

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2015



Finance Department
BASIL PANAS, Chief Financial Officer
Administration Division



YEAR ENDED JUNE 30, 2015

Comprehensive Annual Financial Report
Southern California Association of Governments
Year ended June 30, 2015
with Report of Independent Auditors

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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INTRODUCTORY SECTION



December 21, 2015

Honorable Cheryl Viegas-Walker, President, and
Members of the Regional Council
Southern California Association of Governments
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Los Angeles, CA 90017

Main Office

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Officers

President
Cheryl Viegas-Walker, El Centro

First Vice President
Michele Martinez, Santa Ana

Second Vice President
Margaret Finlay, Duarte

Immediate Past President
Carl Morehouse, San Buenaventura

**Executive/Administration
Committee Chair**

Cheryl Viegas-Walker, El Centro

Policy Committee Chairs

Community, Economic and
Human Development
Bill Jahn, Big Bear Lake

Energy & Environment
Deborah Robertson, Rialto

Transportation
Alan Wapner, San Bernardino
Associated Governments

Subject: SCAG's Comprehensive Annual Financial Report for Fiscal Year 2014/15

Dear President Viegas-Walker 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, 2015.

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 2014/2015.

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 2013/14 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, 2014. This was the twelfth 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 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, 2015 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 was one finding but it was not significant enough for Vasquez & Company LLP to modify the opinion. The Single Audit report for the year ended June 30, 2015 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 2014/15 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 2015/16

- Continue progress with the initiatives set forth in the adopted 2012 Regional Transportation Plan Sustainable Communities Strategy (RTP/SCS), and complete preparation of the 2016 RTP/SCS with a focus on the following: emerging new technologies; sustainable transportation strategies; a sustainable transportation finance strategy; a sustainable regional freight strategy; a sustainable rail and transit strategy; and a regional aviation strategy.
- Complete the process of executing all 73 projects in SCAG's Sustainability Program. As of June 30, 2015, 44 projects were funded and most of the contracts had been executed. There are 29 projects remaining which will be completed in FY2015/16.
- Strategically deploy SCAG's TDA funding to maximize its leverage as match funding for critical projects.

Profile of SCAG

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 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
- 4 tribal governments
- 38,000 square miles
- 18 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 elected representatives representing 69 Districts who represent the 191 cities in the SCAG region; county elected supervisors; representatives from four of the six transportation commissions in the SCAG region; one Tribal Government representative; one representative from the air districts in the region; one representative from the Transportation Corridor Agency; and the Mayor of Los Angeles, as the City-at-large 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 represents 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 evaluates and presents some of the most innovative funding strategies to meet funding challenges in the near-term as well as the long-term. The next full update of the RTP/SCS is scheduled for review and adoption by the Regional Council in April 2016.

(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 will begin the process for the 2017 FTIP in early 2016 with an expected approval in December 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 and the 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 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.

(b) 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 will prepare its portion of the 2016 South Coast AQMP based on the upcoming 2016 RTP/SCS and submit it to SCAQMD for inclusion in the Final 2016 South Coast AQMP. The 2016 South Coast AQMP is required to be submitted to U.S. Environmental Protection Agency by July 2016.

(c) 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. 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.

(d) 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

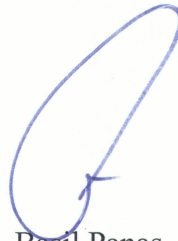
On behalf of each of the members of the management team at SCAG, we express our sincere gratitude to you, President Viegas-Walker, and to each of the members of the Regional Council for your leadership, hard work and support throughout the year. We recognize that being a member of the Regional Council 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.

REGIONAL COUNCIL OFFICERS

President Cheryl Viegas-Walker, El Centro
First Vice President Michele Martinez, Santa Ana
Second Vice President Margaret E. Finlay, Duarte
Immediate Past President Carl Morehouse, San Buenaventura

MEMBERS

Imperial County Jack Terrazas, Imperial County • Cheryl Viegas-Walker, El Centro

Los Angeles County Mike Antonovich, Los Angeles County • Mark Ridley-Thomas, Los Angeles County • Sean Ashton, Downey • Bob Blumenfield, Los Angeles • Mike Bonin, Los Angeles • Joe Buscaino, Los Angeles • Gilbert Cedillo, City of Los Angeles • Margaret Clark, Rosemead • Jonathan Curtis, La Cañada Flintridge • Gene Daniels, Paramount • Mitchell Englander, Los Angeles • Margaret E. Finlay, Duarte • Felipe Fuentes, Los Angeles • Eric Garcetti, Los Angeles • James Gazeley, Lomita • Lena Gonzalez, Long Beach • Steven Hofbauer, Palmdale • José Huizar, Los Angeles • Paul Koretz, Los Angeles • Paul Krekorian, Los Angeles • Tom LaBonge, Los Angeles • Antonio Lopez, San Fernando • Nury Martinez, Los Angeles • Dan Medina, Gardena • Barbara Messina, Alhambra • Judy Mitchell, Rolling Hills Estates • Gene Murabito, Glendora • Pam O'Connor, Santa Monica • Mitch O'Farrell, Los Angeles • Bernard C. Parks, Los Angeles • Sam Pedroza, Claremont • Curren D. Price, Jr., Los Angeles • Rex Richardson, Long Beach • Ali Saleh, Bell • Andrew Sarega, La Mirada • John Sibert, Malibu • José Luis Solache, Lynwood • Tim Spohn, Industry • Jess Talamantes, Burbank • Herb J. Wesson, Jr., Los Angeles

Orange County Michelle Steel, Orange County • Art Brown, Buena Park • Steven Choi, Irvine • Barbara Delgleize, Huntington Beach • Steve Hwangbo, La Palma • Barbara Kogerman, Laguna Hills • Victor Manalo, Artesia • Michele Martinez, Santa Ana • Mike Munzing, Aliso Viejo • Kris Murray, Anaheim • Steve Nagel, Fountain Valley • John Nielsen, Tustin • Marty Simonoff, Brea • Tri Ta, Westminster

Riverside County Chuck Washington, Riverside County • Rusty Bailey, Riverside • Jeffrey Giba, Moreno Valley • Randon Lane, Murrieta • Clint Lorimore, Eastvale • Jim Hyatt, Calimesa • Greg Pettis, Cathedral City • Karen Spiegel, Corona • Michael Wilson, Indio

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

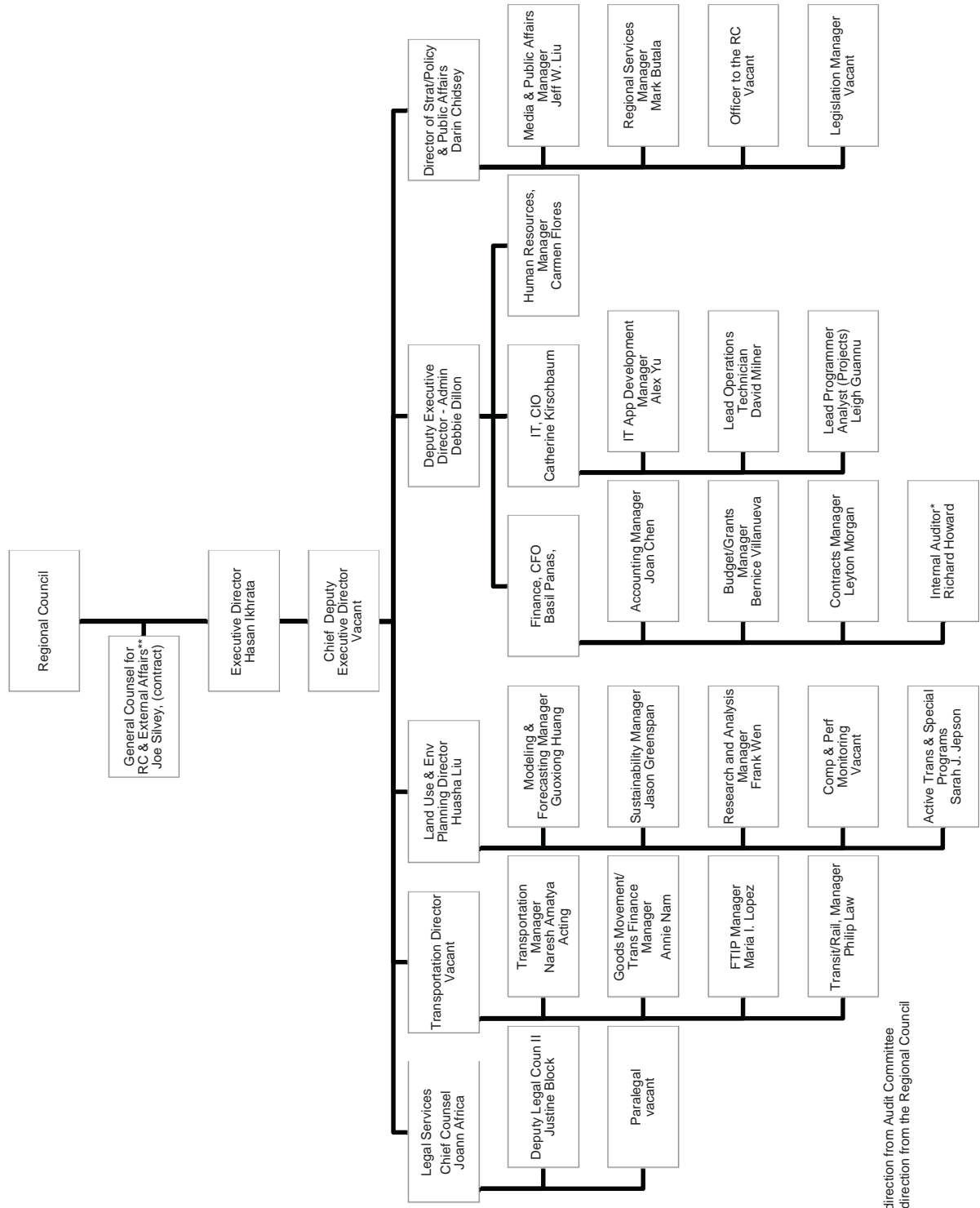
San Bernardino Associated Governments Alan Wapner, Ontario

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.

