	<u>\$ 10,471,569</u>	<u>\$ 10,471,569</u>

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, principally Caltrans, the pass-through agency for federal and state grantors. Any disallowed costs, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time.

B. Contract Commitments

At June 30, 2017, SCAG is contractually committed to pay for certain future transportation, technical and other planning consulting services amounting to \$14,332,227.

C. Lease Commitments

At June 30, 2017, minimum lease commitments under non-cancelable operating leases with initial terms of one year or more are as follows:

Year ending June 30	Amount
2018	\$ 930,769
2019	100,870
2020	642,528
2021	1,258,942
2022	1,303,172
2023-2027	7,331,300
2028-2032	8,919,931
2033-2034	2,509,214
Total	\$ 22,996,726

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 117 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.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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.

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.

For 2016-17 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

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 2016-17 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.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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 \$6,022,818. There is a \$5,000 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.

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 2016-17.

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, 2017, SCAG paid \$1,606,279 of health insurance premiums and \$236,932 of vision and dental insurance premiums, as well as \$570,799 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, 2017 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, 2017, SCAG management believes SCAG was in compliance with the financial covenants.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year Ended June 30, 2017

NOTE 9 – LONG-TERM LIABILITIES

Long-term liabilities primarily pertain to compensated absences and the net pension obligation. A summary of long-term liabilities and activity for the year ended Jun 30, 2017 follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due within One year
Compensated absences	\$ 1,444,459	\$ 858,751	\$ 939,240	\$ 1,363,970	\$ 774,708
Net pension liabilities - PARS	832,305	26,439	176,627	682,117	-
Net pension liabilities - PERS	27,395,519	12,077,926	4,179,694	35,293,751	-
Other liabilities	81,553	-	27,147	54,406	46,313
Total Governmental Activities	<u>\$ 29,753,836</u>	<u>\$ 12,963,116</u>	<u>\$ 5,322,708</u>	<u>\$ 37,394,244</u>	<u>\$ 821,021</u>

Net pension liabilities are liquidated from the General Fund.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the year ended June 30, 2017, SCAG recorded \$1,939,700 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, 2017 is presented below:

	CalPERS	PARS	Total
Deferred outflows - pensions	\$ 8,503,832	\$ 2,197	\$ 8,506,029
Net pension liability	35,293,751	682,117	35,975,868
Deferred inflows - pensions	283,671	-	283,671
Pension expenses (credits)	4,519,140	(150,715)	4,368,425

NOTE 11 – RETIREMENT PLANS (CONTINUED)

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.

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, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
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	18.595%	18.595%

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	191
Active employees	133
Total	<u>324</u>

NOTE 11 – RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

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, 2017 were \$2,934,588.

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
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, 2015 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.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. 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 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% 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.

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	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
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, 2017

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, 2015	\$ 106,530,227	\$ 79,134,708	\$ 27,395,519
Changes in the year:			
Service Cost	2,111,871	-	2,111,871
Interest on the total pension liability	8,138,979	-	8,138,979
Differences between expected and actual experience	1,778,383	-	1,778,383
Plan to plan resource movement	-	(465)	465
Contributions from the employer	-	2,688,004	(2,688,004)
Contributions from the employee	-	1,100,545	(1,100,545)
Net investment income	-	391,145	(391,145)
Benefit payments, including refunds of employee contributions	(5,945,299)	(5,945,299)	-
Administrative expenses	-	(48,228)	48,228
Net changes during measurement period	6,083,934	(1,814,298)	7,898,232
Balance at June 30, 2016	<u>\$ 112,614,161</u>	<u>\$ 77,320,410</u>	<u>\$ 35,293,751</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:

	Miscellaneous		
	1% Decrease (6.65%)	Current Discount rate (7.65%)	1% Increase (8.65%)
Net Pension Liability	\$ 48,746,285	\$ 35,293,751	\$ 24,024,358

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, 2017, SCAG recognized pension expense of \$4,519,140. At June 30, 2017, 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	\$ -	\$ 283,671
Differences between expected and actual experiences	1,371,843	-
Net differences between projected and actual earnings on plan investments	4,197,402	-
Contributions subsequent to measurement date	2,934,588	-
Total	\$ 8,503,833	\$ 283,671

\$2,934,588 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, 2018. 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		
2018	\$	1,252,223
2019		984,844
2020		1,942,183
2021		1,106,324
Total	\$	5,285,574

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 does not issue stand-alone financial reports.

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.

NOTE 11 – RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

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, 2017, are summarized as follows:

Employees Covered

At June 30, 2017, 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, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.58%
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, 2017, 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 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017. The Fiduciary Plan Net Position is \$22,779, leaving an unfunded liability, known as the Net Pension Liability of \$682,117.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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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, 2016	\$ 852,796	\$ 20,491	\$ 832,305
Interest on the total pension liability	23,351	-	23,351
Effect of economic/demographic gains or losses	(63,489)	-	(63,489)
Effect of assumption changes or inputs	(40,318)	-	(40,318)
Benefit payments	(67,444)	(67,444)	-
Contributions from the employer	-	72,779	(72,779)
Net investment income	-	41	(41)
Administrative expenses	-	(3,088)	3,088
Net changes during 2016-17	(147,900)	2,288	(150,188)
Balance at June 30, 2017	<u>\$ 704,896</u>	<u>\$ 22,779</u>	<u>\$ 682,117</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 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Net Pension Liability	\$ 738,345	\$ 682,117	\$ 632,619

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

For the year ended June 30, 2017, SCAG recognized a pension credit of (\$150,716). At June 30, 2017, the SCAG reported deferred inflows 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	\$ 2,197	\$ -

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		
2018	\$	727
2019		727
2020		492
2021		251
Total		2,197

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, 2017, plan assets totaling \$20,810,662 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

On August 30, 2007, SCAG elected to participate in the CalPERS California Employer’s Retiree Benefit Trust Program to prefund (“Prefunding Plan”) healthcare benefits for retirees through CalPERS. The Prefunding Plan was established to assist SCAG in prefunding payments of healthcare costs to retirees. CalPERS has sole and exclusive control and power over the administration and investment of the Prefunding Plan. CalPERS required SCAG to provide them with an acceptable actuarial report on the basis of the prescribed actuarial assumptions and methods. The first actuarial report was prepared by an independent actuary engaged by SCAG. A biennial actuarial report is required.

A retiree is fully vested and eligible to receive healthcare benefits under the Prefunding Plan, if designated by SCAG. At the end of the fiscal year 2016-2017, the actual number of retirees was 112. 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)

A. Plan Description (continued)

If SCAG’s participation in the Prefunding Plan terminates for reasons specified in the trust, all assets shall remain in the Prefunding Plan and will continue to be invested and accrue income. The Prefunding Plan will continue to provide healthcare benefits only so long as there are SCAG assets remaining. After 36 months have elapsed, SCAG may request the transfer of the assets in the Prefunding Plan account. The transfer will be made if the transfer will satisfy applicable requirements of the Internal Revenue Code and the CalPERS fiduciary duties.

