

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Comprehensive Annual FINANCIAL REPORT | 2019

FINANCE DIVISION 
BASIL PANAS 
Chief Financial Officer



YEAR ENDED
JUNE 30, 2019

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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WITH GOVERNMENT AUDITING STANDARDS**

INTRODUCTORY SECTION

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SOUTHERN CALIFORNIA
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Human Development
**Peggy Huang, Transportation
Corridor Agencies**

Energy & Environment
Linda Parks, Ventura County

Transportation
Cheryl Viegas-Walker, El Centro

December 13, 2019

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

Subject: SCAG's Comprehensive Annual Financial Report for Fiscal
Year 2018/19

Dear President Jahn and Members of the Regional Council:

As Executive Director and Chief Financial Officer for the Southern California Association of Governments (SCAG), we hereby submit SCAG's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019.

This Letter of Transmittal is the first item in the introductory section of the CAFR. Its purpose is to firstly provide information about financial statements in the CAFR and give comments assessing SCAG's financial condition. The second purpose is to profile SCAG including its governance, organization, planning mandates and requirements. It highlights significant planning programs mandated by federal and state requirements and demonstrates their successful management in FY 2018/2019.

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

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

- Listing of officers and members of the Regional Council
- SCAG's Organizational Chart
- SCAG's Finance Division organizational chart
- The Certificate of Achievement for Excellence in Financial Reporting awarded to SCAG by the Government Finance Officers Association in recognition of our FY 2017/18 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, 2018. This was the sixteenth 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 Eide Bailly, LLP (formerly 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,

2019 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 Eide Bailly, LLP. The Single Audit report for the year ended June 30, 2019 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 2018/19 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 2019/20

- Continue to develop the “Connect SoCal,” the 2020 Regional Transportation Plan Sustainable Communities Strategy (RTP/SCS), with a projected approval by the Regional Council in April 2020. Connect SoCal will focus on the following: policies to improve mobility; emerging new technologies; sustainable communities strategy which promotes land use into High Quality Transit Areas (HQTAs); promote complete communities; conserve natural resources; first/last mile strategy; active transportation, sustainable transportation finance strategy; sustainable regional freight strategy; sustainable rail and transit strategy; and a regional aviation strategy.
- Conduct the 6th Cycle Regional Housing Needs Assessment (RHNA) process to address new state housing law requirements particularly SB 828 and SB 1771. Complete the RHNA regional determination consultation packet and development of the RHNA Allocation Methodology; and distribute draft RHNA Allocation to SCAG jurisdictions by the spring of 2020.
- Pursue the Future Communities Initiative, guided by the Emerging Technologies Committee, to reduce VMT and GHG emissions by modernizing regional land-use and transportation

planning tools, fostering data-driven collaboration with SCAG's partner agencies, and providing local agencies with planning resources to pilot new technologies and initiatives to reduce travel demand.

- Deploy multiple grants awarded to support Go Human, a Regional Active Transportation Safety and Encouragement Campaign. The Campaign will be implemented in partnership with the six county health departments and six county transportation commissions in order to increase active transportation and reduce collisions. SCAG will partner with local agencies on demonstration projects and safety trainings and workshops.
- Continue to shape good public policy by hosting and convening thought leaders at the General Assembly, Economic Summit, and the Demographic Workshop, and continue the regional granting program to encourage member jurisdictions to implement SCAG adopted regional policies.
- Using the recommendations from the Incurred Cost and Indirect Cost Allocation Plan audits conducted by the California Department of Transportation, SCAG developed Corrective Action Plans to comply with state and federal requirements. In addition, work continued on the review and upgrade of SCAG's project management, procurement and financial procedures to support SCAG's present and future service delivery levels.

Profile of SCAG

Representatives from city and county governments along with other local agencies throughout Southern California come together at SCAG to develop solutions to common concerns in transportation, housing, air quality, 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 15 sub-regional organizations, six county transportation commissions, representatives from the tribal government planning boards, the business community and the public at large.

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

- 191 cities
- 16 federally-recognized tribal governments
- 38,000 square miles
- 19 million people
- 15th 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 Regional Transportation Plan

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

The RTP/SCS includes a combination of transportation and land use strategies that help the region achieve California's greenhouse gas emission reduction goals and Federal Clean Air Act requirements, preserve open space, improve public health and roadway safety, support our vital goods movement industry and utilize resources more efficiently. The RTP/SCS includes projections for socioeconomic growth in the region to establish a basis for developing needs and strategies for future investments. Major transportation projects of regional significance seeking

federal or state funding must be consistent with the RTP/SCS. At the core of the RTP/SCS is a listing of thousands of transportation projects ranging from highway improvements, railroad grade separations, bicycle lanes, new transit hubs and replacement bridges. SCAG is also responsible for reviewing all Congestion Management Plans (CMPs) for consistency with the RTP/SCS.

As the RTP/SCS sets a framework for the region's future transportation investments, various studies are undertaken to support the development of the RTP/SCS. Transportation studies encompassing all modes of mobility (e.g., highway, express lanes, transit, rail, active transportation, 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 performance and define the benefits and impacts of proposed projects and initiatives. Modeling studies and analysis form the basis of this type of RTP/SCS work. A major modeling component is air quality and conformity analysis which ensures that all required federal and state air quality requirements are met. The RTP/SCS is also required to be financially constrained which necessitates that projects proposed for inclusion in the RTP/SCS have realistic funding streams. This ensures the integrity and reasonableness of the RTP/SCS.

Staff is currently working on the development of Connect SoCal, SCAG's 2020 RTP/SCS. It represents the most comprehensive long-term (through 2045) vision for the future of our transportation system as well as urban forms that best complement our current and future transportation system while supporting our greenhouse gas reduction targets per SB 375. The Draft Connect SoCal was released for public review in November of this year, and we anticipate approval of the Final Connect SoCal by the Regional Council in April of 2020.

Each RTP/SCS is a living document that must be adjusted on a regular basis to keep it valid, relevant and in sync with new challenges and opportunities. It must be amended occasionally to ensure major projects being planned and implemented in the region remain consistent with the prevailing RTP/SCS. Over the last three years SCAG has amended the 2016 RTP/SCS three times to reconcile the passage of Measure M in Los Angeles County, SB-1 at the state level as well as changes to major projects in various counties.

(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 can be viewed as a part of the implementation mechanism for a conforming RTP/SCS. SCAG is responsible

for developing the FTIP in collaboration and cooperation with the California Department of Transportation (Caltrans), county transportation commissions (CTCs) and public transit operators every two years.

The FTIP must include all federally funded transportation projects in the region as well as all regionally significant transportation projects which require approval from federal funding agencies regardless of the funding sources. The current 2019 FTIP was federally approved in December 2018. SCAG began the process for the 2021 FTIP in early 2019 by updating the guidelines for the 2021 FTIP. These guidelines will be presented to SCAG's Transportation Committee for review and approval in September 2019. The Draft 2021 FTIP is expected to be approved for release for a 30-day public review July of 2020. The Final 2020 FTIP is anticipated to be approved by SCAG's Regional Council in September 2020 with federal approval expected in December 2020.

(c) Transportation Conformity Analysis

In developing the RTP/SCS and FTIP, SCAG is responsible for ensuring that transportation plans and programs are consistent with or conform to the goals and objectives of state air quality plans to attain federal air quality standards as required by the Federal Clean Air Act. Failure of transportation conformity could result in rejection of the RTP/SCS and FTIP and withholding of federal funding and/or federal approval for Southern California's critical transportation needs. The FHWA and FTA have approved the transportation conformity determination for the 2016 RTP/SCS through Amendment No. 3 and 2019 FTIP through Amendment #19-07. In addition, the FHWA and FTA have also approved the expedited transportation conformity re-determination for the RTP/SCS and FTIP under the new 2015 federal ozone standards as an effort to avoid any immediate impact from the anticipated finalization of the proposed federal Safer Affordable Fuel-Efficient (SAFE) Vehicle Rule.

(d) Integrated Growth Forecast

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

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

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

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

On March 22, 2018, ARB formally updated SCAG’s per-capita greenhouse gas reduction target at an ambitious 19 percent by 2035. The 2020 per-capita greenhouse gas reduction target was not updated and remains at 8 percent. As described in the Draft Connect SoCal, the SCAG region was able to meet these targets using various strategies.

(b) Development and Submittal of Connect SoCal Technical Methodology

In accordance with California Government Code Section 65080(b)(2)(J)(i), SCAG is required to submit to the California Air Resources Board (ARB) the Technical Methodology that SCAG intends to use to estimate the greenhouse gas (GHG) emissions from its SCS, prior to starting the formal public participation process required by SB 375. SCAG has prepared and submitted the Connect SoCal Technical Methodology to ARB before the statutory deadline.

(c) Development of the Regional Housing Needs Assessment

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

In fall 2018, SCAG began development of the 6th RHNA cycle by establishing the RHNA Subcommittee to review and recommend RHNA policies, procedures, and methodology for adoption by the Regional Council. SCAG developed a distribution methodology to distribute housing need throughout the region and held an extensive public comment and review process as part of its development.

By the spring of 2020, SCAG staff will have prepared the Draft RHNA Allocation and distributed respective allocations to SCAG jurisdictions. The RHNA Subcommittee will also be responsible for reviewing and determining appeals in summer 2020. The 6th cycle RHNA allocation is scheduled for adoption in October 2020 and will cover the planning period from October 2021 to October 2029.

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

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

On January 23, 2019, SCAG initiated the CEQA documentation process by releasing the Notice of Preparation (NOP) for the Connect SoCal PEIR. Pursuant to State CEQA Guidelines, the NOP underwent a 30-day review which occurred from January 23, 2019 to February 22, 2019. Scoping meetings were also held on February 13, 2019. Additionally, SCAG conducted additional stakeholder outreach meetings from June to July 2019. Comments received from the NOP, scoping meetings and stakeholder outreach meetings will assist in the development of the PEIR. The Draft PEIR is scheduled to be released in December 2019, with the Final PEIR scheduled to be adopted and certified on April 2, 2020.

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

Long-Term Financial Planning

SCAG has stable finances and it continuously evaluates its financial outlook to address challenges in a proactive manner. The FY18-19 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 since FY 2011/12 to continue its level of operations. In FY19-20 TDA revenues are expected to exceed \$6 million. SCAG is also receiving new Sustainable Communities Grant funds of around \$5.1

million starting in 2018 pursuant to the terms of Senate Bill 1, the Road Repair and Accountability Act of 2017. SCAG is working with the California Department of Transportation to resolve the \$4.4 million of disallowed costs resulting from the Incurred Cost audit (September 2018) and Indirect Cost Allocation Plan audit (January 2019). This is described more fully in Note 15 to the financial statements.

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.

Similar to the OWP, SCAG annually establishes the agency’s General Fund Budget, which is used to pay for legislatives activities, sponsorships, and SCAG’s General Assembly among other items.

Acknowledgements

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

Sincerely,



Kome Ajise
Executive Director



Basil Panas
Chief Financial Officer

VISION

Southern California's Catalyst for
a Brighter Future

MISSION

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

Funding: The preparation of this report was financed in part through grants from the United States Department of Transportation – Federal Highway Administration and the Federal Transit Administration – 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.

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REGIONAL COUNCIL OFFICERS

President Bill Jahn, City of Big Bear Lake
First Vice President Rex Richardson, City of Long Beach
Second Vice President Clint Lorimore, City of Eastvale
Immediate Past President Alan D. Wapner, San Bernardino County Transportation Authority

MEMBERS

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Megan Beaman Jacinto, Coachella	Marisela Magaña, Perris	

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Ventura County

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Tim Holmgren, Fillmore	Carmen Ramirez, Oxnard

Air District Representative Ben Benoit

Business Representative Randall Lewis, Lewis Group of Companies

Imperial County Transportation Commission Jim Predmore

Public Transit Representative Paul Krekorian

Riverside County Transportation Commission Jan Harnik

San Bernardino County Transportation Authority Alan D. Wapner*

Transportation Corridor Agencies Peggy Huang

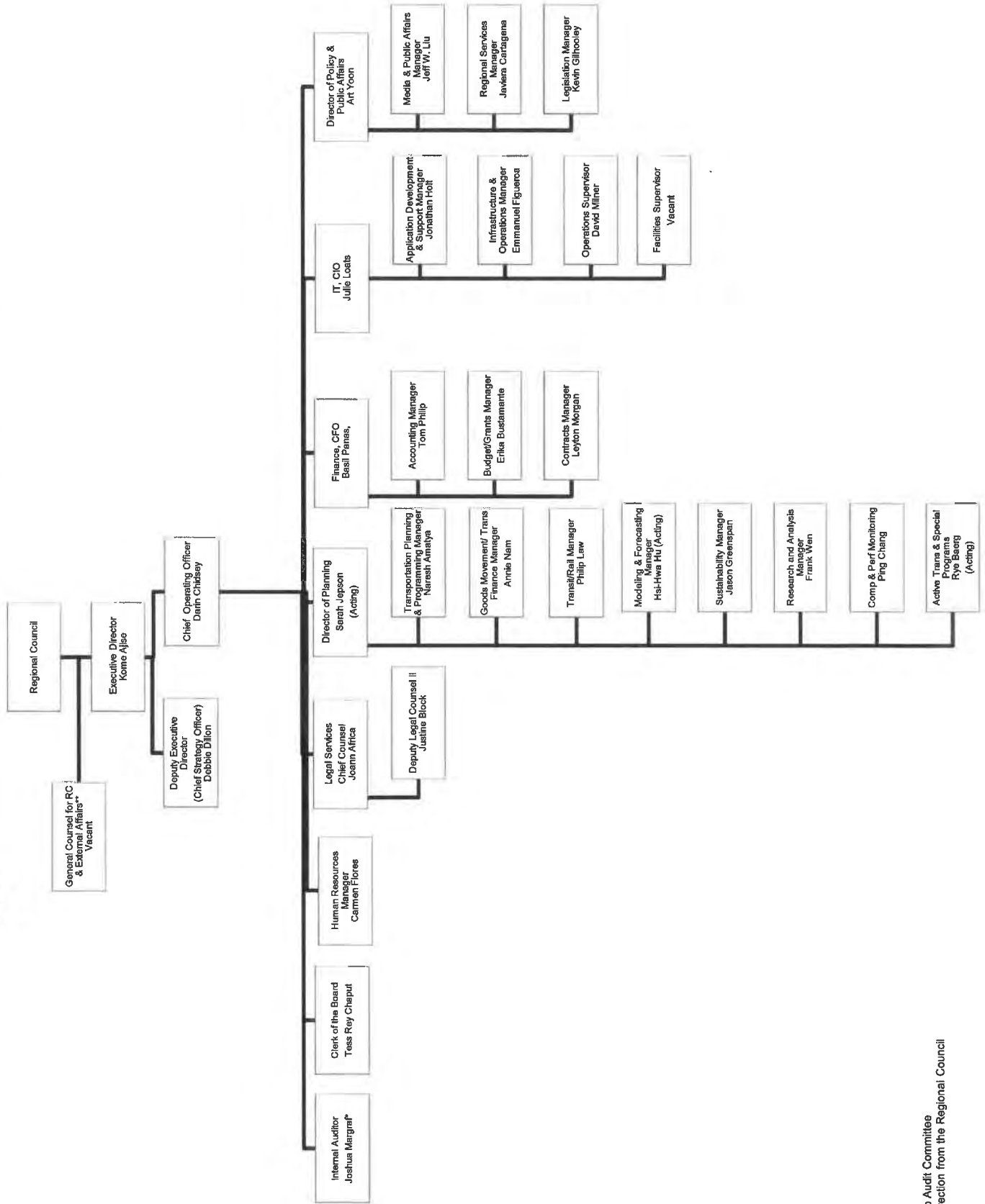
Tribal Government Regional Planning Board Representative Brian McDonald, Chemehuevi Indian Tribe