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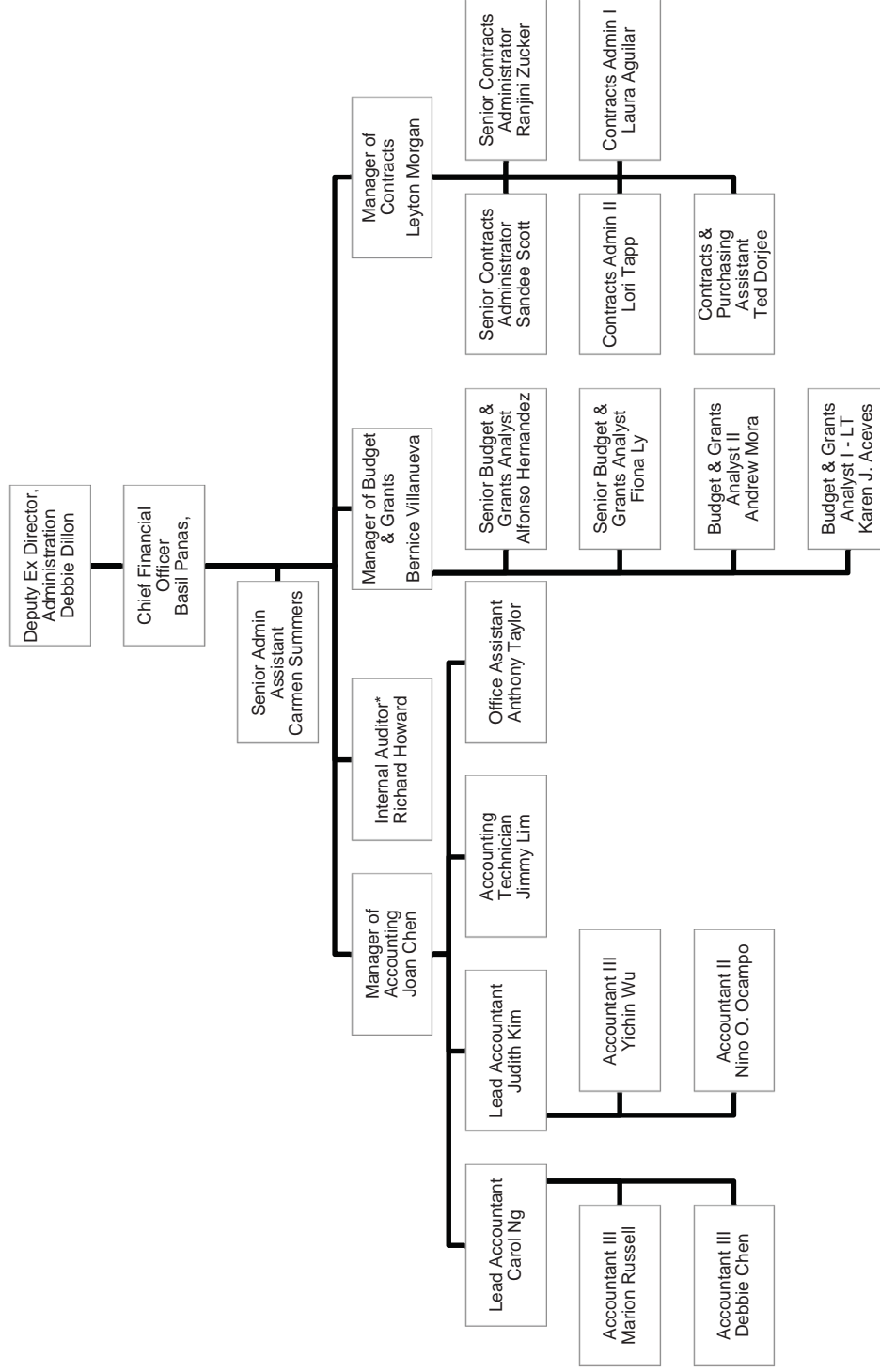
SCAG Organization Chart – June 30, 2015



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

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Finance Division Organization Chart - June 30, 2015



*Reports to Audit Committee

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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, 2014

Executive Director/CEO

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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, 2015, 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, 2015, 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 required supplementary information on pages 16-25 and 64-75 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.

Implementation of New Accounting Standards

As discussed in Note 1, Southern California Association of Governments has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for the year ended June 30, 2015. As a result of this required implementation, Southern California Association of Governments' beginning net position was restated to retroactively report the net pension liability as of the beginning of the year. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 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 grants 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, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2015

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, 2015. 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 liabilities, 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 2014-2015.

FINANCIAL HIGHLIGHTS

Revenues increased to \$44.7 million in FY 2014-2015 from \$35.1 million in FY 2013-2014, an increase of \$9.6 million, or 27%.

Federal revenues increased by \$9.0 million; state revenues increased by \$0.1 million; local revenues increased by \$0.3 million; and General Fund revenues increased by \$0.1 million.

Net position decreased by \$24.5 million to (\$10.7 million). The decrease was attributable to implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, where the beginning net position was restated to retroactively report the net pension liability as of the beginning of the year amounting to \$26.7 million. The decrease was partially offset by the surpluses in the Transportation Development Act Fund.

Cash increased by \$2.5 million; receivables decreased by \$1.4 million; and accounts payable and contracts payable increased by \$2.4 million, all compared to FY 2013-2014.

Cash balances were adequate to support operations. There were no draws on SCAG's line of credit in FY 2014-2015.

Receivables increased \$1.4 million to \$9.5 million. No receivables are past due at year end.

Accounts and contracts payable (AP) payments to vendors are disbursed on a current basis. AP balances increased \$2.4 million to \$6.0 million. All AP obligations are current.

The unfunded net pension liability of \$23.5 million was recognized as a result of the GASB Statement No. 68 implementation.

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 have 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 26 and 27 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 accounting. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in 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 fund 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, 2015

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 32 to 63 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 2014-2015, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10.7 million, a decrease of \$24.0 from FY 2013-2014. The decrease was attributable to implementation of GASB Statement No. 68 where the beginning net position was restated to retroactively report the net pension liability as of the beginning of the year amounting to \$26.7 million. The decrease was offset by the surpluses in the Transportation Development Act Fund.

The following is a summary of net positions as of June 30, 2015 and 2014:

	June 30 (1)	
	2015	2014
Current and other assets	\$ 23,438,374	\$ 19,586,470
Capital assets, net	2,251,523	2,766,741
Total assets	25,689,897	22,353,211
Deferred outflows of resources	2,299,344	-
Current liabilities	8,150,335	6,574,560
Noncurrent liabilities	25,030,311	1,960,031
Total liabilities	33,180,646	8,534,591
Deferred inflows of resources	5,471,889	-
Net position, as restated		
Invested in capital assets	2,251,523	2,766,741
Restricted	9,857,806	8,195,221
Unrestricted	(22,772,623)	2,856,658
Total net position, as restated	\$ (10,663,294)	\$ 13,818,620

(1) The net position as of June 30, 2015 was restated to recognize the effect of the implementation of GASB 68. The net position at June 30, 2014 had not been restated.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2015

Cash and Cash Equivalents

Over the last year, cash and cash equivalents has increased \$2.5 million to \$13.4 million. During that same period, cash as a percentage of total assets increased from 49% to 52% due to the accumulation of TDA receipts.

Included in cash was \$10.9 million of TDA, and \$0.3 million of member dues for FY 2015-2016 received in FY2014-2015.

Accounts Receivable (AR)

ARs from federal, state, local and other agencies at the end of FY 2014-2015 were \$9.5 million compared to \$8.0 million the year before. AR balances represented 37% of total assets compared to 36% in FY 2013-2014.

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 \$8.5 million were \$1.3 million more than last year. State receivables decreased by \$0.05 million to \$0.4 million. Local grants and contracts receivable remained at \$0.3 million. Other receivables increased from \$0.1 million to \$0.2 million.

Accounts and Contracts Payable (AP)

During FY 2014-2015, SCAG met its goal of paying 95% of invoices within 30 days in two of the twelve months. This was due to a vacancy in the Accounting Department for most of the year and a large increase in invoice volume due to the Sustainability Program. The vacant position has been filled and will assist in improving the payment statistics. The AP balance increased from \$3.6 million to \$6.0 million.

Line of Credit (LOC)

During FY 2014-2015, 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, 2015

Capital Assets

Net investment in net capital assets is \$2,251,523. 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	
	2015	2014
Computer equipment and software, net	\$ 2,126,510	\$ 2,611,065
Leasehold improvements, net	39,271	48,814
Furniture and fixtures, net	85,742	106,862
	\$ 2,251,523	\$ 2,766,741

Statements of Activities

	Years ended June 30	
	2015	2014
REVENUES		
Charges for services - member dues	\$ 1,871,720	\$ 1,834,522
Operating grants and contributions	42,318,755	32,833,285
General revenues:		
Interest income	75,652	53,149
Other revenue	407,156	378,659
	44,673,283	35,099,615
EXPENSES		
Transportation	31,710,847	23,153,109
Aviation	585,322	303,773
Environmental	1,450,795	1,403,147
High-speed rail	281,500	305,054
Housing	1,128,200	1,505,232
Sustainability initiatives	5,463,860	2,173,803
Administration	1,864,232	2,005,412
	42,484,756	30,849,530
Change in net position	2,188,527	4,250,085
Restatement of net position	-	(26,670,441)
Net position - beginning, as restated	(12,851,821)	9,568,535
Net position - ending	\$ (10,663,294)	\$ (12,851,821)

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2015

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 2014-2015 were \$44.7 million compared to \$35.1 million last year. This is increase of \$9.6 million or about 27%.

The increase in net position is primarily due to unspent TDA Fund revenues. TDA is a potential funding source for SCAG's unmet needs (i.e., local match for CPG-funded projects or the Sustainability Program).

Major Expenses

In FY 2014-2015, salary expenses were \$12.6 million which included non-worktime (e.g., vacation leave, sick leave, and holiday). The comparable amount in FY 2013-2014 was \$12.0 million. Salaries, including non-worktime, represent about 30% of total expenses.

Consultant expenses are the next largest expense line item. They increased \$3.0 million to \$11.1 million in FY 2014-2015 from \$8.1 million in FY 2013-2014 due to the Sustainability Program. They represent about 26% 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 2014-15 SCAG made its first passthrough payment, in the amount of \$5,090,058 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 \$28.5 million in FY 2014-2015 compared to \$24.8 million in FY 2013-2014. FHWA PL and FTA 5303 revenues amounted to \$19.1 million and \$9.4 million, respectively, in FY 2014-2015. Salaries and fringe benefits accounted for \$12.6 million, consultant expenses were \$5.1 million and the balance consisted of indirect overhead of \$9.4 million and other direct project costs of \$1.3 million. Other direct project expenses include professional services, travel, printing and other non-labor costs.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2015

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, the federal reauthorization has yet to be extended, but it is anticipated the grant program will be continued on for future years. 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 \$1.9 million. The total amount expended for these two grant programs was about \$0.6 million in FY 2014-2015. The unused balance for grants not expiring at the end of fiscal year are carried forward to FY 2015-2016 and future years, if needed, subject to authorization from Caltrans. In April 2015, SCAG was awarded five (5) new grants amounting to approximately \$1.4 million for FY 2015-2016.

FTA Section 5310

As part of the responsibilities of an MPO, SCAG is responsible for the administration of the program fund allocations and coordinating the project selection between the County Transportation Commissions and Caltrans.

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

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

FTA Section 5337 State of Good Repair

As the Designated Recipient, SCAG is responsible for the administration of the program fund allocations and monitoring the grant program to ensure the funds are obligated and to ensure that projects that are selected are included in the Federal Transportation Improvement Program and the State Transportation Improvement Plan.

FTA Section 5312 Low or No Emission Vehicle Deployment Program (LoNo)

As the Designated and Direct Recipient for Section 5307, SCAG was the only eligible direct recipient for this discretionary program. SCAG did a call for projects for the region and submitted several applications to FTA. In FY 2014-2015, SCAG, in collaboration with SunLine Transit Agency was awarded \$9.8 Million. SCAG anticipates the funds will be obligated in FY 2015-2016 and continue for approximately four years.

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 is in the process of being 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 for the next two to three years.

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 total of two pass-through grants funded by the Department of Energy. Both grants are related to the Clean Cities Coalitions, and total about \$120,000. One of the grants is passed through from the South Coast Air Quality Management District (AQMD). The other grant is a pass-through from Leonardo Technologies, Inc. (LTI) for Clean Cities Coalition Programmatic Support.

SCAG has a Caltrans pass-through grant funded by FHWA. The grant is under the Second Strategic Highway Research Program (SHRP2) in the amount of \$25,000.

SCAG has a pass-through grant from the University of California, Berkeley which is funded by the California Air Resources Board (ARB). The total amount for the grant is \$50,000 and it will be used for the Analysis of Potential Displacement from Transit-Oriented Development.

