

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2009



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

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YEAR ENDED JUNE 30, 2009

Finance Department
Wayne Moore, Chief Financial Officer
Finance and Accounting Division



Comprehensive Annual Financial Report
Southern California Association of Governments
Year ended June 30, 2009
with Report of Independent Auditors

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Introductory Section

SOUTHERN CALIFORNIA



**ASSOCIATION of
GOVERNMENTS**

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Officers

President
Jon Edney, El Centro

First Vice President
Larry McCallon, Highland

Second Vice President
Pam O'Connor, Santa Monica

Immediate Past President
Richard Dixon, Lake Forest

**Executive/Administration
Committee Chair**

Jon Edney, El Centro

Policy Committee Chairs

Community, Economic and
Human Development
Carl Morehouse, Ventura

Energy & Environment
Keith Hanks, Azusa

Transportation
Mike Ten, South Pasadena

December 3, 2009

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

Subject: SCAG's Comprehensive Annual Financial Report for Fiscal Year 2008-09

As the Executive Director and Chief Financial Officer for the Southern California Association of Governments (SCAG), we hereby submit SCAG's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009.

This Letter of Transmittal is the first item in the introductory section of the CAFR. Its purpose is firstly to provide you and other readers of the CAFR with general financial information about the basic financial statements in the CAFR, and secondly, 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 to highlight several significant planning programs mandated by Federal and State requirements, which were successfully managed in 2008-2009.

As management of SCAG 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 Regional Council is comprised of 83 elected officials representing 189 cities, six counties, five County Transportation Commissions, Imperial Valley Association of Governments and a Tribal Government representative within Southern California.

6.16.09

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

- Listing of the Officers and Members of the Regional Council,
- The SCAG Organizational Chart,
- The SCAG Accounting Section 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 FY08 CAFR.

Certificate of Achievement for Excellence in Financial Reporting

We are pleased to report that the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SCAG for its CAFR for the fiscal year ended June 30, 2008. This was the sixth 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 Division, which is in the Department of the Chief Financial Officer. We express our appreciation to each of 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 Mayer Hoffman McCann, PC, 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, 2009 are free of material misstatement. The Report of the Independent Auditors is also included in the CAFR.

The Single Audit Report

The independent audit of the financial statements in this CAFR is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards applied in the single audit require consideration of internal controls, and compliance with legal and federal requirements in the administration of federal awards. There were no findings reported by Mayer Hoffman McCann, PC,. The Single Audit report for the year ended June 30, 2009 is issued separately from the CAFR and is available upon written request to the Chief Financial Officer.

Management Discussion and Analysis

SCAG has adopted GASB 34, as amended by GASB 37 and GASB 38. GASB 34 requires 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). GASB 34 describes the MD&A as an opportunity for management to reach beyond the familiar to a new and different analytical overview of financial activities. Extensive information about the transactions and events in FY09 are discussed fully in the MD&A.

The basic financial statements are comprised of the GASB 34 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 FY09-10

- Play a leading national and state role in transportation planning issues and initiatives. Enable cutting edge transformations in air quality and greenhouse gas management approaches.
- Continue outreach to members in all six counties. Develop meaningful support postures for members.
- Continue the accumulation of reserve funds. Develop a policy framework to maintain a prudent balance between reserve balances and programmatic needs with respect to additional TDA funding in 2011.
- Implement a new enterprise resource planning system. Leverage staff efforts for productivity gains.

Profile of SCAG

City and county governments throughout Southern California come together at SCAG to develop solutions to common problems in transportation, housing, air quality, waste management, and other issues. SCAG also acts as an information clearinghouse, providing cities and counties a wide array of demographics, 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 fourteen sub-regional organizations, five county transportation commissions, representatives from the tribal government planning board, 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

189 cities

2 tribal governments

38,000 square miles

19 million people

10th 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 67 Districts who represent the 189 cities in the SCAG region; county elected supervisors; five transportation commissions and the Imperial Valley Association of Governments; one Tribal Government representative; one representative from the air districts in the region; and the Mayor of Los Angeles, as the City-at-large representative. All are elected 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 the city, county and tribal government representatives is 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 other Regional Council members. There are three main policy Committees: the Transportation Committee; the Community, Economic and Human Development Committee; and the Energy and Environment Committee. In addition, all financial operations are managed by the EAC.