B. Funding Policy

During the fiscal year 2016-2017, SCAG has paid to CalPERS the amount of \$958,020, sufficient to meet the Annual Required Contribution. During the year, retirees received the health benefit up to the monthly benefit maximum of \$550. The aggregate amount paid to retirees in the fiscal year was \$526,584. Any health premium over the \$550 is paid by the retiree directly to CalPERS. The method of calculating the annual required contribution (ARC) has been changed from a pay-as-you-go method to an advance funded plan based on an actuarial valuation. Accordingly, an actuarial valuation was performed by an independent actuary as of June 30, 2017. The actuarial methods and assumptions used were determined by the actuary.

C. Annual Postemployment Healthcare Cost

The amount of the actuarially determined annual postemployment healthcare cost for the year ended June 30, 2017 was \$958,020. It was calculated by using the June 30, 2015 actuarial valuation. There is no net OPEB obligation at the end of the year because 100% of the ARC was paid in 2017. The cost of the plan is charged to SCAG’s general and grant funds in accordance with a systematic cost allocation plan.

SCAG’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB obligation
June 30, 2015	\$ 902,369	100%	\$ -
June 30, 2016	929,440	100%	-
June 30, 2017	958,020	100%	-

NOTE 13 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017, the plan’s most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 9,631,904
Actuarial value of plan assets (AVA)	4,934,710
Unfunded actuarial accrued liability (UAAL)	4,697,194
Funded ratio (AVA/AAL)	51.2%
Covered payroll (active plan participants)	13,449,458
UAAL as a percentage of covered payroll	34.9%

E. Actuarial Methods and Assumptions

The actuarial cost method used for determining the benefit obligation is the Entry Age Normal Cost Method. The actuarial assumptions included using a 6.75% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% to 7% initially, reduced by decrements of approximately 0.5% per year to an ultimate rate of 5% after the fourth year. Both rates included a 2.8% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over initial 11-year basis. The amortization period used is closed. Normal cost and the amortization of the unfunded liability were both calculated as a level percent of payroll.

NOTE 14 – SUBSEQUENT EVENTS

SCAG’s board approved the termination of the lease for its office space at 818 W. 7th Street, Los Angeles before its scheduled expiry on December 31, 2019 in order to move its headquarters to 900 Wilshire Boulevard, Los Angeles. The planned termination date is December 31, 2017 by which time SCAG will have paid the current landlord the termination consideration amount of \$1,555,787 and vacated the premises at 818 W. 7th Street. The lease for the new office space is from January 1, 2018 through September 30, 2033.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Membership assessments:				
Cities	\$ 1,544,282	\$ 1,544,282	\$ 1,543,468	\$ (814)
Counties	297,899	297,899	297,899	-
Commissions	85,000	85,000	85,000	-
Transportation corridor agency	10,000	10,000	10,000	-
Air districts	10,000	10,000	3,333	(6,667)
	<u>1,947,181</u>	<u>1,947,181</u>	<u>1,939,700</u>	<u>(7,481)</u>
Leasehold improvement reimbursement	1,084,212	1,084,212	-	(1,084,212)
General assembly	284,500	284,500	327,515	43,015
Interest and other	140,000	140,000	167,033	27,033
Total Revenues	<u>3,455,893</u>	<u>3,455,893</u>	<u>2,434,248</u>	<u>(1,021,645)</u>
Expenditures:				
Transportation:				
Contractual and professional services	-	48,242	53,949	(5,707)
Total Transportation	<u>-</u>	<u>48,242</u>	<u>53,949</u>	<u>(5,707)</u>
Administration:				
Salaries and wages	90,543	90,543	102,764	(12,221)
Allocated fringe benefits	67,792	67,792	81,047	(13,255)
Allocated indirect costs	125,937	125,937	146,203	(20,266)
Contractual and professional services	534,000	422,258	433,831	(11,573)
Capital outlay >\$5,000	1,355,619	1,185,619	-	1,185,619
Interest and fees	15,000	10,000	16,259	(6,259)
Resources materials/subscription	-	1,500	1,340	160
Hardware, software support and equipment <\$5,000	-	-	2,941	(2,941)
Meetings and conferences	120,000	165,000	178,558	(13,558)
General assembly	500,000	500,000	496,545	3,455
SCAG memberships	36,250	58,250	86,820	(28,570)
Office supplies	25,000	27,500	27,716	(216)
Reproduction and printing	12,500	5,000	-	5,000
Stipend-RC Mtg	220,752	202,752	209,340	(6,588)
RC sponsorships	135,000	135,000	144,058	(9,058)
Economic and labor summit	80,000	200,000	199,892	108
Travel	105,500	131,500	145,803	(14,303)
Other	32,000	79,000	89,595	(10,595)
Total Administration	<u>3,455,893</u>	<u>3,407,651</u>	<u>2,362,712</u>	<u>1,044,939</u>
Total Expenditures	<u>3,455,893</u>	<u>3,455,893</u>	<u>2,416,661</u>	<u>1,039,232</u>
Excess of revenues over (under) expenditures	-	-	17,587	(2,060,877)
Other financing uses				
Transfers out	-	-	(2,198)	(2,198)
Change in fund balance	-	-	15,389	(2,063,075)
Fund balances, Beginning of Year	6,412,772	6,412,772	6,412,772	-
Fund Balances, End of Year	<u>\$ 6,412,772</u>	<u>\$ 6,412,772</u>	<u>\$ 6,428,161</u>	<u>\$ (2,063,075)</u>

See accompanying notes to required supplementary information.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ 9,764,061	\$ 10,477,250	\$ 7,646,620	\$ (2,830,630)
Expenditures:				
Transportation:				
Salaries and wages	596,364	551,444	533,092	18,352
Allocated fringe benefits	435,782	402,244	413,448	(11,204)
Allocated indirect costs	820,952	758,547	752,878	5,669
Contractual and professional services	1,691,601	2,302,458	1,173,264	1,129,194
SCAG memberships	6,000	6,000	-	6,000
Hardware, software support and equipment <\$5,000	-	-	18,495	(18,495)
Resources material/subscription	205,000	180,000	77,335	102,665
Meetings and conferences	5,425	5,425	1,470	3,955
Travel	30,501	30,501	14,772	15,729
Other	-	-	19	(19)
Total Transportation	<u>3,791,625</u>	<u>4,236,619</u>	<u>2,984,773</u>	<u>1,251,846</u>
Environmental:				
Salaries and wages	422,699	377,777	354,096	23,681
Allocated fringe benefits	305,754	272,216	272,281	(65)
Allocated indirect costs	579,399	516,994	498,221	18,773
Contractual and professional services	496,088	843,569	334,761	508,808
Resources materials/subscription	190,000	165,000	62,335	102,665
Hardware, software support and equipment <\$5,000	-	-	18,495	(18,495)
Meetings and conferences	5,425	5,425	1,470	3,955
Travel	14,001	14,001	3,102	10,899
Other	-	-	19	(19)
Total Environmental	<u>2,013,366</u>	<u>2,194,982</u>	<u>1,544,780</u>	<u>650,202</u>
Housing:				
Salaries and wages	398,070	353,150	334,268	18,882
Allocated fringe benefits	287,314	253,776	256,815	(3,039)
Allocated indirect costs	545,143	482,738	470,147	12,591
Contractual and professional services	264,483	357,440	165,783	191,657
Resources materials/subscription	190,000	165,000	62,335	102,665
Hardware, software support and equipment <\$5,000	-	-	18,495	(18,495)
Meetings and conferences	5,425	5,425	1,470	3,955
Travel	14,001	14,001	3,102	10,899
Other	-	-	19	(19)
Total Housing	<u>1,704,436</u>	<u>1,631,530</u>	<u>1,312,434</u>	<u>319,096</u>