Finally, SCAG was awarded a \$40,000 grant award from FHWA for the use of the Infrastructure Voluntary Evaluation Sustainability Tool (INVEST) to assist in the development of the 2016 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS)

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 currently has two active grants from the Strategic Growth Council (SGC) under the Proposition 84 Sustainable Communities Planning Grant Program. The Round 2 SGC grant was awarded was \$1 million and the Round 3 SGC grant awarded was \$983,541.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
Year ended June 30, 2015

Local Revenues

Local revenues were \$5.8 million compared to \$5.5 million in FY 2013-2014, consisting of local match, mostly Transportation Development Act (TDA) funding. The TDA Fund, a major fund, had revenues of \$5.3 million. TDA funds are primarily used to meet the local match requirement for federal grants and for other unmet needs such as the Sustainability Program. SCAG receives these funds under the terms of AB1403. The TDA fund balance increased \$1.7 million as not all programmed TDA expenditures had been spent by June 30, 2015. The Sustainability Program will draw a total of \$5.5 million from the TDA Fund over its duration.

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 2014-2015, fund balance increased by \$0.5 million due mostly to lower than expected labor charges.

	Years ended June 30	
	2015	2014
Revenues:		
Membership assessments	\$ 1,871,720	\$ 1,834,522
General assembly	345,195	292,090
Interest and other	137,613	139,718
Total revenues	2,354,528	2,266,330
Expenditures:		
Transportation	9,805,389	9,789,733
Housing	66,160	147,073
Administration	1,841,987	1,685,534
Capital outlay	195,101	735,582
Total expenditures	11,908,637	12,357,922
Deficiency of revenues over expenditures	(9,554,109)	(10,091,592)
Other financing sources:		
Transfer in	10,078,499	10,077,575
Transfer out	(7,027)	(15,350)
Change in fund balance	517,363	(29,367)
Fund balance, beginning of year	4,779,359	4,808,726
Fund balance, end of year	\$ 5,296,722	\$ 4,779,359

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 2014-2015 to \$1,871,720 from \$1,834,522 in FY 2013-2014, an increase of about 2%. This resulted from the automatic dues increase equivalent to the Consumer Price Index provided for in the Bylaws and the fact that three cities whose FY 2013-14 dues had been waived, paid their FY 2014-15 dues in full. At the end of FY 2014-2015, only two cities on the entire SCAG region were not members.

Other GF revenues and interest income

Total other revenues decreased in FY 2014-2015 to \$137,613 from \$139,718 in FY 2013-2014.

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 \$2.2 million (excluding indirect cost allocated to funds) compared to the budget of \$2.8 million, a positive variance of \$0.6 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. Most of the positive variance resulted from leasehold improvements in Los Angeles that were not constructed.

Next Year's Budgets

SCAG's aggregate grant budget, called the Overall Work Program (OWP), for FY 2015-2016 is \$48.2 million compared to the grant budget in FY 2014-2015 of \$44.4 million, a net increase of \$3.8 million or 8.6%. Most FY 2015-2016 OWP funding comes from the Federal government (65%), 27% comes from local sources, and 8% 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, 2015

ASSETS

Cash and cash equivalents	\$	13,400,404
Receivables:		
Federal grants		8,521,277
State grants and contracts		354,713
Local grants and contracts		342,085
Other		239,732
Prepays		566,517
Other assets		13,646
Capital assets, net		<u>2,251,523</u>
Total assets		<u>25,689,897</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension contribution		<u>2,299,344</u>
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LIABILITIES

Accounts and contracts payable		6,018,222
Accrued liabilities		677,877
Over-recovery of indirect costs		971,118
Advances from grantors		189,134
Unearned revenues		293,984
Noncurrent liabilities:		
Due within one year		771,110
Due in more than one year		<u>24,259,201</u>
Total liabilities		<u>33,180,646</u>

DEFERRED INFLOWS OF RESOURCES

Net difference between projected and actual earnings on pension plan investments		<u>5,471,889</u>
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NET POSITION

Net investment in capital assets		2,251,523
Restricted for:		
Transportation projects		9,857,806
Unrestricted		<u>(22,772,623)</u>
Total net position	\$	<u><u>(10,663,294)</u></u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year ended June 30, 2015

	<u>Expenses</u>	<u>Indirect cost allocations</u>	<u>Program revenues</u>		<u>Net (expenses) revenues and change in net position 2015</u>
			<u>Charges for services – member dues</u>	<u>Operating grants and contributions</u>	
Functions/programs:					
Transportation	\$ 23,635,487	\$ 8,075,360	\$ -	\$ 33,569,055	\$ 1,858,208
Aviation	457,573	127,749	-	579,242	(6,080)
Environmental	979,624	471,171	-	1,440,509	(10,286)
High-speed rail	161,143	120,357	-	281,780	280
Housing	707,004	421,196	-	1,061,165	(67,035)
Sustainability initiatives	4,601,194	862,666	-	5,387,004	(76,856)
Administration	<u>11,942,731</u>	<u>(10,078,499)</u>	<u>1,871,720</u>	<u>-</u>	<u>7,488</u>
Total governmental activities	<u>\$ 42,484,756</u>	<u>\$ -</u>	<u>\$ 1,871,720</u>	<u>\$ 42,318,755</u>	<u>1,705,719</u>
General revenues:					
Interest income					75,652
Other revenue					<u>407,156</u>
Total general revenues					<u>482,808</u>
Change in net position					2,188,527
Net position at beginning of year, as restated					<u>(12,851,821)</u>
Net position at end of the year					<u>\$ (10,663,294)</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2015

Assets	General Fund	FTA Fund	FTA 5339 Fund	FHWA Fund	TDA Fund	Nonmajor Funds	Total
Cash and cash equivalents	\$ 13,400,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,400,404
Receivables:							
Federal grants	-	3,919,668	-	3,415,217	-	1,186,392	8,521,277
State grants and contracts	-	-	-	-	-	354,713	354,713
Local grants and contracts	-	-	-	-	284,433	57,652	342,085
Other	239,732	-	-	-	-	-	239,732
Due from other funds	-	-	-	-	10,635,805	299,838	10,935,643
Prepays	566,517	-	-	-	-	-	566,517
Other assets	13,646	-	-	-	-	-	13,646
Total assets	\$ 14,220,299	\$ 3,919,668	\$ -	\$ 3,415,217	\$ 10,920,238	\$ 1,898,595	\$ 34,374,017
Liabilities, Deferred Inflow of Resources and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 1,170,466	\$ 2,307,703	\$ -	\$ 399,761	\$ 1,062,432	\$ 1,077,860	\$ 6,018,222
Accrued liabilities	677,877	-	-	-	-	-	677,877
Over-recovery of indirect costs	971,118	-	-	-	-	-	971,118
Due to other funds	5,676,621	1,611,965	-	3,015,456	-	631,601	10,935,643
Advances from grantors	-	-	-	-	-	189,134	189,134
Unearned revenues	293,984	-	-	-	-	-	293,984
Total liabilities	8,790,066	3,919,668	-	3,415,217	1,062,432	1,898,595	19,085,978
Deferred Inflow of Resources							
Unavailable revenue	133,511	-	-	-	-	-	133,511
Total deferred inflow of resources	133,511	-	-	-	-	-	133,511
Fund balances							
Nonspendable for:							
Prepays and Other assets	580,163	-	-	-	-	-	580,163
Restricted:							
Transportation	-	-	-	-	9,857,806	-	9,857,806
Unassigned:							
General Fund	4,716,559	-	-	-	-	-	4,716,559
Total fund balances	5,296,722	-	-	-	9,857,806	-	15,154,528
Total liabilities, deferred inflows of resources and fund balances	\$ 14,220,299	\$ 3,919,668	\$ -	\$ 3,415,217	\$ 10,920,238	\$ 1,898,595	\$ 34,374,017

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, 2015

Total governmental fund balances	\$	15,154,528
Amounts reported for governmental activities in the accompanying statement of net position are different because:		
Capital assets, net of accumulated depreciation of \$5,089,370 used in governmental activities are not financial resources; they are therefore not reported in the governmental fund financial statements		2,251,523
Other long-term liabilities recorded on the statement of net position are not considered to be fund liabilities as they are not expected to be liquidated with current financial resources		(108,700)
Compensated absences liabilities are not due and payable at year end; they are therefore not reported in the governmental fund financial statements		(1,412,032)
Net pension liabilities are not due and payable at year end; they are therefore not reported in the governmental fund financial statements		(23,509,579)
Deferred outflows of resources related to pensions are not considered financial resources and are not reported in the governmental funds		2,299,344
Deferred inflows of resources related to pensions are not available to pay for current period expenses and are not reported in the governmental funds		(5,471,889)
Claim receivables from California JPIA are not available on a current basis; they are therefore not reported as revenue in the governmental fund financial statements		<u>133,511</u>
Net position	\$	<u><u>(10,663,294)</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, 2015

	General Fund	FTA Fund	FTA 5339 Fund	FHWA Fund	TDA Fund	Nonmajor Funds	Total
Revenues:							
Federal grants, net	\$ -	\$ 9,376,680	\$ 5,090,058	\$ 19,132,172	\$ -	\$ 2,251,974	\$ 35,850,884
State grants and contracts	-	-	-	-	-	639,123	639,123
Local grants and contracts	-	-	-	-	5,345,010	483,738	5,828,748
Membership assessments:							
Cities	1,484,363	-	-	-	-	-	1,484,363
Counties	292,357	-	-	-	-	-	292,357
Commission	95,000	-	-	-	-	-	95,000
General assembly	345,195	-	-	-	-	-	345,195
Interest and other	137,613	-	-	-	-	-	137,613
Total revenues	<u>2,354,528</u>	<u>9,376,680</u>	<u>5,090,058</u>	<u>19,132,172</u>	<u>5,345,010</u>	<u>3,374,835</u>	<u>44,673,283</u>
Expenditures:							
Transportation	9,805,389	5,171,519	5,090,058	9,001,344	1,189,028	3,299,572	33,556,910
Aviation	-	247,659	-	171,747	32,087	-	451,493
Environmental	-	196,699	-	695,916	76,723	-	969,338
High-speed rail	-	161,423	-	-	-	-	161,423
Housing	66,160	51,719	-	399,765	188,485	-	706,129
Sustainability initiatives	-	1,719,179	-	1,178,129	1,627,030	-	4,524,338
Administration	1,841,987	-	-	-	-	-	1,841,987
Capital outlay	195,101	-	-	86,616	-	-	281,717
Total expenditures	<u>11,908,637</u>	<u>7,548,198</u>	<u>5,090,058</u>	<u>11,533,517</u>	<u>3,113,353</u>	<u>3,299,572</u>	<u>42,493,335</u>
Excess (deficiency) of revenues over expenditures	(9,554,109)	1,828,482	-	7,598,655	2,231,657	75,263	2,179,948
Other financing sources (uses):							
Transfers in	10,078,499	-	-	-	-	7,027	10,085,526
Transfers out	(7,027)	(1,828,482)	-	(7,598,655)	(569,072)	(82,290)	(10,085,526)
Change in fund balance	517,363	-	-	-	1,662,585	-	2,179,948
Fund balances at beginning of year	4,779,359	-	-	-	8,195,221	-	12,974,580
Fund balances at end of year	<u>\$ 5,296,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,857,806</u>	<u>\$ -</u>	<u>\$ 15,154,528</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, 2015

Change in fund balances – total governmental funds \$ 2,179,948

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. 96,181

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	\$ 281,717	
Depreciation expense	<u>(796,935)</u>	(515,218)

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		(139,700)
Other long-term liabilities		<u>27,146</u>

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>540,170</u>
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Change in net position of governmental activities		<u>\$ 2,188,527</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 a 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) New Government Accounting Standards Board (GASB) pronouncements issued, not yet effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have 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.

