

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2016

Finance Department
BASIL PANAS, Chief Financial Officer
Administration Division



YEAR ENDED JUNE 30, 2016

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BASIL PANAS, Chief Financial Officer
Administration Division



YEAR ENDED JUNE 30, 2016

**Southern California Association of Governments
Comprehensive Annual Financial Report
Year Ended June 30, 2016
*with Report of Independent Auditors***

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INTRODUCTORY SECTION



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Community, Economic &
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Bill Jahn, Big Bear Lake

Energy & Environment
Carmen Ramirez, Oxnard

Transportation
Barbara Messina, Alhambra

December 21, 2016

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

*Subject: SCAG's Comprehensive Annual Financial Report for Fiscal Year
2015/16*

Dear President Martinez and Members of the Regional Council:

As Executive Director and Chief Financial Officer for the Southern California Association of Governments (SCAG), we hereby submit to you SCAG's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

This Letter of Transmittal is the first item in the introductory section of the CAFR. Its purpose is firstly to provide readers with general financial information about the basic financial statements in the CAFR and to give some general comments to assist the reader in assessing SCAG and its financial condition. The second purpose is to give readers a profile of SCAG, including its governance, organization, planning mandates and requirements, and at the same time, to highlight several significant planning programs mandated by Federal and State requirements, which were successfully managed in 2015/2016.

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

The introductory section of the CAFR includes this Letter of Transmittal and the following attachments:

- Listing of the Officers and Members of the Regional Council,
- The SCAG Organizational Chart,
- The SCAG Finance Division Organizational Chart, and
- The Certificate of Achievement for Excellence in Financial Reporting awarded to SCAG by the Government Finance Officers Association in recognition of our FY 2014/15 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, 2015. This was the thirteenth 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 Vasquez & Company 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, 2016 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 Vasquez & Company LLP. The Single Audit report for the year ended June 30, 2016 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 2015/16 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 2016/17

- Continue to implement the initiatives set forth in the adopted 2016 Regional Transportation Plan Sustainable Communities Strategy (RTP/SCS), with a focus on the following: emerging new technologies; sustainable community and land use strategies; direct growth into High Quality Transit Areas (HQTAs), promote complete communities, conserve natural resources, first/last mile strategy and active transportation, sustainable transportation finance strategy; sustainable regional freight strategy; sustainable rail and transit strategy; and a regional aviation strategy.

- SCAG also committed resources for consultant team and staff technical team to assist stakeholders to compete for the statewide Cap & Trade funding for Affordable Housing and Sustainable Community (AHSC) and the new statewide Active Transportation grants. State resources were secured and deployed to build capacity and support stakeholders (particularly disadvantaged communities) in competing for future rounds of AHSC grants.
- To implement the 2012 RTP/SCS, SCAG initiated a successful call for projects in 2013 which funded 70 projects with \$8.9 million SCAG funding in following three major categories: integrated land use planning, active transportation and green region initiatives. In addition, as follow up to implement the 2016 RTP/SCS and lay foundation to develop the shared vision for the 2020 RTP/SCS, SCAG is planning to initiate another round of Sustainability Planning Grant Call for Proposals which leverages SCAG's grants and local funding to support innovative local planning efforts pilot programs, and capacity building projects that prepare local jurisdictions to apply for state and federal implementation funding. The next call will continue to facilitate land use transportation integration, active transportation planning, and incorporate broader sustainability objectives such as shared vision, resource conservation and climate action planning.
- Strategically deploy SCAG's TDA funding to maximize its leverage as match funding for critical projects.

Profile of SCAG

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

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

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

- Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties
- 191 cities
- 16 federally-recognized tribal governments

- 38,000 square miles
- 19 million people
- 16th largest economy in the world.

Governing Body of SCAG

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

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

SCAG’s Mandates

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

(a) Development of the RTP/SCS

The Regional Transportation Plan (RTP) must be prepared every four years. It is a comprehensive 20-year plan that provides a vision for the region’s transportation future and addresses air quality attainment and financial commitments. The RTP serves as a basis for transportation infrastructure investments and policy decision-making in the region. The RTP includes projections for socioeconomic growth in SCAG’s 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. SCAG is also responsible for reviewing all Congestion Management Plans for consistency with the RTP.

As the RTP sets a framework for the region's future transportation investments, various studies are undertaken to support the development of the RTP. Transportation studies encompassing all modes of mobility (highway, transit, goods movement, capacity enhancements, etc.), policy analysis, corridor studies, and land use studies are undertaken in consultation with numerous stakeholders and project sponsors. Land use studies and environmental analysis are also undertaken to comply with various state and federal requirements. Modeling analysis encompasses a major portion of the RTP effort. All of the major components of the RTP are subject to performance criteria that assess and measure project performance, and define the benefits and impacts of proposed projects and initiatives. Modeling studies and analysis form the basis of this type of RTP 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 is also required to be "financially constrained." This requirement ensures that the projects proposed in the RTP have realistic funding streams and ensures the integrity of the RTP.

Senate Bill 375 (Steinberg), or SB 375, is California legislation that became law effective January 1, 2009. It requires Metropolitan Planning Organizations in California, such as SCAG, develop a Sustainable Communities Strategy (SCS) in conjunction with the RTP to reduce greenhouse gas (GHG) emissions from cars and light trucks by creating nexuses between land uses and transportation infrastructure investments and policy. In compliance with this law SCAG developed and incorporated its very first SCS into the adopted 2012 RTP/SCS.

The 2012 RTP/SCS was adopted in April 2012, and was the culmination of a multi-year effort that involved transportation, land use and housing stakeholders from across the region. It represented the most comprehensive long-term vision for the future of our transportation system as well as urban forms that best complement our current and future transportation system, while supporting the objectives of SB 375. Given the size and complexity of our region, by necessity the RTP/SCS is a living document that must be adjusted on a regular basis to keep it valid, relevant, and in sync with new challenges and opportunities. Accordingly, it must be amended occasionally between the regular four-year updates, to ensure major projects being planned and implemented in the region remain consistent with the prevailing RTP/SCS. SCAG finalized its first amendment to the 2012 RTP/SCS in FY 2012/13, and adopted its second amendment to the 2012 RTP/SCS in September 2014.

In addition to putting forth bold transportation initiatives, including an unprecedented level of emphasis on system preservation, the 2012 RTP evaluated and presented some of the most innovative funding strategies to meet funding challenges in the near-term as well as the long-term. On April 7, 2016, SCAG's Regional Council adopted the 2016-2040 Regional Transportation Plan/ Sustainable Communities Strategy (2016 RTP/SCS).

The Plan builds upon the goals and strategies of the 2012 plan, continues to support the objectives of SB 375, and is a long-range visioning plan that balances future mobility and housing needs with economic, environmental and public health goals. New and expanded focus areas for the 2016 RTP/SCS include innovations in transportation technology, public health, and conservation of natural and farm lands.

(b) Development of the Federal Transportation Improvement Program

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

The FTIP must include all federally funded transportation projects in the region, as well as all regionally significant transportation projects which require approval from federal funding agencies regardless of the funding sources. The current 2015 FTIP was federally approved in December 2014. SCAG began the process for the 2017 FTIP in early 2016 and received approval on December 16, 2016.

(c) Conformity with Federal Air Quality Standards

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

(d) Integrated Growth Forecast

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

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

(a) Development of the Sustainable Communities Strategy (SCS) as Integral Part of RTP

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

In June 2016, the California Air Resources Board (ARB) issued Executive Order G-16-066 accepting the determination that SCAG’s 2016 Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS) would, if implemented, meet state established 2020 and 2035 regional greenhouse gas (GHG) emissions reduction targets. ARB staff’s evaluation showed SCAG used technical methodologies that would accurately quantify GHG reductions.

(b) Development of the Regional Housing Needs Assessment Plan

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

In response to challenges raised during the development of the 5th RHNA Allocation Plan, an RC membership-based RHNA and Housing Element Reform Subcommittee was formed to discuss and review possible reforms to the RHNA and housing element processes. The Subcommittee’s recommendations, which were approved by the Regional Council at its May 2015 meeting, have been shared with other MPOs and the California Department of Housing and Community Development (HCD) for possible reform at the statewide level. Between May 2015 and April 2016, HCD convened a state-wide Housing Policy and Practices Advisory Group to review RHNA and housing element issues, some of which were concerns raised by SCAG’s RHNA and Housing Element Reform Subcommittee.

SCAG staff participated on the Advisory Group, which provided actionable recommendations to HCD to address challenges in the RHNA and housing element process. One of the Subcommittee’s recommendations reviewed by the Advisory Group was included in California Senate Bill 944 (2016), an omnibus bill, which has been forwarded in the State Legislature for further review.

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

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

After the public review, the SCAG's portion will be revised as appropriate to incorporate comments received to be included in the Final 2016 South Coast AQMP which is expected to be submitted to the California Air Resources Board and the U.S. Environmental Protection Agency by the end of 2016 or the beginning of 2017.

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

Pursuant to the California Environmental Quality Act ("CEQA", Pub. Res. Code § 21000 *et seq.*), SCAG undertakes the appropriate environmental review of the RTP/SCS. This mostly involves the preparation of a Program Environmental Impact Report (PEIR) for the RTP/SCS and other appropriate environmental documents when SCAG is the Lead Agency under the CEQA. The Regional Council reviewed and certified the PEIR for the 2016 RTP/SCS on April 7, 2016. Additionally, pursuant to Presidential Executive Order 12372, SCAG is the authorized regional agency responsible for Inter-Governmental Review (IGR) of programs proposed for federal financial assistance (e.g., applications for federal grants and financial assistance programs) and development activities. SCAG reviews environmental documents of projects of regional significance for consistency with regional planning goals pursuant to the CEQA and CEQA Guidelines.

(e) Development of a Regional Waste Management Plan

Under State law, SCAG (along with the Association of Bay Area Governments, the Sacramento Area Council of Governments, and the Association of Monterey Bay Area Governments), may prepare a regional hazardous waste management plan to serve as a document to identify hazardous waste management issues, needs and solutions at the regional level. This role is consistent with SCAG's responsibility under federal law to serve as the Southern California area-wide waste management planning agency for the purpose of improving water quality in the region.

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.

Acknowledgements

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

Sincerely,



Hasan Ikhrata

Executive Director



Basil Panas

Chief Financial Officer

VISION

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

MISSION

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

Funding: The preparation of this report was financed in part through grants from the United States Department of Transportation – Federal Highway Administration and the Federal Transit Administration – under provisions of the “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users” (SAFETEA-LU). Additional financial assistance was provided by the California State Department of Transportation.

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

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First Vice President Michele Martinez, Santa Ana
Second Vice President Margaret E. Finlay, Duarte
Immediate Past President Carl Morehouse, San Buenaventura

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San Bernardino County Curt Hagman, San Bernardino County • Paul Eaton, Montclair • Ray Marquez, Chino Hills • Bill Jahn, Big Bear Lake • Larry McCallon, Highland • Ryan McEachron, Victorville • Frank Navarro, Colton • Deborah Robertson, Rialto

Ventura County Linda Parks, Ventura County • Glen Becerra, Simi Valley • Carl Morehouse, San Buenaventura • Carmen Ramirez, Oxnard

Tribal Government Representative Andrew Masiel, Sr., Pechanga Band of Luiseño Indians

Orange County Transportation Commission Jim Katapodis, Huntington Beach

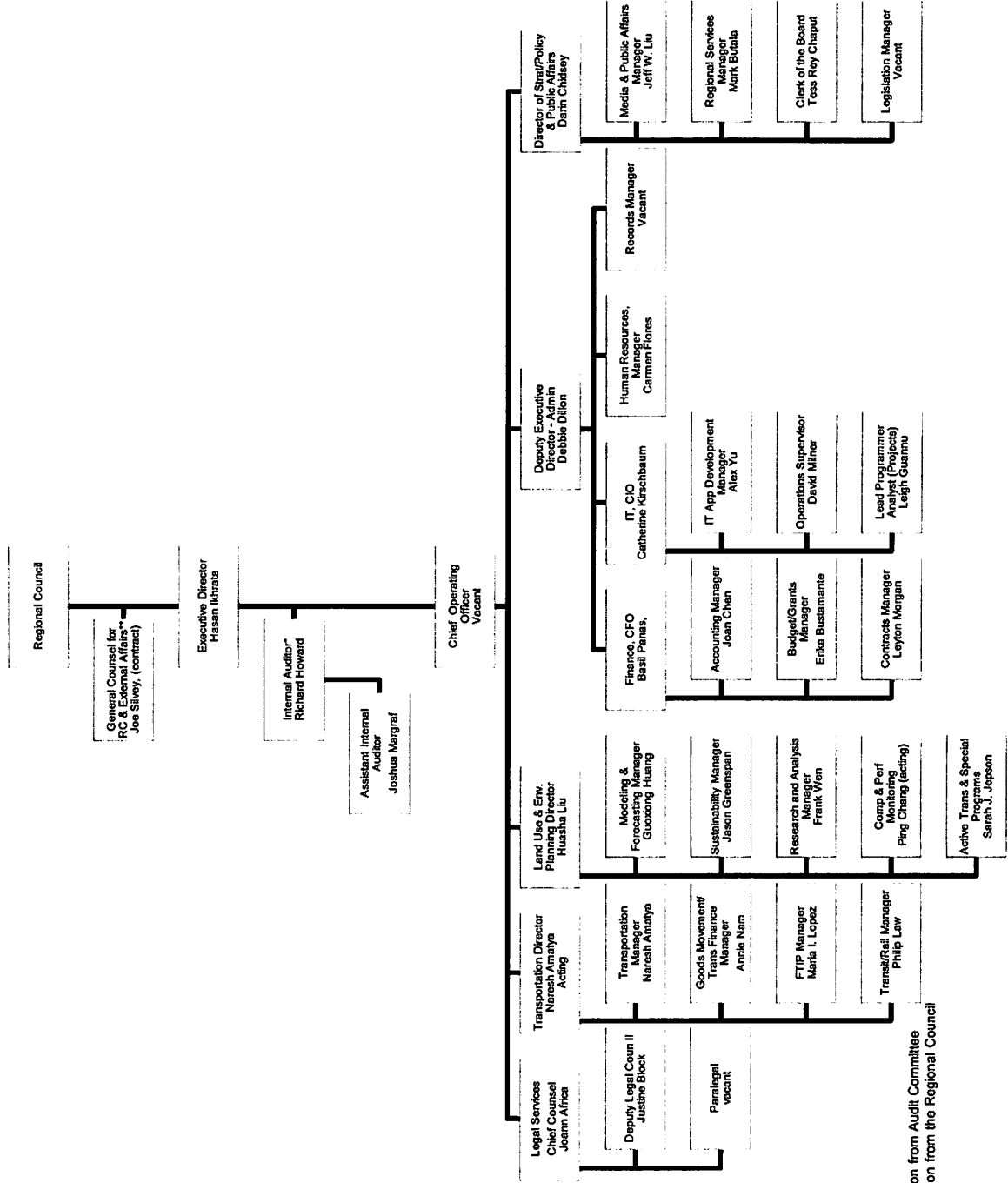
Riverside County Transportation Commission Jan Harnik, Palm Desert