Ventura County Transportation Commission Mike T. Judge

* Regional Council Officer

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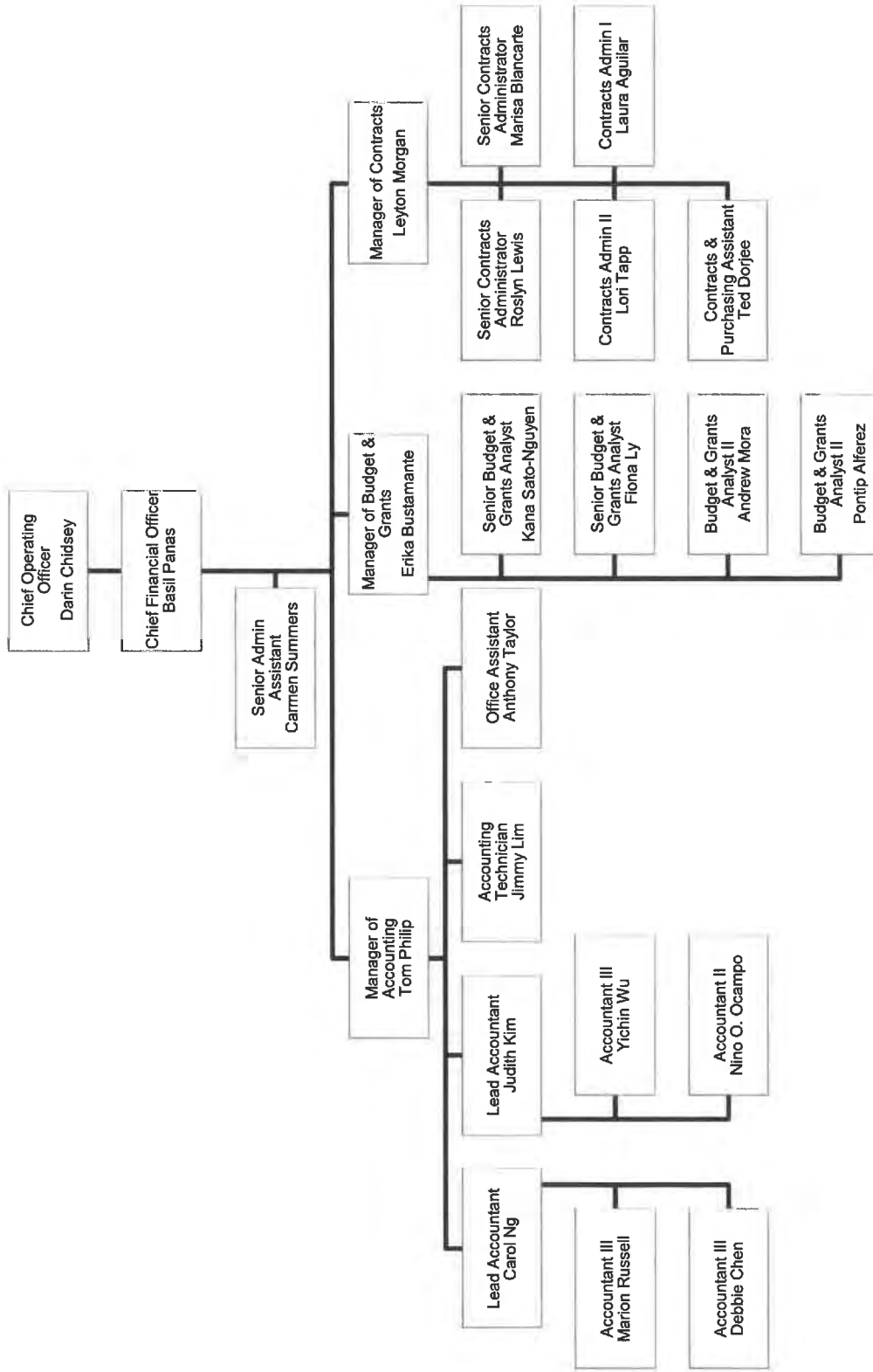
SCAG Organization Chart – June 30, 2019



* Report to Audit Committee
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Finance Division



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Government Finance Officers Association

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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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Independent Auditor's 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 the Southern California Association of Governments (SCAG), as of and for the year ended June 30, 2019, 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.

Auditor's 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, 2019, 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 4-13, the budgetary comparison information on pages 52-59, 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 60-61, 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 62-63, the Schedule of Changes in the Net OPEB Liability and Related Ratios and Schedule of OPEB Contributions on pages 64-65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplemental combining financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental combining financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of SCAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SCAG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCAG's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 13, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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INTRODUCTION

This management's discussion and analysis (MD&A) of the Southern California Association of Governments' (SCAG) financial performance provides an overview of SCAG's financial activities for the fiscal year ended June 30, 2019. 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, environment/compliance, sustainability/housing, modeling/forecasting/GIS, public involvement and other grants is reviewed. Finally, there is summary information about project work undertaken and completed by SCAG in FY 2018-2019.

FINANCIAL HIGHLIGHTS

Revenues decreased to \$43.3 million in FY 2018-2019 from \$44.8 million in FY 2017-2018, a decrease of \$1.5 million, or 3.3%.

Federal revenues decreased by \$4.2 million; state revenues increased by \$2.4 million; local revenues increased by \$0.1 million; and General Fund revenues increased by \$0.2 million.

Net position decreased by \$7.1 million to (\$28.1 million). This was mainly driven by the \$4.8 million charge to the General Fund for disallowed grant costs. SCAG has submitted a Plan of Cost Substitution to offset \$4.4 million of those costs with expenditures already paid from local funds (see Note 15). The remaining decrease in Net Position of \$2.3 million was mainly due to the reduction in deferred outflows related to pensions.

Cash increased by \$2.1 million; receivables increased by \$1.0 million; the under-recovery of indirect costs decreased by \$1.0 million; and accounts and contracts payable and accrued liabilities increased by \$5.9 million, all compared to FY 2017-2018.

Cash balances were adequate to support operations. There were no draws on SCAG's line of credit in FY 2018-2019.

As noted above, receivables increased \$1.0 million to \$9.0 million due to higher State grant receivables. 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 \$1.4 million to \$5.1 million. All AP obligations are current.

The unfunded net pension liability of \$41.8 million to CalPERS and PARS decreased \$0.8 million from \$42.6 million last year. SCAG's liability for other post-employment benefits was \$4.3 million, also down from last year (by \$0.4 million).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements distinguish between the activities of SCAG that are principally supported by grants or contracts, and the General Fund activities which are intended to be covered primarily by dues paid by SCAG's members. Changes in net position are a result of the financial activities of the General and Transportation Development Act (TDA) funds, not from the grant funds, which operate on a cost-reimbursement basis. The government-wide financial statements can be found on pages 14 and 15 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, 2019

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and the governmental funds financial statements. The notes provide the reader with information about accounting policies, data and information about cash, indirect overhead, commitments and contingencies, retirement pension plans, and other items. The notes to the basic financial statements can be found on pages 20 to 51 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 2018-2019, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$28.1 million, an increase of \$7.1 million from the FY 2018-2019 amount of \$21.0 million.

The following is a summary of net positions as of June 30, 2019 and 2018:

	June 30	
	2019	2018
Current and other assets	\$ 23,882,870	\$ 21,630,739
Capital assets, net	5,957,615	6,672,535
Total assets	29,840,485	28,303,274
 Deferred outflows of resources	 6,394,063	 10,431,544
 Current liabilities	 12,019,773	 6,140,158
Noncurrent liabilities	51,608,276	53,460,472
Total liabilities	63,628,049	59,600,630
 Deferred inflows of resources	 705,231	 131,568
 Net position		
Invested in capital assets	128,748	4,859,839
Restricted	10,829,017	9,327,440
Unrestricted	(39,056,497)	(35,184,659)
Total net position	\$ (28,098,732)	\$ (20,997,380)

Cash and Cash Equivalents

Over the last year, cash and cash equivalents has decreased \$2.1 million to \$10.4 million. During that same period, cash as a percentage of total assets was 35%.

Included in cash was \$0.3 million of member dues for FY 2019-2020 received in FY2018-2019.

Accounts Receivable (AR)

ARs from federal, state, local and other agencies at the end of FY 2018-2019 were \$9.0 million compared to \$8.0 million the year before. AR balances represented 30% of total assets compared to 28% in FY 2017-2018.

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

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

Federal ARs at \$5.8 million were \$0.5 million more than last year. State receivables increased by \$1.1 million to \$2.6 million. Local grants and contracts receivable remained at \$0.5 million. Other receivables dropped to \$0.06 million.

Accounts and Contracts Payable (AP)

During FY 2018-2019, SCAG met its goal of paying 95% of invoices within 30 days in ten of the twelve months. The AP balance increased from \$3.7 million to \$5.1 million.

Line of Credit (LOC)

During FY 2018-2019, SCAG did not draw on its LOC.

The LOC is a \$6.5 million credit line with an independent financial institution, which expires on March 31, 2021. Cash advances, if requested, are secured by an assignment of moneys due only from Caltrans. Advances on the line must be in minimum amounts of \$350,000 and are due 45 days from the date of the advance. The current agreement provides for a choice of two interest rate structures. Variable rate advances incur interest at the prime rate plus 0.5%. LIBOR advances incur a fixed rate of interest for a fixed period which is 2.5% above the bank's LIBOR rate.

Financing Agreements

During FY18, SCAG entered into two five-year Equipment Financing Agreements with Bank of the West to finance the acquisition of furniture and audio-visual equipment in SCAG's new headquarters building in Los Angeles. The furniture financing was in the amount of \$1,241,979.77 at 4.8% while the equipment financing was in the amount of \$701,504.69 at 5.44%. SCAG makes monthly repayments. For more information on SCAG's long-term debt maturity, see notes 10, 12 and 14.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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Year ended June 30, 2019

Capital Assets

Net investment in net capital assets is \$5,957,688. 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:

	<u>June 30</u>	
	<u>2019</u>	<u>2018</u>
Construction in progress	\$ -	\$ 23,515
Computer equipment and software, net	140,309	449,139
Leasehold improvements, net	5,426,534	5,638,926
Furniture and fixtures, net	390,772	560,955
	<u>\$ 5,957,615</u>	<u>\$ 6,672,535</u>

Statements of Activities

	<u>Years ended June 30</u>	
	<u>2019</u>	<u>2018</u>
REVENUES		
Charges for services - member dues	\$ 2,053,962	\$ 1,986,186
Operating grants and contributions	40,576,290	42,253,899
General revenues:		
Interest Income	271,058	103,616
Other revenue	380,145	430,867
	<u>43,281,455</u>	<u>44,774,568</u>
EXPENSES		
Transportation	16,150,392	14,792,393
Modeling	10,768,740	10,582,018
Environmental	3,179,830	5,164,861
Public Involvement	2,219,085	2,180,608
Sustainability initiatives	5,820,909	8,642,100
Administration	12,243,851	8,147,226
	<u>50,382,807</u>	<u>49,509,206</u>
Change in net position	(7,101,352)	(4,734,638)
Net position - beginning	(20,997,380)	(16,262,742)
Net position - ending	<u>\$ (28,098,732)</u>	<u>\$ (20,997,380)</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2019

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.

Total revenues in FY 2018-2019 were \$43.3 million compared to \$44.8 million last year. This is a decrease of \$1.5 million or 3.3%.

The decrease in net position is due to the charges to the General fund for disallowed grant costs (see Note 15) and the reduction in deferred outflows related to pensions.

Major Expenses

In FY 2018-2019, salary expenses were \$13.8 million which included non-worktime (e.g., vacation leave, sick leave, and holiday). The comparable amount in FY 2017-2018 was \$12.2 million. Salaries, including non-worktime, represent about 29% of total expenses.

Consultant expenses are the next largest expense line item. They increased \$2.3 million to \$10.0 million in FY 2018-2019 from \$7.7 million in FY 2017-2018. They represent about 21% 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 2018-19 SCAG made pass-through payments, in the amount of \$8.5 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 the Federal Highway Administration (FHWA) and Section 5303 from the Federal Transit Administration (FTA), also known as the Consolidated Planning Grant (CPG). 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.

FHWA PL and FTA 5303 revenues amounted to \$20.2 million and \$6.2 million, respectively, in FY 2018-2019. These two grants were billed \$26.4 million in FY 2018-2019 compared to \$24.4 million in FY 2017-2018. Salaries and fringe benefits accounted for \$11.7 million, consultant expenses were \$2.7 million and the balance consisted of indirect overhead of \$11.0 million and other direct project costs of \$1.0 million. Other direct project expenses include professional services, travel, printing and other non-labor costs.

Other Federal Grants

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

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

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

FTA Section 5304 and FHWA Partnership Planning

Caltrans' Sustainable Transportation Planning Grant Program offers two discretionary grant programs on an annual basis. SCAG has been a successful grant recipient under this program to further the region's RTP/SCS. Under this grant program the total FTA Section 5304 and FHWA Partnership Planning budget for FY 2018-2019 was approximately \$3.0 million. The total amount expended for these two grant programs was about \$0.7 million in FY 2018-2019. The unused balance for grants not expiring at the end of fiscal year are carried forward to FY 2019-2020 and future years, if needed, subject to authorization from Caltrans.

FHWA Active Transportation Program

In FY 2017-2018, SCAG was awarded \$1.8 million in FHWA funds from Caltrans Local Assistance Office to build onto the previously funded Active Transportation Safety & Encouragement Campaign Program. The project continued being implemented during FY 2018-2019. Caltrans is the Direct Recipient of the funds from FHWA and SCAG is responsible for managing the program.

Office of Traffic Safety Active Transportation Safety

In FY 2017-2018, SCAG received a grant award in the amount of \$1.5 million from Office of Traffic Safety (OTS) for the Pedestrian and Bicycle Safety Program and completed the grant activities during FY 2018-2019. The funds were used to conduct a regional active transportation safety and encouragement campaign to reduce bicycle and pedestrian collisions. In FY 2018-2019, SCAG secured another grant award from OTS in the amount of \$0.6 million to continue the effort to promote and educate bicycle and pedestrian safety. OTS is the Direct Recipient of the National Highway Traffic Safety Administration funds and SCAG is responsible for managing the program.

Department of Energy, Energy Efficiency & Renewable Energy

SCAG received a cooperative agreement award in the amount of \$45,000 in FY 2015-2016, \$45,000 in FY 2016-2017, \$45,000 in FY 2017-2018, and an additional \$67,500 in FY 2018-2019. The funds are used for Clean Cities Outreach, Education and Performance Tracking project.

State Grants

Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017, is a transportation funding bill that supports and implements the RTP/SCS and helps achieve the State's greenhouse gas (GHG) reduction targets. SB1 expanded the existing Caltrans' Sustainable Transportation Planning Grant Program by offering a formula grant program to the MPOs. Under this formula grant program, SCAG, as an MPO, received a grant award in the amount of \$5.6 million in FY 2017-2018 and \$5.3 million in FY 2018-2019. The SB1 grant funds support various programs, including but not limited to, SCAG's Sustainability Planning Grant (SPG) program, Future Communities Initiative, and development and implementation of the SCS. In FY 2017-2018, SCAG also received two competitive grant awards in the amount of \$1.24 million, which fund the effort to carry out ADA Paratransit Demand Forecast and Southern California Regional Climate Adaptation Framework projects. Both projects commenced and continued being implemented in FY 2018-2019. The unused balance for both formula and competitive grants not expiring at the end of fiscal year are carried forward to FY 2019-2020 and future years, if needed, subject to authorization from Caltrans.

In FY 2016-2017, SCAG received a grant award in the amount of \$2.5 million directly from SCAQMD for the AB2766/MSRC funding program. The funds are used for implementing the *Go Human* Program and the *Go Human* events were held in various cities in FY 2018-2019.

SCAG also received a grant award in the amount of \$643,000 from the Caltrans Local Assistance Active Transportation Program in FY 2016-2017. The funds are used to develop an active transportation plan, a greenway feasibility study, and provide safety education for bicyclists within the San Gabriel Valley. In FY 2017-2018, SCAG received two more grants from the Caltrans Local Assistance Active Transportation Program: \$1.15 million to develop six active transportation plans in disadvantaged communities, and \$1.29 million to implement active transportation, safe routes to school, and complete streets plans for seven cities in SCAG region. Both projects commenced and continued being implemented in FY 2018-2019.

Local Revenues

Local revenues were \$6.1 million compared to \$5.9 million in FY 2017-2018, consisting of local match, mostly Transportation Development Act (TDA) funding. The TDA Fund, a major fund, had revenues of \$5.9 million. TDA funds are 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 rose to \$10.8 million as not all budgeted amounts were spent. However, the TDA fund balance is expected to decline in FY20 as commitments of \$10.3 million have been made against the fund balance and the revenues of FY19.

Further, SCAG received cost-sharing contributions from various local partner agencies to carry out special-interest projects. For example, in FY 2018-2019, SCAG received \$100,000 from Los Angeles County Metropolitan Transportation Authority to evaluate and analyze the existing bike share program.

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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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Year ended June 30, 2019

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 2018-2019, fund balance decreased by \$5.1 million mainly due to the charge for disallowed grant costs (see Note 15).