SCAG's Mandates

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

(a) Development of the Regional Transportation Plan

The Regional Transportation Plan (RTP) must be prepared every four years. It is a comprehensive 20-year plan that provides a vision for the future and addresses air quality attainment and transportation needs for the region. The RTP serves as a basis for transportation decision-making in the region. The RTP includes projections for overall growth and economic trends in SCAG's region. 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.

Modeling analysis for the RTP and amendment(s), RTIP, Air Quality Management Plan, corridor studies, and special planning studies are conducted on a regular planning cycle. Air quality and conformity analysis for SCAG's plans and programs are performed to ensure they meet all statutory requirements.

SB375 is California legislation that became law effective January 1, 2009. It prompts California regions to work together to reduce greenhouse gas (GHG) emissions from cars and light trucks. The new law will achieve this objective by requiring integration of planning processes for transportation, land use and housing. SCAG is tasked with creating a Sustainable Communities Strategy, which combines transportation and land use elements in order to achieve emissions reduction target. SCAG in collaboration with its regional partners is spearheading this effort for Southern California.

The 2008 RTP was adopted in May 2008, and was the culmination of a multi-year effort that involved transportation stakeholders from across the region. It represents the most comprehensive long-term vision for the future of our transportation system. Given the size and complexity of our region, the RTP by necessity 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 major updates, to ensure major projects being planned and implemented in the region remain consistent with the prevailing RTP. The first amendment of the 2008 RTP was adopted by the Regional Council in December of 2008. The second amendment is currently in process and is expected to be adopted by the Regional Council in December of this year. In addition to putting forth bold transportation initiatives, the 2008 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 update of the RTP is scheduled for 2012. The next RTP will include a sustainable communities strategy (SCS) in accordance with SB 375.

(b) Development of the Federal Regional Transportation Improvement Plan

The Federal Transportation Improvement Plan (FTIP) is a short-term component of the RTP. It is updated every two years and it identifies a listing of capital projects in the region over a five-year period. The FTIP essentially represents the near-term implementation of the RTP. The FTIP includes and identifies all transportation capital projects proposed over a five-year period by each of the transportation commissions in the region and the Imperial Valley Association of Governments.

Each project is analyzed by SCAG staff to assure conformity with federal and state transportation conformity requirements before inclusion in the RTP. It is the primary instrument for funding and implementing transportation capital projects identified in the RTP. The 2008 FTIP, which is the most recent FTIP, was adopted by the Regional Council in July 2008 and has received state and federal approval.

(c) Maintenance of Federal Air Quality Standards

In developing the RTP and RTIP, 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 RTIP, and consequently withholding funding for southern California's critical transportation needs.

The monitoring functions are to compile, report on, and circulate information on environmental variables as a precursor to growth forecasting and other elements of Regional Transportation Plan development; work with member agencies in identifying trends and baseline information such that a common set of data can be applied to local and regional planning efforts; review and comment on applicable regionally significant projects in compliance with federal and state laws.

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

(a) Development of the Regional Housing Needs Assessment Plan

A Regional Housing Needs Assessment Plan (RHNA) is developed every five years and is the starting point for the local Housing Element update process. The RHNA process sets each jurisdiction's fair share of the region's future housing needs, as determined by the State Department of Housing and Community Development (HCD).