San Bernardino Associated Governments Alan Wapner, Ontario

Ventura County Transportation Commission Keith Millhouse, Moorpark
Transportation Corridors Agency Ross Chun, Aliso Viejo

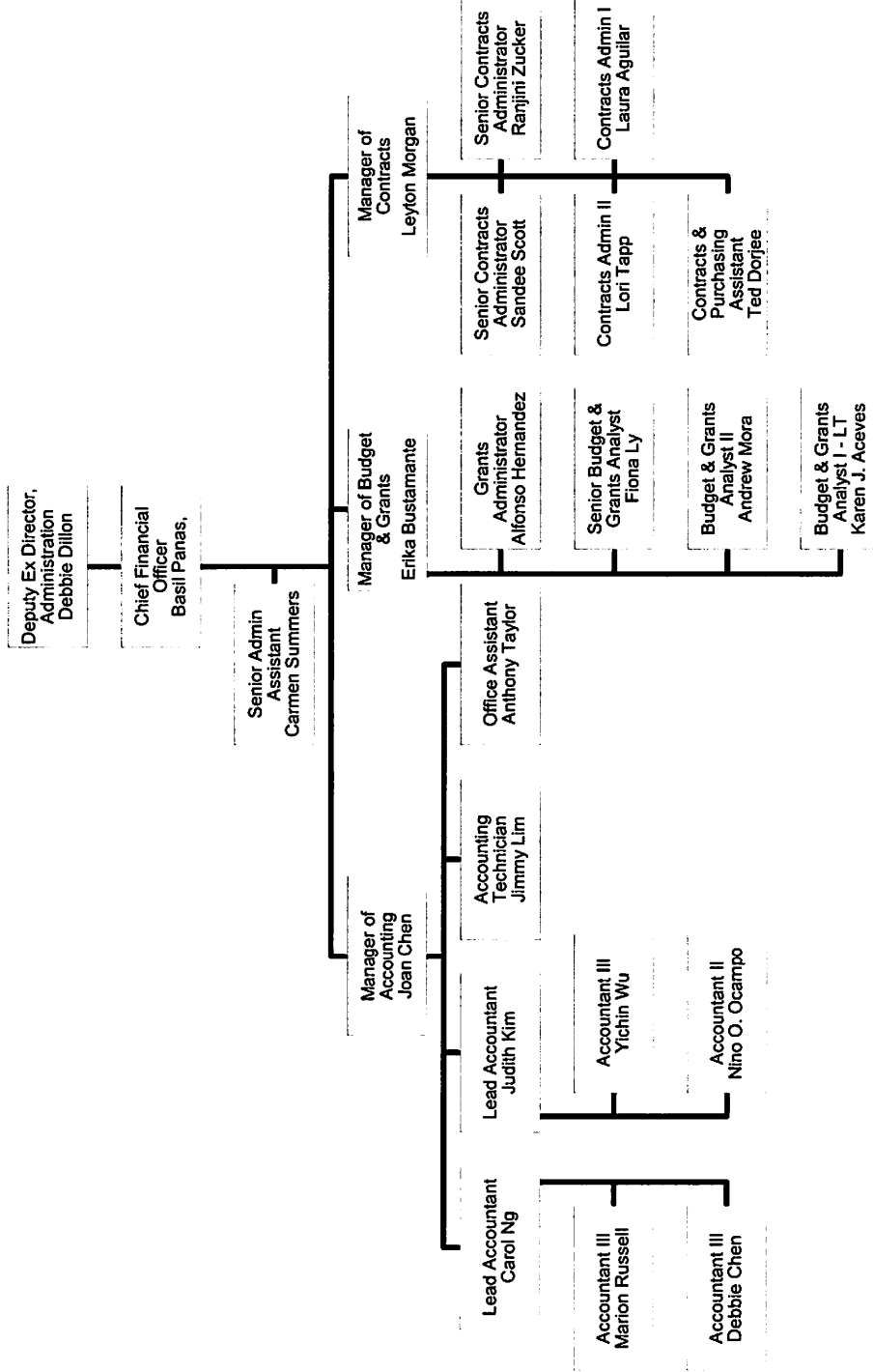
Please note: There are current vacancies on the Regional Council which include representatives for Imperial County Transportation Commission (ICTC), Los Angeles County Metropolitan Transportation Authority (LACMTA), public transportation and the air districts.

SCAG Organization Chart – June 30, 2016



- Takes direction from Audit Committee
- ** Takes direction from the Regional Council

Finance Division - June 30, 2016





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Southern California
Association of Governments**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern California Association of Governments as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Southern California Association of Governments' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.



Opinion

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 Southern California Association of Governments as of June 30, 2016, and the respective changes in financial position 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 18-27, the budgetary comparison information on pages 67-72, 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 73-74 and the Schedule of Changes in the Net Pension Liability and Related Ratios and Schedule of Plan Contribution to the Public Agency Retirement System (PARS) on pages 75-76 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 Southern California Association of Governments' 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 required parts 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 21, 2016 on our consideration of Southern California Association of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern California Association of Governments' internal control over financial reporting and compliance.

Vasquez + Company LLP

**Los Angeles, California
December 21, 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2016

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, 2016. This overview should be read in conjunction with the transmittal letter and the accompanying financial statements in order to obtain a thorough understanding of SCAG's financial condition.

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

In this MD&A, the Statement of Net Position and the individual accounts, which comprise total assets and deferred outflows of resources and liabilities and deferred inflows of resources, are discussed and analyzed for the reader. Specific information about the functional areas of grant revenues reported in the Statement of Activities is also provided. Revenue and expenditure information about transportation, railroad, aviation, high-speed rail, housing, and other grants is reviewed. Finally, there is summary information about project work undertaken and completed by SCAG in FY 2015-2016.

FINANCIAL HIGHLIGHTS

Revenues decreased to \$43.5 million in FY 2015-2016 from \$44.7 million in FY 2014-2015, a decrease of \$1.2 million, or 2.7%.

Federal revenues decreased by \$1.9 million; state revenues increased by \$0.3 million; local revenues decreased by \$0.04 million; and General Fund revenues increased by \$0.5 million.

Net position decreased by \$0.3 million to (\$11.0 million). The decrease was attributable to the expenditure of TDA funds on the Sustainability program.

Cash decreased by \$2.7 million; receivables decreased by \$1.5 million; and accounts payable and contracts payable decreased by \$2.6 million, all compared to FY 2014-2015.

Cash balances were adequate to support operations. There were no draws on SCAG's line of credit in FY 2015-2016.

Receivables decreased \$1.5 million to \$7.9 million. No receivables are past due at year end.

Accounts and contracts payable (AP) payments to vendors are disbursed on a current basis. AP balances decreased \$2.6 million to \$3.5 million. All AP obligations are current.

The unfunded net pension liability of \$28.2 million increased \$4.7 million from \$23.5 million last year.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements distinguish between the activities of SCAG that are principally supported by grants or contracts, and the General Fund activities which are intended to be covered primarily by dues paid by SCAG's members. Changes in net position are a result of the financial activities of the General and Transportation Development Act (TDA) funds, not from the grant funds, which operate on a cost-reimbursement basis. The government-wide financial statements can be found on pages 28 and 29 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, 2016

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 34 to 66 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 2015-2016, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10.97 million, a decrease of \$309 thousand from FY 2014-2015.

The following is a summary of net positions as of June 30, 2016 and 2015:

	June 30	
	2016	2015
Current and other assets	\$ 19,553,554	\$ 23,438,374
Capital assets, net	1,626,539	2,251,523
Total assets	21,180,093	25,689,897
Deferred outflows of resources	3,660,760	2,299,344
Current liabilities	5,108,300	8,150,335
Noncurrent liabilities	28,951,982	25,030,311
Total liabilities	34,060,282	33,180,646
Deferred inflows of resources	1,752,609	5,471,889
Net position		
Invested in capital assets	1,626,539	2,251,523
Restricted	8,834,336	9,857,806
Unrestricted	(21,432,913)	(22,772,623)
Total net position	\$ (10,972,038)	\$ (10,663,294)

Cash and Cash Equivalents

Over the last year, cash and cash equivalents has decreased \$2.7 million to \$10.7 million. During that same period, cash as a percentage of total assets decreased from 52% to 51% due to TDA expenditures.

Included in cash were \$9.6 million of TDA, and \$0.4 million of member dues for FY 2016-2017 received in FY2015-2016.

Accounts Receivable (AR)

ARs from federal, state, local and other agencies at the end of FY 2015-2016 were \$7.9 million compared to \$9.5 million the year before. AR balances represented 37% of total assets in FY2015-2016 and FY 2014-2015.

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

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

Federal ARs at \$6.7 million were \$1.8 million less than last year. State receivables increased by \$0.4 million to \$0.8 million. Local grants and contracts receivable remained at \$0.3 million. Other receivables fell \$0.1 million to \$0.1 million.

Accounts and Contracts Payable (AP)

During FY 2015-2016, SCAG met its goal of paying 95% of invoices within 30 days in five of the twelve months. This was an improvement over the previous year but the department is still dealing with a large increase in invoice volume due to the Sustainability Program. The AP balance decreased from \$6.0 million to \$3.5 million.

Line of Credit (LOC)

During FY 2015-2016, SCAG did not draw on its LOC.

The LOC is a \$6.5 million credit line with an independent financial institution, which expires on February 28, 2017. Cash advances, if requested, are secured by an assignment of moneys due only from Caltrans. Advances on the line must be in minimum amounts of \$350,000 and are due 45 days from the date of the advance. The current agreement provides for a choice of two interest rate structures. Variable rate advances incur interest at the prime rate plus 0.5%. LIBOR advances incur a fixed rate of interest for a fixed period which is 2.5% above the bank's LIBOR rate.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2016

Capital Assets

Net investment in net capital assets is \$1,626,539. These assets have continuing value, which contribute to efficiency and effectiveness in conducting SCAG's transportation planning activities. For additional information, the reader is referred to note 5 of the basic financial statements.

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

		June 30	
		2016	2015
Computer equipment and software, net	\$	1,555,055	\$ 2,126,510
Leasehold improvements, net		29,727	39,271
Furniture and fixtures, net		41,757	85,742
	\$	1,626,539	\$ 2,251,523

Statements of Activities

		Years ended June 30	
		2016	2015
REVENUES			
Charges for services - member dues	\$	1,900,950	\$ 1,871,720
Operating grants and contributions		40,616,883	42,318,755
General revenues:			
Interest income		92,093	75,652
Gain on disposition of capital assets		343,314	-
Other revenue		542,022	407,156
		43,495,262	44,673,283
EXPENSES			
Transportation		30,851,350	31,710,847
Aviation		575,716	585,322
Environmental		1,459,853	1,450,795
High-speed rail		290,497	281,500
Housing		981,416	1,128,200
Sustainability initiatives		7,506,301	5,463,860
Administration		2,138,873	1,864,232
		43,804,006	42,484,756
Change in net position		(308,744)	2,188,527
Net position - beginning		(10,663,294)	(12,851,821)
Net position - ending	\$	(10,972,038)	\$ (10,663,294)

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2016

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

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

Total revenues in FY 2015-2016 were \$43.5 million compared to \$44.7 million last year. This is a decrease of \$1.2 million or about 2.7%.

The decrease in net position is primarily due to the expenditure of TDA reserves on the Sustainability Program.

Major Expenses

In FY 2015-2016, salary expenses were \$12.4 million which included non-worktime (e.g., vacation leave, sick leave, and holiday). The comparable amount in FY 2014-2015 was \$12.6 million. Salaries, including non-worktime, represent about 28% of total expenses.

Consultant expenses are the next largest expense line item. They increased \$0.7 million to \$11.8 million in FY 2015-2016 from \$11.1 million in FY 2014-2015. They represent about 27% 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 2015-16, SCAG made pass-through payments in the amount of \$4,005,015 under FTA's Sec. 5339 program (see below for details).

Federal Transportation Grants

Major FHWA and FTA Grants

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

The RTP lays out the framework for investments in transportation infrastructure and maintaining it over the long-term. The FTIP, on the other hand, is a near-term program that identifies specific funding allocations for transportation projects to be implemented within the SCAG region over the next six years. Both the RTP and the FTIP must comply with all applicable state and federal requirements, including transportation conformity, fiscal constraint and inter-agency consultation and public outreach. These two grants were billed \$26.1 million in FY 2015-2016 compared to \$28.5 million in FY 2014-2015. FHWA PL and FTA 5303 revenues amounted to \$18.4 million and \$7.7 million, respectively, in FY 2015-2016. Salaries and fringe benefits accounted for \$13.2 million, consultant expenses were \$2.4 million and the balance consisted of indirect overhead of \$9.4 million

and other direct project costs of \$1.1 million. Other direct project expenses include professional services, travel, printing and other non-labor costs.

FTA Section 5339 Bus and Bus Facilities

SCAG now has a third major federal grant. As the Designated and Direct Recipient, SCAG is responsible for passing the funds through to eligible sub-recipients and for ongoing monitoring and compliance of the grant program. For FY 2014-2015, approximately \$33.6 million was appropriated to the SCAG region. For FY 2015-2016, approximately \$31.1 million was appropriated to the SCAG region. For FY 2016-2017, the program was continued, with some modifications in the recently authorized Fixing America's Surface Transportation (FAST) Act. Management expects the amount to be consistent with the last two years.

Other Federal Grants

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

FTA Section 5304 and FHWA Partnership Planning

The total FTA Section 5304 and FHWA Partnership Planning budget was approximately \$3.4 million. The purpose of this grant is to finance expenditures for transportation planning. The total amount expended for these two grant programs was about \$1.0 million in FY 2015-2016. The unused balance for grants not expiring at the end of fiscal year are carried forward to FY 2016-2017 and future years, if needed, subject to authorization from Caltrans. In June 2016, SCAG was awarded two (2) new grants amounting to approximately \$1.0 million for FY 2016-2017.

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

SCAG is responsible for the administration of the program fund allocations for Riverside and San Bernardino counties and to ensure that projects that are selected are included in the Federal Transportation Improvement Program and the State Transportation Improvement Plan. The purpose of this grant is to finance the expenditures for specifically identified projects.

Other Federal Grants (SCAG as a Sub-Recipient)

SCAG received a grant award in the amount of \$916,802 from FHWA for the Value Pricing Pilot Program, Express Travel Choices Phase III. Caltrans is the Direct Recipient of the funds from FHWA and SCAG is responsible for managing the program. In addition, the Cooperative Agreement for the program has been amended to include the funds and extend the end date from November 15, 2015 to October 21, 2016. Phase II of the project was funded in prior years from the same source in the amount of \$3.2 million.

SCAG received a grant award in the amount of \$2.3 Million from FHWA for the Active Transportation Program. Caltrans is the Direct Recipient of the funds from FHWA and SCAG is responsible for managing the program. The funds will be used for the Southern California Active Transportation Safety & Encouragement Campaign.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2016

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

SCAG has a pass-through grant funded by the Department of Energy in the amount of \$154,050. The grant is administered and passed through by the Leonardo Technologies, Inc. (LTI) for Clean Cities Coalition programmatic support for the SCAG region.