See accompanying notes to required supplementary information.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Sustainability initiatives:				
Salaries and wages	\$ 410,384	\$ 365,464	\$ 344,182	\$ 21,282
Allocated fringe benefits	296,534	262,996	264,548	(1,552)
Allocated indirect costs	562,271	499,866	484,184	15,682
Contractual and professional services	416,411	741,759	286,928	454,831
Resources materials/subscription	190,000	165,000	62,335	102,665
Hardware, software support and equipment <\$5,000	-	-	18,495	(18,495)
Meetings and conferences	5,425	5,425	1,470	3,955
Travel	14,001	14,001	3,102	10,899
Other	-	-	19	(19)
Total Sustainability Initiatives	<u>1,895,026</u>	<u>2,054,511</u>	<u>1,465,263</u>	<u>589,248</u>
High Speed Rail:				
Salaries and wages	114,538	114,538	105,678	8,860
Allocated fringe benefits	85,758	85,758	83,344	2,414
Allocated indirect costs	159,312	159,312	150,348	8,964
Total High Speed Rail	<u>359,608</u>	<u>359,608</u>	<u>339,370</u>	<u>20,238</u>
Total Expenditures	<u>9,764,061</u>	<u>10,477,250</u>	<u>7,646,620</u>	<u>2,830,630</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>

See accompanying notes to required supplementary information.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ 20,158,721	\$ 21,157,920	\$ 18,159,576	\$ (2,998,344)
Expenditures:				
Transportation:				
Salaries and wages	3,200,806	3,045,934	2,760,518	285,416
Allocated fringe benefits	2,278,635	2,165,614	2,090,625	74,989
Allocated indirect costs	4,358,259	4,145,182	3,858,599	286,583
Contractual and professional services	-	221,325	-	221,325
Temp help	-	-	936	(936)
Hardware, software support and equipment <\$5,000	247,231	247,231	204,652	42,579
Resources material/subscription	111,066	171,066	83,073	87,993
Meetings and conferences	61,890	21,890	1,370	20,520
Reproduction and printing	18,115	18,115	2,213	15,902
Travel	132,141	132,141	82,464	49,677
Other	1,598	1,598	1,900	(302)
Total Transportation	<u>10,409,741</u>	<u>10,170,096</u>	<u>9,086,350</u>	<u>1,083,746</u>
Environmental:				
Salaries and wages	1,350,466	1,440,817	1,272,632	168,185
Allocated fringe benefits	918,186	976,791	932,225	44,566
Allocated indirect costs	1,804,450	1,922,928	1,753,743	169,185
Contractual and professional services	-	221,325	-	221,325
Temp help	-	-	936	(936)
Hardware, software support and equipment <\$5,000	-	-	121	(121)
Resources materials/subscription	1,065	1,065	4,657	(3,592)
Meetings and conferences	11,891	31,891	1,321	30,570
Travel	45,641	45,641	32,847	12,794
Reproduction and printing	3,115	3,115	2,213	902
Other	1,598	1,598	1,900	(302)
Total Environmental	<u>4,136,412</u>	<u>4,645,171</u>	<u>4,002,595</u>	<u>642,576</u>
Housing:				
Salaries and wages	467,338	467,370	399,004	68,366
Allocated fringe benefits	337,809	337,775	309,811	27,964
Allocated indirect costs	640,402	640,402	563,791	76,611
Contractual and professional services	-	221,325	-	221,325
Temp help	-	-	936	(936)
Resources materials/subscription	1,065	1,065	4,657	(3,592)
Meeting and conferences	11,890	11,890	1,321	10,569
Travel	15,141	15,141	16,299	(1,158)
Reproduction and printing	3,115	3,115	2,213	902
Other	1,598	1,598	1,900	(302)
Total Housing	<u>1,478,358</u>	<u>1,699,681</u>	<u>1,299,932</u>	<u>399,749</u>

See accompanying notes to required supplementary information.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Sustainability initiatives:				
Salaries and wages	1,227,408	1,317,760	1,130,345	187,415
Allocated fringe benefits	783,579	842,185	795,441	46,744
Allocated indirect costs	1,599,508	1,717,987	1,531,770	186,217
Contractual and professional services	-	221,325	-	221,325
Temp help	-	-	936	(936)
Hardware, software support and equipment <\$5,000	-	-	121	(121)
Resources materials/subscription	6,065	6,065	7,118	(1,053)
Meetings and conferences	11,891	31,891	3,112	28,779
Travel	37,141	37,141	30,146	6,995
Reproduction and printing	3,115	3,115	2,213	902
Office supplies	10,000	10,000	-	10,000
Other	1,598	1,598	1,900	(302)
Total Sustainability Initiatives	<u>3,680,305</u>	<u>4,189,067</u>	<u>3,503,102</u>	<u>685,965</u>
Aviation:				
Salaries and wages	142,980	142,980	83,328	59,652
Allocated fringe benefits	107,053	107,053	65,718	41,335
Allocated indirect costs	198,872	198,872	118,551	80,321
Travel	5,000	5,000	-	5,000
Total Aviation	<u>453,905</u>	<u>453,905</u>	<u>267,597</u>	<u>186,308</u>
Total Expenditures	<u>20,158,721</u>	<u>21,157,920</u>	<u>18,159,576</u>	<u>2,998,344</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>