	Years ended June 30	
	2019	2018
Revenues:		
Membership assessments	\$ 2,053,962	\$ 1,986,186
General assembly	380,145	392,095
Interest and other	271,058	142,388
Total revenues	<u>2,705,165</u>	<u>2,520,669</u>
Expenditures:		
Transportation	61,366	-
Modeling	104	-
Sustainability Initiatives	65,433	-
Administration	2,758,108	2,322,029
Disallowed Grant Costs	4,832,192	-
Debt service - principal	-	130,788
Debt service - interest	-	25,490
Capital outlay	5,956	751,872
Indirect cost	12,365,958	15,165,346
Indirect cost recovery	(12,921,422)	(11,898,943)
Under-recovery of indirect cost	555,464	(3,266,403)
Total expenditures	<u>7,723,159</u>	<u>3,230,179</u>
Deficiency of revenues over expenditures	(5,017,994)	(709,510)
Other financing sources (uses):		
Transfers out	(78,995)	(33,419)
Proceeds from financing	-	1,943,484
Total other financing sources (uses)	<u>(78,995)</u>	<u>1,910,065</u>
Change in fund balance	(5,096,989)	1,200,555
Fund balance, beginning of year	<u>7,853,366</u>	<u>6,652,811</u>
Fund balance, end of year	<u>\$ 2,756,377</u>	<u>\$ 7,853,366</u>

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 2018-2019 to \$2,053,962 from \$1,986,186 in FY 2017-2018, an increase of 3.4 %. This resulted from the automatic dues increase equivalent to the Consumer Price Index provided for in the Bylaws. At the end of FY 2018-2019, only two cities in the entire SCAG region were not members.

Other GF Revenues and Interest Income

Total other revenues increased in FY 2018-2019 to \$271,058 from \$142,388 in FY 2017-2018.

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 \$8.1 million compared to the budget of \$2.6 million, a negative variance of \$5.4 million. \$4.8 million of that was due to the disallowed grant costs (see Note 15). The rest of the budget over-run of \$0.6 was mostly due to expenditures on the General Assembly event and sponsorships. 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.

Next Year's Budgets

SCAG's Comprehensive Budget for FY 2019-2020 is \$91.4 million compared to \$90.3 million in FY 2018-2019, a net increase of \$1.1 million or 1.2% mainly due to the \$1.3 million increase in GF funds programmed for the 6th Cycle Regional Housing Needs Assessment. Most FY 2019-2020 OWP funding comes from the Federal government -- 45%, 23% comes from the State of California, 12% are federal pass-throughs, 16% comes from local funds, and 4% from other sources.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Net Position
June 30, 2019

ASSETS

Cash and cash investments	\$ 10,431,202
Receivables:	
Federal grants	5,792,642
State grants and contracts	2,636,609
Local grants and contracts	506,768
Other	66,163
Prepays	860,370
Other assets	6,774
Under-recovery of indirect costs	3,582,342
Capital assets, net	5,957,615
Total Assets	29,840,485

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	5,515,249
Deferred outflows of resources related to OPEB	878,814
Total Deferred Outflows of Resources	6,394,063

LIABILITIES

Accounts and contracts payable	5,099,548
Accrued liabilities	4,714,117
Advances from grantors	171,557
Unearned revenues	312,254
Noncurrent liabilities:	
Due within one year	1,722,297
Due in more than one year	51,608,276
Total Liabilities	63,628,049

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	562,754
Deferred inflows of resources related to OPEB	142,477
Total Deferred Outflows of Resources	705,231

NET POSITION

Net investment in capital assets	128,748
Restricted for:	
Transportation projects	10,829,017
Unrestricted	(39,056,497)
Total Net Position	\$ (28,098,732)

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year Ended June 30, 2019

		Program Revenues		
	Expenses	Charges for Services - Member Dues	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Functions/programs:				
Transportation	\$ 16,150,392	\$ -	\$ 17,511,608	\$ 1,361,216
Environmental	3,179,830	-	3,179,830	-
Modeling	10,768,740	-	10,768,636	(104)
Public Involvement	2,219,085	-	2,219,085	-
Sustainability initiative	5,820,909	-	5,755,476	(65,433)
Administration	12,243,851	2,053,962	1,141,655	(9,048,234)
Total Governmental Activities	\$ 50,382,807	\$ 2,053,962	\$ 40,576,290	(7,752,555)
General revenues:				
Interest income				271,058
Other revenue				380,145
Total General Revenues				651,203
Change in net position				(7,101,352)
Net Position, Beginning of Year				(20,997,380)
Net Position, End of Year				\$ (28,098,732)

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	FTA 5303 Fund	FHWA PL Fund	TDA Fund	Nonmajor Funds	Total
ASSETS						
Cash and cash equivalents	\$ 10,431,202	\$ -	\$ -	\$ -	\$ -	\$ 10,431,202
Receivables:						
Federal grants	-	2,652,698	2,171,140	-	968,804	5,792,642
State grants and contracts	-	-	-	-	2,636,609	2,636,609
Local grants and contracts	-	-	-	401,843	104,925	506,768
Other	66,163	-	-	-	-	66,163
Due from other funds	1,559,597	-	-	11,180,607	193,460	12,933,664
Prepays	860,370	-	-	-	-	860,370
Other assets	6,774	-	-	-	-	6,774
Under-recovery of indirect costs	3,582,342	-	-	-	-	3,582,342
Total Assets	<u>\$ 16,506,448</u>	<u>\$ 2,652,698</u>	<u>\$ 2,171,140</u>	<u>\$ 11,582,450</u>	<u>\$ 3,903,798</u>	<u>\$ 36,816,534</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts and contracts payable	\$ 841,356	\$ 1,489,940	\$ 22,740	\$ 753,433	\$ 1,992,079	\$ 5,099,548
Accrued liabilities	4,714,117	-	-	-	-	4,714,117
Due to other funds	7,882,344	1,162,758	2,148,400	-	1,740,162	12,933,664
Advances from grantors	-	-	-	-	171,557	171,557
Unearned revenues	312,254	-	-	-	-	312,254
Total Liabilities	<u>13,750,071</u>	<u>2,652,698</u>	<u>2,171,140</u>	<u>753,433</u>	<u>3,903,798</u>	<u>23,231,140</u>
Fund balances						
Nonspendable for:						
Prepays and other assets	867,144	-	-	-	-	867,144
Restricted:						
Transportation	-	-	-	10,829,017	-	10,829,017
Unassigned:						
General fund	1,889,233	-	-	-	-	1,889,233
Total Fund Balances	<u>2,756,377</u>	<u>-</u>	<u>-</u>	<u>10,829,017</u>	<u>-</u>	<u>13,585,394</u>
Total Liabilities and Fund Balances	<u>\$ 16,506,448</u>	<u>\$ 2,652,698</u>	<u>\$ 2,171,140</u>	<u>\$ 11,582,450</u>	<u>\$ 3,903,798</u>	<u>\$ 36,816,534</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, 2019

Total governmental fund balances	\$ 13,585,394
Amounts reported for governmental activities in the accompanying statement of net position are different because:	
Capital assets, net of accumulated depreciation of \$7,049,548 used in governmental activities are not financial resources; they are therefore, not reported in the governmental funds financial statements	5,957,615
Long-term liabilities are not due and payable at year end; they are therefore, not reported in the governmental funds financial statements	
Compensated absences liabilities	(1,396,938)
Net pension liabilities	(41,841,758)
Net OPEB liability	(4,263,010)
Financing agreements	(1,457,488)
Tenant improvement allowance	(4,371,379)
Deferred outflows of resources are not considered financial resources and are not reported in the governmental funds	
Pensions	5,515,249
OPEB	878,814
Deferred inflows of resources are not available to pay for current period expenses and are not reported in the governmental funds	
Pensions	(562,754)
OPEB	(142,477)
Net Position	\$ (28,098,732)

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, 2019

	General Fund	FTA 5303 Fund	FHWA PL Fund	TDA Fund	Nonmajor Funds	Total
Revenues:						
Federal grants, net	\$ -	\$ 6,220,125	\$ 20,197,205	\$ -	\$ 4,185,020	\$ 30,602,350
State grants and contracts	-	-	-	-	3,878,174	3,878,174
Local grants and contracts	-	-	-	5,941,977	153,789	6,095,766
Membership assessments:						
Cities	1,637,939	-	-	-	-	1,637,939
Counties	307,523	-	-	-	-	307,523
Commission	88,500	-	-	-	-	88,500
Transportation corridor agency	10,000	-	-	-	-	10,000
Air districts	10,000	-	-	-	-	10,000
General assembly	380,145	-	-	-	-	380,145
Interest and other	271,058	-	-	-	-	271,058
Total Revenues	<u>2,705,165</u>	<u>6,220,125</u>	<u>20,197,205</u>	<u>5,941,977</u>	<u>8,216,983</u>	<u>43,281,455</u>
Expenditures:						
Transportation	61,366	1,390,858	7,905,167	1,277,541	5,515,460	16,150,392
Environmental	-	498,839	2,215,581	249,044	216,366	3,179,830
Modeling	104	2,795,116	6,816,025	875,160	282,335	10,768,740
Public Involvement	-	741,111	1,245,347	169,218	63,409	2,219,085
Sustainability initiatives	65,433	596,797	1,874,262	1,145,004	2,139,413	5,820,909
Administration	2,758,108	197,404	140,823	228,947	-	3,325,282
Debt Service:						
Principal	-	-	-	355,208	-	355,208
Interest	-	-	-	83,796	-	83,796
Disallowed grant costs	4,832,192	-	-	-	-	4,832,192
Capital outlay	5,956	-	-	135,477	-	141,433
Indirect cost	12,365,958	-	-	-	-	12,365,958
Indirect cost recovery	(12,921,422)	-	-	-	-	(12,921,422)
Over-recovery of indirect costs	555,464	-	-	-	-	555,464
Total Expenditures	<u>7,723,159</u>	<u>6,220,125</u>	<u>20,197,205</u>	<u>4,519,395</u>	<u>8,216,983</u>	<u>46,876,867</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(5,017,994)</u>	<u>-</u>	<u>-</u>	<u>1,422,582</u>	<u>-</u>	<u>(3,595,412)</u>
Other financing sources (uses)						
Transfers in	-	-	-	78,995	-	78,995
Transfers out	(78,995)	-	-	-	-	(78,995)
Total other financing sources (uses)	<u>(78,995)</u>	<u>-</u>	<u>-</u>	<u>78,995</u>	<u>-</u>	<u>-</u>
Change in fund balance	(5,096,989)	-	-	1,501,577	-	(3,595,412)
Fund Balances, Beginning of Year	7,853,366	-	-	9,327,440	-	17,180,806
Fund Balances at end of year	<u>\$ 2,756,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,829,017</u>	<u>\$ -</u>	<u>\$ 13,585,394</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, 2019

Change in fund balances - total governmental funds \$ (3,595,412)

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	\$ 141,433	
Capital assets write down	(74)	
Depreciation expense	<u>(856,279)</u>	(714,920)

Compensated absences and tenant improvement allowance are not recorded in the governmental funds and the corresponding changes in these balances are not reflected in the change in fund balance:

Compensated absences liabilities		(10,994)
Amortization of tenant improvement allowance		311,330

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt service payment		355,208
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Governmental funds report pension/OPEB contributions as expenditures in governmental funds. Such amounts are reported as deferred outflow of resources on full accrual basis.

Pension contributions		3,439,787
OPEB contributions		878,814

Pension expense is reported on the statement of activities (7,331,820)

OPEB expense is reported on the statement of activities (433,345)

Change in net position of governmental activities	<u><u>\$ (7,101,352)</u></u>
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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. Interfund balances have been eliminated in the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. 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, then 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. 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 10).

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 arrangement 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 Governmental Accounting Standards Board (GASB) pronouncements adopted in the current year

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. Statement 88 establishes that additional essential information related to debt is required to be disclosed in notes to the financial statements. This Statement is effective for reporting periods beginning after June 15, 2018. SCAG implemented this Statement effective July 1, 2018.

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

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements prior to June 30, 2019, 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. 84, *Fiduciary Activities*.
- GASB Statement No. 87, *Leases*.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*.
- GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*.
- GASB Statement No. 91, *Conduit Debt Obligations*.

L. Pensions

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

M. Other Post-Employment Benefits (OPEB)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. *Deferred Outflows and Inflows of Resources*

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

SCAG reports deferred outflows and inflows of resources related to pension and OPEB on the government-wide statement of net position, under full accrual basis of accounting. Pension/OPEB related deferred outflows of resources relate to contributions made subsequent to the measurement date, which will be reflected as a reduction of net pension/OPEB liability in a future reporting period. Pension/OPEB related deferred inflows of resources include the net differences between projected and actual earnings on plan investments, and differences between expected and actual experiences, and will be recognized as part of pension/OPEB expense in future reporting periods. Refer to Note 12 for items identified as deferred inflows and outflows related to pensions and Note 14 for items identified as deferred inflows and outflows related to OPEB as of June 30, 2019.

O. *Use of Estimates*

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

P. *Fund Balance Reporting*

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Reporting (continued)

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

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

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

The Regional Council, as SCAG’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Regional Council removes or changes the specific use through the same type of formal action taken to establish the commitment. SCAG does not have any fund balance that meets this classification as of June 30, 2019.

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 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of expenditures over appropriations by function of individual funds is as follows:

Fund	Final Budget	Expenditures	Excess
Major Fund:			
General Fund:			
Administration	\$ 2,610,612	7,928,083	5,317,471
Modeling	-	104	104
Sustainability	-	65,432	65,432
Transportation	-	61,366	61,366

NOTE 3 – 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	\$	2,273,312
Cash and cash equivalents in County of Los Angeles Treasury		8,156,890
Petty cash		1,000
		\$ 10,431,202

A. Deposits

At June 30, 2019, 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and SCAG’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2019, the SCAG’s deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts of \$2,168,315 were collateralized by the financial institution’s agent as described above.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments Authorized by SCAG’s Investment Policy

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

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

C. County of Los Angeles Treasurer’s Pool

At June 30, 2019 and as permitted by California Government Code Section 53635, a portion of SCAG’s cash balance totaling \$8,156,890 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, 2019, 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, 2019, the weighted average maturity for the County pool approximated 547 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.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

C. County of Los Angeles Treasurer’s Pool (continued)

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 value 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, 2019, is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

NOTE 4 – 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.

NOTE 4 – INDIRECT OVERHEAD (CONTINUED)

An under-recovery of \$4,568,433 was carried forward from FY 2017-2018 and added to the over-recovered indirect costs for FY 2018-2019. The under-recovered amount at June 30, 2019 is included in the General Fund and presented as an asset. The fixed percentage rate that was approved by Caltrans and used for FY 2018-2019 was 93.55% of salaries plus fringe benefits. A recap of the carryforward amount follows:

	Indirect Costs
Indirect costs	\$ 12,365,958
Indirect costs recovered	12,921,422
(Over) under-recovered indirect costs	(555,464)
(Over) under-recovered indirect costs, beginning of year	4,568,433
Disallowed indirect costs written off	(430,627)
(Over) under-recovered indirect costs, end of year	\$ 3,582,342

The balance of under-recovered indirect costs at June 30, 2019 amounting to \$3,582,342 will be carried forward as an adjustment to the calculation of the indirect cost carryforward for FY 2019-2020.

NOTE 5 – UNEARNED REVENUE AND ADVANCES FROM GRANTORS

Unearned revenue consisted of the following:

A. Membership Dues

Cash received as of June 30, 2019 for member dues for the following year amounted to \$312,254. 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, 2019 amounted to \$171,557. 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, 2019

NOTE 6 – CAPITAL ASSETS

SCAG’s capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Construction in progress	\$ 23,515	\$ -	\$ (23,515)	\$ -
Total Capital Assets Not Being Depreciated	<u>23,515</u>	<u>-</u>	<u>(23,515)</u>	<u>-</u>
Capital assets being depreciated:				
Computer equipment and software	6,115,946	-	-	6,115,946
Leasehold improvements	5,870,620	164,948	-	6,035,568
Furniture and fixtures	855,649	-	-	855,649
Total Capital Assets Being Depreciated	<u>12,842,215</u>	<u>164,948</u>	<u>-</u>	<u>13,007,163</u>
Less accumulated depreciation and amortization:				
Computer equipment and software	(5,666,807)	(308,830)	-	(5,975,637)
Leasehold improvements	(231,694)	(377,266)	(74)	(609,034)
Furniture and fixtures	(294,694)	(170,183)	-	(464,877)
Total Accumulated Depreciation and Amortization	<u>(6,193,195)</u>	<u>(856,279)</u>	<u>(74)</u>	<u>(7,049,548)</u>
Total Capital Assets Being Depreciated, Net	<u>6,649,020</u>	<u>(691,331)</u>	<u>(74)</u>	<u>5,957,615</u>
Capital Assets, Net	<u>\$ 6,672,535</u>	<u>\$ (691,331)</u>	<u>\$ (23,589)</u>	<u>\$ 5,957,615</u>

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

Transportation	\$ 420,571
Environment/Compliance	48,676
Sustainability/Housing	169,178
Modeling/Forecasting/GIS	197,078
Public Involvement/Others	20,776
	<u>\$ 856,279</u>

NOTE 7 – INTERFUND BALANCES

The interfund due to/from amounts at June 30, 2019 were as follows:

	Due From Other Funds	Due to Other Funds
Major governmental funds:		
General fund	\$ 1,559,597	\$ 7,882,344
FTA 5303 fund	-	1,162,758
FHWA PL fund	-	2,148,400
TDA fund	11,180,607	-
Total	12,740,204	11,193,502
Non-Major Governmental Funds	193,460	1,740,162
	\$ 12,933,664	\$ 12,933,664

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. However, interfund services provided and used are not eliminated in the process of consolidation.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Grants

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, which include the USDOT, Caltrans, and other state agencies. Any disallowed costs, including amounts already collected, may constitute a liability of the applicable funds. The California Department of Transportation has disallowed grant costs in their Incurred Cost Audit of SCAG dated September 2018 and Indirect Cost Allocation Plan Audit dated January 2019. The amount of costs, which are subject to repayment, are \$4,401,565. For more details, see Note 15.