State Grants

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

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

Local Revenues

Local revenues were \$5.8 million compared to \$5.8 million in FY 2014-2015, consisting of local match, mostly Transportation Development Act (TDA) funding. The TDA Fund, a major fund, had revenues of \$5.4 million. TDA funds are primarily used to meet the local match requirement for federal grants and for other unmet needs such as the Sustainability Program. SCAG receives these funds under the terms of AB1403. The TDA fund balance decreased \$1.0 million due to expenditures in the Sustainability Program.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2016

General Fund

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

The comparative summary statement of revenues, expenditures, and changes in fund balances of the GF shown below is reported on a modified accrual basis. In FY 2015-2016, fund balance increased by \$1.1 million due to a capital asset valuation adjustment and various other budgetary savings.

	Years ended June 30	
	2016	2015*
Revenues:		
Membership assessments	\$ 1,900,950	\$ 1,871,720
General assembly	351,165	345,195
Gain on disposition of capital assets	343,314	-
Interest and other	282,950	137,613
Total revenues	2,878,379	2,354,528
Expenditures:		
Transportation	199,508	12,514
Housing	19,558	110,836
Administration	1,543,263	1,511,687
Capital outlay	-	195,101
Indirect cost	11,606,931	10,858,012
Indirect cost recovery	(10,516,364)	(10,183,079)
Under-recovery of indirect cost	(1,090,567)	(674,933)
Total expenditures	1,762,329	1,830,138
Deficiency of revenues over expenditures	1,116,050	524,390
Other financing sources:		
Transfer out	-	(7,027)
Change in fund balance	1,116,050	517,363
Fund balance, beginning of year	5,296,722	4,779,359
Fund balance, end of year	\$ 6,412,772	\$ 5,296,722

* Certain amounts in the 2015 financial statements have been reclassified to conform

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 2015-2016 to \$1,900,950 from \$1,871,720 in FY 2014-2015, an increase of 1.6 %. This resulted from the automatic dues increase equivalent to the Consumer Price Index provided for in the Bylaws. At the end of FY 2015-2016, only two cities on the entire SCAG region were not members.

Other GF Revenues and Interest Income

Total other revenues increased in FY 2015-2016 to \$282,950 from \$137,613 in FY 2014-2015. There is new revenue in FY 2015-16 amounting to \$343,314 which represents gain on disposal of capital asset.

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

GF Budget vs. Actual Expenditures

GF expenditures overall were \$2.1 million (excluding indirect cost allocated to funds) compared to the budget of \$2.9 million, a positive variance of \$0.8 million. The GF budget includes RC expenditures including member stipends, travel, monthly RC meeting expenses, and annual meetings. It also includes contracted federal and state lobbying, and legal fees. There was a large positive variance in the General Fund's revenues related to a leasehold improvement reimbursement that did not materialize. This was because the related capital outlay expenditures were not incurred, and so under the terms of the lease for the LA building, no reimbursement could be paid.

Next Year's Budgets

SCAG's aggregate grant budget, called the Overall Work Program (OWP), for FY 2016-2017 is \$69.8 million compared to the grant budget in FY 2015-2016 of \$48.2 million, a net increase of \$21.6 million or 44.8% due to new pass-through payments of Sec. 5339 monies. Leaving aside those pass-through payments, most FY 2016-2017 OWP funding comes from the Federal government (77%), 21% comes from local sources, and 2% from the State of California.

Requests for Information

This report is designed to provide a general overview of SCAG finances for readers of the Comprehensive Annual Financial Report. Detailed questions concerning any of the information in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Southern California Association of Governments, 818 West 7th Street, 12th Floor, Los Angeles, California 90017.

**BASIC
FINANCIAL
STATEMENTS**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Net Position
June 30, 2016

ASSETS

Cash and cash equivalents	\$	10,732,118
Receivables:		
Federal grants		6,743,523
State grants and contracts		747,639
Local grants and contracts		315,565
Other		131,605
Prepays		750,009
Other assets		13,646
Under-recovery of indirect costs		119,449
Capital assets, net		1,626,539
Total assets		<u>21,180,093</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions		<u>3,660,760</u>
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LIABILITIES

Accounts and contracts payable		3,459,414
Accrued liabilities		290,393
Advances from grantors		161,997
Unearned revenues		394,642
Noncurrent liabilities:		
Due within one year		801,854
Due in more than one year		28,951,982
Total liabilities		<u>34,060,282</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions		<u>1,752,609</u>
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NET POSITION

Net investment in capital assets		1,626,539
Restricted for:		
Transportation projects		8,834,336
Unrestricted		(21,432,913)
Total net position	\$	<u><u>(10,972,038)</u></u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year ended June 30, 2016

		Program revenues		Net
	Expenses	Charges for	Operating	(expenses)
		services –	grants and	revenues and
		member	contributions	change in
		dues		net position
				2016
Functions/programs:				
Transportation	\$ 30,851,350	\$ -	\$ 30,963,779	\$ 112,429
Aviation	575,716	-	573,374	(2,342)
Environmental	1,459,853	-	1,448,295	(11,558)
High-speed rail	290,497	-	290,595	98
Housing	981,416	-	960,528	(20,888)
Sustainability initiatives	7,506,301	-	6,380,312	(1,125,989)
Administration	2,138,873	1,900,950	-	(237,923)
Total governmental activities	<u>\$ 43,804,006</u>	<u>\$ 1,900,950</u>	<u>\$ 40,616,883</u>	<u>(1,286,173)</u>
General revenues:				
Interest income				92,093
Gain on disposition of capital assets				343,314
Other revenue				542,022
Total general revenues				<u>977,429</u>
Change in net position				(308,744)
Net position at beginning of year				<u>(10,663,294)</u>
Net position at end of the year				<u>\$ (10,972,038)</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2016

Assets	General Fund	FTA 5303 Fund	FTA 5339 Fund	FHWA PL Fund	FHWA ATP Fund	TDA Fund	Nonmajor Funds	Total
Cash and cash equivalents	\$ 10,732,118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,732,118
Receivables:								
Federal grants	-	1,857,883	-	2,866,623	662,333	-	1,356,684	6,743,523
State grants and contracts	-	-	-	-	-	-	747,639	747,639
Local grants and contracts	-	-	-	-	-	297,652	17,913	315,565
Other	131,605	-	-	-	-	-	-	131,605
Due from other funds	-	-	-	-	-	9,564,710	221,152	9,785,862
Prepays	750,009	-	-	-	-	-	-	750,009
Other assets	13,646	-	-	-	-	-	-	13,646
Under-recovery of indirect costs	119,449	-	-	-	-	-	-	119,449
Total assets	\$ 11,746,827	\$ 1,857,883	\$ -	\$ 2,866,623	\$ 662,333	\$ 9,862,362	\$ 2,343,388	\$ 29,339,416
Liabilities and Fund Balances								
Liabilities								
Accounts and contracts payable	\$ 381,159	\$ 618,801	\$ -	\$ 39,662	\$ 487,505	\$ 1,028,026	\$ 904,261	\$ 3,459,414
Accrued liabilities	290,393	-	-	-	-	-	-	290,393
Due to other funds	4,267,861	1,239,082	-	2,826,961	174,828	-	1,277,130	9,785,862
Advances from grantors	-	-	-	-	-	-	161,997	161,997
Unearned revenues	394,642	-	-	-	-	-	-	394,642
Total liabilities	5,334,055	1,857,883	-	2,866,623	662,333	1,028,026	2,343,388	14,092,308
Fund balances								
Nonspendable for:								
Prepays and other assets	763,655	-	-	-	-	-	-	763,655
Restricted:								
Transportation	-	-	-	-	-	8,834,336	-	8,834,336
Unassigned:								
General Fund	5,649,117	-	-	-	-	-	-	5,649,117
Total fund balances	6,412,772	-	-	-	-	8,834,336	-	15,247,108
Total liabilities and fund balances	\$ 11,746,827	\$ 1,857,883	\$ -	\$ 2,866,623	\$ 662,333	\$ 9,862,362	\$ 2,343,388	\$ 29,339,416

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, 2016

Total governmental fund balances	\$	15,247,108
Amounts reported for governmental activities in the accompanying statement of net position are different because:		
Capital assets, net of accumulated depreciation of \$5,783,603 used in governmental activities are not financial resources; they are therefore not reported in the governmental funds financial statements		1,626,539
Other long-term liabilities reported in the statement of net position are not considered to be fund liabilities as they are not expected to be liquidated with current financial resources		(81,553)
Compensated absences liabilities are not due and payable at year end; they are therefore not reported in the governmental funds financial statements		(1,444,459)
Net pension liabilities are not due and payable at year end; they are therefore not reported in the governmental funds financial statements		(28,227,824)
Deferred outflows of resources related to pensions are not considered financial resources and are not reported in the governmental funds		3,660,760
Deferred inflows of resources related to pensions are not available to pay for current period expenses and are not reported in the governmental funds		<u>(1,752,609)</u>
Net position	\$	<u><u>(10,972,038)</u></u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2016

	General Fund	FTA 5303 Fund	FTA 5339 Fund	FHWA PL Fund	FHWA ATP Fund	TDA Fund	Nonmajor Funds	Total
Revenues:								
Federal grants, net	\$ -	\$ 7,732,909	\$ 4,005,015	\$ 18,374,592	\$ 1,713,494	\$ -	\$ 2,074,744	\$ 33,900,754
State grants and contracts	-	-	-	-	-	-	932,566	932,566
Local grants and contracts	-	-	-	-	-	5,423,172	360,391	5,783,563
Membership assessments:								
Cities	1,511,946	-	-	-	-	-	-	1,511,946
Counties	294,004	-	-	-	-	-	-	294,004
Commission	95,000	-	-	-	-	-	-	95,000
General assembly	351,165	-	-	-	-	-	-	351,165
Gain on disposition of capital assets	343,314	-	-	-	-	-	-	343,314
Interest and other	282,950	-	-	-	-	-	-	282,950
Total revenues	<u>2,878,379</u>	<u>7,732,909</u>	<u>4,005,015</u>	<u>18,374,592</u>	<u>1,713,494</u>	<u>5,423,172</u>	<u>3,367,701</u>	<u>43,495,262</u>
Expenditures:								
Transportation	199,508	6,877,518	4,005,015	14,620,729	-	2,800,820	2,236,326	30,739,916
Aviation	-	134,717	-	421,203	-	17,454	-	573,374
Environmental	-	378,074	-	1,021,238	-	48,983	-	1,448,295
High-speed rail	-	290,595	-	-	-	-	-	290,595
Housing	19,558	34,299	-	643,685	-	282,544	-	980,086
Sustainability initiatives	-	17,706	-	1,302,100	1,713,494	3,239,108	1,131,375	7,403,783
Administration	1,543,263	-	-	-	-	-	-	1,543,263
Capital outlay	-	-	-	365,637	-	57,733	-	423,370
Indirect cost	11,606,931	-	-	-	-	-	-	11,606,931
Indirect cost recovery	(10,516,364)	-	-	-	-	-	-	(10,516,364)
Under-recovery of indirect costs	(1,090,567)	-	-	-	-	-	-	(1,090,567)
Total expenditures	<u>1,762,329</u>	<u>7,732,909</u>	<u>4,005,015</u>	<u>18,374,592</u>	<u>1,713,494</u>	<u>6,446,642</u>	<u>3,367,701</u>	<u>43,402,682</u>
Change in fund balance	1,116,050	-	-	-	-	(1,023,470)	-	92,580
Fund balances at beginning of year	5,296,722	-	-	-	-	9,857,806	-	15,154,528
Fund balances at end of year	<u>\$ 6,412,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,834,336</u>	<u>\$ -</u>	<u>\$ 15,247,108</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, 2016

Change in fund balances – total governmental funds \$ 92,580

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

Net California JPIA insurance coverage refund that was earned and was considered measurable and available was recorded as revenue in the governmental funds during the year. However, for government-wide financial statements, this has already been recorded as revenue in prior years when it was earned. (133,511)

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	\$ 423,370	
Capital asset write down	(343,282)	
Depreciation expense	<u>(705,072)</u>	(624,984)

Compensated absences and other long-term liabilities are not recorded in the governmental funds and the corresponding changes in these balances are not reflected in the change in fund balance:

Compensated absences liabilities	(32,427)
Other long-term liabilities	27,147

Expenses reported in the statement of activities which do not require the use of current financial resources are not reported as expenditures in governmental funds:

Pension expense	<u>362,451</u>
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Change in net position of governmental activities	\$ <u><u>(308,744)</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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Government-wide and Fund Financial Statements (continued)*

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about SCAG as a whole. All of SCAG's operations represent governmental activities and SCAG has no business-type activities. All significant interfund activity has been eliminated. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

The 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Government-wide and Fund Financial Statements (continued)*

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.

(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.

FTA Sec. 5339 Fund – This fund is established to account for the passthrough of revenues from FTA to the sub-recipients. These funds are available and restricted to support expenditures for specifically identified purposes and projects relating to replacing, rehabilitating and purchasing buses, vans, and related equipment, and to constructing bus-related facilities.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *Major Funds (continued)*

FHWA Active Transportation Program (ATP) Fund – This fund is established to account for revenues from FHWA. These funds are available and restricted to support expenditures for the Southern California Active Transportation Safety & Encouragement Campaign.

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.

(f) *Other Long-Term liabilities*

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, if any, are recorded at estimated fair value at the date of donation.

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.

(j) *Implementation of New Accounting Pronouncements*

During the fiscal year ended June 30, 2016, SCAG adopted the following new Statements of the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement did not have a significant impact on SCAG's financial statements for the fiscal year ended June 30, 2016.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) *Implementation of New Accounting Pronouncements (continued)*

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to certain provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The implementation of this statement did not have a significant impact on SCAG's financial statements for the fiscal year ended June 30, 2016.

- GASB Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The implementation of this statement did not materially impact SCAG's financial statements for the fiscal year ended June 30, 2016.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The implementation of this statement did not materially impact SCAG's financial statements for the fiscal year ended June 30, 2016.

- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not materially impact SCAG's financial statements for the fiscal year ended June 30, 2016.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) *New Government Accounting Standards Board (GASB) pronouncements issued, not yet effective*

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2016, that has effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the statements may have on the financial statements of SCAG.

(l) *Deferred Outflows and Inflows of Resources*

Pursuant to GASB Statements No. 63 and No. 65, 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.

(m) *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 of assets and liabilities and disclosure of contingent assets and liabilities 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.

(n) *Fund Balance Reporting*

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) *Fund Balance Reporting (continued)*

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).

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 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, 2016.