See accompanying notes to required supplementary information.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Local grants and contracts	\$ 5,670,522	\$ 5,670,522	\$ 5,721,383	\$ 50,861
Expenditures:				
Transportation:				
Salaries and wages	302,391	403,137	253,480	149,657
Allocated fringe benefits	226,218	267,919	176,231	91,688
Allocated indirect costs	420,447	533,747	341,792	191,955
Contractual and professional services	2,228,965	3,520,056	1,707,118	1,812,938
Resources material/subscription	3,935	3,935	-	3,935
Meetings and conferences	5,185	12,297	2,000	10,297
Reproduction and printing	8,135	8,135	13	8,122
Travel	12,234	12,234	2,476	9,758
Office supplies	-	-	1,250	(1,250)
Other	5,902	5,902	3,863	2,039
Total Transportation	<u>3,213,412</u>	<u>4,767,362</u>	<u>2,488,223</u>	<u>2,279,139</u>
Environmental:				
Salaries and wages	126,313	226,126	157,852	68,274
Allocated fringe benefits	94,383	149,106	116,405	32,701
Allocated indirect costs	175,539	313,025	233,869	79,156
Contractual and professional services	232,024	659,655	233,138	426,517
Resources material/subscription	3,935	3,935	-	3,935
Meetings and conferences	5,185	5,185	2,000	3,185
Reproduction and printing	8,135	8,135	13	8,122
Travel	2,234	2,234	2,476	(242)
Office supplies	-	-	1,250	(1,250)
Other	5,902	5,902	3,863	2,039
Total Environmental	<u>653,650</u>	<u>1,373,303</u>	<u>750,866</u>	<u>622,437</u>
Housing:				
Salaries and wages	114,560	200,827	140,488	60,339
Allocated fringe benefits	85,583	116,445	87,119	29,326
Allocated indirect costs	159,191	252,353	181,038	71,315
Contractual and professional services	168,017	466,249	125,104	341,145
Resources material/subscription	3,935	3,935	-	3,935
Meeting and conferences	5,185	5,185	2,000	3,185
Reproduction and printing	8,135	8,135	13	8,122
Travel	2,234	2,234	2,476	(242)
Office supplies	-	-	1,250	(1,250)
Other	5,902	5,902	3,863	2,039
Total Housing	<u>552,742</u>	<u>1,061,265</u>	<u>543,351</u>	<u>517,914</u>

See accompanying notes to required supplementary information.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Sustainability initiatives:				
Salaries and wages	126,313	226,126	157,852	68,274
Allocated fringe benefits	94,383	149,106	116,405	32,701
Allocated indirect costs	175,539	313,025	233,869	79,156
Contractual and professional services	374,806	1,735,494	954,119	781,375
Resources material/subscription	3,935	3,935	-	3,935
Meetings and conferences	5,185	5,185	2,000	3,185
Reproduction and printing	8,135	8,135	13	8,122
Travel	2,234	2,234	2,476	(242)
Office supplies	-	-	1,250	(1,250)
Other	5,902	5,902	3,863	2,039
Total Sustainability Initiatives	<u>796,432</u>	<u>2,449,142</u>	<u>1,471,847</u>	<u>977,295</u>
 Total Expenditures	<u>5,216,236</u>	<u>9,651,072</u>	<u>5,254,287</u>	<u>4,396,785</u>
 Excess (deficiency) of revenues over (under) expenditures	454,286	(3,980,550)	467,096	4,447,646
 Other financing uses				
Transfer in	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
 Change in fund balance	454,286	(3,980,550)	472,096	4,452,646
 Fund balances, Beginning of Year	<u>8,834,336</u>	<u>8,834,336</u>	<u>8,834,336</u>	<u>-</u>
 Fund Balances, End of Year	<u>\$ 9,288,622</u>	<u>\$ 4,853,786</u>	<u>\$ 9,306,432</u>	<u>\$ 4,452,646</u>

See accompanying notes to required supplementary information.

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, 2017

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

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown. Additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
California Public Employees' Retirement System (CalPERS)
Schedule of Plan Contributions
Last Ten Years*
As of June 30, 2017

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

Notes to Schedule

Valuation date: 6/30/2015

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	7.65%, 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; therefore, only three years are shown. Additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

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, 2017

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

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown. Additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Public Agency Retirement System (PARS) Supplementary Retirement Plan
Schedule of Contributions
Last Ten Years*
As of June 30, 2017

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

Notes to Schedule

Valuation date: 6/30/2017

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; therefore, only three years are shown. Additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Schedule of Funding Progress
Year Ended June 30, 2017

The Schedule of Funding Progress presented below presents multiyear trend information about whether the market value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
June 30, 2013	\$ 8,326,403	\$ 2,253,854	\$ 6,072,549	27.07%	\$ 11,108,000	54.7%
June 30, 2015	9,364,130	3,585,662	5,778,468	38.29%	13,681,000	42.2%
June 30, 2017	9,631,904	4,934,710	4,697,194	51.23%	13,449,458	34.9%

See accompanying notes to required supplementary information.

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	\$ 2,434,248	\$ 2,434,248	\$ -
Total expenditures	(2,416,661)	(2,192,011)	(224,650)
Net change in fund balances	<u>\$ 17,587</u>	<u>\$ 242,237</u>	<u>\$ (224,650)</u>

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	\$ 7,646,620	\$ 7,646,620	\$ -
Total expenditures	(7,646,620)	(7,646,620)	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year Ended June 30, 2017

FHWA PL Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues	\$ 18,159,576	\$ 18,159,576	\$ -
Total expenditures	(18,159,576)	(18,159,576)	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TDA Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues and transfers	\$ 5,721,383	\$ 5,721,383	\$ -
Total expenditures	(5,254,287)	(5,254,287)	-
Net change in fund balances	<u>\$ 467,096</u>	<u>\$ 467,096</u>	<u>\$ -</u>

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**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Nonmajor Funds
June 30, 2017

	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Assets				
Receivables:				
Federal grants	\$ 1,572,308	\$ -	\$ -	\$ 1,572,308
State grants and contracts	-	900,869	-	900,869
Local grants and contracts	-	-	123,897	123,897
Due from other funds	-	2,198	65,830	68,028
Total Assets	<u>\$ 1,572,308</u>	<u>\$ 903,067</u>	<u>\$ 189,727</u>	<u>\$ 2,665,102</u>
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 1,155,864	\$ 218,457	\$ 43,751	\$ 1,418,072
Advances from grantors	5,466	-	83,476	88,942
Due to other funds	410,978	684,610	62,500	1,158,088
Total Liabilities	1,572,308	903,067	189,727	2,665,102
Fund balances - restricted	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ 1,572,308</u>	<u>\$ 903,067</u>	<u>\$ 189,727</u>	<u>\$ 2,665,102</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds
Year Ended June 30, 2017