In July 2007, the Regional Council approved and released the RHNA Plan to the HCD. Development of the RHNA Plan was the result of a nine-month process, which included the receipt of extensive input from cities, counties and other interested parties on its Integrated Growth Forecast and housing allocation methodology. Public workshops were conducted by SCAG staff throughout the region to obtain information. SCAG conducted numerous hearings to consider revision requests and appeals made by cities relating to their draft housing allocation. The final RHNA Plan allocated a regional housing need of approximately 700,000 units to the cities and counties in the SCAG region.

HCD approved SCAG's RHNA Plan in September 2007. The Department expressed its pleasure in working with SCAG staff and about the leadership role that SCAG demonstrated in strengthening the capacity of local governments in the region. Since then, cities and counties in the SCAG region have been engaged in the update of local housing elements. The three cities of La Mirada, Irvine and Palmdale have each sued SCAG regarding their respective housing allocations. SCAG has prevailed in the litigation thus far, with the trial court judges dismissing each of the lawsuits. The three cities have each appealed the trial court decisions. In the case of Irvine, SCAG has also prevailed on the appeal. Irvine petitioned to have the State Supreme Court review the opinion by the 4th Appellate District in favor of SCAG; however, the Supreme Court recently denied review, and therefore, the decision favoring SCAG in the Irvine litigation is final. With respect to the La Mirada and Palmdale cases, SCAG is currently awaiting a decision by the Second Appellate District. SCAG will begin the next RHNA process in 2010 and remains committed to working with all jurisdictions in the RHNA process.

(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). Specifically, SCAG develops the demographic projections and the integrated land use housing, employment, transportation measures and strategies portions of the AQMP every three years.

SCAG prepared its portion of the AQMP in the spring of 2007. It was approved by the Governing Board of the SCAQMD in August 2007.

(c) Compliance with the California Environmental Quality Act

Pursuant to the California Environmental Quality Act (CEQA), SCAG undertakes the appropriate environmental review of the RTP and RTIP. In most cases this involves the preparation of a Program Environmental Impact Report (PEIR) and amendments thereto. Additionally, in accordance with CEQA and regulations and Presidential Executive Order 12372, SCAG is the authorized agency for Inter-Governmental Review (IGR) of projects of regional significance for consistency with regional plans.

(d) Development of Waste Management Plans

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 of 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, other direct expenses, fringe benefits, and indirect costs. When the OWP is completed, it is submitted to and approved by the Regional Council and the funding agencies. The OWP represents the legal level of budgetary control, which cannot be exceeded, unless an amended budget is approved by the Regional Council and Caltrans.

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, other direct expenses, fringe benefits, and indirect costs. When the OWP is completed, it is submitted to and approved by the Regional Council and the funding agencies.

Acknowledgements

We are pleased to report that our internal reorganization has achieved better and more effective staff assignments. We have also expanded training opportunities for all of our staff. With the recently adopted Strategic Plan to guide us, we are committed to regularly assessing our actual performance and to making the necessary adjustments to changing conditions and needs to continuously improve. We consider this a fundamental responsibility of management.

On behalf of each of the members of the management team at SCAG; we express our sincere gratitude to you, President Edney, and to each of the members of the Regional Council for their 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 Ikhata

Executive Director



Wayne Moore

Chief Financial Officer

Our VISION

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

Our 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.