The Regional Council delegates the authority to assign fund balance to the Executive Director for purposes of reporting in the annual financial statements. SCAG considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. SCAG considers unrestricted fund balances to have been spent when expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of SCAG to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2016

NOTE 2 CASH AND CASH EQUIVALENTS

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

Book balance of deposits with financial institutions	\$ 917,599
Cash and cash equivalents in County of Los Angeles Treasury	9,813,519
Petty cash	<u>1,000</u>
	<u>\$ 10,732,118</u>

(a) Deposits

At June 30, 2016 SCAG's cash and cash equivalents consisted of deposits with the County of Los Angeles Treasury, deposits with an independent financial institution, and petty cash on hand, all of which are presented in the accompanying basic financial statements at fair value.

At June 30, 2016 SCAG's carrying amount of cash in checking and payroll accounts was \$917,599 while the bank balance was \$1,555,013; the difference is attributable to outstanding checks. All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. As of June 30, 2016, SCAG's cash in bank balance in excess of the amount insured amounted to \$1,305,013.

(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. to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. The custodial risk of the investments are considered to be of the lowest degree and consistent with SCAG's investment policy. The table also identifies certain provisions of SCAG's investment policy that addresses interest rate risk and concentration of credit risk.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2016

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Investments Authorized by SCAG'S Investment Policy (continued)

Description	Maximum maturities	Maximum Concentration
U.S. Treasury Obligations (bills, notes and bonds)	5 years	100 %
U.S. Government Agency Securities	5 years	100
Bankers' Acceptances	180 days	40
Commercial Paper	270 days	25
Negotiable Certificates of Deposit	N/A	30
Certificates of Deposit	N/A	30
Passbook Savings Accounts	N/A	30
Repurchase Agreements	92 days	20
Interest-Bearing Checking Accounts	N/A	5
Intermediate-Term Corporate Notes	5 years	30
Bank Money Market Accounts	N/A	20
Local Agency Investment Fund (LAIF)	(per state limit)	
Los Angeles County Investment Fund (County Pool)	N/A	100

(c) County of Los Angeles Treasurer's Pool

At June 30, 2016 and as permitted by California Government Code Section 53635, a portion of SCAG's cash balance totaling \$9,813,519 was on deposit in the County Pool. SCAG's investments in the County Pool represent less than 1% of the County Pool's investments. 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. The County Pool is not rated, and the following is a summary of the maturity ranges of the County Pool's investments:

Description	Weighted average maturity in years	Relative % of total pool
U.S. Agency securities	2.83	56.18
U.S. Treasury notes	0.72	0.88
U.S. Treasury bills	0.64	3.27
Negotiable certificates of deposit	0.20	11.99
Commercial paper	0.06	27.30
Los Angeles County securities	1.20	0.19
Corporate and deposit notes	0.91	0.19
		<u>100.00</u>

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Fair Value Measurements

During the fiscal year ended June 30 2016, SCAG implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. SCAG categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and is as follows.

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

Majority of SCAG's cash is pooled with the County Treasury. The value of SCAG's deposit in the pool is reported in the financial statements at amounts based upon SCAG's pro-rata share of the amortized cost provided by the County Treasurer for the entire portfolio. This amount approximates fair value.

NOTE 3 INDIRECT OVERHEAD

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

An over-recovery of \$971,118 was carried forward from FY 2014-2015 and added to the under-recovered indirect costs for FY 2015-2016. The under-recovered amount at June 30, 2016 is included in the General Fund and presented as an asset. The fixed percentage rate that was approved by Caltrans and used for FY 2015-2016 was 71.19% of salaries plus fringe benefits. A recap of the carryforward amount follows:

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NOTE 3 INDIRECT OVERHEAD (CONTINUED)

	Indirect costs
Indirect costs	\$ 11,606,931
Indirect costs recovered	10,516,364
(Over) under-recovered indirect costs	<u>1,090,567</u>
(Over) under-recovered indirect costs, beginning of year	(971,118)
(Over) under-recovered indirect costs, end of year	<u><u>\$ 119,449</u></u>

The balance of under-recovered indirect costs at June 30, 2016 amounting to \$119,449 will be carried forward as an adjustment to the calculation of the indirect cost carryforward for the FY 2016-2017.

NOTE 4 UNEARNED REVENUE AND ADVANCES FROM GRANTORS

Unearned revenue consisted of the following:

(a) Membership Dues

Cash received as of June 30, 2016 for member dues for the following year amounted to \$394,642. 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, 2016 amounted to \$161,997. The amount is reported as advances from grantors in the governmental funds and government-wide financial statements.

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Notes to Financial Statements
Year ended June 30, 2016

NOTE 5 CAPITAL ASSETS

SCAG's capital asset activity for the year ended June 30, 2016 was as follows:

	Balance			Balance
	July 1, 2015	Additions	Deletions	June 30, 2016
Capital assets being depreciated:				
Computer equipment and software	\$ 6,691,447	\$ 688,777	\$ (619,528)	\$ 6,760,696
Leasehold improvements	209,867	-	-	209,867
Furniture and fixtures	439,579	-	-	439,579
Total capital assets being depreciated	<u>7,340,893</u>	<u>688,777</u>	<u>(619,528)</u>	<u>7,410,142</u>
Less accumulated depreciation and amortization:				
Computer equipment and software	(4,564,937)	(651,543)	10,839	(5,205,641)
Leasehold improvements	(170,596)	(9,544)	-	(180,140)
Furniture and fixtures	(353,837)	(43,985)	-	(397,822)
Total accumulated depreciation and amortization	<u>(5,089,370)</u>	<u>(705,072)</u>	<u>10,839</u>	<u>(5,783,603)</u>
Capital assets, net	<u>\$ 2,251,523</u>	<u>\$ (16,295)</u>	<u>\$ (608,689)</u>	<u>\$ 1,626,539</u>

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

Transportation	\$ 501,645
Aviation	10,571
Environmental	27,807
High speed rail	5,579
Housing	18,442
Sustainability initiatives	141,028
	<u>\$ 705,072</u>

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NOTE 6 INTERFUND BALANCES

The interfund due to/from amounts at June 30, 2016 were as follows:

	Due from Other Funds	Due to Other Funds
Major governmental funds:		
General fund	\$ -	\$ 4,267,861
FTA 5303 fund	-	1,239,082
FHWA PL fund	-	2,826,961
FHWA ATP fund		174,828
TDA fund	9,564,710	-
Total	9,564,710	8,508,732
 Nonmajor funds		
	221,152	1,277,130
	\$ 9,785,862	\$ 9,785,862

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

NOTE 7 COMMITMENTS AND CONTINGENCIES

(a) Grants

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally Caltrans, the pass-through agency for federal and state grantors. Any disallowed costs, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time.

(b) Contract Commitments

At June 30, 2016, SCAG is contractually committed to pay for certain future transportation, technical, and other planning consulting services amounting to \$10,729,748.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Lease Commitments

At June 30, 2016, minimum lease commitments under non-cancelable operating leases with initial terms of one year or more are as follows:

Year ending June 30	Amount
2017	\$ 1,700,903
2018	1,720,410
2019	1,655,679
2020	806,430
	\$ 5,883,422

(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

The Southern California Association of Governments 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.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the 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.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Liability, Workers' Compensation, and Purchased Insurance

Liability (continued)

For 2015-16, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation

In the 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 2015-16, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Liability, Workers' Compensation, and Purchased Insurance

Purchased Insurance

Property Insurance

The Southern California Association of Governments participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Southern California Association of Governments property is currently insured according to a schedule of covered property submitted by the Southern California Association of Governments to the Authority. Southern California Association of Governments property currently has all-risk property insurance protection in the amount of \$6,018,393. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The Southern California Association of Governments purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

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 2015-16.

(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, 2016, SCAG paid \$1,596,299 of health insurance premiums and \$232,864 of vision and dental insurance premiums, as well as \$610,516 to employees who had no health insurance elections.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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NOTE 8 LINE OF CREDIT

SCAG has a \$6.5 million line of credit arrangement with an independent financial institution, which expires on February 28, 2017. 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, 2016 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, 2016, SCAG management believes SCAG was in compliance with the financial covenants.

NOTE 9 LONG-TERM LIABILITIES

Long-term liabilities pertain to compensated absences and the net pension obligation. A summary of long-term liabilities and activity for the year ended June 30, 2016 follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due in one year
Compensated absences	\$ 1,412,032	\$ 802,766	\$ 770,339	\$ 1,444,459	\$ 774,708
Net pension obligation - PARS	712,189	191,474	71,358	832,305	-
Net pension obligation - PERS	22,797,390	11,309,310	6,711,181	27,395,519	-
Other liabilities	108,700	-	27,147	81,553	27,146
Total	<u>\$ 25,030,311</u>	<u>\$ 12,303,550</u>	<u>\$ 7,580,025</u>	<u>\$ 29,753,836</u>	<u>\$ 801,854</u>

Net pension liabilities are liquidated from the General Fund.

NOTE 10 RELATED PARTY TRANSACTIONS

For the year ended June 30, 2016, SCAG recorded \$1,900,950 as membership revenue. These revenues are received from member cities, counties, Transportation Commissions and two Indian tribes whose representatives also serve on the Regional Council of SCAG. Such revenues are shown as membership assessments in the accompanying basic financial statements. The individual member assessments are calculated by a variable fixed base amount dependent on population plus a pro-rata allocation based on population. The bylaws of SCAG specify the method of calculation for the annual member assessments.

NOTE 11 RETIREMENT PLANS

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 Commission resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to 1-Jan-13	On or after 1-Jan-13
Hire date	2.0% @ 55	2% @ 62
Benefit formula	5 years' service	5 years' service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	50 - 55	52 - 67
Retirement age	Monthly benefits, as a % of eligible annual compensation	
Monthly benefits, as a % of eligible annual compensation	1.1% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	18.595%	18.595%

NOTE 11 RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

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

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 both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SCAG is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 11 RETIREMENT PLANS (CONTINUED)

B. Net Pension Liability

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.0%
Projected salary increase	3.2% - 12.2% (1)
Investment rate of return	7.65% net of expenses, including inflation
Mortality	Derived using CalPERS' membership data for all funds

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. 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 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a 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. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is without reduction of pension plan administrative expenses and will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

NOTE 11 RETIREMENT PLANS (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.

The table below reflects the 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. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Liquidity	2.00%	4.50%	5.09%
	<u>2.00%</u>	-0.55%	-1.05%
	<u>100%</u>		

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

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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NOTE 11 RETIREMENT PLANS (CONTINUED)

C. Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 102,674,114	\$ 79,876,724	\$ 22,797,390
Service cost	1,848,012	-	1,848,012
Interest on total pension liability	7,705,889	-	7,705,889
Differences between expected & actual experiences	1,664,721	-	1,664,721
Change of assumptions	(1,702,023)	-	(1,702,023)
Plan to plan resource movement	-	(1,489)	1,489
Contributions from the employer	-	2,257,575	(2,257,575)
Contributions from the employee	-	973,611	(973,611)
Net investment income	-	1,777,972	(1,777,972)
Administrative expenses	-	(89,199)	89,199
Benefit payments, including refunds of employee contributions	(5,660,486)	(5,660,486)	-
Net changes during measurement period	3,856,113	(742,016)	4,598,129
Balance at June 30, 2015	\$ 106,530,227	\$ 79,134,708	\$ 27,395,519

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 Net Pension Liability	6.65% \$40,125,413
Current Discount Rate Net Pension Liability	7.65% \$27,395,519
1% Increase Net Pension Liability	8.65% \$16,733,156

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NOTE 11 RETIREMENT PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2016, SCAG recognized pension expense of \$2,166,277. At June 30, 2016, SCAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,688,004	\$ -
Differences between actual and expected experience	971,087	-
Change in assumptions	-	(992,847)
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>(759,762)</u>
 Total	 <u>\$ 3,659,091</u>	 <u>\$ (1,752,609)</u>

Contributions made subsequent to measurement date of \$2,688,004 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ending June 30</u>	<u>Amount</u>
2016	\$ (547,416)
2017	(538,092)
2018	(531,874)
2019	835,861
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2016, no amounts were owed by SCAG to the pension plan for the outstanding amount of contribution required for the year ended June 30, 2016.

NOTE 11 RETIREMENT PLANS (CONTINUED)

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

A. General Information about the Pension Plan

Plan Description

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

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

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%) compounding cost-of-living adjustment effective each year on May 1st.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

Employees Covered

At June 30, 2016, all employees covered by the benefit terms for each Plan were inactive employees or beneficiaries currently receiving benefits. There were 11 covered employees.

NOTE 11 RETIREMENT PLANS (CONTINUED)

A. General Information about the Pension Plan (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for 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, 2016, 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.

B. Net Pension Liability

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2016
Measurement date	June 30, 2016
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	2.85%
Inflation	0.00%
Payroll growth	None (1)
Projected salary increase	None (1)
Investment rate of return	6.0% (2)
Mortality	Males: RP-2000 Males 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)

(1) Plan has no active members.

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

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NOTE 11 RETIREMENT PLANS (CONTINUED)

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, 2016, 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 3.80% as of June 30, 2015 to 2.85% as of June 30, 2016. The decrease in the discount rate increased the unfunded liability by \$100,468. The Fiduciary Plan Net Position is \$20,491, leaving an unfunded liability, known as the Net Pension Liability of \$832,305.

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, 2015	\$ 732,071	\$ 19,882	\$ 712,189
Interest on total pension liability	23,361	-	23,361
Effect of economic/demographic gains or losses	24,562	-	24,562
Effect of assumption changes or inputs	139,540	-	139,540
Benefit payments	(66,738)	(66,738)	-
Contributions from the employer	-	71,352	(71,352)
Net investment income	-	6	(6)
Administrative expenses	-	(4,011)	(4,011)
Net changes during 2015-16	120,725	609	112,094
Balance at June 30, 2016	\$ 852,796	\$ 20,491	\$ 832,305

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:

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NOTE 11 RETIREMENT PLANS (CONTINUED)

	1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
Total pension liability	\$ 926,092	\$ 852,796	\$ 788,715
Fiduciary net position	20,491	20,491	20,491
Net pension liability	905,601	832,305	768,224

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available from SCAG.

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

For the year ended June 30, 2016, SCAG recognized pension expense of \$190,739. At June 30, 2016, 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	\$ 1,669	\$ -

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

Year Ending June 30	
2017	\$ 476
2018	476
2019	476
2020	241
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2016, no amounts were owed by SCAG to the pension plan.

NOTE 12 DEFERRED COMPENSATION

SCAG has a deferred compensation plan that is available to substantially all employees. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may withdraw their participation at any time by giving written notice at least 30 days prior to the effective date of withdrawal. At June 30, 2016, plan assets totaling \$18,615,251 were held by independent trustees and, as such, are not reflected in the accompanying basic financial statements.

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

NOTE 13 POST EMPLOYMENT HEALTHCARE PLAN

(a) Plan Description

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

The Prefunding Plan is an agent multiple employer plan and CalPERS will publish aggregated GASB 45 results for the Schedule of Funding Progress and Employer contributions and publish them in its financial statements. It will not publish individual reports for an agency. CalPERS, however, will provide audited statements about SCAG contributions made to the Prefunding Plan, asset balances, and investment returns to each individual participating agency. GASB 45 was issued in 2004 and it provided standards on accounting and financial reporting for other postemployment benefits (OPEB), including health benefits.