B. Contract Commitments

At June 30, 2019, SCAG is contractually committed to pay for certain future transportation, technical and other planning consulting services amounting to \$14,536,590.

C. Operating Leases

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

Wilshire Grand Center Office Space

On January 1, 2018, SCAG entered into a new agreement for the rental of new office space for a term of 15 years and 9 months, through September 30, 2033. The lease agreement included a beneficial occupancy period of 15 months. SCAG accounts for scheduled rent payments on a straight line basis with a monthly amount of \$116,064. In addition, SCAG received a tenant improvement allowance in the amount of \$4,829,000. Refer to Note 10 for tenant improvement allowance as long-term liabilities.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Operating Leases (continued)

At June 30, 2019, minimum lease commitments under non-cancelable operating leases with initial terms of one year or more are as follows:

Year ending June 30	Amount
2020	\$ 762,593
2021	1,363,065
2022	1,407,295
2023	1,395,850
2024	1,422,227
2025-2029	7,929,547
2030-2034	8,069,588
Total	\$ 22,350,165

SCAG made total operating lease payments of \$1,052,651 during the fiscal year ended June 30, 2019.

D. Contingent Liabilities

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

E. Liability, Workers' Compensation, and Purchased Insurance

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

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

Self-Insurance Programs of the Authority

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Primary Liability Program

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

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

Workers' Compensation Program

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

For 2018-19, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Purchased Insurance

Property Insurance

SCAG participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. SCAG's property is currently insured according to a schedule of covered property submitted by SCAG to the Authority. SCAG's property currently has all-risk property insurance protection in the amount of \$14,974,387. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2018-19.

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, 2019, SCAG paid \$1,620,515 of health insurance premiums and \$231,430 of vision and dental insurance premiums, as well as \$507,372 to employees who had no health insurance elections.

NOTE 9 – LINE OF CREDIT

SCAG has a \$6.5 million line of credit arrangement with an independent financial institution, which expires on March 31, 2021. 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, 2019 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, 2019, SCAG management believes SCAG was in compliance with the financial covenants.

NOTE 10 – LONG-TERM LIABILITIES

The following is a summary of changes in SCAG’s long-term liabilities for the year ended June 30, 2019:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due within One year
Compensated absences	\$ 1,385,942	\$ 872,505	\$ 861,509	\$ 1,396,938	\$ 1,042,023
Net pension liabilities - PARS	640,903	64,677	76,276	629,304	-
Net pension liabilities - PERS	41,934,656	11,425,981	12,148,183	41,212,454	-
Net OPEB liability	4,693,791	905,803	1,336,584	4,263,010	-
Financing agreements	1,812,696	-	355,208	1,457,488	373,630
Tenant improvement allowance	4,682,709	-	311,330	4,371,379	306,644
Total Governmental Activities	<u>\$ 55,150,697</u>	<u>\$ 13,268,966</u>	<u>\$ 15,089,090</u>	<u>\$ 53,330,573</u>	<u>\$ 1,722,297</u>

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

NOTE 10 – LONG-TERM LIABILITIES (CONTINUED)

A. Furniture and equipment financing agreements

During fiscal year 2018, SCAG entered into two five-year financing agreements with Bank of the West to finance the acquisition of furniture and audio-visual equipment in SCAG’s new headquarters building in Los Angeles. The furniture financing was in the amount of \$1,241,980 at 4.86% while the equipment financing was in the amount of \$701,505 at 5.44%. The amount of principal and interest outstanding as of June 30, 2019, is \$1,457,488 and \$142,248, respectively. These outstanding amounts contain a provision that in an event of a default, the outstanding amounts become immediately due if SCAG is unable to make payment. Principal and interest paid during the current year totaled \$439,004.

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

Fiscal Year Ending June 30,	Furniture Financing		
	Principal	Interest	Total
2020	\$ 239,928	\$ 39,239	\$ 279,167
2021	251,852	27,315	279,167
2022	264,368	14,799	279,167
2023	160,240	2,606	162,846
Total	<u>\$ 916,388</u>	<u>83,959</u>	<u>1,000,347</u>

Fiscal Year Ending June 30,	Equipment Financing		
	Principal	Interest	Total
2020	\$ 133,702	\$ 26,135	\$ 159,837
2021	141,160	18,677	159,837
2022	149,033	10,804	159,837
2023	117,205	2,673	119,878
Total	<u>\$ 541,100</u>	<u>58,289</u>	<u>599,389</u>

B. Tenant improvement allowance

On January 1, 2018, SCAG was granted a tenant improvement allowance in the amount of \$4,829,000 at the inception on the new office building lease for leasehold improvements. The deferred lease credits are to be amortized over the term of the lease of 15 years and 9 months. The amount amortized during the current year was \$311,330.

NOTE 11 – RELATED PARTY TRANSACTIONS

For the year ended June 30, 2019, SCAG recorded \$2,053,962 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 12 – 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, 2019 is presented below:

	CalPERS	PARS	Total
Deferred outflows - pensions	\$ 5,512,477	\$ 2,772	\$ 5,515,249
Net pension liability	41,212,454	629,304	41,841,758
Deferred inflows - pensions	562,754	-	562,754
Pension expenses (credits)	7,343,617	(11,797)	7,331,820

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.

NOTE 12 – RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

The Plan’s provisions and benefits in effect at June 30, 2019, 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	8.219%	8.219%

Employees Covered

At June 30, 2019, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	210
Inactive employees entitled to but not yet receiving benefits	196
Active employees	127
Total	533

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, 2019 were \$3,439,787.

NOTE 12 – RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability

SCAG’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% 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, 2017 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.

Discount Rate

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

NOTE 12 – RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability (continued)

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

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation rate of 2.00% used for this period

(b) An expected inflation rate of 2.92% used for this period

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NOTE 12 – 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)		Net Pension Liability/(Asset)
	Total Pension Liability	Plan Fiduciary Net Position	
Balance at June 30, 2017	\$ 125,524,086	\$ 83,589,430	\$ 41,934,656
Changes in the year:			
Service Cost	2,290,471	-	2,290,471
Interest on the total pension liability	8,757,694	-	8,757,694
Differences between expected and actual experience	(61,325)	-	(61,325)
Changes in assumptions	(853,150)	-	(853,150)
Net plan to plan resource movement	-	(204)	204
Contributions from the employer	-	2,938,828	(2,938,828)
Contributions from the employee	-	1,207,117	(1,207,117)
Net investment income	-	7,087,763	(7,087,763)
Benefit payments, including refunds of employee contributions	(6,539,230)	(6,539,230)	-
Administrative expenses	-	(130,255)	130,255
Other Miscellaneous Income/(Expense)	-	(247,357)	247,357
Net changes during measurement period	3,594,460	4,316,662	(722,202)
Balance at June 30, 2018	\$ 129,118,546	\$ 87,906,092	\$ 41,212,454

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

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

	Miscellaneous		
	1% Decrease (6.15%)	Current Discount rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 56,814,937	\$ 41,212,454	\$ 28,172,641

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 12 – RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2019, SCAG recognized pension expense of \$7,343,617. At June 30, 2019, 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	\$ 1,499,535	\$ 525,016
Differences between expected and actual experiences	426,182	37,738
Net differences between projected and actual earnings on plan investments	146,973	-
Contributions subsequent to measurement date	3,439,787	-
Total	\$ 5,512,477	\$ 562,754

\$3,439,787 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, 2020. 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		
2020	\$	2,632,592
2021		11,704
2022		(883,588)
2023		(250,772)
Total	\$	1,509,936

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

A. General Information about the Pension Plan

Plan Description

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

NOTE 12 – RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

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

Benefits Provided

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

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

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

Employees Covered

At June 30, 2019, 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, 2019, 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 12 – RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.50%
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, 2019, 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 decreased from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019. The Fiduciary Plan Net Position is \$39,107, leaving an unfunded liability, known as the Net Pension Liability of \$629,304.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year Ended June 30, 2019

NOTE 12 – 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, 2018	\$ 671,079	\$ 30,176	\$ 640,903
Interest on the total pension liability	24,762	-	24,762
Effect of economic/demographic gains or losses	18,965	-	18,965
Effect of assumption changes or inputs	16,695	-	16,695
Benefit payments	(63,090)	(63,090)	-
Contributions from the employer	-	75,719	(75,719)
Net investment income	-	557	(557)
Administrative expenses	-	(4,255)	4,255
Net changes during 2017-18	<u>(2,668)</u>	<u>8,931</u>	<u>(11,599)</u>
Balance at June 30, 2019	<u>\$ 668,411</u>	<u>\$ 39,107</u>	<u>\$ 629,304</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 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Net Pension Liability	\$ 678,333	\$ 629,304	\$ 585,800

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

For the year ended June 30, 2019, SCAG recognized a pension credit of \$11,797. At June 30, 2019, the SCAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings	\$ -	\$ 2,772

NOTE 12 – 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		
2020	\$	1,068
2021		827
2022		576
2023		301
Total	\$	2,772

NOTE 13 – 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, 2019, plan assets totaling \$25,842,073 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 14 – POST EMPLOYMENT HEALTHCARE PLAN

A. Plan Description

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

B. Benefits Provided

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

NOTE 14 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

B. Benefits Provided (continued)

Employees Covered by Benefit Terms

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

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

Contributions

The annual contribution is based on the actuarially determined contribution. Employees are not required to contribute to the plan. Contributions recognized by the Plan from the employer for the year ended June 30, 2019 were \$878,814.

C. Net OPEB Liability

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

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal Cost Method
<i>Actuarial Assumptions:</i>	
Discount Rate	6.75%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	6.75%
Mortality	(1)
Healthcare Trend Rate	PPO - 6.0% for 2020 HMO - 5.5% for 2020

(1) Derived using CalPERS Membership Data for all Funds

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period.

NOTE 14 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

C. Net OPEB Liability (continued)

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<i>CERBT</i>		
Global Equity	57%	5.50%
Global Debt Securities	27%	2.35%
Inflation Assets	5%	1.50%
Commodities	3%	1.75%
REITs	8%	3.65%
Total	100%	

D. Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2018	\$ 9,631,904	\$ 4,938,113	\$ 4,693,791
Changes in the year:			
Service cost	250,437	-	250,437
Interest on the total OPEB liability	646,120	-	646,120
Contributions - employer	-	938,099	(938,099)
Net investment income	-	398,485	(398,485)
Benefit payments, including refunds of member contributions	(620,372)	(620,372)	-
Administrative expenses	-	(2,713)	2,713
Other expense	-	(6,533)	6,533
Net changes	276,185	706,966	(430,781)
Balance at June 30, 2019	\$ 9,908,089	\$ 5,645,079	\$ 4,263,010

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year Ended June 30, 2019

NOTE 14 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

D. Changes in Net OPEB Liability (continued)

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 5,257,710	\$ 4,263,010	\$ 3,410,173

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

	1% Decrease (5.00% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO)	Healthcare Cost Trend Rates (6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO)	1% Increase (7.00% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO)
Net OPEB Liability	\$ 4,045,220	\$ 4,263,010	\$ 4,461,336

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

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

For the year ended June 30, 2019, SCAG recognized OPEB expense of \$433,345. At June 30, 2019, SCAG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 878,814	\$ -
Net difference between projected and actual earnings on plan investments	-	142,477
Total	\$ 878,814	\$ 142,477

NOTE 14 – POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

\$878,814 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amortization
2020	\$ (43,842)
2021	(43,842)
2022	(43,842)
2023	(10,951)
Total	\$ (142,477)

NOTE 15 – SUBSEQUENT EVENT

On September 21, 2018, the California Department of Transportation (Caltrans) issued an Incurred Cost Audit report which is available at: <https://ig.dot.ca.gov/audits/incurred-cost>. The audit was performed to determine whether costs claimed by, and reimbursed to, SCAG between April 2015 and June 2015 were adequately supported and in accordance with Caltrans agreement provisions and State and federal regulations. As a result of the audit, Caltrans recommended that SCAG repay \$2,510,015 of reimbursed costs.

On January 9, 2019, Caltrans issued an Indirect Cost Allocation Plan (ICAP) audit report which is available at: <https://ig.dot.ca.gov/audits/icap>. The audit was performed to determine whether SCAG’s FY2016/17 ICAP was presented in accordance with Title 2 Code of Federal Regulations (CFR) Part 200 and Caltrans’s Local Assistance Procedures Manual (LAPM). It was also performed to determine whether SCAG had a financial management system capable of accumulating and segregating costs that are reasonable, allowable, and can be allocated to projects. This audit of the financial management system also included testing of procurement and contract management systems to ensure compliance with State and federal regulations. As a result of the audit, Caltrans recommended that SCAG repay \$2,252,976 of reimbursed costs and required SCAG to restate its FY15 and FY17 ICAPs to exclude \$430,327 of costs previously included.

On May 8, 2019, Caltrans issued its determination of corrective actions regarding both audits. In that letter, Caltrans informed SCAG that it would not seek reimbursement of \$361,426 of the \$2,510,015 of costs disallowed in the Incurred Cost audit but instead address that audit finding with a programmatic solution requiring SCAG to update procurement and contract management procedures and to take training. That reduced the amount of repayment in the Incurred Cost audit to \$2,148,589.

As a result of these disallowances, in FY19 SCAG wrote off \$430,327 of indirect costs previously shown as a receivable from Caltrans. This amount represents the costs excluded from the restated ICAPs of FY15 and FY17. SCAG also accrued a liability of \$4,401,565 in the General Fund to reflect the remaining Incurred Cost audit repayment amount of \$2,148,589 and the Indirect Cost Allocation Plan audit repayment amount of \$2,252,976.