	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Grant revenue, net	\$ 6,897,742	\$ 994,427	\$ 252,564	\$ 8,144,733
Expenditures:				
Transportation:				
Salaries and wages	10,255	4,176	-	14,431
Allocated fringe benefits	8,087	3,293	-	11,380
Allocated indirect costs	14,589	5,942	-	20,531
Contractual services	1,814,328	68,864	176,968	2,060,160
Pass-through payments	4,130,075	-	-	4,130,075
Other	647	-	-	647
Total Transportation	<u>5,977,981</u>	<u>82,275</u>	<u>176,968</u>	<u>6,237,224</u>
Environmental:				
Salaries and wages	31,407	9,352	-	40,759
Allocated fringe benefits	9,176	7,377	-	16,553
Allocated indirect costs	16,554	13,306	-	29,860
Contractual services	396,635	249,403	22,000	668,038
Other	1,002	-	-	1,002
Total Transportation	<u>454,774</u>	<u>279,438</u>	<u>22,000</u>	<u>756,212</u>
Housing:				
Salaries and wages	2,979	-	-	2,979
Allocated fringe benefits	2,349	-	-	2,349
Allocated indirect costs	4,238	-	-	4,238
Contractual services	647	34,798	22,000	57,445
Total Environmental	<u>10,213</u>	<u>34,798</u>	<u>22,000</u>	<u>67,011</u>
Sustainability:				
Salaries and wages	31,407	9,352	-	40,759
Allocated fringe benefits	9,177	7,377	-	16,554
Allocated indirect costs	16,554	13,306	-	29,860
Contractual services	396,634	570,079	26,596	993,309
Other	1,002	-	-	1,002
Total Sustainability	<u>454,774</u>	<u>600,114</u>	<u>26,596</u>	<u>1,081,484</u>
Total Expenditures	<u>6,897,742</u>	<u>996,625</u>	<u>247,564</u>	<u>8,141,931</u>
Excess of revenues over expenditures	-	(2,198)	5,000	2,802
Other financing sources (uses)				
Transfers in	-	2,198	-	2,198
Transfers out	-	-	(5,000)	(5,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,198</u>	<u>(5,000)</u>	<u>(2,802)</u>
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:

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

FHWA – Value Pricing:

This fund is established to account for revenues from the Federal Highway Administration for the Express Travel Choices Phase III study.

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 FTA for Sec. 5312 Low or No Emission Vehicle Deployment Program; the FTA Job Access and Reverse Commute program; from the Department of Energy for the Clean Cities 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, 2017

	FTA			FHWA		Other Federal Funds	Total Federal Nonmajor Funds
	NHTS-OTS	Sec. 5339	Sec. 5304	FHWA ATP	FHWAVPPP2		
	20039	20040	20070	20035	20037	20036, 20038, 20041, 20080, 20098	
Assets							
Receivables - federal grants	\$ 398,375	\$ -	\$ 484,297	\$ 343,497	\$ 253,743	\$ 92,396	\$ 1,572,308
Total Assets	<u>\$ 398,375</u>	<u>\$ -</u>	<u>\$ 484,297</u>	<u>\$ 343,497</u>	<u>\$ 253,743</u>	<u>\$ 92,396</u>	<u>\$ 1,572,308</u>
Liabilities and Fund Balances							
Accounts and contracts payable	\$ 370,130	\$ -	\$ 418,324	\$ 107,376	\$ 219,743	\$ 40,291	\$ 1,155,864
Advances from grantors	-	-	-	-	-	5,466	5,466
Due to other funds	28,245	-	65,973	236,121	34,000	46,639	410,978
Total Liabilities	<u>398,375</u>	<u>-</u>	<u>484,297</u>	<u>343,497</u>	<u>253,743</u>	<u>92,396</u>	<u>1,572,308</u>
Fund balances - restricted	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ 398,375</u>	<u>\$ -</u>	<u>\$ 484,297</u>	<u>\$ 343,497</u>	<u>\$ 253,743</u>	<u>\$ 92,396</u>	<u>\$ 1,572,308</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Federal Nonmajor Funds
Year Ended June 30, 2017

	FTA			FHWA		Other Federal Funds	Total Federal Nonmajor Funds
	NHTS-OTS	Sec. 5339	Sec. 5304	FHWA ATP	FHWAVPPP2		
	20039	20040	20070	20035	20037	20036, 20038, 20041, 20080, 20098	
Federal grants and services	\$ 430,383	\$ 4,120,104	\$ 987,563	\$ 443,355	\$ 576,776	\$ 339,561	\$ 6,897,742
Expenditures:							
Transportation:							
Salaries and wages	-	-	2,426	-	-	7,829	10,255
Allocated fringe benefits	-	-	1,913	-	-	6,174	8,087
Allocated indirect costs	-	-	3,452	-	-	11,137	14,589
Contractual services	-	-	979,772	-	576,776	257,780	1,814,328
Pass-through payments	-	4,120,104	-	-	-	9,971	4,130,075
Other	-	-	-	-	-	647	647
Total Transportation	-	4,120,104	987,563	-	576,776	293,538	5,977,981
Environmental:							
Salaries and wages	19,771	-	-	8,657	-	2,979	31,407
Allocated fringe benefits	-	-	-	6,827	-	2,349	9,176
Allocated indirect costs	-	-	-	12,316	-	4,238	16,554
Contractual services	195,066	-	-	193,877	-	7,692	396,635
Other	355	-	-	-	-	647	1,002
Total Environmental	215,192	-	-	221,677	-	17,905	454,774
Housing:							
Salaries and wages	-	-	-	-	-	2,979	2,979
Allocated fringe benefits	-	-	-	-	-	2,349	2,349
Allocated indirect costs	-	-	-	-	-	4,238	4,238
Other	-	-	-	-	-	647	647
Total Housing	-	-	-	-	-	10,213	10,213
Sustainability							
Salaries and wages	19,771	-	-	8,657	-	2,979	31,407
Allocated fringe benefits	-	-	-	6,828	-	2,349	9,177
Allocated indirect costs	-	-	-	12,316	-	4,238	16,554
Contractual services	195,065	-	-	193,877	-	7,692	396,634
Other	355	-	-	-	-	647	1,002
Total Sustainability	215,191	-	-	221,678	-	17,905	454,774
Total Expenditures	430,383	4,120,104	987,563	443,355	576,776	339,561	6,897,742
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.

SGC - AHSC:

These are funds awarded by the Strategic Growth Council under its Affordable Housing and Sustainable Communities Program for projects that will help Californians drive less and reduce greenhouse gas emissions contributing to climate change.