A retiree is fully vested and eligible to receive healthcare benefits under the Prefunding Plan, if designated by SCAG. At the end of the fiscal year 2015-2016, the actual number of retirees was 94. Retirees are eligible for this benefit if they are 50 years of age or over, have completed 5 years of employment, or they have taken disability retirement. Healthcare benefit payments are made monthly for each retired employee up to a maximum of \$550 and no future increases are assumed. Retirees can select a healthcare plan from only among the plans available through CalPERS. All of the retiree health benefit continues to the surviving spouse.

NOTE 13 POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

(a) Plan Description (continued)

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

(b) Funding Policy

During the fiscal year 2015-2016, SCAG has paid to CalPERS the amount of \$929,440, sufficient to meet the Annual Required Contribution. During the year, retirees received the health benefit up to the monthly benefit maximum of \$550. The aggregate amount paid to retirees in the fiscal year was \$515,816. Any health premium over the \$550 is paid by the retiree directly to CalPERS. The method of calculating the annual required contribution (ARC) has been changed from a pay-as-you-go method to an advance funded plan based on an actuarial valuation. Accordingly, an actuarial valuation was performed by an independent actuary as of June 30, 2015. The actuarial methods and assumptions used were determined by the actuary.

(c) Annual Postemployment Healthcare Cost

The amount of the actuarially determined annual postemployment healthcare cost for the year ended June 30, 2016 was \$929,440. It was calculated by using the June 30, 2015 actuarial valuation. There is no net OPEB obligation at the end of the year because 100% of the ARC was paid in 2016. The actuarial cost method used for determining the benefit obligation is the Entry Age Normal Cost Method. The actuarial assumptions included using a 6.75% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% to 7% initially, reduced by decrements of approximately 0.5% per year to an ultimate rate of 5% after the fourth year. Both rates included a 2.8 percent inflation assumption.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2016

NOTE 13 POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

(c) Annual Postemployment Healthcare Cost (continued)

The UAAL is being amortized as a level percentage of projected payroll over initial 11-year basis. The amortization period used is closed. Normal cost and the amortization of the unfunded liability were both calculated as a level percent of payroll. The ARC is fully funded. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far in the future, reflecting a long-term prospective. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The cost of the plan is charged to SCAG's general and grant funds in accordance with a systematic cost allocation plan.

(d) Schedule of Funding Progress – Required Supplementary Information

Actuarial valuation date	Actuarial accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage payroll
June 30, 2011	\$ 7,981,000	\$ 1,344,000	\$ 6,637,000	16.84%	\$ 9,580,000	69.3%
June 30, 2013	8,326,403	2,253,854	6,072,549	27.07%	11,108,000	54.7%
June 30, 2015	9,364,130	3,585,662	5,778,468	38.29%	14,091,000	41.0%

(e) Schedule of Last Three Years of ARC and Contributions

SCAG's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB cost	Annual OPEB cost contributed	OPEB obligation
June 30, 2014	\$ 887,000	100%	\$ -
June 30, 2015	902,369	100%	-
June 30, 2016	929,440	100%	-

NOTE 14 SUBSEQUENT EVENTS

SCAG has evaluated events subsequent to June 30, 2016 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 21, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – General Fund
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Membership assessments:				
Cities	\$ 1,508,619	\$ 1,508,619	\$ 1,511,946	\$ 3,327
Counties	293,957	293,957	294,004	47
Commissions	85,000	85,000	95,000	10,000
Transportation corridor agency	10,000	10,000	-	(10,000)
Air districts	25,000	25,000	-	(25,000)
	<u>1,922,576</u>	<u>1,922,576</u>	<u>1,900,950</u>	<u>(21,626)</u>
Leasehold improvement reimbursement	542,106	542,106	-	(542,106)
General assembly	284,500	284,500	351,165	66,665
Interest and other	140,000	140,000	626,264	486,264
Total revenues	<u>2,889,182</u>	<u>2,889,182</u>	<u>2,878,379</u>	<u>(10,803)</u>
Expenditures:				
Transportation:				
Contractual and professional services	275,000	275,000	199,508	75,492
Total transportation	<u>275,000</u>	<u>275,000</u>	<u>199,508</u>	<u>75,492</u>
Housing:				
Salaries and wages	31,568	31,568	6,558	25,010
Allocated fringe benefits	23,259	23,259	4,867	18,392
Allocated indirect costs	39,046	39,046	8,133	30,913
Total housing	<u>93,873</u>	<u>93,873</u>	<u>19,558</u>	<u>74,315</u>
Administration:				
Salaries and wages	89,492	89,492	68,140	21,352
Allocated fringe benefits	65,936	65,936	50,569	15,367
Allocated indirect costs	110,692	110,692	84,509	26,183
Contractual and professional services	393,383	313,383	283,141	30,242
Capital outlay >\$5,000	542,106	542,106	-	542,106
Interest and fees	15,000	15,000	12,437	2,563
Resources material/subscription	-	2,000	1,866	134
Hardware, software support & equipment <\$5,000	-	-	1,046	(1,046)
Meetings & conferences	207,000	199,500	158,617	40,883
General assembly	500,000	500,000	475,796	24,204
SCAG memberships	18,950	47,950	43,460	4,490
Office supplies	20,000	41,000	34,235	6,765
Reproduction and printing	10,000	10,500	323	10,177
Stipend-RC Mtg	230,000	230,000	232,820	(2,820)
RC sponsorships	112,750	121,250	156,793	(35,543)
Economic and labor summit	70,500	97,000	96,295	705
Travel	102,500	102,500	117,152	(14,652)
Bad Debts	-	-	18,659	(18,659)
Other	32,000	32,000	29,935	2,065
Total administration	<u>2,520,309</u>	<u>2,520,309</u>	<u>1,865,793</u> *	<u>654,516</u>
Total expenditures	<u>2,889,182</u>	<u>2,889,182</u>	<u>2,084,859</u>	<u>804,323</u>
Excess of revenues over expenditures	-	-	793,520	793,520
Fund balance at beginning of year	5,296,722	5,296,722	5,296,722	-
Fund balance at end of year	<u>\$ 5,296,722</u>	<u>\$ 5,296,722</u>	<u>\$ 6,090,242</u>	<u>\$ 793,520</u>

* Actual amount includes depreciation expense that was not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds.

See notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Transportation Administration 5303
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ 8,394,357	\$ 9,260,226	\$ 7,732,909	\$ (1,527,317)
Expenditures:				
Transportation:				
Salaries and wages	1,521,641	1,603,259	1,589,876	13,383
Allocated fringe benefits	1,050,386	1,066,314	1,130,357	(64,043)
Allocated indirect costs	1,831,739	1,858,479	1,936,534	(78,055)
Contractual and professional services	2,397,924	3,109,224	1,890,412	1,218,812
SCAG memberships	6,000	6,000	-	6,000
Software supp	-	-	246,760	(246,760)
Resources material/subscription	767,000	519,205	47,470	471,735
Meetings & conferences	-	-	275	(275)
Travel	41,188	41,298	32,277	9,021
Other	-	-	3,557	(3,557)
Total transportation	<u>7,615,878</u>	<u>8,203,779</u>	<u>6,877,518</u>	<u>1,326,261</u>
Housing:				
Contractual and professional services	-	132,795	34,299	98,496
Total housing	<u>-</u>	<u>132,795</u>	<u>34,299</u>	<u>98,496</u>
Environmental:				
Contractual and professional services	309,106	378,159	378,074	85
Total environmental	<u>309,106</u>	<u>378,159</u>	<u>378,074</u>	<u>85</u>
Sustainability initiatives:				
Contractual and professional services	61,972	61,970	17,706	44,264
Total sustainability initiatives	<u>61,972</u>	<u>61,970</u>	<u>17,706</u>	<u>44,264</u>
Aviation:				
Contractual and professional services	88,530	164,652	134,717	29,935
Total aviation	<u>88,530</u>	<u>164,652</u>	<u>134,717</u>	<u>29,935</u>
High Speed Rail:				
Salaries and wages	107,231	107,231	97,438	9,793
Allocated fringe benefits	79,006	79,006	72,312	6,694
Allocated indirect costs	132,634	132,634	120,845	11,789
Total high speed rail	<u>318,871</u>	<u>318,871</u>	<u>290,595</u>	<u>28,276</u>
Total expenditures	<u>8,394,357</u>	<u>9,260,226</u>	<u>7,732,909</u>	<u>1,527,317</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Transportation Administration 5339
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ -	\$ 21,879,635	\$ 4,005,015	\$ (17,874,620)
Expenditures:				
Transportation:				
Pass-through payments	-	21,879,635	4,005,015	17,874,620
Total transportation	-	21,879,635	4,005,015	17,874,620
Total expenditures	-	21,879,635	4,005,015	17,874,620
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Highway Administration PL
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ 19,294,692	\$ 19,605,446	\$ 18,374,592	\$ (1,230,854)
Expenditures:				
Transportation:				
Salaries and wages	4,959,039	4,988,002	4,843,098	144,904
Allocated fringe benefits	3,583,738	3,605,078	3,552,083	52,995
Allocated indirect costs	6,083,969	6,119,793	5,976,529	143,264
Contractual and professional services	277,200	277,200	247,565	29,635
Temp Help	103,720	118,849	101,540	17,309
Hardware, software support & equipment <\$5,000	-	-	1,399	(1,399)
Resources material/subscription	63,224	113,259	89,059	24,200
Meetings & conferences	62,631	279,428	2,898	276,530
Reproduction and printing	52,927	47,969	21,223	26,746
Travel	183,779	187,775	95,372	92,403
Office supplies	-	-	858	(858)
Other	47,039	75,357	54,742	20,615
Total transportation	<u>15,417,266</u>	<u>15,812,710</u>	<u>14,986,366</u>	<u>* 826,344</u>
Housing:				
Salaries and wages	210,890	210,890	213,789	(2,899)
Allocated fringe benefits	155,380	155,380	158,660	(3,280)
Allocated indirect costs	260,849	260,849	265,147	(4,298)
Resources material/subscription	-	-	892	(892)
Meetings & conferences	11,000	11,000	180	10,820
Travel	10,000	10,000	5,017	4,983
Total housing	<u>648,119</u>	<u>648,119</u>	<u>643,685</u>	<u>4,434</u>
Environmental:				
Salaries and wages	381,068	362,544	313,558	48,986
Allocated fringe benefits	254,241	229,541	206,980	22,561
Allocated indirect costs	452,453	410,987	370,571	40,416
Hardware, software support & equipment <\$5,000	176,566	176,566	129,116	47,450
Travel	10,500	10,500	1,013	9,487
Reproduction and printing	6,000	6,000	-	6,000
Total environmental	<u>1,280,828</u>	<u>1,196,138</u>	<u>1,021,238</u>	<u>174,900</u>
Sustainability initiatives:				
Salaries and wages	499,531	499,531	428,119	71,412
Allocated fringe benefits	368,046	368,046	317,721	50,325
Allocated indirect costs	617,868	617,868	530,963	86,905
Office supplies	-	-	1,750	(1,750)
Travel	14,000	14,000	23,547	(9,547)
Total sustainability initiatives	<u>1,499,445</u>	<u>1,499,445</u>	<u>1,302,100</u>	<u>197,345</u>
Aviation:				
Salaries and wages	151,003	151,003	141,231	9,772
Allocated fringe benefits	111,256	111,256	104,813	6,443
Allocated indirect costs	186,775	186,775	175,159	11,616
Total aviation	<u>449,034</u>	<u>449,034</u>	<u>421,203</u>	<u>27,831</u>
Total expenditures	<u>19,294,692</u>	<u>19,605,446</u>	<u>18,374,592</u>	<u>1,230,854</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at 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.

See notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Federal Highway Administration ATP
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ 2,294,729	\$ 2,237,580	\$ 1,713,494	\$ (524,086)
Expenditures:				
Sustainability initiatives:				
Salaries and wages	64,294	45,076	54,759	(9,683)
Allocated fringe benefits	41,845	27,685	38,929	(11,244)
Allocated indirect costs	75,590	51,819	66,697	(14,878)
Contractual and professional services	2,113,000	2,113,000	1,553,109	559,891
Total sustainability initiatives	<u>2,294,729</u>	<u>2,237,580</u>	<u>1,713,494</u>	<u>524,086</u>
Total expenditures	<u>2,294,729</u>	<u>2,237,580</u>	<u>1,713,494</u>	<u>524,086</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Budgetary Basis – Transportation Development Act
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local grants and contracts	\$ 5,471,891	\$ 5,471,891	\$ 5,423,172	\$ (48,719)
Expenditures:				
Transportation:				
Salaries and wages	785,154	837,706	549,164	288,542
Allocated fringe benefits	433,691	417,246	292,509	124,737
Allocated indirect costs	863,383	835,777	599,187	236,590
Contractual and professional services	2,035,676	2,803,252	1,403,509	1,399,743
Res Mats/Subscrip	1,776	1,741	-	1,741
Reproduction and printing	2,073	2,031	-	2,031
Travel	24,633	24,527	7,729	16,798
Other	5,330	16,965	6,455	10,510
Total transportation	<u>4,151,716</u>	<u>4,939,245</u>	<u>2,858,553</u>	<u>* 2,080,692</u>
Housing:				
Salaries and wages	76,095	76,095	73,358	2,737
Allocated fringe benefits	56,065	56,065	54,441	1,624
Allocated indirect costs	94,121	94,121	90,980	3,141
Contractual and professional services	95,000	112,205	63,765	48,440
Total housing	<u>321,281</u>	<u>338,486</u>	<u>282,544</u>	<u>55,942</u>
Environmental:				
Contractual and professional services	40,048	48,995	48,983	12
Total environmental	<u>40,048</u>	<u>48,995</u>	<u>48,983</u>	<u>12</u>
Sustainability initiatives:				
Salaries and wages	198,927	199,237	194,659	4,578
Allocated fringe benefits	109,727	109,955	108,662	1,293
Allocated indirect costs	219,816	220,200	215,934	4,266
Contractual and professional services	4,223,683	4,388,840	2,719,853	1,668,987
Other	-	28,511	-	28,511
Total sustainability initiatives	<u>4,752,153</u>	<u>4,946,743</u>	<u>3,239,108</u>	<u>1,707,635</u>
Aviation:				
Contractual services	11,470	21,332	17,454	3,878
Total aviation	<u>11,470</u>	<u>21,332</u>	<u>17,454</u>	<u>3,878</u>
Total expenditures	<u>9,276,668</u>	<u>10,294,801</u>	<u>6,446,642</u>	<u>3,848,159</u>
Deficiency of revenues over expenditures	(3,804,777)	(4,822,910)	(1,023,470)	3,799,440
Fund balance at beginning of year	9,857,806	9,857,806	9,857,806	-
Fund balance at end of year	<u>\$ 6,053,029</u>	<u>\$ 5,034,896</u>	<u>\$ 8,834,336</u>	<u>\$ 3,799,440</u>

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

See notes to required supplementary information.