NOTE 15 – SUBSEQUENT EVENT (CONTINUED)

On November 4, 2019, SCAG presented to Caltrans a Plan of Cost Substitution which seeks to satisfy the repayment amount of \$4,401,565 by substituting eligible costs already paid from SCAG's local funding source (Transportation Development Act). If the Plan of Cost Substitution is approved, SCAG will not be required to repay \$4,401,565 out of the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Membership assessments:				
Cities	\$ 1,637,939	\$ 1,637,939	\$ 1,637,939	\$ -
Counties	307,523	307,523	307,523	-
Commissions	88,500	88,500	88,500	-
Transportation corridor agency	10,000	10,000	10,000	-
Air districts	10,000	10,000	10,000	-
	<u>2,053,962</u>	<u>2,053,962</u>	<u>2,053,962</u>	<u>-</u>
General assembly	340,000	340,000	380,145	40,145
Interest and other	216,650	216,650	271,058	54,408
Total Revenues	<u>2,610,612</u>	<u>2,610,612</u>	<u>2,705,165</u>	<u>94,553</u>
Expenditures:				
Administration:				
Salaries and wages	279,729	279,729	309,227	(29,498)
Allocated fringe benefits	220,986	220,820	234,130	(13,310)
Allocated indirect costs	467,122	468,291	508,311	(40,020)
Contractual and professional services	454,850	398,850	399,786	(936)
Capital outlay >\$5,000	-	-	5,956	(5,956)
Bank fees	12,500	12,500	15,183	(2,683)
Resources materials/subscription	-	2,000	1,876	124
Materials and equipment <\$5,000	-	-	50	(50)
Meetings and conferences	103,000	137,450	131,629	5,821
Scholarship	32,000	32,000	32,000	-
General assembly	375,000	375,000	640,155	(265,155)
SCAG memberships	22,000	108,500	83,678	24,822
Professional memberships	11,500	11,500	7,256	4,244
Office supplies	25,000	5,000	504	4,496
Reproduction and printing	30,500	25,000	8,056	16,944
Stipend-RC Mtg	215,925	207,422	194,130	13,292
RC sponsorships	135,000	135,000	247,938	(112,938)
Economic and labor summit	120,000	85,000	84,937	63
Travel	93,500	81,250	162,179	(80,929)
Disallowed grant costs	-	-	4,832,192	(4,832,192)
Other	12,000	25,300	28,910	(3,610)
Total Administration	<u>2,610,612</u>	<u>2,610,612</u>	<u>7,928,083</u>	<u>(5,317,471)</u>
Modeling:				
Resources materials/subscription	-	-	7	(7)
Meetings and conferences	-	-	17	(17)
Travel	-	-	24	(24)
Other	-	-	56	(56)
Total Modeling	<u>-</u>	<u>-</u>	<u>104</u>	<u>(104)</u>
Sustainability:				
Contractual and professional services	-	-	50,014	(50,014)
Outreach and advertisement	-	-	14,563	(14,563)
Resource materials/subscription	-	-	11	(11)
Meetings and conferences	-	-	25	(25)
RC sponsorships	-	-	699	(699)
Travel	-	-	84	(84)
Other	-	-	36	(36)
Total Sustainability	<u>-</u>	<u>-</u>	<u>65,432</u>	<u>(65,432)</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Transportation:				
Contractual and professional services	\$ -	\$ -	\$ 56	\$ (56)
Outreach and advertisement	-	-	58,253	(58,253)
Resource materials/subscription	-	-	19	(19)
Meetings and conferences	-	-	42	(42)
RC sponsorships	-	-	2,796	(2,796)
Travel	-	-	140	(140)
Other	-	-	60	(60)
	-	-	61,366	(61,366)
 Total Expenditures	 2,610,612	 2,610,612	 8,054,985	 (5,444,373)
 Excess (deficiency) of revenues over (under) expenditures	 -	 -	 (5,349,820)	 5,538,926
Other financing sources (uses)				
Transfers out	-	-	(78,995)	(78,995)
 Total other financing sources (uses)	 -	 -	 (78,995)	 (78,995)
 Change in fund balance	 -	 -	 (5,428,815)	 5,459,931
Fund balances, Beginning of Year	7,853,366	7,853,366	7,853,366	(166,960)
Fund Balances, End of Year	\$ 7,853,366	\$ 7,853,366	\$ 2,424,551	\$ 5,292,971

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ 9,660,755	\$ 12,075,214	\$ 6,220,125	\$ (5,855,089)
Expenditures:				
Administration:				
Salaries and wages	57,805	57,805	58,044	(239)
Allocated fringe benefits	45,666	45,632	43,947	1,685
Allocated indirect costs	96,529	96,771	95,413	1,358
Total Administration	<u>200,000</u>	<u>200,208</u>	<u>197,404</u>	<u>2,804</u>
Transportation:				
Salaries and wages	383,367	388,636	234,483	154,153
Allocated fringe benefits	279,160	277,539	155,039	122,500
Allocated indirect costs	618,076	623,240	364,397	258,843
Contractual and professional services	1,091,503	1,986,869	636,083	1,350,786
Non-profits	-	885	96	789
Resources material/subscription	1,198	1,198	-	1,198
Meetings and conferences	631	631	-	631
Travel	7,879	7,985	653	7,332
Other	2,517	2,517	107	2,410
Total Transportation	<u>2,384,331</u>	<u>3,289,500</u>	<u>1,390,858</u>	<u>1,898,642</u>
Environmental:				
Salaries and wages	96,254	101,553	62,122	39,431
Allocated fringe benefits	52,341	50,913	30,744	20,169
Allocated indirect costs	138,625	142,640	86,876	55,764
Contractual and professional services	860,662	959,644	309,179	650,465
Non-profits	-	45,150	9,426	35,724
Resources material/subscription	1,198	1,198	-	1,198
Meetings and conferences	631	631	-	631
Travel	1,262	1,262	385	877
Other	2,517	2,517	107	2,410
Total Environmental	<u>1,153,490</u>	<u>1,305,508</u>	<u>498,839</u>	<u>806,669</u>
Modeling:				
Salaries and wages	182,438	187,737	369,790	(182,053)
Allocated fringe benefits	120,426	118,947	263,057	(144,110)
Allocated indirect costs	282,543	286,918	592,029	(305,111)
Contractual and professional services	1,456,441	2,121,408	1,338,198	783,210
Resources material/subscription	784,053	689,053	230,985	458,068
Meetings and conferences	631	631	-	631
Travel	11,262	11,262	911	10,351
Other	2,517	324,010	146	323,864
Total Modeling	<u>2,840,311</u>	<u>3,739,966</u>	<u>2,795,116</u>	<u>944,850</u>
Public Involvement:				
Salaries and wages	247,174	256,581	156,207	100,374
Allocated fringe benefits	171,567	173,294	101,980	71,314
Allocated indirect costs	390,648	402,169	241,534	160,635
Contractual and professional services	523,144	572,410	240,078	332,332
Resource material/subscription	7,190	7,190	-	7,190
Meetings and conferences	1,683	1,683	-	1,683
Travel	3,366	3,366	1,028	2,338
Other	14,362	14,362	284	14,078
Total Public Involvement	<u>1,359,134</u>	<u>1,431,055</u>	<u>741,111</u>	<u>689,944</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Transportation Administration 5303
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Sustainability initiatives:				
Salaries and wages	\$ 96,254	\$ 101,553	\$ 62,122	\$ 39,431
Allocated fringe benefits	52,341	50,913	30,744	20,169
Allocated indirect costs	138,625	142,640	86,876	55,764
Contractual and professional services	1,430,662	1,756,916	406,463	1,350,453
Non-profits	-	51,348	10,100	41,248
Resources materials/subscription	1,198	1,198	-	1,198
Meetings and conferences	631	631	-	631
Travel	1,262	1,262	385	877
Other	2,516	2,516	107	2,409
Total Sustainability Initiatives	<u>1,723,489</u>	<u>2,108,977</u>	<u>596,797</u>	<u>1,512,180</u>
 Total Expenditures	 <u>9,660,755</u>	 <u>12,075,214</u>	 <u>6,220,125</u>	 <u>5,855,089</u>
 Excess (deficiency) of revenues over (under) expenditures	 -	 -	 -	 -
 Fund balances, Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund Balances, End of Year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Highway Administration PL
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ 22,824,617	\$ 22,867,333	\$ 20,197,205	\$ (2,670,128)
Expenditures:				
Administration:				
Salaries and wages	41,519	41,519	41,407	112
Allocated fringe benefits	32,800	32,776	31,351	1,425
Allocated indirect costs	69,333	69,506	68,065	1,441
Other	1,832	1,832	-	1,832
	<u>145,484</u>	<u>145,633</u>	<u>140,823</u>	<u>4,810</u>
Transportation:				
Salaries and wages	2,624,576	2,573,745	2,310,153	263,592
Allocated fringe benefits	2,047,867	2,031,750	1,725,784	305,966
Allocated indirect costs	4,358,952	4,308,653	3,775,620	533,033
Non-profits	-	32,348	-	32,348
Office supplies	-	-	255	(255)
Outreach and advertisement	-	1,000	3,036	(2,036)
Scag memberships	-	-	-	-
Resources material/subscription	121,412	121,412	26,750	94,662
Meetings and conferences	3,769	3,884	446	3,438
Reproduction and printing	16,350	16,350	-	16,350
Travel	95,646	96,340	57,000	39,340
Other	3,375	20,899	6,123	14,776
Total Transportation	<u>9,271,947</u>	<u>9,206,381</u>	<u>7,905,167</u>	<u>1,301,214</u>
Environmental:				
Salaries and wages	750,551	732,387	644,277	88,110
Allocated fringe benefits	587,010	578,155	487,813	90,342
Allocated indirect costs	1,247,823	1,226,077	1,059,071	167,006
Non-profits	-	7,500	-	7,500
Outreach and advertisement	-	1,000	3,036	(2,036)
Resources materials/subscription	1,412	1,412	2,403	(991)
Meetings and conferences	2,619	2,619	299	2,320
Travel	25,938	26,938	9,135	17,803
Reproduction and printing	2,600	2,600	-	2,600
Other	9,375	27,899	9,547	18,352
Total Environmental	<u>2,627,328</u>	<u>2,606,587</u>	<u>2,215,581</u>	<u>391,006</u>
Modeling:				
Salaries and wages	2,006,159	2,006,061	1,932,738	73,323
Allocated fringe benefits	1,573,459	1,583,607	1,463,368	120,239
Allocated indirect costs	3,339,452	3,358,301	3,177,057	181,244
Non-profits	-	14,439	-	14,439
Contractual and professional services	247,231	247,231	194,119	53,112
Resource materials/subscriptions	1,412	1,412	2,330	(918)
Meetings and conferences	59,219	59,334	10,774	48,560
Reproduction and printing	6,700	6,700	-	6,700
Travel	73,013	73,813	29,862	43,951
Other	3,375	4,375	5,777	(1,402)
Total Modeling	<u>7,310,020</u>	<u>7,355,273</u>	<u>6,816,025</u>	<u>539,248</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Highway Administration PL
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Public Involvement:				
Salaries and wages	\$ 357,623	\$ 358,341	\$ 349,625	\$ 8,716
Allocated fringe benefits	282,523	282,879	264,718	18,161
Allocated indirect costs	597,197	599,894	574,717	25,177
Resources materials/subscription	8,471	8,471	13,764	(5,293)
Meetings and conferences	3,917	4,723	1,056	3,667
Travel	10,234	12,334	7,627	4,707
Other	17,403	17,403	33,840	(16,437)
Total Public Involvement	<u>1,277,368</u>	<u>1,284,045</u>	<u>1,245,347</u>	<u>38,698</u>
Sustainability initiatives:				
Salaries and wages	634,356	586,203	535,423	50,780
Allocated fringe benefits	477,120	462,756	405,394	57,362
Allocated indirect costs	1,036,901	981,346	880,134	101,212
Non-profits	-	30,409	-	30,409
Outreach and advertisement	-	8,000	24,288	(16,288)
Resources materials/subscription	3,912	3,912	3,525	387
Meetings and conferences	3,769	3,884	446	3,438
Travel	25,687	33,988	16,314	17,674
Reproduction and printing	2,350	2,350	1,937	413
Other	8,375	156,566	6,801	149,765
Total Sustainability initiatives	<u>2,192,470</u>	<u>2,269,414</u>	<u>1,874,262</u>	<u>395,152</u>
Total Expenditures	<u>22,824,617</u>	<u>22,867,333</u>	<u>20,197,205</u>	<u>2,670,128</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>

* Actual amount includes capital outlay in the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds.

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Local grants and contracts	\$ 5,722,250	\$ 5,722,250	\$ 5,941,977	\$ 219,727
Expenditures:				
Transportation:				
Salaries and wages	242,135	225,347	171,223	54,124
Allocated fringe benefits	147,144	124,545	113,111	11,434
Allocated indirect costs	363,159	349,303	314,528	34,775
Contractual and professional services	1,534,270	2,172,820	654,655	1,518,165
Non-profits	-	5,184	18,162	(12,978)
Meetings and conferences	1,072	1,072	358	714
Travel	1,472	1,722	5,504	(3,782)
Other	13,639	129,497	-	129,497
Total Transportation	<u>2,302,891</u>	<u>3,009,490</u>	<u>1,277,541</u>	<u>1,731,949</u>
Environmental:				
Salaries and wages	61,623	82,700	43,067	39,633
Allocated fringe benefits	5,232	11,651	16,670	(5,019)
Allocated indirect costs	62,369	88,271	55,884	32,387
Contractual and professional services	208,904	246,003	122,628	123,375
Non-profits	-	6,822	10,296	(3,474)
Travel	250	250	499	(249)
Total Environmental	<u>338,378</u>	<u>435,697</u>	<u>249,044</u>	<u>186,653</u>
Public Involvement:				
Salaries and wages	\$ 67,188	\$ 80,130	\$ 46,867	\$ 33,263
Allocated fringe benefits	9,629	9,622	19,548	(9,926)
Allocated indirect costs	71,664	83,967	62,133	21,834
Contractual and professional services	240,047	248,380	39,320	209,060
Meeting and conferences	2,100	2,100	-	2,100
Travel	2,450	2,450	1,350	1,100
Total Public Involvement	<u>393,078</u>	<u>426,649</u>	<u>169,218</u>	<u>257,431</u>
Sustainability initiatives:				
Salaries and wages	273,223	218,407	180,909	37,498
Allocated fringe benefits	171,980	118,852	121,036	(2,184)
Allocated indirect costs	415,335	321,014	294,603	26,411
Contractual and professional services	1,568,171	1,937,075	513,764	1,423,311
Non-profits	-	11,120	25,509	(14,389)
Meetings and conferences	103	103	215	(112)
Travel	2,684	3,434	4,135	(701)
Other	4,820	67,512	4,833	62,679
Total Sustainability Initiatives	<u>2,436,316</u>	<u>2,677,517</u>	<u>1,145,004</u>	<u>1,532,513</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Transportation Development Act
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Modeling:				
Salaries and wages	102,292	122,832	168,525	(45,693)
Allocated fringe benefits	37,083	43,333	111,660	(68,327)
Allocated indirect costs	130,024	155,455	262,113	(106,658)
Contractual and professional services	488,431	698,364	322,091	376,273
Non-profits	-	2,222	9,075	(6,853)
Resources material/subscription	-	-	50	(50)
Meetings and conferences	69	69	143	(74)
Travel	1,103	1,103	1,503	(400)
Other	-	4,755	-	4,755
Total Water	<u>759,002</u>	<u>1,028,133</u>	<u>875,160</u>	<u>152,973</u>
Administration:				
Salaries and wages	64,394	18,436	67,421	(48,985)
Allocated fringe benefits	50,871	14,554	50,867	(36,313)
Allocated indirect costs	107,532	30,864	110,659	(79,795)
Principal, interest and fees	405,827	405,827	439,004	(33,177)
Capital Outlay > \$5,000	300,000	300,000	135,477	164,523
Total Administration	<u>928,624</u>	<u>769,681</u>	<u>803,428</u>	<u>(33,747)</u>
Total Expenditures	<u>7,158,289</u>	<u>8,347,167</u>	<u>4,519,395</u>	<u>3,827,772</u>
Excess (deficiency) of revenues over (under) expenditures	(1,436,039)	(2,624,917)	1,422,582	4,047,499
Other financing uses				
Transfer in	-	-	78,995	78,995
Change in fund balance	(1,436,039)	(2,624,917)	1,501,577	4,126,494
Fund balances, Beginning of Year	<u>9,327,440</u>	<u>9,327,440</u>	<u>9,327,440</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 7,891,401</u>	<u>\$ 6,702,523</u>	<u>\$ 10,829,017</u>	<u>\$ 4,126,494</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
California Public Employees' Retirement System (CalPERS)
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years*
As of June 30, 2019

	2015	2016	2017	2018	2019
Total Pension Liability					
Service cost	\$ 1,926,065	\$ 1,848,012	\$ 2,111,871	\$ 2,343,160	\$ 2,290,471
Interest on total pension liability	7,284,415	7,705,889	8,138,979	8,507,621	8,757,694
Differences between expected and actual experiences	-	1,664,721	1,778,383	1,846,790	(61,325)
Changes in assumptions	-	(1,702,023)	-	6,497,980	(853,150)
Benefit payments, including refunds of employee contributions	(5,397,736)	(5,660,486)	(5,945,299)	(6,285,626)	(6,539,230)
Net changes in total pension liability	3,812,744	3,856,113	6,083,934	12,909,925	3,594,460
Total pension liability - beginning	98,861,370	102,674,114	106,530,227	112,614,161	125,524,086
Total pension liability - ending (a)	<u>\$ 102,674,114</u>	<u>\$ 106,530,227</u>	<u>\$ 112,614,161</u>	<u>\$ 125,524,086</u>	<u>\$ 129,118,546</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,911,321	\$ 2,257,575	\$ 2,688,004	\$ 2,934,589	\$ 2,938,828
Contributions - employee	962,936	973,611	1,100,545	1,165,262	1,207,117
Net investment income	11,968,522	1,777,972	391,145	8,568,953	7,087,763
Plan to plan resource movement	-	(1,489)	(465)	-	(204)
Administrative expense	-	(89,199)	(48,228)	(114,158)	(130,255)
Benefit payments	(5,397,736)	(5,660,486)	(5,945,299)	(6,285,626)	(6,539,230)
Other miscellaneous income/(expense)	-	-	-	-	(247,357)
Net change in plan fiduciary net position	9,445,043	(742,016)	(1,814,298)	6,269,020	4,316,662
Plan fiduciary net position - beginning	70,431,681	79,876,724	79,134,708	77,320,410	83,589,430
Plan fiduciary net position - ending (b)	<u>\$ 79,876,724</u>	<u>\$ 79,134,708</u>	<u>\$ 77,320,410</u>	<u>\$ 83,589,430</u>	<u>\$ 87,906,092</u>
Net pension liability - ending (a)-(b)	22,797,390	27,395,519	35,293,751	41,934,656	41,212,454
Plan fiduciary net position as a percentage of total pension liability	77.80%	74.28%	68.66%	66.59%	68.08%
Covered payroll	\$ 12,208,828	\$ 12,363,763	\$ 14,479,749	\$ 13,449,458	\$ 13,659,971
Net pension liability as a percentage of covered payroll	186.73%	221.58%	243.75%	311.79%	301.70%

* Fiscal year 2015 was the first year of implementation.