(c) 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)

(c) *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. Indirect costs are initially recorded as administrative expenses in the statement of activities and then allocated out to other functions in a separate column titled "indirect cost allocations." SCAG policy for the allocation of indirect costs states they are allocated equitably to projects using the guidance, standards, and objectives contained in federal and state regulations, specifically, the Federal Office of Management and Budget, 2 CFR Part 225, *Cost Principles for State and Local, and Indian Tribal Governments (OMB Circular A-87)*, is the primary 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)

(c) 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 on 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 change in fund balance.

(d) 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) Fund – 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.

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

Federal Transit Administration Sec. 5339 (FTA) Fund – This fund is established to account for the passthrough of revenues from the Federal Transit Administration to the sub-recipients. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Major Funds (continued)

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

(e) 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. Unallowed 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.

(f) 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 also reported as unearned revenues in the basic financial statements.

(g) 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).

(h) 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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Capital Assets

Capital assets, which include furniture and fixtures, computer equipment and leasehold improvements, are reported in the governmental activities 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

(j) 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.

(k) Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2015, the City adopted the following new Statements of the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of pensions that are provided by local governmental employers through pension plans that are administered through trusts that meet certain conditions. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Implementation of New Accounting Pronouncements

- GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

(l) Pensions

During the fiscal year ended June 30, 2015, the SCAG adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(m) 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.

(n) 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.

(o) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Fund Balance Reporting (continued)

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

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

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

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

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, 2015.

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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Fund Balance Reporting (continued)

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 the SCAG to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

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	\$ 2,779,752
Cash and cash equivalents in County of Los Angeles Treasury	10,619,652
Petty cash	1,000
	\$ 13,400,404

(a) Deposits

At June 30, 2015 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, 2015 SCAG's carrying amount of cash in checking and payroll accounts was \$2,779,752 while the bank balance was \$2,974,510; 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, 2015, SCAG's cash in bank balance in excess of the amount insured amounted to \$2,724,510.

(b) Investments Authorized by SCAG'S Investment Policy

The table below identifies the investment types that are authorized for 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 address interest rate risk and concentration of credit risk.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	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, 2015 and as permitted by California Government Code Section 53635, a portion of SCAG's cash balance totaling \$10,619,652 was on deposit in the County Pool. Such investments are stated at fair value. 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	54.81
U.S. Treasury notes	0.42	0.42
U.S. Treasury bills	0.57	4.13
Negotiable certificates of deposit	0.16	11.47
Commercial paper	0.05	28.01
Los Angeles County securities	1.85	0.19
Corporate and deposit notes	1.41	0.97

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

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 Office of Management and Budget, 2 CFR Part 225, *Cost Principles for State and Local, and Indian Tribal Governments (OMB Circular A-87)*. 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 \$1,646,051 was carried forward from FY 2013-2014 and added to the under-recovered indirect costs for FY 2014-2015. The over-recovered amount is included in the General Fund and presented as liability. The fixed percentage rate that was approved by Caltrans and used for FY 2014-2015 was 74.56% of salaries plus fringe benefits. A reconciliation of the carryforward to FY 2014-2015 follows:

	Indirect costs
Indirect costs	\$ 10,858,012
Indirect costs recovered	<u>10,183,079</u>
(Over) under-recovered indirect costs	674,933
(Over) under-recovered indirect costs, beginning of year	<u>(1,646,051)</u>
(Over) under-recovered indirect costs, end of year	<u><u>\$ (971,118)</u></u>

The balance of over-recovered indirect costs at June 30, 2015 amounting to \$971,118 will be carried forward as an adjustment to the calculation of the indirect cost carryforward for the FY 2015-2016.

NOTE 4 UNEARNED REVENUE AND ADVANCES FROM GRANTORS

Unearned revenue consisted of the following:

(a) Membership Dues

Cash received as of June 30, 2015 for member dues for the following year amounted to \$293,984. The amount is reported as unearned revenue in the governmental and government-wide statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 4 UNEARNED REVENUE AND ADVANCES FROM GRANTORS (CONTINUED)

b) Grant Advances

Cash advances received from various grantees and not yet expended at June 30, 2015 amounted to \$189,134. The amount is reported as advances from grantors revenue in the governmental funds and government-wide financial statements.

NOTE 5 CAPITAL ASSETS

SCAG's capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets being depreciated:				
Computer equipment and software	\$ 6,431,612	\$ 259,835	\$ -	\$ 6,691,447
Leasehold improvements	209,867	-	-	209,867
Furniture and fixtures	439,094	21,882	(21,397)	439,579
Total capital assets being depreciated	<u>7,080,573</u>	<u>281,717</u>	<u>(21,397)</u>	<u>7,340,893</u>
Less accumulated depreciation and amortization:				
Computer equipment and software	(3,820,547)	(744,390)	-	(4,564,937)
Leasehold improvements	(161,053)	(9,543)	-	(170,596)
Furniture and fixtures	(332,232)	(43,002)	21,397	(353,837)
Total accumulated depreciation and amortization	<u>(4,313,832)</u>	<u>(796,935)</u>	<u>21,397</u>	<u>(5,089,370)</u>
Capital assets, net	<u>\$ 2,766,741</u>	<u>\$ (515,218)</u>	<u>\$ -</u>	<u>\$ 2,251,523</u>

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

Transportation	\$ 590,201
Aviation	13,185
Environmental	36,128
High speed rail	6,414
Housing	26,785
Sustainability initiatives	124,222
	<u>\$ 796,935</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 6 INTERFUND BALANCES

The interfund due to/from amounts at June 30, 2015 were as follows:

	Due from Other Funds		Due to Other Funds
Major governmental funds:			
General fund	\$ -	\$	5,676,621
FTA fund	-		1,611,965
FHWA fund	-		3,015,456
TDA fund	10,635,805		-
Total	10,635,805		10,304,042
 Nonmajor funds			
	299,838		631,601
	\$ 10,935,643	\$	10,935,643

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.

Following is a summary of transfers between funds during the year ended June 30, 2015:

Transfers In	Transfers Out	Amount	Purpose
General Fund	FTA Fund	\$ 1,828,482	Allocation of indirect costs
	FHWA Fund	7,598,655	Allocation of indirect costs
	TDA Fund	569,072	Allocation of indirect costs
	Nonmajor Funds	82,290	Allocation of indirect costs
	General Fund	7,027	To pay for nonmajor fund expenses
		\$ 10,085,526	

SCAG utilizes interfund transfers to reimburse the General Fund for indirect costs that are allocated to SCAG's federal, state, and local grant funds. Interfund transfers are also the result of subsidies provided from the General Fund to SCAG's federal, state, and local grant funds for unallowed and disallowed costs, if any, in conjunction with grant activities. Interfund transfers 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, 2015, SCAG is contractually committed to pay for certain future transportation, technical, and other planning consulting services amounting to \$14,229,885.

(c) Lease Commitments

At June 30, 2015, minimum lease commitments under noncancelable operating leases with initial terms of one year or more are as follows:

Year ending June 30	
2016	\$ 1,765,410
2017	1,811,905
2018	1,816,026
2019	1,730,618
2020	1,704,940
	\$ 8,828,899

(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.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. 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 2014-15 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) 50% of the \$2.5 million annual aggregate deductible in the \$3 million excess of \$2 million layer, (b) 50% quota share of the \$3 million excess of \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million excess of \$10 million layer.

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 2014-15 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 \$5,103,680. 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 2014-15.

(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, 2015, SCAG paid \$1,537,550 of health insurance premiums and \$212,235 of vision and dental insurance premiums, as well as \$579,399 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, 2014 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, 2015, SCAG management believes SCAG was in compliance with the financial covenants.

NOTE 9 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due within one year
Compensated absences	\$ 1,272,332	\$ 812,948	\$ 673,248	\$ 1,412,032	\$ 743,964
Net pension liability (PERS), as restated	28,429,689	9,210,480	14,842,779	22,797,390	-
Net pension liability (PARS), as restated	703,926	74,283	66,020	712,189	-
Other long-term liabilities	135,846	-	27,146	108,700	27,146
	<u>\$ 30,541,793</u>	<u>\$ 10,097,711</u>	<u>\$ 15,609,193</u>	<u>\$ 25,030,311</u>	<u>\$ 771,110</u>

Net pension liabilities are liquidated from the General Fund.

NOTE 10 RELATED PARTY TRANSACTIONS

For the year ended June 30, 2015, SCAG recorded \$1,871,720 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, 2015, are summarized as follows:

	Prior to <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible annual compensation	1.1% to 2.5%	1.0% to 2.5%
Required employee contribution	7.00%	6.25%
Required employer contribution	16.76%	16.76%

NOTE 11 RETIREMENT PLANS (CONTINUED)

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Inactive employees or beneficiaries	
currently receiving benefits	189
Active employees	130
	319

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

The SCAG's net pension liability for each 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, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 11 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	3.3% - 14.2% (1)
Investment rate of return	7.5% (2)
Mortality	RP-2000 Healthy Annuitant Mortality Table

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

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

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 7.50% 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent 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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 11 RETIREMENT PLANS (CONTINUED)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	100.0%		

(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
Notes to Financial Statements
Year ended June 30, 2015

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:

	<u>Increase (decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/Asset</u>
Balance at June 30, 2014	\$ 98,861,370	\$ 70,431,681	\$ 28,429,689
Service cost	1,926,065	-	1,926,065
Interest on total pension liability	7,284,415	-	7,284,415
Contributions from the employer	-	1,911,321	(1,911,321)
Contributions from the employee	-	962,936	(962,936)
Net investment income	-	11,968,522	(11,968,522)
Benefit payments, including refunds of employee contributions	(5,397,736)	(5,397,736)	-
	<u>3,812,744</u>	<u>9,445,043</u>	<u>(5,632,299)</u>
Balance at June 30, 2015	\$ <u>102,674,114</u>	\$ <u>79,876,724</u>	\$ <u>22,797,390</u>

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

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

	<u>Miscellaneous</u>
1% decrease	6.50%
Net pension liability	\$ 34,613,613
Current discount rate	7.50%
Net pension liability	\$ 22,797,390
1% increase	8.50%
Net pension liability	\$ 12,849,995

Pension Plan Fiduciary Net Position

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 11 RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2015, SCAG recognized pension expense of \$1,749,971. At June 30, 2015, 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
Pension contributions subsequent to measurement date	\$ 2,299,344	\$ -
Net differences between projected and actual earnings on plan investments	-	(5,470,949)
Total	\$ 2,299,344	\$ (5,470,949)

Contributions made subsequent to measurement date of \$2,299,344 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ending June 30	
2016	\$ (1,367,737)
2017	(1,367,737)
2018	(1,367,737)
2019	(1,367,737)

E. Payable to the Pension Plan

At June 30, 2015, SCAG reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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, 2015, are summarized as follows:

Employees Covered

At June 30, 2015, 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)

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 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, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2015
Measurement date	June 30, 2015
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	3.80%
Inflation	0.00%
Payroll growth	None (1)
Projected salary increase	None (1)
Investment rate of return	6.0% (2)
Mortality	Males: 1983 GAM Males (as prescribed by PARS) Females: 1983 GAM Males (as prescribed by PARS)

(1) Plan has no active members.

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

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, 2015, 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 4.29% as of June 30, 2014 to 3.80% as of June 30, 2015. The decrease in the discount rate increased the unfunded liability by approximately \$26,000. The unfunded liability, referred to as the Net Pension Liability, is \$12,000 for a funded ratio of 2.72% as of June 30, 2015.