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

	Measurement Period	
	2014	2015
Net Pension Liability		
Service cost	\$ 1,926,065	\$ 1,848,012
Interest on total pension liability	7,284,415	7,705,889
Differences between expected and actual experiences	-	1,664,721
Changes of assumptions	-	(1,702,023)
Benefit payments, including refunds of employee contributions	<u>(5,397,736)</u>	<u>(5,660,486)</u>
Net change in total pension liability	3,812,744	3,856,113
Total pension liability - beginning	<u>98,861,370</u>	<u>102,674,114</u>
Total pension liability - ending (a)	<u>\$ 102,674,114</u>	<u>\$ 106,530,227</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,911,321	\$ 2,257,575
Contributions - employee	962,936	973,611
Net investment income	11,968,522	1,777,972
Plan to plan resource movement	-	(1,489)
Administrative expense	-	(89,199)
Benefit payments	<u>(5,397,736)</u>	<u>(5,660,486)</u>
Net change in plan fiduciary net position	9,445,043	(742,016)
Plan fiduciary net position - beginning	<u>70,431,681</u>	<u>79,876,724</u>
Plan fiduciary net position - ending (b)	<u>\$ 79,876,724</u>	<u>\$ 79,134,708</u>
Net pension liability - ending (a) - (b)	\$ 22,797,390	\$ 27,395,519
Plan fiduciary net position as a percentage of total pension liability	77.80%	74.28%
Covered employee payroll	\$ 12,208,828	\$ 12,363,763
Net pension liability as a percentage of covered employee payroll	186.73%	221.58%

Notes to Schedule:

Changes in assumptions: The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

*Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
California Public Employees' Retirement System (CalPERS)
Schedule of Plan Contribution
Last Ten Years*

	2015	2016
Actuarially determined contribution	\$ 1,911,321	\$ 2,257,575
Contributions made	(1,911,321)	(2,257,575)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 12,208,828	\$ 12,363,763
Contributions as a percentage of covered-employee payroll	15.66%	18.26%

Notes to Schedule

Valuation date: 6/30/2014

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	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.0%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	Derived using CalPERS' membership data for all funds which included 20 years of mortality improvements using Society of Actuaries Scale BB.

*Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

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*

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

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Public Agency Retirement System (PARS) Supplementary Retirement Plan
Schedule of Plan Contribution
Last Ten Years*

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

Notes to Schedule

Valuation date: 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	1 year
Asset valuation method	Actuarial value of assets
Inflation	0.0%
Salary increases	N/A
Payroll growth	None
Investment rate of return	6.0%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	Males: RP-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)

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2016

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	Difference
Total revenues	\$ 2,878,379	\$ 2,878,379	\$ -
Total expenditures	(2,084,859)	(1,762,329)	(322,530)
Net change in fund balance	<u>\$ 793,520</u>	<u>\$ 1,116,050</u>	<u>\$ (322,530)</u>

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2016

FTA 5303 Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Difference
Total revenues	\$ 7,732,909	\$ 7,732,909	\$ -
Total expenditures	(7,732,909)	(7,732,909)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FTA 5339 Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Difference
Total revenues	\$ 4,005,015	\$ 4,005,015	\$ -
Total expenditures	(4,005,015)	(4,005,015)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FHWA PL Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Difference
Total revenues	\$ 18,374,592	\$ 18,374,592	\$ -
Total expenditures	(18,374,592)	(18,374,592)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2016

FHWA ATP Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Difference
Total revenues	\$ 1,713,494	\$ 1,713,494	\$ -
Total expenditures	(1,713,494)	(1,713,494)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TDA Fund

	Actual/budget as presented in the budget	Actual/GAAP as presented in the financial statements	Difference
Total revenues	\$ 5,423,172	\$ 5,423,172	\$ -
Total expenditures	(6,446,642)	(6,446,642)	-
Net change in fund balance	<u>\$ (1,023,470)</u>	<u>\$ (1,023,470)</u>	<u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2016

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

**SUPPLEMENTAL
COMBINING
FINANCIAL STATEMENTS**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Nonmajor Funds
June 30, 2016

Assets	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Receivables:				
Federal grants	\$ 1,356,684	\$ -	\$ -	\$ 1,356,684
State grants and contracts	-	747,639	-	747,639
Local grants and contracts	-	-	17,913	17,913
Due from other funds	-	-	221,152	221,152
Total assets	<u>\$ 1,356,684</u>	<u>\$ 747,639</u>	<u>\$ 239,065</u>	<u>\$ 2,343,388</u>
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 652,564	\$ 174,629	\$ 77,068	\$ 904,261
Advances from grantors	-	-	161,997	161,997
Due to other funds	704,120	573,010	-	1,277,130
Total liabilities	<u>1,356,684</u>	<u>747,639</u>	<u>239,065</u>	<u>2,343,388</u>
Fund balances – restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,356,684</u>	<u>\$ 747,639</u>	<u>\$ 239,065</u>	<u>\$ 2,343,388</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Funds
Year ended June 30, 2016

	<u>Federal Funds</u>	<u>State Funds</u>	<u>Local Funds</u>	<u>Total Nonmajor Funds</u>
Grant revenues, net	\$ 2,074,744	\$ 932,566	\$ 360,391	\$ 3,367,701
Expenditures:				
Transportation:				
Salaries and wages	33,224	-	-	33,224
Allocated fringe benefits	24,656	-	-	24,656
Allocated indirect costs	41,204	-	-	41,204
Contractual services	<u>1,820,868</u>	-	<u>316,374</u>	<u>2,137,242</u>
Total transportation	<u>1,919,952</u>	<u>-</u>	<u>316,374</u>	<u>2,236,326</u>
Sustainability:				
Salaries and wages	13,207	14,185	-	27,392
Allocated fringe benefits	9,801	10,527	-	20,328
Allocated indirect costs	16,379	17,592	-	33,971
Contractual services	114,116	890,262	44,017	1,048,395
Other	<u>1,289</u>	-	-	<u>1,289</u>
Total sustainability	<u>154,792</u>	<u>932,566</u>	<u>44,017</u>	<u>1,131,375</u>
Total expenditures	<u>2,074,744</u>	<u>932,566</u>	<u>360,391</u>	<u>3,367,701</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

FTA – Sec. 5304:

This fund is established to account for revenues from the Federal Transit Administration. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

FTA – Job Access and Reverse Commute (JARC):

This fund is established to account for revenues from the Federal Transit Administration for the Job Access and Reverse Commute program. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

FTA – New Freedom:

This fund is established to account for revenues from the Federal Transit Administration for the New Freedom program. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

FHWA – Value Pricing I:

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

FHWA – Value Pricing II:

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

FHWA – PARTNERSHIP PLANNING

This fund is established to account for revenues from the Federal Highway Administration for transportation partnership planning studies. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

Other Federal Funds:

These funds are established to account for the revenues from the Greenhouse Gas First Mile/Last Mile Program and from the Department of Energy for the Clean Cities program. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Federal Nonmajor Funds
June 30, 2016

	FTA			FHWA			Other	Total Federal Nonmajor Funds
	Sec. 5304	JARC	New Freedom	Value Pricing I	Value Pricing II	FHWA PP	Federal Funds	
	20070	20080	20085	20100	20037	20098	20036, 20097	
Assets								
Receivables – federal grants	\$ 479,460	\$ 5,854	\$ -	\$ 314,075	\$ 340,026	\$ 185,549	\$ 31,720	\$ 1,356,684
Total assets	\$ 479,460	\$ 5,854	\$ -	\$ 314,075	\$ 340,026	\$ 185,549	\$ 31,720	\$ 1,356,684
Liabilities and Fund Balances								
Accounts and contracts payable	\$ 349,528	\$ -	\$ -	\$ -	\$ 163,306	\$ 139,699	\$ 31	\$ 652,564
Due to other funds	129,932	5,854	-	314,075	176,720	45,850	31,689	704,120
Total liabilities	479,460	5,854	-	314,075	340,026	185,549	31,720	1,356,684
Fund balances - restricted	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 479,460	\$ 5,854	\$ -	\$ 314,075	\$ 340,026	\$ 185,549	\$ 31,720	\$ 1,356,684

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Federal Nonmajor Funds
Year ended June 30, 2016

	FTA			FHWA			Other	Total Federal Nonmajor Funds
	Sec. 5304	JARC	New Freedom	Value Pricing I	Value Pricing II	FHWA PP	Federal Funds	
	20070	20080	20085	20100	20037	20098	20036, 20097	
Federal grants and services	\$ 779,266	\$ 77,746	\$ 21,338	\$ 582,800	\$ 340,026	\$ 198,532	\$ 75,036	\$ 2,074,744
Expenditures:								
Transportation:								
Salaries and wages	-	26,069	7,155	-	-	-	-	33,224
Allocated fringe benefits	-	19,346	5,310	-	-	-	-	24,656
Allocated indirect costs	-	32,331	8,873	-	-	-	-	41,204
Contractual services	699,510	-	-	582,800	340,026	198,532	0	1,820,868
Total transportation	699,510	77,746	21,338	582,800	340,026	198,532	0	1,919,952
Sustainability:								
Salaries and wages	-	-	-	-	-	-	13,207	13,207
Allocated fringe benefits	-	-	-	-	-	-	9,801	9,801
Allocated indirect costs	-	-	-	-	-	-	16,379	16,379
Contractual services	79,756	-	-	-	-	-	34,360	114,116
Other	-	-	-	-	-	-	1,289	1,289
Total sustainability	79,756	-	-	-	-	-	75,036	154,792
Total expenditures	779,266	77,746	21,338	582,800	340,026	198,532	75,036	2,074,744
Net change in fund balance	-	-	-	-	-	-	-	-
Fund balances at beginning of year	-	-	-	-	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

SGC SCS 2012:

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

SGC SCS Round 3:

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

UCB:

These are funds from the University of California at Berkeley that originated from the California Air Resources Board which are intended for a project that refines the Production, Exchange and Consumption Allocation System (PECAS) modeling tool.

MSRC:

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

SGC - AHSC:

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
State Nonmajor Funds
June 30, 2016

	<u>SGC 2012</u>	<u>UCB ORIGIN</u>	<u>SGC R3</u>	<u>AQMD MSRC</u>	<u>SGC AHSC</u>	<u>Total State Nonmajor Funds</u>
	<u>30204</u>	<u>30205</u>	<u>30206</u>	<u>30208</u>	<u>30209</u>	
Assets						
Receivables – state grants	\$ 267,451	\$ -	\$ 306,903	\$ 134,673	\$ 38,612	\$ 747,639
Total assets	<u>\$ 267,451</u>	<u>\$ -</u>	<u>\$ 306,903</u>	<u>\$ 134,673</u>	<u>\$ 38,612</u>	<u>\$ 747,639</u>
Liabilities and Fund Balances						
Accounts and contracts payable	\$ -	\$ -	\$ 61,599	\$ 92,369	\$ 20,661	\$ 174,629
Due to other funds	<u>267,451</u>	<u>-</u>	<u>245,304</u>	<u>42,304</u>	<u>17,951</u>	<u>573,010</u>
Total liabilities	267,451	-	306,903	134,673	38,612	747,639
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 267,451</u>	<u>\$ -</u>	<u>\$ 306,903</u>	<u>\$ 134,673</u>	<u>\$ 38,612</u>	<u>\$ 747,639</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
State Nonmajor Funds
Year ended June 30, 2016

	<u>SGC 2012</u>	<u>UCB ORIGIN</u>	<u>SGC R3</u>	<u>AQMD MSRC</u>	<u>SGC AHSC</u>	<u>Total State Nonmajor Funds</u>
	<u>30204</u>	<u>30205</u>	<u>30206</u>	<u>30208</u>	<u>30209</u>	
State grants and contracts	\$ 339,104	\$ 43,880	\$ 376,296	\$ 134,674	\$ 38,612	\$ 932,566
Expenditures:						
Sustainability:						
Salaries and wages	-	-	-	14,185	-	14,185
Allocated fringe benefits	-	-	-	10,527	-	10,527
Allocated indirect costs	-	-	-	17,592	-	17,592
Contractual services	339,104	43,880	376,296	92,370	38,612	890,262
Total sustainability	<u>339,104</u>	<u>43,880</u>	<u>376,296</u>	<u>134,674</u>	<u>38,612</u>	<u>932,566</u>
Net change in fund balance	-	-	-	-	-	-
Fund balances at beginning of year	-	-	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Express Travel Choices:

These funds represent funding from the agencies listed below, to support work on the Express Travel Choices project which is primarily funded in the FHWA - Value Pricing I and II funds:

- Los Angeles County Metropolitan Transportation Authority (LACMTA)
- Orange County Transportation Authority (OCTA)
- Riverside County Transportation Commission (RCTC)
- San Bernardino Associated Governments (SANBAG)

Combined Other Accounts:

This fund is established to account for revenues from the Cities of Fullerton, Fontana, Thousand Oaks, San Dimas, Vernon, San Marino, Diamond Bar, Palmdale, Palm Springs, Calimesa, Bell and Malibu, San Bernardino Associated Governments, Riverside County, and the Riverside 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, 2016

	Express Travel Choices		Other Local Funds	
	60021, 60022, 60023, 60024, 60038		60025, 60027, 60028, 60030, 60031, 60033, 60034, 60035, 60036, 60037, 60039, 60042	Total Local Nonmajor Funds
Assets				
Receivables – local grants	\$ -		\$ 17,913	\$ 17,913
Due from other funds	83,692		137,460	221,152
Total assets	\$ 83,692		\$ 155,373	\$ 239,065
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 20,618		\$ 56,450	\$ 77,068
Advances from grantors	63,074		98,923	161,997
Due to other funds	-		-	-
Total liabilities	83,692		155,373	239,065
Fund balances - restricted	-		-	-
Total liabilities and fund balances	\$ 83,692		\$ 155,373	\$ 239,065

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Local Nonmajor Funds
Year ended June 30, 2016

	<u>Express Travel Choices</u>	<u>Other Local Funds</u>	<u>Total Local Nonmajor Funds</u>
	<u>60021, 60022, 60023, 60024, 60038</u>	<u>60025, 60027, 60028, 60030, 60031, 60033, 60034, 60035, 60036, 60037, 60039, 60042</u>	
Local grants and services	\$ <u>224,827</u>	\$ <u>135,564</u>	\$ <u>360,391</u>
Expenditures:			
Transportation:			
Contractual services	<u>224,827</u>	<u>91,547</u>	<u>316,374</u>
Total transportation	<u>224,827</u>	<u>91,547</u>	<u>316,374</u>
Sustainability:			
Contractual services	<u>-</u>	<u>44,017</u>	<u>44,017</u>
Total sustainability	<u>-</u>	<u>44,017</u>	<u>44,017</u>
Total expenditures	224,827	135,564	360,391
Net change in fund balance	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTAL
SCHEDULES**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Indirect Costs
Year ended June 30, 2016