REGIONAL COUNCIL MEMBERS

OFFICERS

President: Jon A. Edney, El Centro

First Vice President: Larry McCallon, Highland

Second Vice President: Pam O'Connor, Santa Monica

Immediate Past President: Richard Dixon, Lake Forest

MEMBERS

Imperial County: Jon A. Edney, El Centro

Los Angeles County: Mike Antonovich, Los Angeles County • Mark Ridley-Thomas, Los Angeles County • Richard Alarcón, Los Angeles • Barbara Calhoun, Compton • Tony Cardenas, Los Angeles • Stan Carroll, La Habra Heights • Margaret Clark, Rosemead • Gene Daniels, Paramount • Judy Dunlap, Inglewood • David Gafin, Downey • Eric Garcetti, Los Angeles • Frank Gurulé, Cudahy • Janice Hahn, Los Angeles • Keith W. Hanks, Azusa • Carol Herrera, Diamond Bar • Steve Hofbauer, Palmdale • José Hulzar, Los Angeles • Paul Koretz, Los Angeles • Tom LaBonge, Los Angeles • Paula Lantz, Pomona • Val Lerch, Long Beach • Marsha McLean, Santa Clarita • Barbara Messina, Alhambra • Judy Mitchell, Rolling Hills Estates • Larry Nelson, Artesia • Pam O'Connor, Santa Monica • Bernard Parks, Los Angeles • Jan Perry, Los Angeles • Frank Quintero, Glendale • Ed Reyes, Los Angeles • Susan Rhillinger, Torrance • Bill Rosendahl, Los Angeles • Greig Smith, Los Angeles • Mike Ten, South Pasadena • Tonia Reyes Uranga, Long Beach • Antonio Villaraigosa, Los Angeles • Dennis Washburn, Calabasas • Herb J. Wesson, Jr., Los Angeles • Dennis Zine, Los Angeles

Orange County: Chris Norby, Orange County • John Beauman, Brea • Gil Coerper, Huntington Beach • Leslie Daigle, Newport Beach • Richard Dixon, Lake Forest • Paul Glaab, Laguna Niguel • Robert Hernandez, Anaheim • Beth Krom, Irvine • Leroy Mills, Cypress • John Nielsen, Tustin • Andy Quach, Westminster • Sharon Quirk-Silva, Fullerton

Riverside County: Jeff Stone, Riverside County • Thomas Buckley, Lake Elsinore • Melanie Fesmire, Indio • Bonnie Flickinger, Moreno Valley • Ron Loveridge, Riverside • Greg Pettis, Cathedral City • Ron Roberts, Temecula

San Bernardino County: Gary Ovitt, San Bernardino County • Ginger Coleman, Apple Valley • Glenn Duncan, Chino • Paul Eaton, Montclair • Pat Gilbreath, Redlands • Bill Jahn, Big Bear Lake • Larry McCallon, Highland • Deborah Robertson, Rialto

Ventura County: Linda Parks, Ventura County • Glen Becerra, Simi Valley • Bryan MacDonald, Oxnard • Carl Morehouse, San Buenaventura