C. Changes in the Net Pension Liability

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

	<u>Increase (decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/Asset</u>
Balance at June 30, 2014	\$ 723,218	\$ 19,292	\$ 703,926
Interest on total pension liability	29,637	-	29,637
Effect of economic/demographic gains or loss	18,819	-	18,819
Effect of assumption changes or inputs	25,827	-	25,827
Benefit payments	(65,430)	(65,430)	-
Contributions from the employer	-	69,953	(69,953)
Administrative expenses	-	(3,933)	3,933
Net Changes during FY 2014-15	<u>8,853</u>	<u>590</u>	<u>8,263</u>
Balance at June 30, 2015	<u>\$ 732,071</u>	<u>\$ 19,882</u>	<u>\$ 712,189</u>

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

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

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

		<u>Miscellaneous</u>
1% decrease		2.80%
Net pension liability	\$	770,248
Current discount rate		3.80%
Net pension liability	\$	712,189
1% increase		4.80%
Net pension liability	\$	661,119

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, 2015, SCAG recognized pension expense of \$77,276. At June 30, 2015, the SCAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on plan investments	\$	<u>940</u>
Total	\$	<u><u>940</u></u>

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

<u>Year ending June 30</u>		
2016	\$	(235)
2017		(235)
2018		(235)
2019		(235)

E. *Payable to the Pension Plan*

At June 30, 2015, SCAG reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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, 2015, plan assets totaling \$18,491,771 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 2014-2015, the actual number of retirees was 91. 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 future increases are capped at 2% every 3 years. 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 2014-2015, SCAG has paid to CalPERS the amount of \$902,369, 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 \$500,231. 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, 2015 was \$902,369. 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 2015. 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 percent initially, reduced by decrements of approximately 0.5% per year to an ultimate rate of 5 percent 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, 2015

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:

	Annual pension cost (APC)	Percentage of APC contributed	OPEB obligation
6/30/2013	\$ 859,000	100%	\$ —
6/30/2014	887,000	100%	—
6/30/2015	902,369	100%	—

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2015

NOTE 14 EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2015, expenditures by function exceeded appropriations of the following SCAG funds:

	Final Budget	Actual	Amount Exceeding Appropriations
Major Funds:			
General Fund			
Transportation	\$ 172,440	\$ 222,845	\$ (50,405)
Federal Highway Administration			
Housing	674,991	695,004	(20,013)

NOTE 15 RESTATEMENT

Government-Wide Statements

The beginning balance of net position of governmental activities in the government-wide Statement of Activities has been restated to retroactively report the net pension liability as of the beginning of the fiscal year as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. SCAG made adjustments for these items as a cumulative effect of change in accounting principle in the current fiscal year. This change resulted in a decrease in the beginning balance of net position by \$26,670,441.

Net position, beginning of year, as previously reported	\$ 13,818,620
Prior period adjustment	
Adjustment to record retroactive effect of implementing GASB Statement No. 68	(26,670,441)
Net position, beginning of the year, as restated.	\$ (12,851,821)

NOTE 16 SUBSEQUENT EVENTS

SCAG has evaluated events subsequent to June 30, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 21, 2015, 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, 2015

	<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	\$ 1,500,396	\$ 1,491,477	\$ 1,484,363	\$ (7,114)
Counties	293,146	292,356	292,357	1
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>1,913,542</u>	<u>1,903,833</u>	<u>1,871,720</u>	<u>(32,113)</u>
Leasehold improvement reimbursement	542,106	542,106	-	(542,106)
General assembly	205,000	250,000	345,195	95,195
Interest and other	102,503	102,503	137,613	35,110
Total revenues	<u>2,763,151</u>	<u>2,798,442</u>	<u>2,354,528</u>	<u>(443,914)</u>
Expenditures:				
Transportation:				
Contractual and professional services	-	172,440	222,845	(50,405)
Total transportation	<u>-</u>	<u>172,440</u>	<u>222,845</u>	<u>(50,405)</u>
Housing:				
Salaries and wages	66,032	66,032	34,616	31,416
Allocated fringe benefits	48,067	48,067	25,304	22,763
Allocated indirect costs	85,353	85,353	44,676	40,677
Contractual and professional services	-	10,000	6,240	3,760
Total housing	<u>199,452</u>	<u>209,452</u>	<u>110,836</u>	<u>98,616</u>
Administration:				
Salaries and wages	147,982	147,982	46,413	101,569
Allocated fringe benefits	107,721	107,721	33,928	73,793
Allocated indirect costs	191,281	191,281	59,902	131,379
Contractual and professional services	648,440	309,901	336,887	(26,986)
Capital outlay >\$5,000*	542,106	542,106	195,102	347,004
Interest and fees	15,000	15,000	12,694	2,306
Resources material/subscription	-	4,750	4,786	(36)
Hardware, software support & equipment <\$5,000	-	-	503	(503)
Meetings & conferences	50,000	114,250	122,978	(8,728)
General assembly	400,000	387,400	467,779	(80,379)
SCAG memberships	27,000	9,916	5,038	4,878
Office supplies	15,000	20,100	25,544	(5,444)
Reproduction and printing	6,000	14,250	20,507	(6,257)
Stipend-RC Mtg	211,440	211,440	179,340	32,100
RC sponsorships	69,720	114,900	147,050	(32,150)
Economic summit	50,000	78,000	77,899	101
Travel	81,500	85,065	104,149	(19,084)
Other	44,719	62,488	61,390	1,098
Total administration	<u>2,607,909</u>	<u>2,416,550</u>	<u>1,901,889</u>	<u>514,661</u>
Total expenditures	<u>2,807,361</u>	<u>2,798,442</u>	<u>2,235,570</u>	<u>562,872</u>
Excess (deficiency) of revenues over expenditures	(44,210)	-	118,958	118,958
Other financing sources (uses)				
Transfer out	-	-	(7,027)	(7,027)
Change in fund balance	(44,210)	-	111,931	111,931
Fund balance at beginning of year	4,779,359	4,779,359	4,779,359	-
Fund balance at end of year	<u>\$ 4,735,149</u>	<u>\$ 4,779,359</u>	<u>\$ 4,891,290</u>	<u>\$ 111,931</u>

* Actual amount does not include salaries and wages, allocated fringe benefits, allocated indirect costs and other expenses capitalized in computer software.

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
Year ended June 30, 2015

	<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	\$ 10,156,865	\$ 11,703,216	\$ 9,376,680	\$ (2,326,536)
Expenditures:				
Transportation:				
Salaries and wages	1,468,516	1,333,052	1,323,473	9,579
Allocated fringe benefits	1,068,984	970,375	967,467	2,908
Allocated indirect costs	1,898,200	1,723,100	1,708,125	14,975
Contractual and professional services	2,793,123	4,119,745	2,856,594	1,263,151
SCAG memberships	6,000	6,000	-	6,000
Resources material/subscription	-	22,000	-	22,000
Meetings & conferences	19,668	19,668	775	18,893
Travel	65,630	64,994	23,210	41,784
Total transportation	<u>7,320,121</u>	<u>8,258,934</u>	<u>6,879,644</u>	<u>1,379,290</u>
Housing:				
Contractual and professional services	44,265	70,824	51,719	19,105
Total housing	<u>44,265</u>	<u>70,824</u>	<u>51,719</u>	<u>19,105</u>
Environmental:				
Contractual and professional services	132,795	374,733	196,699	178,034
Total environmental	<u>132,795</u>	<u>374,733</u>	<u>196,699</u>	<u>178,034</u>
Sustainability initiatives:				
Contractual and professional services	2,239,834	2,357,550	1,719,179	638,371
Total sustainability initiatives	<u>2,239,834</u>	<u>2,357,550</u>	<u>1,719,179</u>	<u>638,371</u>
Aviation:				
Contractual and professional services	132,795	354,120	247,659	106,461
Total aviation	<u>132,795</u>	<u>354,120</u>	<u>247,659</u>	<u>106,461</u>
High Speed Rail:				0
Salaries and wages	93,048	93,048	93,254	(206)
Allocated fringe benefits	67,733	67,733	68,169	(436)
Allocated indirect costs	120,274	120,274	120,357	(83)
Travel	6,000	6,000	-	6,000
Total high speed rail	<u>287,055</u>	<u>287,055</u>	<u>281,780</u>	<u>5,275</u>
Total expenditures	<u>10,156,865</u>	<u>11,703,216</u>	<u>9,376,680</u>	<u>2,326,536</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, 2015

	<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	\$ 5,100,000	\$ 5,100,000	\$ 5,090,058	\$ (9,942)
Expenditures:				
Transportation:				
Pass-through payments	5,100,000	5,100,000	5,090,058	9,942
Total transportation	5,100,000	5,100,000	5,090,058	9,942
Total expenditures	5,100,000	5,100,000	5,090,058	9,942
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 Highway Administration
Year ended June 30, 2015

	<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	\$ 19,677,674	\$ 20,564,551	\$ 19,132,172	\$ (1,432,379)
Expenditures:				
Transportation:				
Salaries and wages	4,633,593	4,855,839	4,624,771	231,068
Allocated fringe benefits	3,268,131	3,368,910	3,255,980	112,930
Allocated indirect costs	5,910,959	6,089,913	5,875,888	214,025
Contractual and professional services	506,000	882,325	510,896	371,429
Hardware, software support & equipment <\$5,000	771,500	687,700	347,106	340,594
Resources material/subscription	60,000	60,000	176,684	(116,684)
Meetings & conferences	30,332	30,332	7,808	22,524
Reproduction and printing	10,500	10,500	3,983	6,517
Travel	158,870	159,506	125,436	34,070
Other	38,000	94,478	35,296	59,182
Total transportation	<u>15,387,885</u>	<u>16,239,503</u>	<u>14,963,848</u>	<u>1,275,655</u>
Housing:				
Salaries and wages	215,853	215,853	228,754	(12,901)
Allocated fringe benefits	157,127	157,127	167,220	(10,093)
Allocated indirect costs	279,011	279,011	295,239	(16,228)
Resources material/subscription	-	-	20	(20)
Meetings & conferences	11,000	11,000	435	10,565
Travel	12,000	12,000	3,336	8,664
Total housing	<u>674,991</u>	<u>674,991</u>	<u>695,004</u>	<u>(20,013)</u>
Environmental:				
Salaries and wages	360,420	360,420	342,378	18,042
Allocated fringe benefits	249,259	249,259	243,879	5,380
Allocated indirect costs	456,076	456,076	437,113	18,963
Contractual and professional services	-	44,265	42,917	1,348
Hardware, software support & equipment <\$5,000	30,000	30,000	59,019	(29,019)
Meetings & conferences	-	-	32	(32)
Travel	5,000	5,000	7,421	(2,421)
Reproduction and printing	2,000	2,000	-	2,000
Other	-	-	270	(270)
Total environmental	<u>1,102,755</u>	<u>1,147,020</u>	<u>1,133,029</u>	<u>13,991</u>
Sustainability initiatives:				
Salaries and wages	706,131	703,149	674,644	28,505
Allocated fringe benefits	500,914	498,744	482,366	16,378
Allocated indirect costs	902,942	899,088	862,666	36,422
Meetings & conferences	25,000	25,000	4,641	20,359
Reproduction and printing	20,000	20,000	-	20,000
Travel	10,000	10,000	16,478	(6,478)
Total sustainability initiatives	<u>2,164,987</u>	<u>2,155,981</u>	<u>2,040,795</u>	<u>115,186</u>
Aviation:				
Salaries and wages	114,899	114,899	98,981	15,918
Allocated fringe benefits	83,639	83,639	72,356	11,283
Allocated indirect costs	148,518	148,518	127,749	20,769
Travel	-	-	410	(410)
Total aviation	<u>347,056</u>	<u>347,056</u>	<u>299,496</u>	<u>47,560</u>
Total expenditures	<u>19,677,674</u>	<u>20,564,551</u>	<u>19,132,172</u>	<u>1,432,379</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, 2015