Indirect costs:	
Salaries and wages	\$ 3,739,398
Temporary help	23,051
Fringe benefits	2,754,028
Consultants	1,109,655
Legal services	181,121
Computer support	336,071
Equipment repairs and maintenance	82,924
Office space leases	1,730,006
Equipment lease	90,279
Security services	58,610
Insurance	120,417
Taxes	5,529
Bank fees	13,756
Office purchases under \$5,000	38,258
Office and graphic supplies	69,508
Telephone	163,904
Postage and delivery	25,445
Memberships	153,088
Professional materials	58,466
Depreciation and amortization	322,532
Capital asset write-down	343,314
Recruitment costs	24,693
Staff training	47,390
Conference registration	16,474
Printing	1,049
Travel	91,180
Other	6,785
Total indirect costs	<u>11,606,931</u>
Indirect costs recovered	
General Fund	92,642
Federal Transportation Administration 5303	2,057,379
Federal Highway Administration PL	7,318,369
Federal Highway Administration ATP	66,697
Transportation Development Act	906,102
Nonmajor Funds	75,175
Total indirect costs recovered	<u>10,516,364</u>
Over (under) recovered	(1,090,567)
Over (under) recovered indirect costs at beginning of year	<u>971,118</u>
Over (under) recovered indirect costs at end of year	<u>\$ (119,449)</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Fringe Benefits
Year ended June 30, 2016

Fringe benefits:	
Employee leave and other salary benefits	\$ 1,927,853
PERS/Other Retirement Plans	3,670,651
Life insurance	85,147
Health insurance	2,439,679
Medicare and social security taxes - employer share	220,917
Tuition reimbursement	30,331
Bus passes	131,408
Carpool parking subsidy	560
Worker's compensation/unemployment insurance	206,919
Deferred compensaton employer match	107,804
Other	<u>70,646</u>
Total fringe benefits	<u>8,891,915</u>
Fringe benefits recovered	
Allocated to indirect costs	2,754,028
General Fund	55,436
Federal Transportation Administration 5303	1,202,669
Federal Highway Administration PL	4,340,257
Federal Highway Administration ATP	38,929
Transportation Development Act	455,612
Nonmajor Funds	<u>44,984</u>
Total	<u>8,891,915</u>
Under-recovered fringe benefits	-
Under-recovered fringe benefits at beginning of year	-
Under-recovered fringe benefits at end of year	<u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Distribution of Salaries and Fringe Benefits by Project Type
Year ended June 30, 2016

	Salaries and wages	Fringe benefits	Salaries, wages and fringe benefits
Charges to Direct projects	\$ 8,559,664	\$ 6,082,451	\$ 14,642,115
Charges to General Fund projects	74,698	55,436	130,134
Charges to Indirect projects	3,739,398	2,754,028	6,493,426
Totals	\$ 12,373,760	\$ 8,891,915	\$ 21,265,675

**STATISTICAL
SECTION**

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statistical Section

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

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

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

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

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

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Invested in capital assets	\$ 412,828	\$ 481,769	\$ 746,236	\$ 1,645,468	\$ 1,536,963	\$ 1,615,120	\$ 1,954,455	\$ 2,766,741	\$ 2,251,523	\$ 1,626,539
Restricted	-	-	-	1,534,921	1,417,565	3,547,633	4,408,177	8,195,221	9,857,806	8,834,336
Unrestricted	2,752,366	3,367,204	4,055,685	2,400,417	3,173,237	3,228,709	3,205,903	2,856,658	(22,772,623)	(21,432,913)
Total governmental activities										
net assets	<u>\$ 3,165,194</u>	<u>\$ 3,848,973</u>	<u>\$ 4,801,921</u>	<u>\$ 5,580,806</u>	<u>\$ 6,127,765</u>	<u>\$ 8,391,462</u>	<u>\$ 9,568,535</u>	<u>\$ 13,818,620</u>	<u>\$ (10,663,294)</u>	<u>\$ (10,972,038)</u>

¹ SCAG implemented GASB Statement No. 68 and 71 for the fiscal year ended June 30, 2015 which required the reporting of SCAG's net pension liability in the government-wide financial statements.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012 ⁴	2013	2014	2015	2016
Governmental activities:										
Expenses:										
Transportation	\$ 25,605,715	\$ 29,815,218	\$ 26,911,029	\$ 33,509,240	\$ 27,318,795	\$ 30,615,654	\$ 24,518,174	\$ 23,153,109	\$ 31,710,847	\$ 30,851,350
High speed rail	443,831	363,924	91,840	37,979	87,980	135,882	196,200	305,054	281,500	290,497
Aviation	626,352	123,407	17,275	289,498	845,705	472,799	357,539	303,773	585,322	575,716
Energy	96,435	116,947	47,152	-	-	-	-	-	-	-
Environmental	-	-	-	-	1,809,901	2,626,070	320,850	1,403,147	1,450,795	1,459,853
Housing	-	-	-	-	1,194,623	665,008	1,993,419	1,505,232	1,128,200	981,416
Water	77,615	-	-	-	-	-	-	-	-	-
Social services	11,419	-	-	-	-	-	-	-	-	-
Sustainability initiatives	-	-	-	-	-	-	5,473,095	2,173,803	5,463,860	7,506,301
Administration	1,618,820	1,379,139	1,407,836	1,033,877	1,342,674	1,678,605	1,560,377	2,005,412	1,864,232	2,138,873
	<u>28,480,187</u>	<u>31,798,635</u>	<u>28,475,132</u>	<u>34,870,594</u>	<u>32,599,678</u>	<u>36,194,018</u>	<u>34,419,654</u>	<u>30,849,530</u>	<u>42,484,756</u>	<u>43,804,006</u>
Program revenues:										
Charges for services - member dues	1,438,135	1,520,805	1,609,029	1,494,523	1,566,006	1,759,631	1,779,184	1,834,522	1,871,720	1,900,950
Operating grants and contributions										
	<u>27,198,415</u>	<u>30,763,997</u>	<u>27,643,659</u>	<u>33,834,170</u>	<u>30,949,013</u>	<u>36,245,424</u>	<u>33,510,829</u>	<u>32,833,285</u>	<u>42,318,755</u>	<u>40,616,883</u>
	<u>28,636,550</u>	<u>32,284,802</u>	<u>29,252,688</u>	<u>35,328,693</u>	<u>32,515,019</u>	<u>38,005,055</u>	<u>35,290,013</u>	<u>34,667,807</u>	<u>44,190,475</u>	<u>42,517,833</u>
Net revenues (expenses)	156,363	486,167	777,556	458,099	(84,659)	1,811,037	870,359	3,818,277	1,705,719	(1,286,173)
General revenues and other changes in net assets:										
Interest income	146,987	104,946	86,581	49,759	51,647	46,580	26,479	53,149	75,652	92,093
Other income	158,736	92,366	61,383	271,027 ¹	579,971 ²	406,080 ³	278,235 ⁵	378,659	407,156	885,336
	<u>158,736</u>	<u>92,366</u>	<u>61,383</u>	<u>271,027</u>	<u>579,971</u>	<u>406,080</u>	<u>278,235</u>	<u>378,659</u>	<u>407,156</u>	<u>885,336</u>
Changes in net assets	\$ <u>462,086</u>	\$ <u>683,479</u>	\$ <u>925,520</u>	\$ <u>778,885</u>	\$ <u>546,959</u>	\$ <u>2,263,697</u>	\$ <u>1,175,073</u>	\$ <u>4,250,085</u>	\$ <u>2,188,527</u>	\$ <u>(308,744)</u>

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									
	2007	2008	2009	2010	2011*	2012	2013	2014	2015	2016
General fund:										
Unreserved	\$ 1,861,607	\$ 2,923,649	\$ 3,431,480	\$ 4,506,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	317,801	502,200	262,658	652,453	580,163	763,655
Unassigned	-	-	-	-	4,357,692	4,444,550	4,546,068	4,126,906	4,716,559	5,649,117
Total general fund	\$ 1,861,607	\$ 2,923,649	\$ 3,431,480	\$ 4,506,578	\$ 4,675,493	\$ 4,946,750	\$ 4,808,726	\$ 4,779,359	\$ 5,296,722	\$ 6,412,772
All other governmental funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	1,997,894	1,534,921	-	-	-	-	-	-
Restricted	-	-	-	-	1,417,565	3,547,633	4,408,177	8,195,221	9,857,806	8,834,336
Total all other governmental funds	\$ -	\$ -	\$ 1,997,894	\$ 1,534,921	\$ 1,417,565	\$ 3,547,633	\$ 4,408,177	\$ 8,195,221	\$ 9,857,806	\$ 8,834,336

* 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Federal grants	\$ 24,368,620	\$ 28,397,861	\$ 25,556,990	\$ 32,429,892	\$ 29,131,559	\$ 30,204,434	\$ 27,849,710	\$ 26,845,417	\$ 35,850,884	\$ 33,900,754
State grants and contracts	1,148,805	1,866,733	986,200	270,940	582,123	1,682,599	798,043	489,803	639,123	932,566
Local grants and contracts	1,678,332	1,468,849	1,100,469	1,133,338	1,235,331	4,358,391	4,863,076	5,498,065	5,828,748	5,783,563
Membership assessments	1,438,135	1,520,805	1,609,029	1,494,523	1,566,006	1,759,631	1,779,184	1,834,522	1,871,720	1,900,950
Interest and other	205,945	197,312	147,964	324,153	324,337	731,702	306,714	431,808	482,808	977,429
Total revenues	28,839,837	33,451,560	29,400,652	35,652,846	32,839,356	38,736,757	35,596,727	35,099,615	44,673,283	43,495,262
Expenditures:										
Current:										
Transportation	25,607,040	30,064,151	26,911,029	33,867,010	28,601,593	31,672,376	26,662,798	24,726,670	33,556,910	30,739,916
Aviation	627,253	123,407	17,275	163,086	636,484	277,796	176,017	174,845	451,493	573,374
Water	77,956	-	-	-	-	-	-	-	-	-
High speed rail	443,831	363,924	91,840	-	44,538	68,460	96,590	140,800	161,423	290,595
Housing	-	-	-	-	746,686	342,391	1,180,258	922,718	706,129	980,086
Energy	11,471	108,100	47,152	-	-	-	-	-	-	-
Social services	96,435	-	-	-	-	-	-	-	-	-
Environmental	-	-	-	-	1,090,079	1,598,322	158,345	887,807	969,338	1,448,295
Sustainability initiatives	-	-	-	-	-	-	3,959,891	1,325,204	4,524,338	7,403,783
Administration	2,244,573	1,093,211	1,041,644	924,182	1,196,508	1,727,671	1,646,163	1,685,534	1,841,987	1,543,263
Capital outlay	247,578	257,272	366,192	86,443	471,909	648,416	994,145	1,478,360	281,717	423,370
Total expenditures	29,356,137	32,010,065	28,475,132	35,040,721	32,787,797	36,335,432	34,874,207	31,341,938	42,493,335	43,402,682
Excess (deficiency) of revenues over expenditures	(516,300)	1,441,495	925,520	612,125	51,559	2,401,325	722,520	3,757,677	2,179,948	92,580
Other financing sources (uses)										
Transfers in	8,459,574	11,197,177	10,118,305	9,843,270	10,442,938	10,168,814	10,987,675	10,093,426	10,085,526	-
Transfers out	(8,459,574)	(11,197,177)	(10,118,305)	(9,843,270)	(10,442,938)	(10,168,814)	(10,987,675)	(10,093,426)	(10,085,526)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ (516,300)	\$ 1,441,495	\$ 925,520	\$ 612,125	\$ 51,559	\$ 2,401,325	\$ 722,520	\$ 3,757,677	\$ 2,179,948	\$ 92,580

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

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

<u>Fiscal year</u>	<u>Indirect cost</u>	<u>Fringe benefits</u>	<u>Totals</u>
2007	\$ 9,466,613	\$ 4,960,781	\$ 14,427,394
2008	11,111,798	6,419,718	17,531,516
2009	9,688,278	5,559,745	15,248,023
2010	9,552,824	5,782,910	15,335,734
2011	11,021,062	6,446,777	17,467,839
2012	10,892,283	6,993,925	17,886,208
2013	10,625,503	7,291,029	17,916,532
2014	9,870,796	7,406,943	17,277,739
2015	10,858,012	8,082,809	18,940,821
2016	11,606,931	8,891,915	20,498,846

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>
2007	167	14,044,986	1,125,866	6	2,070,482	262,269	3	50,000
2008	163	14,301,355	1,176,623	6	2,125,231	269,182	4	75,000
2009	171	14,815,707	1,231,148	6	2,179,564	292,881	4	85,000
2010	175	15,211,463	1,149,862	6	2,101,655	262,161	4	82,500
2011	182	16,097,577	1,209,583	6	2,101,655	261,423	5	95,000
2012	190	16,035,831	1,373,766	6	2,115,074	290,865	5	95,000
2013	191	16,377,980	1,411,942	6	2,066,588	290,942	5	95,000
2014	191	15,764,229	1,444,701	6	1,967,621	293,146	5	95,000
2015	189	16,304,097	1,484,363	6	1,950,310	292,357	5	95,000
2016	189	16,368,268	1,511,946	6	1,963,578	294,004	5	95,000

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

<u>City/County</u>	<u>2016</u>		<u>2011</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	\$ 340,303	19%	\$ 286,295	19%
County of Los Angeles	125,876	7%	109,588	7%
County of Riverside	56,572	3%	55,327	4%
County of San Bernardino	50,826	3%	43,615	3%
City of Long Beach	41,587	2%	35,908	2%
County of Orange	35,548	2%	31,038	2%
City of Anaheim	30,994	2%	25,589	2%
City of Santa Ana	29,574	2%	26,104	2%
City of Riverside	28,019	2%	22,154	1%
SANBAG	25,000	1%	25,000	2%
RCTC	25,000	1%	25,000	2%
OCTA	25,000	1%	25,000	2%
City of Irvine	21,820	1%	15,884	1%
County of Ventura	10,211	1%	15,934	1%
City of Glendale	17,752	1%	15,496	1%
	<u>\$ 864,082</u>	<u>48%</u>	<u>\$ 757,932</u>	<u>51%</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 8 – Population by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2007	172,672	10,331,939	3,098,121	2,031,625	2,028,013	825,512	18,487,882
2008	176,158	10,363,850	3,121,251	2,088,322	2,055,766	831,587	18,636,934
2009	179,254	10,393,185	3,139,017	2,107,653	2,060,950	836,080	18,716,139
2010	175,389	9,824,906	3,017,327	2,191,886	2,038,523	825,077	18,073,108
2011	177,229	9,860,836	3,047,120	2,220,502	2,053,348	830,215	18,189,250
2012	178,659	9,911,665	3,071,933	2,244,399	2,065,016	834,109	18,305,781
2013	179,527	9,963,811	3,085,269	2,255,653	2,068,610	836,153	18,389,023
2014	180,998	10,054,852	3,114,209	2,280,191	2,084,151	842,385	18,556,786
2015	183,429	10,136,559	3,147,655	2,308,441	2,104,291	848,073	18,728,448
2016	185,831	10,241,335	3,183,011	2,347,828	2,139,570	856,508	18,954,083

Source: State of California, Department of Finance.