Changes of Assumption

For the measurement period ended June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
California Public Employees' Retirement System (CalPERS)
Schedule of Plan Contributions
Last Ten Years*
As of June 30, 2019

	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 2,257,575	\$ 2,688,004	\$ 2,934,588	\$ 2,938,424	\$ 3,439,787
Contribution made	(2,257,575)	(2,688,004)	(2,934,588)	(2,938,424)	(3,439,787)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,363,763	\$ 14,479,749	\$ 13,449,458	\$ 13,659,971	\$ 14,171,140
Contributions as a percentage of covered payroll	18.26%	18.56%	21.82%	21.51%	24.27%

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 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	7.5%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Derived using CalPERS' membership data for all funds which included 20 years of mortality improvements using Society of Actuaries Scale BB.

* Fiscal year 2015 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Public Agency Retirement System (PARS) Supplementary Retirement Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years*
As of June 30, 2019

	2015	2016	2017	2018	2019
Total Pension Liability					
Interest on total pension liability	\$ 29,637	\$ 23,361	\$ 23,351	\$ 24,138	\$ 24,762
Effect of economic/demographic gains or losses	18,819	24,562	(63,489)	17,893	18,965
Effect of assumptions changes or inputs	25,827	139,540	(40,318)	(13,995)	16,695
Benefit payments	(65,430)	(66,738)	(67,444)	(61,853)	(63,090)
Net change in total pension liability	8,853	120,725	(147,900)	(33,817)	(2,668)
Total pension liability - beginning	723,218	732,071	852,796	704,896	671,079
Total pension liability - ending (a)	<u>\$ 732,071</u>	<u>\$ 852,796</u>	<u>\$ 704,896</u>	<u>\$ 671,079</u>	<u>\$ 668,411</u>
Plan Fiduciary Net Position					
Benefit payments	\$ (65,430)	\$ (66,738)	\$ (67,444)	\$ (61,853)	\$ (63,090)
Administrative expense	(3,933)	(4,011)	(3,088)	(5,185)	(4,255)
Contributions - employer	69,953	71,352	72,779	74,235	75,719
Expected investment income (net of investment expenses)	1,175	-	-	-	-
Investment gains or losses	(1,175)	6	41	200	557
Net change in plan fiduciary net position	590	609	2,288	7,397	8,931
Plan fiduciary net position - beginning	19,292	19,882	20,491	22,779	30,176
Plan fiduciary net position - ending (b)	<u>\$ 19,882</u>	<u>\$ 20,491</u>	<u>\$ 22,779</u>	<u>\$ 30,176</u>	<u>\$ 39,107</u>
Net pension liability - ending (a)-(b)	\$ 712,189	\$ 832,305	\$ 682,117	\$ 640,903	\$ 629,304
Plan fiduciary net position as a percentage of total pension liability	2.72%	2.40%	3.23%	4.50%	5.85%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Public Agency Retirement System (PARS) Supplementary Retirement Plan
Schedule of Contributions
Last Ten Years*
As of June 30, 2019

	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 69,953	\$ 71,352	\$ 72,779	\$ 74,235	\$ 75,719
Contribution made	(69,953)	(71,352)	(72,779)	(74,235)	(75,719)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: 6/30/2019

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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Males: RF-2000 male rates projected to 2020 using Scale BB (As prescribed by PARS) Females: RP-2000 female rates projected to 2020 using Scale BB (As prescribed by PARS)

* Fiscal year 2015 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Years*
As of June 30, 2019

	<u>2018</u>	<u>2019</u>
Total OPEB Liability		
Service cost	\$ 234,601	\$ 250,437
Interest on the total OPEB liability	628,051	646,120
Benefit payments, including refunds of member contributions	(601,224)	(620,372)
Net change in total OPEB liability	<u>261,428</u>	<u>276,185</u>
Total OPEB liability - beginning	<u>9,370,476</u>	<u>9,631,904</u>
Total OPEB liability - ending (a)	<u>\$ 9,631,904</u>	<u>\$ 9,908,089</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,033,199	\$ 938,099
Net investment income	452,722	398,485
Benefit payments, including refunds of member contributions	(601,224)	(620,372)
Administrative expenses	(2,287)	(2,713)
Other expense	-	(6,533)
Net change in plan fiduciary net position	<u>882,410</u>	<u>706,966</u>
Plan fiduciary net position - beginning	<u>4,055,703</u>	<u>4,938,113</u>
Plan fiduciary net position - ending (b)	<u>4,938,113</u>	<u>5,645,079</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 4,693,791</u>	<u>\$ 4,263,010</u>
Plan fiduciary net position as a percentage of the total OPEB liability	51.27%	56.97%
Covered-employee payroll	\$ 13,449,458	\$ 13,659,971
Net OPEB liability as a percentage of covered-employee payroll	34.90%	31.21%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Schedule of OPEB Contributions
Last Ten Years*
As of June 30, 2019

	2018	2019
Actuarially determined contribution	\$ 853,217	\$ 878,814
Contributions in relation to the actuarially determined contributions	(853,217)	(878,814)
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 13,659,971	 \$ 14,171,140
 Contributions as a percentage of covered-employee payroll	 6.25%	 6.20%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Amortization period	10 years
Asset valuation method	Market value
Inflation	2.75%
Healthcare cost trend rates	PPO- 6.0% for 2020, decreasing 0.5% to an ultimate rate of 5% in 2022 and later years HMO- 5.5% for 2020, decreasing 0.5% to an ultimate rate of 5% in 2022 and later years
Salary increases	3.00%
Investment rate of return	6.75%
Retirement age	Based on CalPERS Experience Study
Mortality	Based on CalPERS Experience Study

* Fiscal year 2018 was the first year of implementation.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year Ended June 30, 2019

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	\$ 2,705,165	\$ 2,705,165	\$ -
Total expenditures	(8,054,985)	(7,723,159)	(331,826)
Deficiency of revenues under expenditures	<u>\$ (5,349,820)</u>	<u>\$ (5,017,994)</u>	<u>\$ (331,826)</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	\$ 6,220,125	\$ 6,220,125	\$ -
Total expenditures	(6,220,125)	(6,220,125)	-
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, 2019

FHWA PL Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Differences
Total revenues	\$ 20,197,205	\$ 20,197,205	\$ -
Total expenditures	(20,197,205)	(20,197,205)	-
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	\$ 5,941,977	\$ 5,941,977	\$ -
Total expenditures	(4,519,395)	(4,519,395)	-
Net change in fund balances	<u>\$ 1,422,582</u>	<u>\$ 1,422,582</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

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Nonmajor Funds
June 30, 2019

	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Assets				
Receivables:				
Federal grants	\$ 968,804	\$ -	\$ -	\$ 968,804
State grants and contracts	-	2,636,609	-	2,636,609
Local grants and contracts	-	-	104,925	104,925
Due from other funds	-	5,076	188,384	193,460
Total Assets	<u>\$ 968,804</u>	<u>\$ 2,641,685</u>	<u>\$ 293,309</u>	<u>\$ 3,903,798</u>
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 678,586	\$ 1,222,391	\$ 91,102	\$ 1,992,079
Advances from grantors	-	-	171,557	171,557
Due to other funds	290,218	1,419,294	30,650	1,740,162
Total Liabilities	968,804	2,641,685	293,309	3,903,798
Fund balances - restricted	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ 968,804</u>	<u>\$ 2,641,685</u>	<u>\$ 293,309</u>	<u>\$ 3,903,798</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds
Year Ended June 30, 2019

	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Grant revenue, net	\$ 4,185,020	\$ 3,878,174	\$ 153,789	\$ 8,216,983
Expenditures:				
Transportation:				
Salaries and wages	25,163	42,684	1,808	69,655
Allocated fringe benefits	19,052	32,319	1,369	52,740
Allocated indirect costs	21,847	70,165	2,973	94,985
Contractual services	1,325,231	1,654,847	119,757	3,099,835
Pass-through payments	2,124,651	-	-	2,124,651
Other	64,231	9,363	-	73,594
Total Transportation	<u>3,580,175</u>	<u>1,809,378</u>	<u>125,907</u>	<u>5,515,460</u>
Environmental:				
Salaries and wages	17,653	24,870	-	42,523
Allocated fringe benefits	13,366	18,831	-	32,197
Allocated indirect costs	-	40,882	-	40,882
Contractual services	100,764	-	-	100,764
Total Transportation	<u>131,783</u>	<u>84,583</u>	<u>-</u>	<u>216,366</u>
Modeling:				
Salaries and wages	-	44,462	-	44,462
Allocated fringe benefits	-	33,664	-	33,664
Allocated indirect costs	-	73,087	-	73,087
Contractual services	-	131,122	-	131,122
Total Modeling	<u>-</u>	<u>282,335</u>	<u>-</u>	<u>282,335</u>
Public Involvement:				
Contractual services	-	63,409	-	63,409
Total Public Involvement	<u>-</u>	<u>63,409</u>	<u>-</u>	<u>63,409</u>
Sustainability:				
Salaries and wages	20,816	48,889	-	69,705
Allocated fringe benefits	15,760	37,014	-	52,774
Allocated indirect costs	22,085	80,365	-	102,450
Contractual services	396,223	1,469,562	27,882	1,893,667
Other	18,178	2,639	-	20,817
Total Sustainability	<u>473,062</u>	<u>1,638,469</u>	<u>27,882</u>	<u>2,139,413</u>
Total Expenditures	<u>4,185,020</u>	<u>3,878,174</u>	<u>153,789</u>	<u>8,216,983</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
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:

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. 5312:

This fund is established to account for revenues from the Federal Transit Administration Sec. 5312 Public Transportation Innovation Program.

FTA – Sec. 5304:

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

FHWA – ATP I:

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

OTS II:

This fund is established to account for revenues from the National Highway Traffic Safety Administration for pedestrian and bike safety for federal fiscal year 2018.

OTS III:

This fund is established to account for revenues from the National Highway Traffic Safety Administration for pedestrian and bike safety for federal fiscal year 2019.

Other Federal Funds:

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Federal Nonmajor Funds
June 30, 2019

	FTA			FHWA			Other Federal Funds	Total Federal Nonmajor Funds
	Sec. 5339	Sec. 5312	Sec. 5304	FHWA ATPI	OTS II	OTS III		
	20040	20041	20070	20035	20043	20044	20036, 20037, 20038, 20042 20098	
Assets								
Receivables - federal grants	\$ 59,213	\$ 5,939	\$ 261,289	\$ 38,000	\$ -	\$ 128,591	\$ 475,772	\$ 968,804
Total Assets	\$ 59,213	\$ 5,939	\$ 261,289	\$ 38,000	\$ -	\$ 128,591	\$ 475,772	\$ 968,804
Liabilities and Fund Balances								
Accounts and contracts payable	\$ 59,213	\$ -	\$ 258,484	\$ -	\$ -	\$ 117,367	\$ 243,522	\$ 678,586
Due to other funds	-	5,939	2,805	38,000	-	11,224	232,250	290,218
Total Liabilities	59,213	5,939	261,289	38,000	-	128,591	475,772	968,804
Fund balances - restricted	-	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 59,213	\$ 5,939	\$ 261,289	\$ 38,000	\$ -	\$ 128,591	\$ 475,772	\$ 968,804

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Federal Nonmajor Funds
Year Ended June 30, 2019

	FTA			FHWA			Other	Total Federal Nonmajor Funds
	Sec. 5339	Sec. 5312	Sec. 5304	FHWA ATPI	OTS II	OTS III	Federal Funds	
	20040	20041	20070	20035	20043	20044	20036, 20037 20038, 20042 20098	
Federal grants and services	\$ 1,157,013	\$ 978,566	\$ 439,990	\$ -	\$ 691,230	\$ 164,728	\$ 753,493	\$ 4,185,020
Expenditures:								
Transportation:								
Salaries and wages	-	3,213	2,541	-	11,872	-	7,537	25,163
Allocated fringe benefits	-	2,433	1,924	-	8,989	-	5,706	19,052
Allocated indirect costs	-	5,282	4,176	-	-	-	12,389	21,847
Contractual services	-	-	290,240	-	467,892	-	567,099	1,325,231
Pass-through payments	1,157,013	967,638	-	-	-	-	-	2,124,651
Other	-	-	-	-	64,231	-	-	64,231
Total Transportation	1,157,013	978,566	298,881	-	552,984	-	592,731	3,580,175
Environmental:								
Salaries and wages	-	-	-	-	-	17,653	-	17,653
Allocated fringe benefits	-	-	-	-	-	13,366	-	13,366
Contractual services	-	-	-	-	-	100,764	-	100,764
Total Environmental	-	-	-	-	-	131,783	-	131,783
Sustainability								
Salaries and wages	-	-	688	-	2,968	4,413	12,747	20,816
Allocated fringe benefits	-	-	521	-	2,247	3,341	9,651	15,760
Allocated indirect costs	-	-	1,132	-	-	-	20,953	22,085
Contractual services	-	-	138,768	-	116,973	25,191	115,291	396,223
Other	-	-	-	-	16,058	-	2,120	18,178
Total Sustainability	-	-	141,109	-	138,246	32,945	160,762	473,062
Total Expenditures	1,157,013	978,566	439,990	-	691,230	164,728	753,493	4,185,020
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:

SGVCOG - ATP:

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

MSRC – SP, GH:

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

SB1 SCFG:

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

SB1 CF:

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

SB1 FF:

This is the fiscal year 2019 California Senate Bill 1 Sustainable Communities Formula Grant Program.

SB1 ADPTN:

This is the fiscal year 2018 California Senate Bill 1 Climate Change Adaptation Planning Grant Program.

ATP DCP:

These are Active Transportation Planning monies earmarked for plans in disadvantaged communities.

ATP LPI:

These are Active Transportation Planning monies earmarked for local planning initiatives.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
State Nonmajor Funds
June 30, 2019

	<u>SGVCOG</u>	<u>MSRC SP GH</u>	<u>SB 1 SCFG</u>	<u>SB1 CF</u>	<u>SB1 FF</u>	<u>SB1 ADPTN</u>	<u>ATP DCP</u>	<u>ATP LPI</u>	<u>Total State Nonmajor Funds</u>
	<u>30210</u>	<u>30211</u>	<u>30212</u>	<u>30213</u>	<u>30214</u>	<u>30215</u>	<u>30400</u>	<u>30402</u>	
Assets									
Receivables - state grants	\$ 15,176	\$ 1,208,662	\$ 985,878	\$ 40,282	\$ 49,855	\$ 125,006	\$ 167,565	\$ 44,185	\$ 2,636,609
Due from other funds	-	-	-	-	-	5,076	-	-	5,076
Total Assets	<u>\$ 15,176</u>	<u>\$ 1,208,662</u>	<u>\$ 985,878</u>	<u>\$ 40,282</u>	<u>\$ 49,855</u>	<u>\$ 130,082</u>	<u>\$ 167,565</u>	<u>\$ 44,185</u>	<u>\$ 2,641,685</u>
Liabilities and Fund Balances									
Accounts and contracts payable	\$ 5,621	\$ 97,344	\$ 769,913	\$ 39,734	\$ 5,157	\$ 130,082	\$ 146,194	\$ 28,346	\$ 1,222,391
Due to other funds	9,555	1,111,318	215,965	548	44,698	-	21,371	15,839	1,419,294
Total Liabilities	15,176	1,208,662	985,878	40,282	49,855	130,082	167,565	44,185	2,641,685
Fund Balances - restricted	-	-	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ 15,176</u>	<u>\$ 1,208,662</u>	<u>\$ 985,878</u>	<u>\$ 40,282</u>	<u>\$ 49,855</u>	<u>\$ 130,082</u>	<u>\$ 167,565</u>	<u>\$ 44,185</u>	<u>\$ 2,641,685</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
State Nonmajor Funds
Year Ended June 30, 2019