	<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	\$ 5,304,719	\$ 5,304,719	\$ 5,345,010	\$ 40,291
Expenditures:				
Transportation:				
Salaries and wages	436,714	449,316	361,181	88,135
Allocated fringe benefits	186,872	196,046	187,447	8,599
Allocated indirect costs	466,480	482,770	409,057	73,713
Contractual and professional services	868,879	1,182,849	640,399	542,450
Meetings & conferences	-	1,934	-	1,934
Total transportation	<u>1,958,945</u>	<u>2,312,915</u>	<u>1,598,084</u>	<u>714,831</u>
Housing:				
Salaries and wages	100,010	100,010	97,593	2,417
Allocated fringe benefits	72,801	72,801	71,341	1,460
Allocated indirect costs	129,273	129,273	125,958	3,315
Contractual and professional services	30,735	34,176	19,283	14,893
Travel	-	-	268	(268)
Total housing	<u>332,819</u>	<u>336,260</u>	<u>314,443</u>	<u>21,817</u>
Environmental:				
Salaries and wages	31,936	31,936	26,388	5,548
Allocated fringe benefits	23,247	23,247	19,290	3,957
Allocated indirect costs	41,280	41,280	34,058	7,222
Contractual and professional services	17,205	54,286	31,045	23,241
Total environmental	<u>113,668</u>	<u>150,749</u>	<u>110,781</u>	<u>39,968</u>
Sustainability initiatives:				
Contractual and professional services	<u>2,310,166</u>	<u>4,528,268</u>	<u>1,627,030</u>	<u>2,901,238</u>
Total sustainability initiatives	<u>2,310,166</u>	<u>4,528,268</u>	<u>1,627,030</u>	<u>2,901,238</u>
Aviation:				
Contractual services	<u>17,205</u>	<u>45,880</u>	<u>32,087</u>	<u>13,793</u>
Total aviation	<u>17,205</u>	<u>45,880</u>	<u>32,087</u>	<u>13,793</u>
Total expenditures	<u>4,732,803</u>	<u>7,374,072</u>	<u>3,682,425</u>	<u>3,691,647</u>
Excess of revenues over expenditures	571,916	(2,069,353)	1,662,585	3,731,938
Fund balance at beginning of year	<u>8,195,221</u>	<u>8,195,221</u>	<u>8,195,221</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,767,137</u>	<u>\$ 6,125,868</u>	<u>\$ 9,857,806</u>	<u>\$ 3,731,938</u>

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

	2015
Net Pension Liability	
Service Cost	\$ 1,926,065
Interest on Total Pension Liability	7,284,415
Benefit Payments, including refunds of employee contributions	<u>(5,397,736)</u>
Net change in total pension liability	3,812,744
Total pension liability - beginning	<u>98,861,370</u>
Total pension liability - ending (a)	<u><u>\$ 102,674,114</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 1,911,321
Contributions - employee	962,936
Net investment income	11,968,522
Benefit payments	<u>(5,397,736)</u>
Net change in Plan Fiduciary Net Position	9,445,043
Plan Fiduciary Net Position - beginning	<u>70,431,681</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 79,876,724</u></u>
 Net pension liability - ending (a) - (b)	<u><u>\$ 22,797,390</u></u>
 Plan fiduciary net position as a percentage of total pension liability	<u><u>77.80%</u></u>
 Covered employee payroll	<u><u>\$ 12,208,828</u></u>
 Net pension liability as a percentage of covered employee payroll	<u><u>186.73%</u></u>

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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

	<u>2015</u>
Actuarially determined contribution	\$ 1,911,321
Contributions made	(1,911,321)
Contribution deficiency (excess)	\$ -
Covered-Employee Payroll	\$12,208,828
Contributions as a percentage of Covered-Employee Payroll	15.66%

Notes to Schedule

Valuation date: 6/30/2013

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	7.50%, 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	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is 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>
Net Pension Liability	
Service Cost	\$ -
Interest on Total Pension Liability	29,637
Effect of liability gains or losses	18,819
Effect of assumption changes or inputs	25,827
Employer contributions	(65,430)
Total pension liability - beginning	<u>723,218</u>
Total pension liability - ending (a)	<u>\$ 732,071</u>
 Plan Fiduciary Net Position	
Benefit payments	\$ (65,430)
Administrative expenses	(3,933)
Contributions - employer	69,953
Contributions - employee	-
Expected investment income (net of investment expenses)	1,175
Investment gains or losses	<u>(1,175)</u>
Net change in Plan Fiduciary Net Position	590
Plan Fiduciary Net Position - beginning	<u>19,292</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 19,882</u>
 Net pension liability - ending (a) - (b)	<u>\$ 712,189</u>
 Plan fiduciary net position as a percentage of total pension liability	<u>2.72%</u>
 Covered employee payroll	<u>\$ 12,208,828</u>
 Net pension liability as a percentage of covered employee payroll	<u>5.83%</u>

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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

	2015
Actuarially determined contribution	\$ 607,588
Contributions made	(607,588)
Contribution deficiency (excess)	\$ -
Covered-Employee Payroll	<u>N/A</u>
Contributions as a percentage of Covered-Employee Payroll	<u>N/A</u>

Notes to Schedule

Valuation date: 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
normal	
Amortization method	Level 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: 1983 GAM Males (as prescribed by PARS)
Females: 1983 GAM Females (as prescribed by PARS)

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2015

BUDGETARY BASIS OF ACCOUNTING

An annual budget is prepared and established for the General Fund, the Federal Transportation Administration Fund (FTA Fund), the Federal Highway Administration Fund (FHWA Fund) and Transportation Development Act (TDA Fund). Expenditures are controlled at the functional level. The budgets are approved separately by the Regional Council and the General Assembly of SCAG as required by the bylaws. For all other fund budgets, financial and fiscal controls are accomplished through an Overall Work Program (OWP). SCAG's management is responsible for preparing the annual OWP at the direction of the Regional Council.

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, the SCAG 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	\$ 2,354,528	\$ 2,354,528	\$ -
Total expenditures	(2,235,570)	(11,908,637)	(9,673,067)
Total other financing sources	(7,027)	10,071,472	10,078,499
Net change in fund balance	\$ 111,931	\$ 517,363	\$ 405,432

FTA Fund

	Actual/ budget as presented in the budget	Actual/ GAAP as presented in the financial statements	Difference
Total revenues	\$ 9,376,680	\$ 9,376,680	\$ -
Total expenditures	(9,376,680)	(7,548,198)	1,828,482
Total other financing uses	-	(1,828,482)	(1,828,482)
Net change in fund balance	\$ -	\$ -	\$ -

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2015

FTA 5339 Fund

	Actual/ budget as presented in the budget	Actual/ GAAP as presented in the financial statements	Difference
Total revenues	\$ 5,090,058	\$ 5,090,058	\$ -
Total expenditures	(5,090,058)	(5,090,058)	-
Net change in fund balance	\$ -	\$ -	\$ -

FHWA Fund

	Actual/ budget as presented in the budget	Actual/ GAAP as presented in the financial statements	Difference
Total revenues	\$ 19,132,172	\$ 19,132,172	\$ -
Total expenditures	(19,132,172)	(11,533,517)	7,598,655
Total other financing uses	-	(7,598,655)	(7,598,655)
Net change in fund balance	\$ -	\$ -	\$ -

TDA Fund

	Actual/ budget as presented in the budget	Actual/ GAAP as presented in the financial statements	Difference
Total revenues	\$ 5,345,010	\$ 5,345,010	\$ -
Total expenditures	(3,682,425)	(3,113,353)	569,072
Total other financing uses	-	(569,072)	(569,072)
Net change in fund balance	\$ 1,662,585	\$ 1,662,585	\$ -

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2015

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, 2015

Assets	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receivables:				
Federal grants	\$ 1,186,392	\$ -	\$ -	\$ 1,186,392
State grants and contracts	-	354,713	-	354,713
Local grants and contracts	-	-	57,652	57,652
Due from other funds	-	-	299,838	299,838
Total assets	<u>\$ 1,186,392</u>	<u>\$ 354,713</u>	<u>\$ 357,490</u>	<u>\$ 1,898,595</u>
 Liabilities and Fund Balances				
Accounts and contracts payable	\$ 709,150	\$ 189,386	\$ 179,324	\$ 1,077,860
Advances from grantors	19,815	-	169,319	189,134
Due to other funds	<u>457,427</u>	<u>165,327</u>	<u>8,847</u>	<u>631,601</u>
Total liabilities	1,186,392	354,713	357,490	1,898,595
 Fund balances – restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,186,392</u>	<u>\$ 354,713</u>	<u>\$ 357,490</u>	<u>\$ 1,898,595</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Funds
Year ended June 30, 2015

	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Grant revenues, net	\$ 2,251,974	\$ 639,123	\$ 483,738	\$ 3,374,835
Expenditures:				
Transportation:				
Salaries and wages	70,529	12,222	-	82,751
Allocated fringe benefits	18,684	8,935	-	27,619
Allocated indirect costs *	66,515	15,775	-	82,290
Contractual services	2,093,987	609,218	483,738	3,186,943
Other	2,259	-	-	2,259
Total transportation	2,251,974	646,150	483,738	3,381,862
Total expenditures	2,251,974	646,150	483,738	3,381,862
Excess of revenues over expenditures	-	(7,027)	-	(7,027)
Other financing sources (uses):				
Transfers in	-	7,027	-	7,027
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

* Allocated indirect costs are presented as part of "Other Financing Uses - Transfers out" in the Statement of Revenues, Expenditures, and Changes in Fund Balance (page 30).

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:

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

FHWA – STP

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

FHWA – INVEST

This fund is established to account for revenues from the Federal Highway Administration for the Sustainable Highways Self-Evaluation Sustainability Tool. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

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 Federal Highway Administration for the Strategic Highway Research Program 2 (SHRP2) and the Pacific Coast Highway Safety Study, 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, 2015

	FTA			Value Pricing	FHWA		Other Federal Funds 20075, 20090, 20097, 20098, 60004, 60010, 60026	Total Federal Nonmajor Funds
	Sec. 5304	JARC	New Freedom		STP	Invest		
	20070	20080	20085	20100	20035	20076		
Assets								
Receivables – federal grants	\$ 203,640	\$ 14,791	\$ 6,870	\$ 819,922	\$ 54,049	\$ 36,073	\$ 51,047	\$ 1,186,392
Total assets	<u>\$ 203,640</u>	<u>\$ 14,791</u>	<u>\$ 6,870</u>	<u>\$ 819,922</u>	<u>\$ 54,049</u>	<u>\$ 36,073</u>	<u>\$ 51,047</u>	<u>\$ 1,186,392</u>
Liabilities and Fund Balances								
Accounts and contracts payable	\$ 138,148	\$ -	\$ -	\$ 513,788	\$ 54,049	\$ -	\$ 3,165	\$ 709,150
Advances from grantors	-	-	-	-	-	-	19,815	19,815
Due to other funds	65,492	14,791	6,870	306,134	-	36,073	28,067	457,427
Total liabilities	203,640	14,791	6,870	819,922	54,049	36,073	51,047	1,186,392
Fund balances - restricted	-	-	-	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 203,640</u>	<u>\$ 14,791</u>	<u>\$ 6,870</u>	<u>\$ 819,922</u>	<u>\$ 54,049</u>	<u>\$ 36,073</u>	<u>\$ 51,047</u>	<u>\$ 1,186,392</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Federal Nonmajor Funds
Year ended June 30, 2015

	FTA			FHWA			Other	Total Federal Nonmajor Funds
	Sec. 5304	JARC	New Freedom	Value Pricing	STP	Invest	Federal Funds	
	20070	20080	20085	20100	20035	20076	20075, 20097, 20098, 60026	
Federal grants and services	\$ 570,223	\$ 58,306	\$ 26,005	\$ 1,328,991	\$ 54,049	\$ 36,073	\$ 178,327	\$ 2,251,974
Expenditures:								
Transportation:								
Salaries and wages	-	28,048	12,511	-	-	18,273	11,697	70,529
Allocated fringe benefits	-	5,354	2,387	-	-	2,392	8,551	18,684
Allocated indirect costs	-	24,904	11,107	-	-	15,408	15,096	66,515
Contractual services	570,223	-	-	1,328,991	54,049	-	140,724	2,093,987
Other	-	-	-	-	-	-	2,259	2,259
Total transportation	570,223	58,306	26,005	1,328,991	54,049	36,073	178,327	2,251,974
Total expenditures	570,223	58,306	26,005	1,328,991	54,049	36,073	178,327	2,251,974
Net change in fund balance	-	-	-	-	-	-	-	-
Fund balances at beginning of year	-	-	-	-	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
State Nonmajor Funds
June 30, 2015

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

SGC SCS:

These are Prop 84 funds intended for projects that further the goal laid out in AB 32, specifically greenhouse gas emissions reduction.