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
2007	49,032	3,239,511	988,560	653,123	597,614	265,172	5,793,012
2008	49,484	3,260,434	995,989	671,036	606,005	266,885	5,849,833
2009	50,059	3,274,667	1,000,798	677,582	610,352	268,444	5,881,902
2010	49,126	3,241,204	992,781	686,260	611,618	266,920	5,847,909
2011	49,197	3,245,697	997,743	689,849	613,018	266,958	5,862,462
2012	49,276	3,249,575	995,933	692,520	614,640	268,059	5,870,003
2013	49,559	3,258,265	999,552	696,290	616,124	268,726	5,888,516
2014	49,638	3,271,408	1,006,168	701,059	618,039	269,790	5,916,102
2015	49,792	3,285,160	1,012,422	706,222	620,812	270,879	5,945,287
2016	49,811	3,308,022	1,024,810	713,205	631,012	273,286	6,000,146

Source: State of California, Department of Finance.

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>
2007	56,000	4,129,600	1,520,500	620,200	667,100	320,800	7,314,200
2008	58,200	4,077,600	1,486,200	592,000	647,700	316,400	7,178,100
2009	54,800	3,830,300	1,375,900	546,300	603,500	299,600	6,710,400
2010	54,900	3,775,300	1,356,700	536,600	589,300	296,800	6,609,600
2011	55,483	3,788,900	1,361,883	535,520	588,114	298,200	6,628,100
2012	55,600	3,869,700	1,403,000	548,800	595,900	306,000	6,779,000
2013	61,300	4,118,000	1,457,200	596,200	644,800	314,300	7,191,800
2014	64,500	4,231,700	1,498,700	628,900	670,600	318,600	7,413,000
2015	65,780	4,300,760	1,533,200	647,900	690,900	321,900	7,560,440
2016	65,200	4,245,500	1,529,100	651,800	696,800	322,100	7,510,500

Source: Processed by SCAG Staff; CA EDD - March 2015 Benchmark

2016 data: Estimation based on average between Jan 16 and Jun 16

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

Historical Annual average data: 2005 - 2015 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
2007	66,100	4,874,600	1,609,400	903,800	863,900	423,900	8,741,700
2008	72,400	4,930,900	1,617,200	912,100	862,700	429,200	8,824,500
2009	75,900	4,900,100	1,588,700	916,600	858,300	430,300	8,769,900
2010	77,100	4,879,500	1,580,900	913,800	855,700	430,900	8,737,900
2011	75,733	4,872,667	1,568,350	900,583	845,133	428,283	8,690,749
2012	78,300	4,879,700	1,618,700	944,500	860,900	440,700	8,822,800
2013	80,300	4,960,300	1,610,900	953,200	865,100	434,900	8,904,700
2014	80,300	5,025,900	1,575,600	1,010,700	909,200	431,500	9,033,200
2015	79,500	5,059,620	1,590,180	1,020,280	917,880	431,440	9,098,900
2016	78,300	5,025,600	1,593,500	1,033,100	925,000	432,900	9,088,400

Source: Processed by SCAG Staff; CA EDD - March 2015 Benchmark

2016 data: Estimation based on average between Jan 16 and Jun 16

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

Civilian Labor Force=Labor Force

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

<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>
2007	11,900	247,600	62,400	54,300	48,200	20,600	445,000
2008	16,200	367,600	84,900	77,400	68,600	26,700	641,400
2009	21,200	563,500	141,000	123,000	111,200	42,500	1,002,400
2010	22,900	617,200	151,200	134,300	121,900	46,600	1,094,100
2011	21,367	595,150	139,833	125,367	115,333	43,717	1,040,767
2012	22,100	534,000	122,700	115,600	103,000	39,900	937,300
2013	19,700	489,600	100,400	97,900	87,100	33,800	828,500
2014	19,000	415,100	86,400	83,400	73,200	28,800	705,900
2015	17,280	381,020	71,000	68,340	60,020	24,060	621,720
2016	18,300	359,700	73,000	70,500	61,700	24,600	607,800

Source: Processed by SCAG Staff; CA EDD - March 2015 Benchmark
2016 data: Estimation based on average between January 2016 and June 2016
Civilian Unemployment = Unemployment

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 13 – Principal Employers by County in the SCAG Region
Current Year

	Employees	Type of Business		Employees	Type of Business
Imperial			Riverside		
1 Maui Harvesting	3,000	Harvesting	1 UC Riverside	5,300	Government
2 Imperial Irrigation District	1,400	Utilities	2 Riverside Unified School District	3,500	Government
3 Walmart	1,200	Retailer	3 City of Riverside	2,600	Education
4 Imperial County	1,200	Government	4 Pacific Bell - AT&T	1,800	Education
5 US Border Control	1,200	Government	5 Kaiser Permanente Riverside Medical Center	1,700	Hospital
6 Calipatria State Prison	1,200	Correctional Institution	6 Jurupa Unified School District	1,500	Government
7 Centinela State Prison	1,100	Correctional Institution	7 HUB International Insurance Services Inc.	1,500	Education
8 El Centro Regional Medical Center	1,000	Hospital	8 The Press Enterprise Co.	1,300	Hospital
9 Jjall LLC	1,000	Labor Contractors	9 Alvard Unified School District	1,200	Education
10 Pioneers Memorial Hospital	700	Hospital	10 Riverside Community Hospital	1,000	Hospital
Los Angeles			San Bernardino		
1 Kroger Co.	145,000	Retail	1 County of San Bernardino	19,000	Government
2 County of Los Angeles	112,500	Government	2 Stater Bros. Markets	18,200	Grocery
3 Los Angeles Unified School District	108,900	Education	3 U.S. Army, Fort Irwin & National Training	13,800	Government
4 City of Los Angeles	57,200	Government	4 Loma Linda University	13,800	Education
5 Federal Government	48,100	Government	5 U.S. Marine Corps Air Ground Combat Center	12,500	Government
6 Kaiser Permanente	34,800	Hospital	6 United Parcel Service	8,600	Postal Service
7 State of California (non-education)	30,600	Government	7 San Bernardino City Unified School District	8,600	Education
8 UCLA	28,600	Education and Hospital	8 Ontario International Airport	7,700	Airport
9 Northrop Grunman Corp.	19,200	Aerospace and Defense	9 Loma Linda University Medical Center	6,100	Hospital
10 Boeing Co.	14,450	Aerospace and Defense	10 Kaiser Permanente (Fontana only)	6,000	Hospital
Orange			Ventura		
1 Walt Disney Co	27,000	Hospitality and Entertainment	1 Naval Base Ventura County	20,600	Government
2 University of California, Irvine	22,400	Education	2 County of Ventura	10,700	Government
3 St. Joseph Health	12,200	Hospital	3 Amgen Inc	5,800	Biomedical
4 Kaiser Permanente	7,000	Hospital	4 Simi Valley Unified School District	2,500	Education
5 The Boeing Company	6,900	Aerospace	5 Community Memorial Hospital	1,800	Hospital
6 Walmart	6,000	Retail	6 Los Robles Hospital & Medical Center	1,600	Hospital
7 Memorial Care Health System	5,700	Hospital	7 City of Oxnard	1,600	Government
8 Bank of America Corp	5,500	Finance	8 Ventura Unified School District	1,600	Education
9 Target Corp.	5,400	Retail	9 Ventura County Community College District	1,600	Education
10 California State University, Fullerton	5,100	Education	10 Oxnard Elementary School District	1,600	Education

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

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
2007	54,789	3,382,356	1,024,692	753,797	676,909	274,224	6,166,767
2008	55,599	3,403,480	1,030,289	773,331	685,642	276,320	6,224,661
2009	56,237	3,418,698	1,035,491	780,112	690,234	277,895	6,258,667
2010	56,067	3,445,076	1,048,907	800,707	699,637	281,695	6,332,089
2011	56,123	3,450,092	1,054,626	804,915	700,776	282,209	6,348,741
2012	56,222	3,454,092	1,052,361	807,970	702,911	282,923	6,356,479
2013	56,524	3,463,382	1,056,195	812,234	704,540	283,575	6,376,450
2014	56,731	3,474,152	1,062,966	817,008	706,314	284,489	6,401,660
2015	56,957	3,487,434	1,069,450	822,910	709,385	285,808	6,431,944
2016	57,174	3,504,061	1,075,705	828,383	711,781	287,080	6,464,184

Source: California Department of Finance.

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

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Average
2007	\$ 245,100	\$ 530,958	\$ 628,000	\$ 414,261	\$ 367,125	\$ 582,687	\$ 461,355
2008	191,239	458,556	506,117	271,352	239,834	425,022	348,687
2009	125,000	320,000	415,000	189,000	149,000	356,000	259,000
2010	125,000	333,000	433,000	200,000	155,000	370,000	269,333
2011	119,000	318,000	445,000	210,000	148,000	355,000	265,833
2012	121,500	325,000	453,000	206,500	158,000	365,500	271,583
2013	142,000	430,000	549,000	269,000	201,750	450,000	340,292
2014	169,500	450,000	575,000	285,250	240,000	465,000	364,125
2015	178,500	484,500	600,000	310,000	254,000	480,000	384,500
2016	174,117	523,883	651,433	320,667	282,700	536,783	414,931

Source: Zillow.com

2016 data: Estimation based on average between Jan 16 and Jun 16

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 16 – Land Use (in Square Miles) 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>
2007	4,175	4,060	790	7,208	20,062	1,846	38,141
2008	4,175	4,060	790	7,208	20,062	1,846	38,141
2009	4,175	4,060	790	7,208	20,062	1,846	38,141
2010	4,175	4,060	790	7,208	20,062	1,846	38,141
2011	4,175	4,060	790	7,208	20,062	1,846	38,141
2012	4,175	4,060	790	7,208	20,062	1,846	38,141
2013	4,175	4,060	790	7,208	20,062	1,846	38,141
2014	4,175	4,060	790	7,208	20,062	1,846	38,141
2015	4,175	4,060	790	7,208	20,062	1,846	38,141
2016	4,175	4,060	790	7,208	20,062	1,846	38,141

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

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

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2007	\$ 8,564,454,422	\$ 925,501,028,378	\$ 378,176,307,920	\$ 203,416,131,874	\$ 152,260,354,563	\$ 96,231,323,104	\$ 1,764,149,600,261
2008	10,233,444,219	1,010,019,713,739	410,016,640,580	237,388,487,198	176,135,269,285	103,943,537,873	1,947,737,092,894
2009	11,096,494,701	1,080,877,140,886	426,132,974,772	240,799,096,250	185,367,040,358	107,273,535,930	2,051,546,282,897
2010	10,786,878,349	1,075,011,703,995	420,208,433,390	215,292,421,831	174,112,125,571	104,656,698,553	2,000,068,261,689
2011	10,636,065,947	1,055,470,089,596	417,961,898,748	205,709,223,529	166,489,324,697	104,382,110,478	1,960,648,712,995
2012	10,335,759,824	1,070,532,689,445	422,054,150,027	203,143,376,088	165,720,121,024	104,392,245,689	1,976,178,342,097
2013	10,393,345,085	1,093,886,934,773	429,315,145,388	202,209,185,045	166,970,746,909	105,066,235,097	2,007,841,592,297
2014	10,758,020,589	1,141,939,764,894	447,370,937,697	212,354,801,114	175,088,929,464	109,275,582,221	2,096,788,035,979
2015	10,367,587,990	1,099,652,579,599	431,977,862,511	204,095,578,797	168,176,762,505	112,762,067,942	2,027,032,439,344
2016	10,679,934,069	1,133,482,327,835	444,292,322,660	210,702,956,650	173,706,496,072	116,248,553,663	2,089,112,590,949

Source: State of California – Controller's Office.

Note: Assessed valuations show net total assessed valuation

2016 data are estimated based on the average growth from 2005 to 2015. They will be replaced when official data are released.

http://www.sco.ca.gov/ard_locrep_assessed.html

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 18 – Full-time and Part-time Employees by Function
Last Ten Fiscal Years

Fiscal Year	Transportation	High Speed Rail	Aviation	Environmental	Housing	Water	Administration	Total
2007	71	1	1	3	2	1	67	146
2008	48	1	1	3	3	-	55	111
2009	44	1	1	3	2	-	57	108
2010	49	1	1	3	2	-	52	108
2011	48	1	1	3	2	-	55	110
2012	60	1	1	3	2	-	61	128
2013	55	1	1	2	1	-	67	127
2014	57	1	1	2	1	-	58	120
2015	61	1	1	1	1	-	66	131
2016	58	1	1	3	1	-	67	125

Source: SCAG HR Department.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transportation										
No. of projects undertaken	27	25	24	55	50	48	49	82	85	89
Grants & Contracts Revenue	\$ 28,806,467	\$ 31,699,796	\$ 29,929,881	\$ 33,664,593	\$ 29,354,637	\$ 23,819,826	\$ 23,880,028	\$ 23,120,187	\$ 25,928,208	\$ 26,127,909
High Speed Rail										
No. of projects undertaken	2	1	1	1	1	1	1	1	1	1
Grants & Contracts Revenue	\$ 443,831	\$ 899,136	\$ 32,989	\$ 42,594	\$ 98,354	\$ 137,330	\$ 21,200	\$ 263,579	\$ 281,779	\$ 290,593
Aviation										
No. of projects undertaken	3	3	1	3	3	2	1	1	1	1
Grants & Contracts Revenue	\$ 626,352	\$ 375,864	\$ 276,933	\$ 266,702	\$ 884,816	\$ 461,819	\$ 347,880	\$ 196,948	\$ 579,242	\$ 550,584
Environmental										
No. of projects undertaken		2	2		7	9	6	13	1	5
Grants & Contracts Revenue		\$ 2,574,424	\$ 49,467		\$ 2,401,731	\$ 2,881,315	\$ 587,435	\$ 1,601,570	\$ 1,587,158	\$ 1,448,295
Housing										
No. of projects undertaken					2	2	2	3	3	2
Grants & Contracts Revenue					\$ 1,306,547	\$ 1,345,833	\$ 2,088,856	\$ 1,599,668	\$ 1,176,694	\$ 960,528
Sustainability Initiatives										
No. of projects undertaken						6	9	12	14	25
Grants & Contracts Revenue						\$ 6,200,905	\$ 6,089,132	\$ 2,511,049	\$ 5,457,158	\$ 7,345,383
Water										
No. of projects undertaken	1									
Grants & Contracts Revenue	\$ 77,615									
Social Sciences										
No. of projects undertaken	1									
Grants & Contracts Revenue	\$ 11,419									

Source: SCAG Finance and Human Resource Departments

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

No capital assets indicators are available to SCAG.

**Report of Independent Auditors 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 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 Southern California Association of Governments, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Southern California Association of Governments' basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern California Association of Governments' 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 Southern California Association of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of Southern California Association of Governments' 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 Southern California Association of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Vasquez + Company LLP

**Los Angeles, California
December 21, 2016**

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2016

YEAR ENDED JUNE 30, 2016



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