	SGVCOG	MSRC SP GH	SB 1 SCFG	SB1 CF	SB1 FF	SB1 ADPTN	ATP DCP	ATP LPI	Total State Nonmajor Funds
	30210	30211	30212	30213	30214	30215	30400	30402	
State grants and contracts	\$ 182,977	\$ 752,086	\$ 2,243,527	\$ 40,966	\$ 309,774	\$ 137,094	\$ 167,565	\$ 44,185	\$ 3,878,174
Expenditures:									
Transportation:									
Salaries and wages	468	18,377	2,415	362	17,959	-	-	3,103	42,684
Allocated fringe benefits	355	13,914	1,828	274	13,598	-	-	2,350	32,319
Allocated indirect costs	770	30,208	3,969	596	29,521	-	-	5,101	70,165
Contractual services	144,789	529,807	779,093	39,734	2,578	-	134,052	24,794	1,654,847
Other	-	9,363	-	-	-	-	-	-	9,363
Total Transportation	146,382	601,669	787,305	40,966	63,656	-	134,052	35,348	1,809,378
Environmental:									
Salaries and wages	-	-	24,870	-	-	-	-	-	24,870
Allocated fringe benefits	-	-	18,831	-	-	-	-	-	18,831
Allocated indirect costs	-	-	40,882	-	-	-	-	-	40,882
Total Environmental	-	-	84,583	-	-	-	-	-	84,583
Modeling:									
Salaries and wages	-	-	10,659	33,803	-	-	-	-	44,462
Allocated fringe benefits	-	-	8,070	25,594	-	-	-	-	33,664
Allocated indirect costs	-	-	17,521	55,566	-	-	-	-	73,087
Contractual services	-	-	130,091	1,031	-	-	-	-	131,122
Total Housing	-	-	166,341	115,994	-	-	-	-	282,335
Public Involvement:									
Contractual services	-	-	63,409	-	-	-	-	-	63,409
Total Housing	-	-	63,409	-	-	-	-	-	63,409
Sustainability:									
Salaries and wages	117	4,594	3,622	(33,803)	71,521	2,062	-	776	48,889
Allocated fringe benefits	88	3,478	2,742	(25,594)	54,152	1,561	-	587	37,014
Allocated indirect costs	192	7,552	5,954	(55,566)	117,568	3,390	-	1,275	80,365
Contractual services	36,198	132,452	1,129,571	(1,031)	2,579	130,081	33,513	6,199	1,469,562
Other	-	2,341	-	-	298	-	-	-	2,639
Total Sustainability	36,595	150,417	1,141,889	(115,994)	246,118	137,094	33,513	8,837	1,638,469
Total Expenditures	182,977	752,086	2,243,527	40,966	309,774	137,094	167,565	44,185	3,878,174
Excess of revenues over expenditures	-	-	-	-	-	-	-	-	-
Net change in fund balance	-	-	-	-	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

LACMTA Express Travel Choices:

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

Combined Other Accounts:

These funds are established to account for revenues from the City of Vernon, Los Angeles County Metropolitan Transportation Authority, San Bernardino County Transportation Authority, Gold Coast Transit, Gail and Rice, and Ventura County Transportation Commission. 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, 2019

	<u>LACMTA Express</u>	<u>Other Local Funds</u>	<u>Total Local</u>
	<u>60038, 60044, 60049</u>	<u>60042, 60043, 60045, 60047, 60048, 60050, 60051, 60052, 60053</u>	<u>Nonmajor</u> <u>Funds</u>
Assets			
Receivables - local grants	\$ 98,775	\$ 6,150	\$ 104,925
Due from other funds	-	188,384	188,384
Total Assets	<u>\$ 98,775</u>	<u>\$ 194,534</u>	<u>\$ 293,309</u>
Liabilities and Fund Balances			
Accounts and contracts payable	\$ 74,275	\$ 16,827	\$ 91,102
Advances from grantors	-	171,557	171,557
Due to other funds	24,500	6,150	30,650
Total Liabilities	<u>98,775</u>	<u>194,534</u>	<u>293,309</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 98,775</u>	<u>\$ 194,534</u>	<u>\$ 293,309</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Local Nonmajor Funds
Year Ended June 30, 2019

	<u>LACMTA Express</u>	<u>Other Local Funds</u>	<u>Total Local</u>
	<u>60038, 60044, 60049</u>	<u>60042, 60043, 60045, 60047, 60048, 60050, 60051, 60052, 60053</u>	<u>Nonmajor</u>
			<u>Funds</u>
Local grants and services	\$ 98,775	\$ 55,014	\$ 153,789
Expenditures:			
Transportation:			
Salaries and wages	-	1,808	1,808
Allocated fringe benefits	-	1,369	1,369
Allocated indirect costs	-	2,973	2,973
Contractual services	98,775	20,982	119,757
Total Transportation	<u>98,775</u>	<u>27,132</u>	<u>125,907</u>
Sustainability:			
Contractual services	-	27,882	27,882
Total Sustainability	<u>-</u>	<u>27,882</u>	<u>27,882</u>
Total Expenditures	98,775	55,014	153,789
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses:			
Transfers in	<u>-</u>	<u>-</u>	<u>-</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>

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SUPPLEMENTAL SCHEDULES

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Indirect Costs
Year Ended June 30, 2019

Indirect costs:

Salaries and wages	\$	4,978,037
Temporary help		40,718
Fringe benefits		3,732,633
Consultants		678,015
Legal services		15,311
Computer support		592,939
Equipment repairs and maintenance		68,788
Office space leases		991,435
Equipment lease		61,180
Security services		56,859
Insurance		226,247
Taxes		2,523
Bank fees		12,353
Office purchases under \$5,000		37,124
Office and graphic supplies		71,936
Telephone		136,091
Postage and delivery		14,067
Memberships		125,715
Depreciation and amortization		331,824
Recruitment costs		25,515
Staff training		55,863
Resource materials & subscriptions		38,531
Public notices		3,590
Conference registration		9,988
Printing		7,287
Travel		50,928
Other		461
Total Indirect Costs		12,365,958

Indirect costs recovered

General fund		508,311
Federal Transportation Administration		1,467,125
Federal Highway Administration		9,534,665
Transportation Development Act		1,099,919
Nonmajor Funds		311,402
Total Indirect Costs Recovered		12,921,422

Over (under) recovered 555,464

Over (Under) Recovered Indirect Costs, Beginning of Year		(4,568,433)
Disallowed Indirect Costs Written Off		430,627
Over (Under) Recovered Indirect Costs, End of Year	\$	(3,582,342)

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Fringe Benefits
Year Ended June 30, 2019

Fringe benefits:	
Employee leave and other salary benefits	\$ 2,016,246
PERS/Other Retirement Plans	4,278,993
Life insurance	86,868
Health insurance	2,359,318
Medicare and social security taxes - employer share	215,907
Tuition reimbursement	24,986
Transit passes	139,386
Worker's compensation/unemployment insurance	246,054
Deferred compensaton employer match	102,915
Other	104,299
Total Indirect Costs	9,574,972
Fringe benefits recovered:	
Allocated to indirect costs	3,732,633
General Fund	234,130
Federal Transportation Administration	625,511
Federal Highway Administration	4,378,429
Transportation Development Act	432,892
Nonmajor Funds	171,377
Total Indirect Costs Recovered	9,574,972
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, 2019

	Salaries and Wages	Fringe Benefits	Salaries, Wages and Fringe Benefits
Charges to Direct projects	\$ 7,660,751	\$ 5,608,208	\$ 13,268,959
Charges to General Fund projects	309,227	234,130	543,357
Charges to Indirect projects	4,978,037	3,732,633	8,710,670
Totals	\$ 12,948,015	\$ 9,574,971	\$ 22,522,986

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STATISTICAL SECTION

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

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

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

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

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

Sources:

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Invested in capital assets	\$ 1,645,468	1,536,963	1,615,120	1,954,455	2,766,741	2,251,523	1,626,539	1,231,475	4,859,839	128,748
Restricted	1,534,921	1,417,565	3,547,633	4,408,177	8,195,221	9,857,806	8,834,336	9,306,432	9,327,440	10,829,017
Unrestricted	<u>2,400,417</u>	<u>3,173,237</u>	<u>3,228,709</u>	<u>3,205,903</u>	<u>2,856,658</u>	<u>(22,772,623)</u>	<u>(21,432,913)</u>	<u>(22,519,075)</u>	<u>(35,184,659)</u>	<u>(39,056,497)</u>
Total governmental activities										
Net position	\$ <u>5,580,806</u>	<u>6,127,765</u>	<u>8,391,462</u>	<u>9,568,535</u>	<u>13,818,620</u>	<u>(10,663,294)</u>	<u>(10,972,038)</u>	<u>(11,981,168)</u>	<u>(20,997,380)</u>	<u>(28,098,732)</u>

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

	Fiscal Year									
	2010	2011	2012 ⁴	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Expenses:										
Transportation	\$ 33,509,240	27,318,795	30,615,654	24,518,174	23,153,109	31,710,847	30,851,350	20,838,392	14,792,393	16,150,392
Modeling									10,582,018	10,768,740
High speed rail	37,979	87,980	135,882	196,200	305,054	281,500	290,497	339,370	-	-
Aviation	289,498	845,705	472,799	357,539	303,773	585,322	575,716	267,597	-	-
Environmental	-	1,809,901	2,626,070	320,850	1,403,147	1,450,795	1,459,853	7,054,453	5,164,861	3,179,830
Housing	-	1,194,623	665,008	1,993,419	1,505,232	1,128,200	981,416	3,222,728	-	-
Public Involvement	-	-	-	-	-	-	-	-	2,180,608	2,219,085
Sustainability Initiatives	1,033,877	1,342,674	1,678,605	5,473,095	2,173,803	5,463,860	7,506,301	7,521,696	8,642,100	5,820,909
Administration	-	-	-	1,560,377	2,005,412	1,864,232	2,138,873	3,871,454	8,147,226	12,243,851
Total expenses	<u>34,870,594</u>	<u>32,599,678</u>	<u>36,194,018</u>	<u>34,419,654</u>	<u>30,849,530</u>	<u>42,484,756</u>	<u>43,804,006</u>	<u>43,115,690</u>	<u>49,509,206</u>	<u>50,382,807</u>
Program revenues:										
Charges for services - member dues	1,494,523	1,566,006	1,759,631	1,779,184	1,834,522	1,871,720	1,900,950	1,939,700	1,986,186	2,053,962
Operating grants and contributions	<u>33,834,170</u>	<u>30,949,013</u>	<u>36,245,424</u>	<u>33,510,829</u>	<u>32,833,285</u>	<u>42,318,755</u>	<u>40,616,883</u>	<u>39,672,312</u>	<u>42,253,899</u>	<u>40,576,290</u>
Total program revenues	<u>35,328,693</u>	<u>32,515,019</u>	<u>38,005,055</u>	<u>35,290,013</u>	<u>34,667,807</u>	<u>44,190,475</u>	<u>42,517,833</u>	<u>41,612,012</u>	<u>44,240,085</u>	<u>42,630,252</u>
Net revenues (expenses)	458,099	(84,659)	1,811,037	870,359	3,818,277	1,705,719	(1,286,173)	(1,503,678)	(5,269,121)	(7,752,555)
General revenues and other changes in net assets:										
Interest income	49,759	51,647	46,580	26,479	53,149	75,652	92,093	114,318	142,388	271,058
Other income	<u>271,027</u> ¹	<u>579,971</u> ²	<u>406,080</u> ³	<u>278,235</u> ⁵	<u>378,659</u>	<u>407,156</u>	<u>885,336</u>	<u>380,230</u>	<u>392,095</u>	<u>380,145</u>
	320,786	631,618	452,660	304,714	431,808	482,808	977,429	494,548	534,483	651,203
Changes in net position	<u>\$ 778,885</u>	<u>546,959</u>	<u>2,263,697</u>	<u>1,175,073</u>	<u>4,250,085</u>	<u>2,188,527</u>	<u>(308,744)</u>	<u>(1,009,130)</u>	<u>(4,734,638)</u>	<u>(7,101,352)</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									
	2010	2011*	2012	2013	2014	2015	2016	2017	2018	2019
General fund:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved	4,506,578	-	-	-	-	-	-	-	-	-
Nonspendable	-	317,801	502,200	262,658	652,453	580,163	763,655	927,324	779,552	867,144
Unassigned	-	<u>4,357,692</u>	<u>4,444,550</u>	<u>4,546,068</u>	<u>4,126,906</u>	<u>4,716,559</u>	<u>5,649,117</u>	<u>5,725,487</u>	<u>7,073,814</u>	<u>1,889,233</u>
Total general fund	\$ <u>4,506,578</u>	<u>4,675,493</u>	<u>4,946,750</u>	<u>4,808,726</u>	<u>4,779,359</u>	<u>5,296,722</u>	<u>6,412,772</u>	<u>6,652,811</u>	<u>7,853,366</u>	<u>2,756,377</u>
All other governmental funds:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	1,534,921	-	-	-	-	-	-	-	-	-
Restricted	-	<u>1,417,565</u>	<u>3,547,633</u>	<u>4,408,177</u>	<u>4,408,177</u>	<u>9,857,806</u>	<u>8,834,336</u>	<u>9,306,432</u>	<u>9,327,440</u>	<u>10,829,017</u>
Total all other governmental funds	\$ <u>1,534,921</u>	<u>1,417,565</u>	<u>3,547,633</u>	<u>4,408,177</u>	<u>4,408,177</u>	<u>9,857,806</u>	<u>8,834,336</u>	<u>9,306,432</u>	<u>9,327,440</u>	<u>10,829,017</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Federal grants	\$ 32,429,892	29,131,559	30,204,434	27,849,710	26,845,417	35,850,884	33,900,754	32,703,938	34,829,246	30,602,350
State grants and contracts	270,940	582,123	1,682,599	798,043	489,803	639,123	932,566	994,427	1,476,542	3,878,174
Local grants and contracts	1,133,338	1,235,331	4,358,391	4,863,076	5,498,065	5,828,748	5,783,563	5,973,947	5,948,111	6,095,766
Membership assessments	1,494,523	1,566,006	1,759,631	1,779,184	1,834,522	1,871,720	1,900,950	1,939,700	1,986,186	2,053,962
Interest and other	324,153	324,337	731,702	306,714	431,808	482,808	977,429	494,548	534,483	651,203
Total revenues	<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>	<u>44,774,568</u>	<u>43,281,455</u>
Expenditures:										
Current:										
Transportation	33,867,010	28,601,593	31,672,376	26,662,798	24,726,670	33,556,910	30,739,916	20,838,392	15,323,497	16,150,392
Modeling	-	-	-	-	-	-	-	-	10,047,322	10,768,740
Public Involvement	-	-	-	-	-	-	-	-	2,184,200	2,219,085
Aviation	163,086	636,484	277,796	176,017	174,845	451,493	573,374	267,597	-	-
Water	-	-	-	-	-	-	-	-	-	-
High speed rail	-	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	-	-	-	-	-	-	-	-	-	-
Environmental	-	1,090,079	1,598,322	158,345	887,807	969,338	1,448,295	7,054,453	5,164,861	3,179,830
Sustainability Initiatives	924,182	1,196,508	1,727,671	3,959,891	1,325,204	4,524,338	7,403,783	7,521,696	8,642,100	5,820,909
Administration	-	-	-	1,646,163	1,685,534	1,841,987	1,543,263	2,138,062	2,322,029	3,325,282
Disallowed Grant Costs	-	-	-	-	-	-	-	-	-	4,832,192
Debt service:										
Principal	-	-	-	-	-	-	-	-	130,788	355,208
Interest	-	-	-	-	-	-	-	-	25,490	83,796
Capital outlay	86,443	471,909	648,416	994,145	1,478,360	281,717	423,370	12,127	1,656,202	141,433
Total expenditures	<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>	<u>45,496,489</u>	<u>46,876,867</u>
Excess (deficiency) of revenues over (under) expenditures	612,125	51,559	2,401,325	722,520	3,757,677	2,179,948	92,580	712,135	(721,921)	(3,595,412)
Other financing sources (uses)										
Transfers in	9,843,270	10,442,938	10,168,814	10,987,675	10,093,426	10,085,526	-	7,198	-	78,995
Transfers out	(9,843,270)	(10,442,938)	(10,168,814)	(10,987,675)	(10,093,426)	(10,085,526)	-	(7,198)	-	(78,995)
Proceeds from financing	-	-	-	-	-	-	-	-	1,943,484	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,943,484	-
Net change in fund balances	\$ <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>	<u>1,221,563</u>	<u>(3,595,412)</u>
Total Debt Service Expenditures	\$ -	-	-	-	-	-	-	-	156,278	439,004
Total Non-Capital Expenditures	\$ 34,954,278	32,315,888	35,687,016	33,880,062	29,863,578	42,211,618	42,979,312	41,382,298	43,840,287	46,735,434
Ratio of Debt Service to Non-Capital	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.36%	0.94%

Expenditure classifications were changed in FY19 to better reflect the changing mix in SCAG's initiatives. FY18 expenditures were restated to be comparable to FY19. Fiscal years before FY18 were not restated.