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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
State Nonmajor Funds
June 30, 2017

	<u>SGC R3</u>	<u>CEC</u>	<u>AQMD MSRC</u>	<u>SGC AHSC</u>	<u>SGVOCOG</u>	<u>Total State Nonmajor Funds</u>
	<u>30206</u>	<u>30207</u>	<u>30208</u>	<u>30209</u>	<u>30210</u>	
Assets						
Receivables - state grants	\$ 218,718	\$ 115,947	\$ 463,728	\$ 102,476	\$ -	\$ 900,869
Due from other funds	-	-	-	-	2,198	2,198
Total Assets	<u>\$ 218,718</u>	<u>\$ 115,947</u>	<u>\$ 463,728</u>	<u>\$ 102,476</u>	<u>\$ 2,198</u>	<u>\$ 903,067</u>
Liabilities and Fund Balances						
Accounts and contracts payable	\$ 22,869	\$ 23,030	\$ 148,108	\$ 22,252	\$ 2,198	\$ 218,457
Due to other funds	195,849	92,917	315,620	80,224	-	684,610
Total Liabilities	218,718	115,947	463,728	102,476	2,198	903,067
Fund Balances - restricted	-	-	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ 218,718</u>	<u>\$ 115,947</u>	<u>\$ 463,728</u>	<u>\$ 102,476</u>	<u>\$ 2,198</u>	<u>\$ 903,067</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
State Nonmajor Funds
Year Ended June 30, 2017

	<u>SGC R3</u>	<u>CEC</u>	<u>AQMD MSRC</u>	<u>SGC AHSC</u>	<u>SGVOCOG</u>	<u>Total State Nonmajor Funds</u>
	<u>30206</u>	<u>30207</u>	<u>30208</u>	<u>30209</u>	<u>30210</u>	
State grants and contracts	\$ 319,577	\$ 115,947	\$ 419,710	\$ 139,193	\$ -	\$ 994,427
Expenditures:						
Transportation:						
Salaries and wages	-	4,176	-	-	-	4,176
Allocated fringe benefits	-	3,293	-	-	-	3,293
Allocated indirect costs	-	5,942	-	-	-	5,942
Contractual services	-	32,966	-	34,799	1,099	68,864
Total Transportation	-	46,377	-	34,799	1,099	82,275
Environmental:						
Salaries and wages	-	3,132	6,220	-	-	9,352
Allocated fringe benefits	-	2,471	4,906	-	-	7,377
Allocated indirect costs	-	4,457	8,849	-	-	13,306
Contractual services	-	24,725	189,880	34,798	-	249,403
Total Environmental	-	34,785	209,855	34,798	-	279,438
Housing:						
Contractual services	-	-	-	34,798	-	34,798
Total Housing	-	-	-	34,798	-	34,798
Sustainability:						
Salaries and wages	-	3,132	6,220	-	-	9,352
Allocated fringe benefits	-	2,471	4,906	-	-	7,377
Allocated indirect costs	-	4,457	8,849	-	-	13,306
Contractual services	319,577	24,725	189,880	34,798	1,099	570,079
Total Sustainability	319,577	34,785	209,855	34,798	1,099	600,114
Total Expenditures	319,577	115,947	419,710	139,193	2,198	996,625
Excess of revenues over expenditures	-	-	-	-	(2,198)	(2,198)
Other financing sources:						
Transfers in	-	-	-	-	2,198	2,198
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 Cities of Fontana, San Dimas, Vernon, San Marino, Diamond Bar, Palmdale, Calimesa, Bell and Malibu, and from 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, 2017

	<u>LACMTA Express</u>	<u>Other Local Funds</u>	
	<u>60038, 60044</u>	<u>60030, 60033, 60034, 60036, 60040, 60041, 60042, 60043, 60045</u>	<u>Total Local Nonmajor Funds</u>
Assets			
Receivables - local grants	\$ 88,000	\$ 35,897	\$ 123,897
Due from other funds	-	65,830	65,830
Total Assets	<u>\$ 88,000</u>	<u>\$ 101,727</u>	<u>\$ 189,727</u>
Liabilities and Fund Balances			
Accounts and contracts payable	\$ 20,000	\$ 23,751	\$ 43,751
Advances from grantors	5,500	77,976	83,476
Due to other funds	62,500	-	62,500
Total Liabilities	<u>88,000</u>	<u>101,727</u>	<u>189,727</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 88,000</u>	<u>\$ 101,727</u>	<u>\$ 189,727</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Local Nonmajor Funds
June 30, 2017

	<u>LACMTA Express</u>	<u>Other Local Funds</u>	
	<u>60038, 60044</u>	<u>60030, 60033, 60034, 60036, 60040, 60041, 60042, 60043, 60045</u>	<u>Total Local Nonmajor Funds</u>
Local grants and services	\$ 145,575	\$ 106,989	\$ 252,564
Expenditures:			
Transportation:			
Contractual services	79,575	97,393	176,968
Total Transportation	<u>79,575</u>	<u>97,393</u>	<u>176,968</u>
Environmental:			
Contractual services	22,000	-	22,000
Total Environmental	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Housing:			
Contractual services	22,000	-	22,000
Total Housing	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Sustainability:			
Contractual services	22,000	4,596	26,596
Total Sustainability	<u>22,000</u>	<u>4,596</u>	<u>26,596</u>
Total Expenditures	145,575	101,989	247,564
Excess of revenues over expenditures	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Other financing uses:			
Transfers out	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net change in fund balance	-	-	-
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTAL
SCHEDULES**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Indirect Costs
Year Ended June 30, 2017

Indirect costs:	
Salaries and wages	\$ 4,134,338
Temporary help	77,750
Fringe benefits	3,202,836
Consultants	1,468,241
Legal services	36,144
Computer support	408,943
Equipment repairs and maintenance	102,242
Office space leases	1,794,880
Equipment lease	86,550
Security services	31,718
Insurance	174,857
Taxes	4,849
Bank fees	13,609
Office purchases under \$5,000	141,696
Office and graphic supplies	56,903
Telephone	178,371
Postage and delivery	16,052
Memberships	102,796
Professional material	62,812
Depreciation and amortization	224,643
Capital asset write-down	53,742
Staff training	24,434
Conference registration	19,135
Printing	19,325
Travel	114,399
Other	34,809
Total Indirect Costs	<u>12,586,074</u>
Indirect costs recovered	
General fund	146,203
Federal transportation Administration 5303	2,355,778
Federal Highway Administration PL	7,826,455
Transportation Development Act	990,569
Nonmajor Funds	84,488
Total Indirect Costs Recovered	<u>11,403,493</u>
Over (under) recovered	(1,182,581)
Over (Under) Recovered Indirect Costs, Beginning of Year	(119,449)
Over (Under) Recovered Indirect Costs, End of Year	<u>\$ (1,302,030)</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Fringe Benefits
Year Ended June 30, 2017

Fringe benefits:	
Employee leave and other salary benefits	\$ 2,105,706
PERS/Other Retirement Plans	3,890,476
Life insurance	85,127
Health insurance	2,414,011
Medicare and social security taxes - employer share	231,470
Tuition reimbursement	34,886
Transit passes	137,564
Worker's compensation/unemployment insurance	188,896
Deferred compensation employer match	143,631
Other	79,365
Total Indirect Costs	9,311,132
Fringe benefits recovered:	
Allocated to indirect costs	3,202,836
General Fund	81,046
Federal Transportation Administration 5303	1,290,436
Federal Highway Administration PL	4,193,819
Transportation Development Act	496,159
Nonmajor Funds	46,836
Total Indirect Costs Recovered	9,311,132
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, 2017