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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
State Nonmajor Funds
June 30, 2015

	<u>SGC SCS</u>	<u>SGC 2012</u>	<u>UCB ORIGIN</u>	<u>SGCR3</u>	<u>Total State Nonmajor Funds</u>
	<u>30201</u>	<u>30204</u>	<u>30205</u>	<u>30206</u>	
Assets					
Receivables – state grants	\$ -	\$ 303,966	\$ 6,092	\$ 44,655	\$ 354,713
Total assets	\$ -	\$ 303,966	\$ 6,092	\$ 44,655	\$ 354,713
Liabilities and Fund Balances					
Accounts and contracts payable	\$ -	\$ 163,140	\$ -	\$ 26,246	\$ 189,386
Due to other funds	-	140,826	6,092	18,409	165,327
Total liabilities	-	303,966	6,092	44,655	354,713
Fund balances - restricted	-	-	-	-	-
Total liabilities and fund balances	\$ -	\$ 303,966	\$ 6,092	\$ 44,655	\$ 354,713

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
State Nonmajor Funds
Year ended June 30, 2015

	<u>SGC SCS</u>	<u>SGC 2012</u>	<u>UCB ORIGIN</u>	<u>SGCR3</u>	<u>Total State Nonmajor Funds</u>
	<u>30201</u>	<u>30204</u>	<u>30205</u>	<u>30206</u>	
State grants and contracts	\$ 143,268	\$ 445,107	\$ 6,093	\$ 44,655	\$ 639,123
Expenditures:					
Transportation:					
Salaries and wages	12,222	-	-	-	12,222
Allocated fringe benefits	8,935	-	-	-	8,935
Allocated indirect costs	15,775	-	-	-	15,775
Contractual services	113,363	445,107	6,093	44,655	609,218
Total transportation	<u>150,295</u>	<u>445,107</u>	<u>6,093</u>	<u>44,655</u>	<u>646,150</u>
Excess of revenues over expenditures	(7,027)	-	-	-	(7,027)
Other financing uses:					
Transfers out	<u>7,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,027</u>
Net change in fund balance	-	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Local Nonmajor Funds
June 30, 2015

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

LACMTA Expenses:

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

Combined Other Accounts:

This fund is established to account for revenues from the Cities of Fullerton, Pomona, Palmdale, Palm Springs, Calimesa, Bell and Malibu; San Bernardino Associated Governments, the Orange County Transportation Authority, The South Coast Air quality Management District, Imperial County Transportation Commission, the County of Imperial 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, 2015

	<u>LACMTA Express</u>	<u>Combined Other Funds</u>	
		60013, 60016, 60022 60023, 60024, 60025 60027, 60028, 60029 60030, 60031, 60032 60034, 60035, 60039	Total Local Nonmajor Funds
	<u>60021</u>		
Assets			
Receivables – local grants	\$ -	\$ 57,652	\$ 57,652
Due from other funds	93,725	206,113	299,838
Total assets	<u>\$ 93,725</u>	<u>\$ 263,765</u>	<u>\$ 357,490</u>
Liabilities and Fund Balances			
Accounts and contracts payable	\$ 36,747	\$ 142,577	\$ 179,324
Advances from grantors	56,978	112,341	169,319
Due to other funds	-	8,847	8,847
Total liabilities	<u>93,725</u>	<u>263,765</u>	<u>357,490</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 93,725</u>	<u>\$ 263,765</u>	<u>\$ 357,490</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Local Nonmajor Funds
Year ended June 30, 2015

	<u>LACMTA Express</u>	<u>60021</u>	<u>Combined Other Funds</u> 60013, 60016, 60022 60023, 60024, 60025 60027, 60028, 60029 60030, 60031, 60032 60034, 60035, 60039	<u>Total Local Nonmajor</u>
Local grants and services	\$	108,325	\$ 375,413	\$ 483,738
Expenditures:				
Transportation:				
Contractual services		108,325	375,413	483,738
Total transportation		<u>108,325</u>	<u>375,413</u>	<u>483,738</u>
Net change in fund balance		-	-	-
Fund balances at beginning of year		-	-	-
Fund balances at end of year	\$	<u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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SUPPLEMENTAL SCHEDULES

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Indirect Costs
Year ended June 30, 2015

Indirect costs:	
Salaries and wages	\$ 3,402,453
Temporary help	86,415
Fringe benefits	2,460,443
Consultants	1,245,741
Legal services	88,681
Professional services	6,783
Computer support	541,270
Equipment repairs and maintenance	66,626
Office space leases	1,656,203
Equipment lease	81,832
Insurance	43,236
Taxes	2,152
Office purchases under \$5,000	264,603
Office supplies	74,213
Telephone	172,190
Postage and delivery	16,821
Memberships	127,435
Professional materials	37,499
Depreciation	232,215
Recruitment costs	68,705
Staff training	58,103
Printing	1,518
Travel	103,146
Other	19,729
Total indirect costs	<u>10,858,012</u>
Indirect costs recovered:	
General Fund	104,579
Federal Transportation Administration	1,828,482
Federal Highway Administration	7,598,655
Transportation Development Act	569,072
Nonmajor Funds	82,291
Total indirect costs recovered	<u>10,183,079</u>
Under-recovered	(674,933)
Over-recovered indirect costs at beginning of year	<u>1,646,051</u>
Over-recovered indirect costs at end of year	<u>\$ 971,118</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Fringe Benefits
Year ended June 30, 2015

Fringe benefits:		
Employee leave and other salary benefits	\$	1,735,821
PERS/Other Retirement Plans		3,269,136
Life insurance		80,610
Health insurance		2,329,184
Medicare and social security taxes - employer share		167,698
Tuition reimbursement		26,931
Bus passes		132,160
Carpool parking subsidy		1,890
Worker's compensation/unemployment insurance		148,970
Deferred compensaton employer match		115,592
Other		<u>74,817</u>
Total fringe benefits		<u>8,082,809</u>
Fringe benefits recovered		
Allocated to indirect costs		2,460,443
General Fund		59,233
Federal Transportation Administration		1,035,636
Federal Highway Administration		4,221,801
Transportation Development Act		278,078
Nonmajor Funds		<u>27,618</u>
Total		<u>8,082,809</u>
Under-recovered fringe benefits		-
Under-recovered fringe benefits at beginning of year		<u>-</u>
Under-recovered fringe benefits at end of year	\$	<u><u>-</u></u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Distribution of Salaries and Fringe Benefits by Project Area
Year ended June 30, 2015

	<u>Salaries and wages</u>	<u>Fringe benefits</u>	<u>Salaries, wages, and fringe benefits</u>
Charges to Direct projects	\$ 7,954,168	\$ 5,563,133	\$ 13,517,301
Charges to General Fund projects	81,029	59,233	140,262
Charges to Indirect projects	<u>3,402,453</u>	<u>2,460,443</u>	<u>5,862,896</u>
Totals	<u>\$ 11,437,650</u>	<u>\$ 8,082,809</u>	<u>\$ 19,520,459</u>

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**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 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Invested in capital assets	\$ 289,656	\$ 412,828	\$ 481,769	\$ 746,236	\$ 1,645,468	\$ 1,536,963	\$ 1,615,120	\$ 1,954,455	\$ 2,766,741	\$ 2,251,523
Restricted					1,534,921	1,417,565	3,547,633	4,408,177	8,195,221	9,857,806
Unrestricted	1,549,748	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)
Total governmental activities										
net assets	\$ 1,839,404	\$ 3,165,194	\$ 3,848,973	\$ 4,801,921	\$ 5,580,806	\$ 6,127,765	\$ 8,391,462	\$ 9,568,535	\$ 13,818,620	\$ (10,663,294)

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									
	2006	2007	2008	2009	2010	2011	2012 ⁴	2013	2014	2015
Governmental activities:										
Expenses:										
Transportation	\$ 20,640,246	\$ 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
High speed rail	1,773,395	443,831	363,924	91,840	37,979	87,980	135,882	196,200	305,054	281,500
Aviation	1,019,056	626,352	123,407	17,275	289,498	845,705	472,799	357,539	303,773	585,322
Energy	-	96,435	116,947	47,152	-	-	-	-	-	-
Environmental	156,337	-	-	-	-	1,809,901	2,626,070	320,850	1,403,147	1,450,795
Housing	49,769	-	-	-	-	1,194,623	665,008	1,993,419	1,505,232	1,128,200
Water	-	77,615	-	-	-	-	-	-	-	-
Social services	-	11,419	-	-	-	-	-	-	-	-
Sustainability initiatives	-	-	-	-	-	-	-	5,473,095	2,173,803	5,463,860
Administration	1,595,922	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
Interest on line of credit	-	-	-	-	-	-	-	-	-	-
Total expenses	25,234,725	28,480,187	31,798,635	28,475,132	34,870,594	32,599,678	36,194,018	34,419,654	30,849,530	42,484,756
Program revenues:										
Charges for services - member dues	1,367,785	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
Operating grants and contributions	23,638,803	27,198,415	30,763,997	27,643,659	33,834,170	30,949,013	36,245,424	33,510,829	32,833,285	42,318,755
Total program revenues	25,006,588	28,636,550	32,284,802	29,252,688	35,328,693	32,515,019	38,005,055	35,290,013	34,667,807	44,190,475
Net revenues (expenses)	(228,137)	156,363	486,167	777,556	458,099	(84,659)	1,811,037	870,359	3,818,277	1,705,719
General revenues and other changes in net assets:										
Interest income	149,276	146,987	104,946	86,581	49,759	51,647	46,580	26,479	53,149	75,652
Other income	413,251 ¹	158,736	92,366	61,383	271,027	579,971 ²	406,080 ³	278,235 ⁵	378,659	407,156
Changes in net assets	\$ 334,390	\$ 462,086	\$ 683,479	\$ 925,520	\$ 778,885	\$ 546,959	\$ 2,263,697	\$ 1,175,073	\$ 4,250,085	\$ 2,188,527

¹ Other income for the year ended June 30, 2006 includes the refund from the JPIA amounting to \$250,311.

² Other income for the year ended June 30, 2011 includes the refund from the JPIA amounting to \$307,281.

³ Other income for the year ended June 30, 2012 includes the refund from the JPIA amounting to \$155,750.