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

Fiscal Year	Indirect cost	Fringe benefits	Totals
2010	9,552,824	5,782,910	15,335,734
2011	11,021,062	6,446,777	17,467,839
2012	10,892,283	6,993,925	17,886,208
2013	10,625,503	7,291,029	17,916,532
2014	9,870,796	7,406,943	17,277,739
2015	10,858,012	8,082,809	18,940,821
2016	11,613,300	8,891,915	20,505,215
2017	12,586,074	9,311,132	21,897,206
2018	15,165,346	9,009,745	24,175,091
2019	12,365,958	9,574,972	21,940,930

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>
2010	175	15,211,463	1,149,862	6	2,101,655	262,161	4	82,500
2011	182	16,097,577	1,209,583	6	2,101,655	261,423	5	95,000
2012	190	16,035,831	1,373,766	6	2,115,074	290,865	5	95,000
2013	191	16,377,980	1,411,942	6	2,066,588	290,942	5	95,000
2014	191	15,764,229	1,444,701	6	1,967,621	293,146	5	95,000
2015	189	16,304,097	1,484,363	6	1,950,310	292,357	5	95,000
2016	189	16,368,268	1,511,946	6	1,963,578	294,004	5	95,000
2017	189	16,476,665	1,543,468	6	1,973,786	297,899	5	95,000
2018	189	16,686,338	1,577,575	6	1,989,806	300,111	6	98,500
2019	189	16,836,783	1,634,861	6	1,999,994	307,523	6	98,500

Source: SCAG Finance Department

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

<u>City/County</u>	<u>2019</u>		<u>2014</u>	
	<u>Annual Dues</u>	<u>Percent of Total Dues Assessment</u>	<u>Annual Dues</u>	<u>Percent of Total Dues Assessment</u>
City of Los Angeles	\$ 373,137	18%	\$ 330,970	18%
County of Los Angeles	131,892	6%	126,572	7%
County of Riverside	59,390	3%	55,743	3%
County of San Bernardino	53,423	3%	50,454	3%
City of Long Beach	44,932	2%	40,803	2%
County of Orange	36,574	2%	35,319	2%
City of Anaheim	33,741	2%	30,392	2%
City of Santa Ana	32,158	2%	29,001	2%
City of Riverside	30,819	2%	27,350	1%
SBCTA (SANBAG)	25,000	1%	25,000	1%
RCTC	25,000	1%	25,000	1%
OCTA	25,000	1%	25,000	1%
City of Irvine	25,325	1%	20,043	1%
County of Ventura	19,056	1%	18,332	1%
City of Glendale	19,313	1%	17,352	1%
City of San Bernardino	20,714	1%	N/A	N/A
City of Santa Clarita	20,657	1%	16,053	1%
	<u>\$ 976,131</u>	<u>48%</u>	<u>873,384</u>	<u>47%</u>

Source: SCAG Finance Department

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
2010	175,107	9,837,011	3,014,962	2,196,137	2,044,228	824,467	18,091,912
2011	177,718	9,900,858	3,048,993	2,228,044	2,064,734	831,450	18,251,797
2012	179,414	9,988,287	3,084,036	2,253,317	2,077,560	836,553	18,419,167
2013	180,300	10,055,477	3,110,802	2,276,765	2,092,149	842,639	18,558,132
2014	183,179	10,124,684	3,137,744	2,305,796	2,111,913	847,885	18,711,201
2015	185,328	10,185,487	3,161,218	2,329,256	2,129,851	852,013	18,843,153
2016	187,157	10,229,245	3,181,371	2,360,727	2,147,933	854,383	18,960,816
2017	189,062	10,257,450	3,203,912	2,399,509	2,167,111	858,607	19,075,651
2018	190,624	10,283,729	3,221,103	2,415,955	2,174,938	859,073	19,145,422
2019	190,266	10,253,716	3,222,498	2,440,124	2,192,203	856,598	19,155,405

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

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

Calendar Year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2010	49,126	3,241,204	992,781	686,260	611,618	266,920	5,847,909
2011	49,167	3,248,724	996,021	691,691	615,407	267,885	5,868,895
2012	49,267	3,258,804	1,000,546	695,706	618,937	268,735	5,891,995
2013	49,449	3,270,216	1,006,701	700,199	621,931	269,791	5,918,287
2014	49,630	3,282,308	1,013,470	704,928	624,649	270,999	5,945,984
2015	49,824	3,296,656	1,019,730	709,837	627,292	272,278	5,975,617
2016	50,015	3,315,276	1,026,415	714,970	630,166	273,436	6,010,278
2017	50,205	3,333,896	1,033,101	720,102	633,041	274,594	6,044,939
2018	50,091	3,338,658	1,037,173	729,920	644,247	273,672	6,073,761
2019	51,252	3,350,389	1,046,676	725,160	637,569	275,217	6,086,263

Source: Processed by SCAG Staff based on State of California, Department of Finance, E-5 City/County Population and Housing Estimates
 May 2018

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>
2010	57,800	3,929,000	1,374,900	549,200	616,500	300,500	6,827,900
2011	58,900	3,950,700	1,390,700	561,800	607,500	303,300	6,872,900
2012	60,200	4,040,300	1,427,100	573,600	626,600	310,100	7,037,900
2013	61,900	4,117,200	1,465,700	599,500	648,300	317,000	7,209,600
2014	63,900	4,193,900	1,499,300	628,100	675,600	320,200	7,381,000
2015	64,600	4,286,500	1,546,900	657,900	710,100	322,800	7,588,800
2016	63,700	4,395,700	1,582,600	688,400	727,100	325,800	7,783,300
2017	64,400	4,439,100	1,588,900	704,600	744,200	334,100	7,875,300
2018	64,075	4,476,020	1,629,760	740,144	773,264	332,320	8,015,583
2019	63,500	4,543,700	1,661,400	756,600	778,800	336,800	8,140,800

Source: Processed by SCAG Staff; CA EDD - March 2017 Benchmark
Employment by Industry Data
Historical Annual Average Data: 2010 - 2018 (Total, All Industries=Wage and Salary Employment)

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 11 – Labor Force by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2010	78,700	4,917,400	1,537,200	976,400	890,300	430,000	8,830,000
2011	79,500	4,928,500	1,546,400	978,500	888,500	431,700	8,853,100
2012	79,300	4,915,300	1,562,100	987,100	892,200	434,700	8,870,700
2013	78,300	4,967,000	1,565,300	996,300	896,600	434,000	8,937,500
2014	78,400	5,006,800	1,572,000	1,013,000	907,100	430,900	9,008,200
2015	78,100	5,000,600	1,588,700	1,035,500	921,000	428,400	9,052,300
2016	76,900	5,043,300	1,602,400	1,051,800	935,600	427,800	9,137,800
2017	74,700	5,089,600	1,588,700	1,056,100	941,000	429,800	9,179,900
2018	70,923	5,161,354	1,621,045	1,086,334	961,827	425,099	9,326,582
2019	70,200	5,099,400	1,620,900	1,093,700	962,700	425,900	9,272,800

Source: Processed by SCAG Staff; CA EDD - March 2017 Benchmark
Employment by Industry Data
Historical Annual Average Data: 2010 - 2018 (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
2010	22,700	615,100	149,700	135,200	120,400	46,600	1,089,700
2011	22,900	600,500	140,000	128,900	114,300	44,200	1,050,800
2012	21,700	536,900	122,900	114,800	101,800	39,500	937,600
2013	19,600	485,000	102,900	98,600	87,500	34,200	827,800
2014	18,800	412,900	86,200	83,000	72,600	28,600	702,100
2015	18,700	332,400	70,700	69,100	59,100	24,100	574,100
2016	18,100	264,500	64,300	63,800	53,400	22,100	486,200
2017	15,500	229,100	56,900	56,000	47,500	19,200	424,200
2018	11,487	219,645	44,914	44,381	36,754	15,020	372,201
2019	12,300	222,900	47,200	46,900	38,400	15,800	383,500

Source: Processed by SCAG Staff; CA EDD - March 2017 Benchmark
Employment by Industry Data
Historical Annual Average Data: 2010 - 2018 (Civilian Unemployment=Unemployment)

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

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

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

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

Calendar Year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2010	56,067	3,445,076	1,048,907	800,707	699,637	281,695	6,332,089
2011	56,173	3,451,136	1,051,284	806,442	702,177	282,596	6,349,808
2012	56,373	3,458,773	1,054,285	810,102	703,726	283,249	6,366,508
2013	56,628	3,468,837	1,059,584	814,621	705,427	284,032	6,389,129
2014	56,844	3,480,863	1,066,214	819,960	707,850	285,149	6,416,880
2015	57,066	3,495,818	1,072,584	825,647	710,583	286,444	6,448,142
2016	57,288	3,515,722	1,079,637	831,518	713,708	287,577	6,485,450
2017	57,510	3,535,626	1,086,691	837,388	716,832	288,710	6,522,757
2018	57,737	3,546,853	1,094,169	840,904	719,911	288,579	6,548,153
2019	57,737	3,546,853	1,094,169	840,904	719,911	288,579	6,548,153

Source: Processed by SCAG Staff based on State of California, Department of Finance, E-5 City/County Population and Housing Estimates, May 2018

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 15 – Median Home Values 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>Average</u>
2010	122,325	388,833	493,958	213,642	184,375	410,875	360,124
2011	119,417	364,767	463,550	205,158	174,808	383,100	338,490
2012	119,433	361,475	462,158	206,750	175,750	380,883	336,651
2013	131,042	417,225	541,842	247,400	209,000	437,125	391,597
2014	137,092	458,758	583,817	284,025	246,883	476,933	431,796
2015	145,608	489,858	613,342	303,267	265,300	502,333	459,268
2016	167,592	529,725	648,467	324,758	287,367	535,275	493,589
2017	186,658	568,950	681,175	347,250	314,508	564,283	527,645
2018	190,500	604,840	710,780	368,160	333,940	592,700	558,177
2019	212,300	618,600	721,500	383,600	348,600	605,300	571,763

Source: Zillow.com

2019 Data: Estimation Based on Average Between Jan 2019 and Mar 2019

Note: Average is Weighted by Housing Units from Table 14

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
2010	4,175	4,060	790	7,208	20,062	1,846	38,141
2011	4,175	4,060	790	7,208	20,062	1,846	38,141
2012	4,175	4,060	790	7,208	20,062	1,846	38,141
2013	4,175	4,060	790	7,208	20,062	1,846	38,141
2014	4,175	4,060	790	7,208	20,062	1,846	38,141
2015	4,175	4,060	790	7,208	20,062	1,846	38,141
2016	4,175	4,060	790	7,208	20,062	1,846	38,141
2017	4,175	4,060	790	7,208	20,062	1,846	38,141
2018	4,175	4,060	790	7,208	20,062	1,846	38,141
2019	4,175	4,060	790	7,208	20,062	1,846	38,141

Source: Census Bureau Tiger File
<https://www.census.gov/programs-surveys/geography.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
2010	\$ 10,786,878,349	1,075,011,703,995	420,208,433,390	215,292,421,831	174,112,125,571	104,656,698,553	2,000,068,261,689
2011	\$ 10,636,065,947	1,055,470,089,596	417,961,898,748	205,709,223,529	166,489,324,697	104,382,110,478	1,960,648,712,995
2012	\$ 10,335,759,824	1,070,532,689,445	422,054,150,027	203,143,376,088	165,720,121,024	104,392,245,689	1,976,178,342,097
2013	\$ 10,393,345,085	1,093,886,934,773	429,315,145,388	202,209,185,045	166,970,746,909	105,066,235,097	2,007,841,592,297
2014	\$ 11,230,818,021	1,145,256,478,683	445,068,356,853	210,726,246,610	172,112,462,762	108,574,635,076	2,092,968,998,005
2015	\$ 11,648,369,468	1,207,856,228,771	473,782,781,168	228,233,802,746	182,705,725,334	114,663,397,481	2,218,890,304,968
2016	\$ 12,400,979,037	1,282,508,084,556	507,799,267,525	240,933,731,456	192,319,791,501	119,407,609,899	2,355,369,463,974
2017	\$ 12,689,982,548	1,354,458,674,851	528,711,072,636	253,658,272,351	200,564,761,328	123,951,233,364	2,474,033,997,078
2018	\$ 12,984,173,804	1,435,385,941,470	561,278,774,948	266,916,802,097	214,878,403,179	129,987,341,366	2,621,431,436,864
2019	\$ 13,487,316,919	1,529,882,494,903	596,783,437,256	283,283,510,304	227,946,672,512	135,744,679,058	2,787,128,110,952

Source: State of California – Controller’s Office.

Note: Assessed Valuations Show Total State and County Assessed Valuation

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

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

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

Fiscal Year	Transportation	Modeling	High Speed Rail	Aviation	Environmental	Housing	Public Involvement	Sustainability	Administration	Total
2010	49		1	1	3	2			52	108
2011	48		1	1	3	2			55	110
2012	60		1	1	3	2			61	128
2013	55		1	1	2	1			67	127
2014	57		1	1	2	1			58	120
2015	61		1	1	1	1			66	131
2016	58		1	1	3	1			67	131
2017	60		1	0	3	1			60	125
2018	44	15	0	1	1	0	15	7	46	129
2019	39	16	0	1	1	0	16	6	48	127

Source: SCAG HR Department.

Employee classifications were changed in FY19 to better reflect the changing mix of SCAG's initiatives.

FY18 employees were restated to be comparable to FY19. Fiscal years before FY18 were not restated.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Transportation										
No. of projects undertaken	55	50	48	49	82	85	89	80	27	71
Grants & Contracts Revenue	\$ 33,664,593	29,354,637	23,819,826	23,880,028	23,120,187	25,928,208	26,127,909	21,402,980	10,227,859	18,068,335
Modeling										
No. of projects undertaken									36	33
Grants & Contracts Revenue	\$								12,546,320	11,872,339
High Speed Rail										
No. of projects undertaken	1	1	1	1	1	1	1	1		
Grants & Contracts Revenue	\$ 42,594	98,354	137,330	21,200	263,579	281,779	290,593	339,370		
Aviation										
No. of projects undertaken	3	3	2	1	1	1	1	1		
Grants & Contracts Revenue	\$ 266,702	884,816	461,819	347,880	196,948	579,242	550,584	267,597		
Environmental										
No. of projects undertaken		7	9	6	13	1	5	20	17	8
Grants & Contracts Revenue	\$	2,401,731	2,881,315	587,435	1,601,570	1,587,158	1,448,295	6,592,728	5,144,977	3,358,447
Public Involvement										
No. of projects undertaken									4	4
Grants & Contracts Revenue	\$								2,600,060	2,445,350
Housing										
No. of projects undertaken		2	2	2	3	3	2	9	9	
Grants & Contracts Revenue	\$	1,306,547	1,345,833	2,088,856	1,599,668	1,176,694	960,528	3,187,930	2,032,313	
Sustainability Initiatives										
No. of projects undertaken			6	9	12	14	25	28	41	8
Grants & Contracts Revenue	\$		6,200,905	6,089,132	2,511,049	5,457,158	7,345,383	7,098,027	8,719,261	3,358,447

Expenditure classifications were changed in FY19 to better reflect the changing mix in SCAG's initiatives.
FY18 expenditures were restated to be comparable to FY19. Fiscal years before FY18 were not restated.

Source: SCAG Finance Department

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

No capital assets indicators are available to SCAG.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 21 – Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	Compensated Absences	Claims Payable	Net Pension Liabilities	Net OPEB Liability	Financing Agreements	Tenant Improvement Allowance	Total Outstanding Debt	Program Revenues	Ratio of Debt to Revenues
2010	\$ 950,559	496,076	415,095			244,431	\$ 2,106,161	\$ 35,328,693	6.0%
2011	\$ 1,028,208		564,044			217,285	\$ 1,809,537	\$ 32,515,019	5.6%
2012	\$ 1,142,088		414,053			509,174	\$ 2,065,315	\$ 38,005,055	5.4%
2013	\$ 1,111,265		475,760			162,993	\$ 1,750,018	\$ 35,290,013	5.0%
2014	\$ 1,272,332		551,853			135,846	\$ 1,960,031	\$ 34,667,807	5.7%
2015*	\$ 1,412,032		23,509,579			108,700	\$ 25,030,311	\$ 44,190,475	56.6%
2016	\$ 1,444,459		28,227,824			81,553	\$ 29,753,836	\$ 42,517,833	70.0%
2017	\$ 1,363,970		35,975,868			54,406	\$ 37,394,244	\$ 41,612,012	89.9%
2018**	\$ 1,385,942		42,575,559	4,693,791	1,812,696	4,682,709	\$ 55,150,697	\$ 44,240,085	124.7%
2019	\$ 1,396,938		41,841,758	4,263,010	1,457,488	4,371,379	\$ 53,330,573	\$ 42,630,252	125.1%

* SCAG implemented GASB 68 which required the PERS liability to be reported on the balance sheet.

** SCAG implemented GASB 75 which required the OPEB liability to be reported on the balance sheet.

Source: SCAG Finance Department



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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, 2019, and the related notes to the financial statements, which collectively comprise SCAG's basic financial statements, and have issued our report thereon dated December 13, 2019.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 13, 2019

Comprehensive Annual FINANCIAL REPORT | 2019

YEAR ENDED JUNE 30, 2019

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