Tribal Government Representative: Mark Calac, Pechanga Band of Luiseno Indians

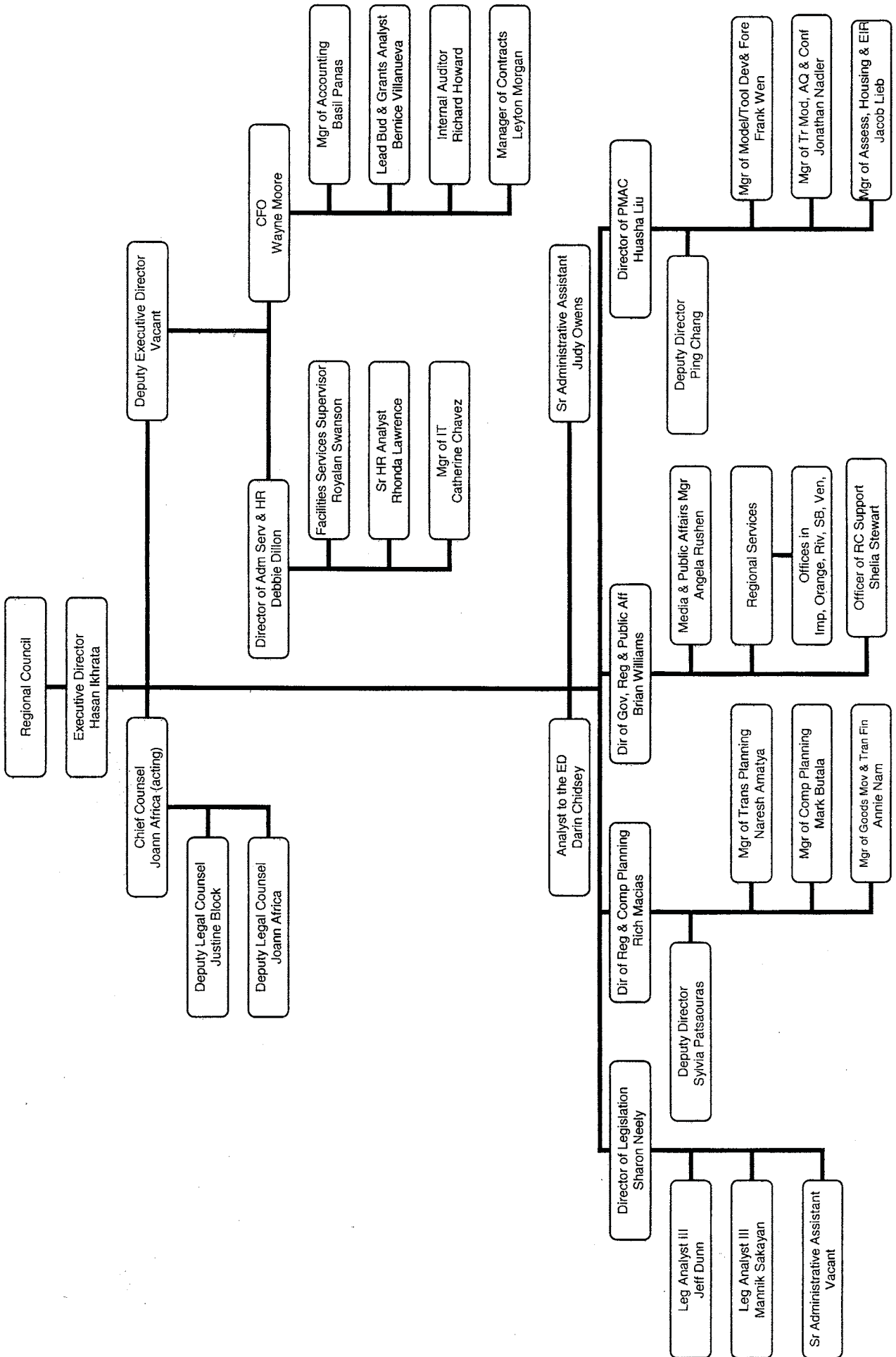
Orange County Transportation Authority: Art Brown, Buena Park