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									
	2006	2007	2008	2009	2010	2011*	2012	2013	2014	2015
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,714,955	1,861,607	2,923,649	3,431,480	4,506,578	-	-	-	-	-
Nonspendable	-	-	-	-	-	317,801	502,200	262,658	652,453	580,163
Unassigned	-	-	-	-	-	4,357,692	4,444,550	4,546,068	4,126,906	4,716,559
Total general fund	\$ 2,714,955	\$ 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
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
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

* 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Federal grants	\$ 21,694,775	\$ 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
State grants and contracts	206,516	1,148,805	1,866,733	986,200	270,940	582,123	1,682,599	798,043	489,803	639,123
Local grants and contracts	1,827,834	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
Membership assessments	1,367,785	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
Interest and other	312,216	205,945	197,312	147,964	324,153	324,337	731,702	306,714	431,808	482,808
Total revenues	25,409,126	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
Expenditures:										
Current:										
Transportation	20,401,077	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
Aviation	1,019,262	627,253	123,407	17,275	163,086	636,484	277,796	176,017	174,845	451,493
Water	-	77,956	-	-	-	-	-	-	-	-
High speed rail	2,365,430	443,831	363,924	91,840	-	44,538	68,460	96,590	140,800	161,423
Housing	50,179	-	-	-	-	746,686	342,391	1,180,258	922,718	706,129
Energy	-	11,471	108,100	47,152	-	-	-	-	-	-
Social Services	-	96,435	-	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	1,090,079	1,598,322	158,345	887,807	969,338
Sustainability initiatives	-	-	-	-	-	-	-	3,959,891	1,325,204	4,524,338
Administration	1,536,062	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
Capital outlay	37,822	247,578	257,272	366,192	86,443	471,909	648,416	994,145	1,478,360	281,717
Total expenditures	25,409,832	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
Excess (deficiency) of revenues over (under) expenditures	(706)	(516,300)	1,441,495	925,520	612,125	51,559	2,401,325	722,520	3,757,677	2,179,948
Other financing sources (uses)										
Transfers in	7,801,604	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	(7,801,604)	(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 balances	\$ (706)	\$ (516,300)	\$ 1,441,495	\$ 925,520	\$ 612,125	\$ 51,559	\$ 2,401,325	\$ 722,520	\$ 3,757,677	\$ 2,179,948

¹ Certain amounts in 2012 have been reclassified to conform with the 2013 presentation.

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

Fiscal year	Indirect cost	Fringe benefits	Totals
2006	\$ 8,011,914	\$ 4,024,285	\$ 12,036,199
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	9,870,797	7,406,943	17,277,740
2015	10,858,012	8,082,809	18,940,821

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>
2006	160	13,885,562	\$ 1,070,516	6	2,017,321	\$ 262,269	3	\$ 50,000
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	1,391,884	6	2,066,588	290,942	5	95,000
2014	191	15,764,229	1,446,376	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

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

<u>City/County</u>	<u>2015</u>		<u>2010</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	\$ 335,778	18%	\$ 277,075	19%
County of Los Angeles	125,076	7%	107,276	7%
County of Riverside	56,067	3%	60,986	4%
County of San Bernardino	50,675	3%	43,179	3%
City of Long Beach	41,238	2%	34,875	2%
County of Orange	35,424	2%	30,962	2%
City of Anaheim	30,720	2%	24,746	2%
City of Santa Ana	29,314	2%	Not a member	
City of Riverside	27,759	1%	21,270	1%
SANBAG	25,000	1%	22,500	2%
RCTC	25,000	1%	22,500	2%
OCTA	25,000	1%	22,500	2%
City of Irvine	20,760	1%	15,233	1%
County of Ventura	18,360	1%	15,688	1%
City of Glendale	17,516	1%	15,053	1%
	<u>\$ 863,687</u>	<u>46%</u>	<u>\$ 713,843</u>	<u>49%</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
2006	166,585	10,245,572	3,072,336	1,953,330	1,991,829	817,346	18,246,998
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

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
2006	46,644	3,223,497	984,386	626,668	583,493	261,570	5,726,258
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

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>
2006	56,200	4,100,100	1,524,300	620,500	664,400	320,700	7,286,200
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

Source: Processed by SCAG Staff; CA EDD - July 2014 Benchmark

2015 data: Estimation based on average between Jan 15 and May 15

2015 data: Wage & Salary in San Bernardino and Riverside are calculated in the proportion of Wage & Salary in those counties (Riverside and San Bernardino) in 2014

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

<u>Calendar year</u>	<u>Imperial</u>	<u>Los Angeles</u>	<u>Orange</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Ventura</u>	<u>Total</u>
2006	63,200	4,808,600	1,601,800	883,400	862,100	420,600	8,639,700
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

Source: Processed by SCAG Staff; CA EDD - July 2014 Benchmark
2015 data: Estimation based on average between Jan 15 and May 15

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

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2006	9,700	229,900	54,400	44,400	41,500	18,100	398,000
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

Source: Processed by SCAG Staff; CA EDD - July 2014 Benchmark
2015 data: Estimation based on average between Jan 15 and June 15 and 2014

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

	No. of Employees	Type of Business		No. of Employees	Type of Business
Imperial (Updated July 2015)			Riverside		
1 Maui Harvesting	3,000	Harvesting	1 County of Riverside	21,300	Government
2 Imperial Irrigation District	1,400	Utilities	2 March Air Reserve Base	8,500	Government
3 Walmart	1,200	Retailer	3 UC Riverside	7,200	Education
4 Imperial County	1,200	Government	4 Riverside Unified School District	6,400	Education
5 US Border Control	1,200	Government	5 Kaiser Permanente Riverside Medical Center	4,500	Hospital
6 Calipatria State Prison	1,200	Correctional Institution	6 City of Riverside	2,400	Government
7 Centinela State Prison	1,100	Correctional Institution	7 Riverside Community Hospital	1,800	Hospital
8 El Centro Regional Medical Center	1,000	Hospital	8 Riverside County Office of Edu.	1,700	Education
9 Jjall LLC	1,000	Labor Contractors	9 Alword Unified School District	1,400	Education
10 Pioneers Memorial Hospital	700	Hospital	10 Parkview Community Hospital	1,400	Hospital
Los Angeles (Updated July 2015)			San Bernardino		
1 Los Angeles County	95,700	Government	1 County of San Bernardino	19,000	Government
2 Los Angeles Unified School District	59,600	Education	2 Stater Bros. Markets	18,200	Grocery
3 City of Los Angeles	47,700	Government	3 U.S. Army, Fort Irwin & National Training Center	13,800	Government
4 UCLA	40,600	Education and Hospital	4 Loma Linda University	13,800	Education
5 Kaiser Permanente	35,900*	Hospital	5 U.S. Marine Corps Air Ground Combat Center	12,500	Government
6 Nestle	20,000*	Food Products	6 United Parcel Service	8,600	Postal Service
7 USC	14,700*	Education	7 San Bernardino City Unified School District	8,600	Education
8 Cedar Sinai	12,000	Hospital	8 Ontario International Airport	7,700	Airport
9 Ralphs	11,600*	Grocery	9 Loma Linda University Medical Center	6,100	Hospital
10 Target	8,200*	Retail	10 Kaiser Permanente (Fontana only)	6,000	Hospital
*2014 employment numbers			Ventura		
Orange (Updated July 2015)			1 Naval Base Ventura County		
1 Walt Disney Co	27,000	Hospitality and Entertainment	2 County of Ventura	20,600	Government
2 University of California, Irvine	22,400	Education	3 Amgen Inc	10,700	Government
3 St. Joseph Health	12,200	Hospital	4 Simi Valley Unified School District	5,800	Biomedical
4 Kiaser Permanente	7,000	Hospital	5 Community Memorial Hospital	2,500	Education
5 The Boeing Company	6,900	Aerospace	6 Los Robles Hospital & Medical Center	1,800	Hospital
6 Walmart	6,000	Retail	7 City of Oxnard	1,600	Hospital
7 Memorial Care Health System	5,700	Hospital	8 Ventura Unified School District	1,600	Government
8 Bank of America Corp	5,500	Finance	9 Ventura County Community College District	1,600	Education
9 Target Corp.	5,400	Retail	10 Oxnard Elementary School District	1,600	Education
10 California State University, Fullerton	5,100	Education	9 Ventura County Community College District	1,600	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
2006	51,792	3,364,750	1,018,380	722,361	661,668	270,587	6,089,538
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

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
2006	\$ 182,000	\$ 509,000	\$ 626,000	\$ 423,000	\$ 365,000	\$ 584,000	448,167
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

Source: Dataquick

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 16 – Land Use (in Square Miles) by County in the SCAG Region
Last Ten Calendar Years

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2006	4,175	4,060	790	7,208	20,062	1,846	38,141
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

Source: Census Bureau Tiger File

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 17 – Assessed Valuation 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>
2006	\$ 7,831,908,679	\$ 835,894,825,705	\$ 339,760,670,292	\$ 165,323,198,637	\$ 129,136,246,197	\$ 86,088,492,662	\$ 1,564,035,342,172
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	2,173,516,604,055

Source: State of California – Controller's Office.

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

Full-Time and Part-Time Employees as of June 30								
Fiscal Year	Transpor- tation	High Speed Rail	Aviation	Environ- mental	Housing	Water	Admini- stration	Total
2006	42	2	1	1	6	-	49	101
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

Source: SCAG HR Department.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transportation											
No. of projects undertaken	13	15	27	25	24	55	50	48	49	82	85
Grants & Contracts Revenue	\$ 19,082,487	\$ 20,640,246	\$ 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
High Speed Rail											
No. of projects undertaken	1	3	2	1	1	1	1	1	1	1	1
Grants & Contracts Revenue	\$ 19,738	\$ 1,773,395	\$ 443,831	\$ 899,136	\$ 32,989	\$ 42,594	\$ 98,354	\$ 137,330	\$ 21,200	\$ 263,579	\$ 281,779
Aviation											
No. of projects undertaken	3	4	3	3	1	3	3	2	1	1	1
Grants & Contracts Revenue	\$ 871,935	\$ 1,019,056	\$ 626,352	\$ 375,864	\$ 276,933	\$ 266,702	\$ 884,816	\$ 461,819	\$ 347,880	\$ 196,948	\$ 579,242
Environmental											
No. of projects undertaken	-	2		2	2	-	7	9	6	13	11
Grants & Contracts Revenue	\$ -	\$ 156,337	\$ -	\$ 2,574,424	\$ 49,467	\$ -	\$ 2,401,731	\$ 2,881,315	\$ 587,435	\$ 1,601,570	\$ 1,587,158
Housing											
No. of projects undertaken	-	1	-	-	-	-	2	2	2	3	3
Grants & Contracts Revenue	\$ -	\$ 49,769	\$ -	\$ -	\$ -	\$ -	\$ 1,306,547	\$ 1,345,833	\$ 2,088,856	\$ 1,599,668	\$ 1,176,694
Sustainability Initiatives											
No. of projects undertaken	-	-	-	-	-	-	-	6	9	12	14
Grants & Contracts Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,200,905	\$ 6,089,132	\$ 2,511,049	\$ 5,457,156
Water											
No. of projects undertaken	1	-	1	-	-	-	-	-	-	-	-
Grants & Contracts Revenue	\$ 70,389	\$ -	\$ 77,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Social Sciences											
No. of projects undertaken	-	-	1	-	-	-	-	-	-	-	-
Grants & Contracts Revenue	\$ -	\$ -	\$ 11,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

No capital assets indicators are available to SCAG.

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**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, 2015, 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, 2015.

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, 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2015

YEAR ENDED JUNE 30, 2015



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