	Salaries and Wages	Fringe Benefits	Salaries, Wages and Fringe Benefits
Charges to Direct projects	\$ 8,125,743	\$ 6,027,250	\$ 14,152,993
Charges to General Fund projects	102,765	81,046	183,811
Charges to Indirect projects	4,134,338	3,202,836	7,337,174
Totals	\$ 12,362,846	\$ 9,311,132	\$ 21,673,978

**STATISTICAL
SECTION**

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Invested in capital assets	\$ 481,769	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
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
Unrestricted	<u>3,367,204</u>	<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>
Total governmental activities net position	\$ <u>3,848,973</u>	<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>

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

	Fiscal Year									
	2008	2009	2010	2011	2012 ⁴	2013	2014	2015	2016	2017
Governmental activities:										
Expenses:										
Transportation	\$ 29,815,218	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
High speed rail	363,924	91,840	37,979	87,980	135,882	196,200	305,054	281,500	290,497	339,370
Aviation	123,407	17,275	289,498	845,705	472,799	357,539	303,773	585,322	575,716	267,597
Energy	116,947	47,152	-	-	-	-	-	-	-	-
Environmental	-	-	-	1,809,901	2,626,070	320,850	1,403,147	1,450,795	1,459,853	7,054,453
Housing	-	-	-	1,194,623	665,008	1,993,419	1,505,232	1,128,200	981,416	3,222,728
Sustainability initiatives	1,379,139	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
Administration	-	-	-	-	-	1,560,377	2,005,412	1,864,232	2,138,873	3,671,454
Total expenses	<u>31,798,635</u>	<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>
Program revenues:										
Charges for services - member dues	1,520,805	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
Operating grants and contributions	30,763,997	27,643,659	33,834,170	30,949,013	36,245,424	33,510,829	32,833,285	42,318,755	40,616,883	39,672,312
Total program revenues	<u>32,284,802</u>	<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>
Net revenues (expenses)	486,167	777,556	458,099	(84,659)	1,811,037	870,359	3,818,277	1,705,719	(1,286,173)	(1,503,678)
General revenues and other changes in net position:										
Interest income	104,946	86,581	49,759	51,647	46,580	26,479	53,149	75,652	92,093	114,318
Other income	92,366	61,383	271,027 ¹	579,971 ²	406,080 ³	278,235 ⁵	378,659	407,156	885,336	380,230
Changes in net position	<u>\$ 683,479</u>	<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>

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									
	2008	2009	2010	2011*	2012	2013	2014	2015	2016	2017
General fund:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved	2,923,649	3,431,480	4,506,578	-	-	-	-	-	-	-
Nonspendable	-	-	-	317,801	502,200	262,658	652,453	580,163	763,655	927,324
Unassigned	-	-	-	4,357,692	4,444,550	4,546,068	4,126,906	4,716,559	5,649,117	5,725,487
Total general fund	<u>\$ 2,923,649</u>	<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>
All other governmental funds:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	1,997,894	1,534,921	-	-	-	-	-	-	-
Restricted	-	-	-	1,417,565	3,547,633	4,408,177	4,408,177	9,857,806	8,834,336	9,306,432
Total all other governmental funds	<u>\$ -</u>	<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>

* 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Federal grants	\$ 28,397,861	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
State grants and contracts	1,866,733	986,200	270,940	582,123	1,682,599	798,043	489,803	639,123	932,566	994,427
Local grants and contracts	1,468,849	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
Membership assessments	1,520,805	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
Interest and other	197,312	147,964	324,153	324,337	731,702	306,714	431,808	482,808	977,429	494,548
Capital outlay recovery	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>33,451,560</u>	<u>29,400,652</u>	<u>35,652,846</u>	<u>32,839,356</u>	<u>38,736,757</u>	<u>35,596,727</u>	<u>35,099,615</u>	<u>44,673,283</u>	<u>43,495,262</u>	<u>42,106,560</u>
Expenditures:										
Current:										
Transportation	30,064,151	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
Aviation	123,407	17,275	163,086	636,484	277,796	176,017	174,845	451,493	573,374	267,597
Water	-	-	-	-	-	-	-	-	-	-
High speed rail	363,924	91,840	-	44,538	68,460	96,590	140,800	161,423	290,595	339,370
Housing	-	-	-	746,686	342,391	1,180,258	922,718	706,129	980,086	3,222,728
Energy	108,100	47,152	-	-	-	-	-	-	-	-
Environmental	-	-	-	1,090,079	1,598,322	158,345	887,807	969,338	1,448,295	7,054,453
Sustainability initiatives	1,093,211	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
Administration	-	-	-	-	-	1,646,163	1,685,534	1,841,987	1,543,263	2,138,062
Capital outlay	257,272	366,192	86,443	471,909	648,416	994,145	1,478,360	281,717	423,370	12,127
Total expenditures	<u>32,010,065</u>	<u>28,475,132</u>	<u>35,040,721</u>	<u>32,787,797</u>	<u>36,335,432</u>	<u>34,874,207</u>	<u>31,341,938</u>	<u>42,493,335</u>	<u>43,402,682</u>	<u>41,394,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,441,495</u>	<u>925,520</u>	<u>612,125</u>	<u>51,559</u>	<u>2,401,325</u>	<u>722,520</u>	<u>3,757,677</u>	<u>2,179,948</u>	<u>92,580</u>	<u>712,135</u>
Other financing sources (uses)										
Transfers in	11,197,177	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	(11,197,177)	(10,118,305)	(9,843,270)	(10,442,938)	(10,168,814)	(10,987,675)	(10,093,426)	(10,085,526)	-	(7,198)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ <u>1,441,495</u>	<u>925,520</u>	<u>612,125</u>	<u>51,559</u>	<u>2,401,325</u>	<u>722,520</u>	<u>3,757,677</u>	<u>2,179,948</u>	<u>92,580</u>	<u>712,135</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Table 5 – Indirect and Fringe Benefit Costs

Last Ten Fiscal Years

Fiscal year	Indirect cost	Fringe benefits	Totals
2008	11,111,798	6,419,718	17,531,516
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

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>
2008	163	14,301,355	1,176,623	6	2,125,231	269,182	4	75,000
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

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

City/County	2017		2012	
	Annual Dues	Percent of Total Dues Assessment	Annual Dues	Percent of Total Dues Assessment
City of Los Angeles	\$ 346,254	18%	\$ 325,438	19%
County of Los Angeles	127,471	7%	121,619	7%
County of Riverside	57,588	3%	61,960	4%
County of San Bernardino	51,428	3%	48,452	3%
City of Long Beach	42,304	2%	39,923	2%
County of Orange	35,958	2%	34,513	2%
City of Anaheim	31,802	2%	28,743	2%
City of Santa Ana	30,373	2%	29,073	2%
City of Riverside	28,786	1%	24,820	1%
SANBAG	25,000	1%	25,000	1%
RCTC	25,000	1%	25,000	1%
OCTA	25,000	1%	25,000	1%
City of Irvine	22,873	1%	17,980	1%
City of San Bernardino	19,652	1%	17,017	1%
Santa Clarita	19,228	1%	14,818	1%
	<u>\$ 888,717</u>	<u>46%</u>	<u>839,356</u>	<u>48%</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
2008	176,158	10,363,850	3,121,251	2,088,322	2,055,766	831,587	18,636,934
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

Source: State of California, Department of Finance, E-2. California County Population Estimates and Components of Change by Year
2017 is estimated based on E-4 Population Estimates

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
2008	49,484	3,260,434	995,989	671,036	606,005	266,885	5,849,833
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

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>
2008	60,700	4,219,500	1,498,600	604,000	659,400	318,600	7,360,800
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

Source: Processed by SCAG Staff; CA EDD - March 2016 Benchmark

2017 data: Estimation based on average between Jan 17 and Jun 17

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

Historical Annual average data: 2008 - 2016 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

<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>
2008	72,400	4,929,000	1,615,500	911,500	862,100	428,800	8,819,300
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

Source: Processed by SCAG Staff; CA EDD - March 2016 Benchmark
2017 data: Estimation based on average between Jan 17 and Jun 17
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
2008	16,300	373,900	85,800	78,200	69,300	27,000	650,500
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

Source: Processed by SCAG Staff; CA EDD - March 2016 Benchmark
2017 data: Estimation based on average between Jan 17 and Jun 17
http://www.labormarketinfo.edd.ca.gov/LMID/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	3,000	Harvesting	1	5,300	Government
2	1,400	Utilities	2	3,500	Government
3	1,200	Retailer	3	2,600	Education
4	1,200	Government	4	1,800	Education
5	1,200	Government	5	1,700	Hospital
6	1,200	Correctional Institution	6	1,500	Government
7	1,100	Correctional Institution	7	1,500	Education
8	1,000	Hospital	8	1,300	Hospital
9	1,000	Labor Contractors	9	1,200	Education
10	700	Hospital	10	1,000	Hospital
Los Angeles			San Bernardino		
1	96,500	Government	1	19,000	Government
2	59,600	Education	2	18,200	Grocery
3	46,900	Government	3	13,800	Government
4	44,000	Education	4	13,800	Education
5	43,400	Government	5	12,500	Government
6	36,000	Hospital	6	8,600	Postal Service
7	29,200	Government	7	8,600	Education
8	17,000	Aerospace and Defense	8	7,700	Airport
9	15,000	Retail	9	6,100	Hospital
10	15,000	Hospital	10	6,000	Hospital
Orange			Ventura		
1	27,000	Hospitality and Entertainment	1	20,600	Government
2	22,400	Education	2	10,700	Government
3	12,200	Hospital	3	5,800	Biomedical
4	7,000	Hospital	4	2,500	Education
5	6,900	Aerospace	5	1,800	Hospital
6	6,000	Retail	6	1,600	Hospital
7	5,700	Hospital	7	1,600	Government
8	5,500	Finance	8	1,600	Education
9	5,400	Retail	9	1,600	Education
10	5,100	Education	10	1,600	Education

Data provided courtesy of Infogroup, Orange County Business Journal, Riverside Economic Development Agency, Los Angeles Almanac

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
2008	55,599	3,403,480	1,030,289	773,331	685,642	276,320	6,224,661
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

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
2008	205,200	452,900	573,100	311,600	280,000	476,500	383,217
2009	149,400	387,600	508,900	229,700	203,700	430,200	318,250
2010	120,600	394,700	497,400	215,800	181,400	413,800	303,950
2011	117,700	370,500	469,100	204,800	173,000	391,900	287,833
2012	123,300	367,100	465,600	209,600	176,300	387,100	288,167
2013	130,800	423,500	547,000	250,600	210,500	436,600	333,167
2014	148,400	467,700	596,500	287,300	247,600	480,500	371,333
2015	162,100	498,200	627,300	305,600	266,200	508,500	394,650
2016	180,300	533,500	658,800	324,600	289,000	537,700	420,650
2017	189,700	561,200	680,600	337,800	305,200	556,800	438,550

Source: Zillow.com
2017 data: Estimation based on average between Jan 17 and Jun 17

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
2008	4,175	4,060	790	7,208	20,062	1,846	38,141
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

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
2008	\$ 10,233,444,219	1,010,019,713,739	410,016,640,580	237,388,487,198	176,135,269,285	103,943,537,873	1,947,737,092,894
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	\$ 12,817,043,008	1,326,956,760,456	525,012,525,673	250,409,387,353	199,352,179,034	123,227,344,336	2,437,775,239,860

Source: State of California – Controller’s Office.

Note: Assessed valuations show net total assessed valuation
2017 data are estimated based on the average growth from 2003 to 2016. They will be replaced when official data are released.
http://www.sco.ca.gov/ard_locrep_assessed.html

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

<u>Fiscal Year</u>	<u>Transportation</u>	<u>High Speed Rail</u>	<u>Aviation</u>	<u>Environmental</u>	<u>Housing</u>	<u>Water</u>	<u>Administration</u>	<u>Total</u>
2008	48	1	1	3	3		55	111
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

Source: SCAG HR Department.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Transportation										
No. of projects undertaken	25	24	55	50	48	49	82	85	89	80
Grants & Contracts Revenue	\$ 31,699,796	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
High Speed Rail										
No. of projects undertaken	1	1	1	1	1	1	1	1	1	1
Grants & Contracts Revenue	\$ 899,136	32,989	42,594	98,354	137,330	21,200	263,579	281,779	290,593	339,370
Aviation										
No. of projects undertaken	3	1	3	3	2	1	1	1	1	1
Grants & Contracts Revenue	\$ 375,864	276,933	266,702	884,816	461,819	347,880	196,948	579,242	550,584	267,597
Environmental										
No. of projects undertaken	2	2		7	9	6	13	1	5	20
Grants & Contracts Revenue	\$ 2,574,424	49,467		2,401,731	2,881,315	587,435	1,601,570	1,587,158	1,448,295	6,592,728
Housing										
No. of projects undertaken				2	2	2	3	3	2	9
Grants & Contracts Revenue	\$			1,306,547	1,345,833	2,088,856	1,599,668	1,176,694	960,528	3,187,930
Sustainability Initiatives										
No. of projects undertaken					6	9	12	14	25	28
Grants & Contracts Revenue					6,200,905	6,089,132	2,511,049	5,457,158	7,345,383	7,098,027

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

No capital assets indicators are available to SCAG.



**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, 2017, and the related notes to the financial statements, which collectively comprise SCAG's basic financial statements, and have issued our report thereon dated November 20, 2017.

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
November 20, 2017

Comprehensive Annual FINANCIAL REPORT | 2017

YEAR ENDED JUNE 30, 2017

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