Riverside County Transportation Commission: Robin Lowe, Hemet

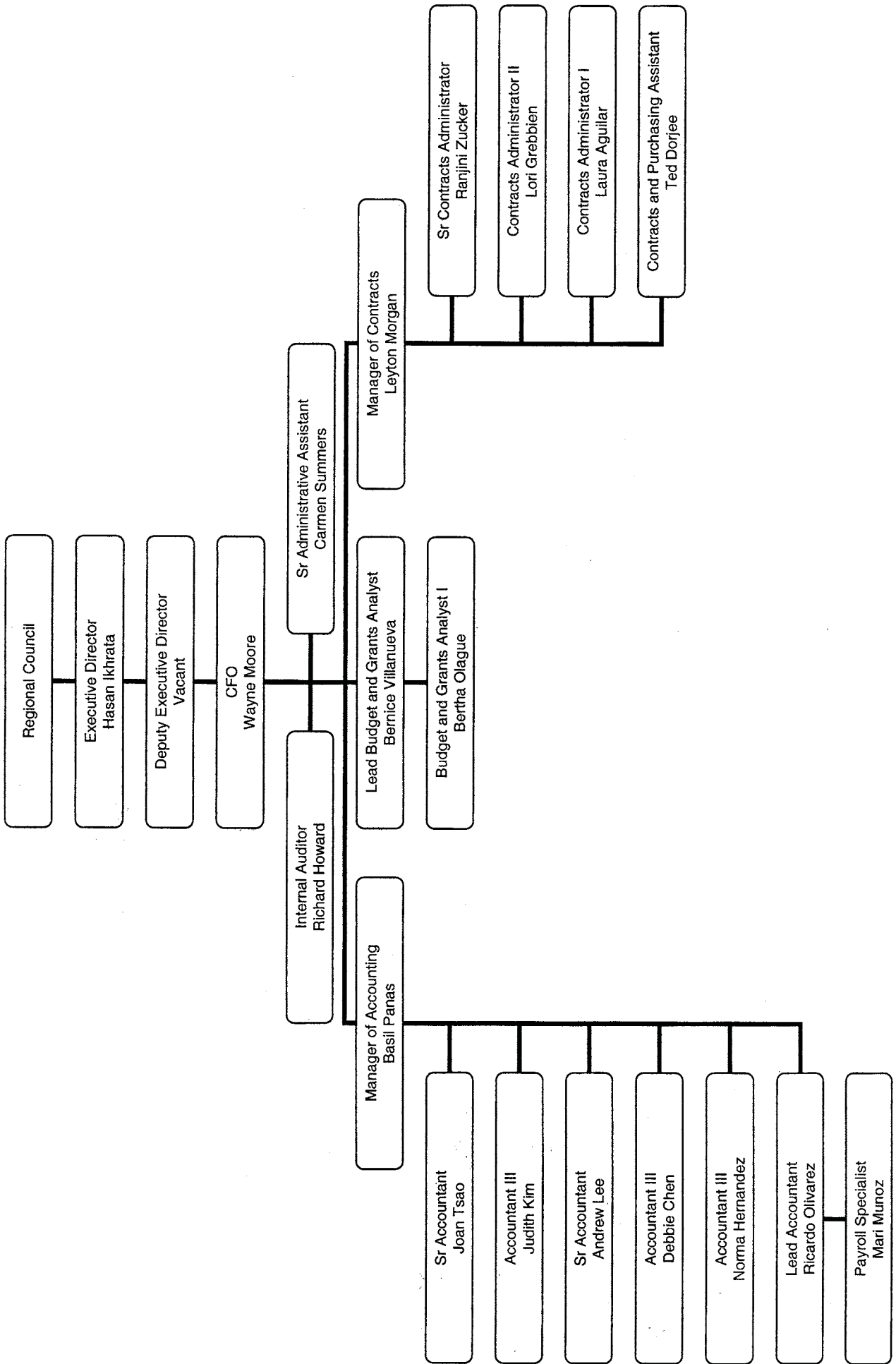
San Bernardino Associated Governments: Kelly Chastain, Colton

Ventura County Transportation Commission: Keith Millhouse, Moorpark

SCAG Organization Chart – June 30, 2009



Finance Organization Chart – June 30, 2009



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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

Financial Section



Mayer Hoffman McCann P.C.

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments, as of and for the year ended June 30, 2009, which collectively comprise the Southern California Association of Government's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Southern California Association of Government. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Southern California Association of Governments, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, of the Southern California Association of Governments for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis, required supplementary information, the budgetary comparison information and the schedules of funding progress* are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Southern California Association of Government's basic financial statements. The introductory section, supplemental combining and individual nonmajor fund financial statements, schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical

Honorable Members of the Regional Council
Southern California Association of Governments
Page Two

tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2009 on our consideration of the Southern California Association of Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McLarn P.C.

Irvine, California
November 11, 2009

Management's Discussion & Analysis

INTRODUCTION

This management's discussion and analysis (MD&A) of the Southern California Association of Governments' (SCAG) financial performance provides an overview of SCAG's financial activities for the fiscal year ended June 30, 2009. 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 comprised 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 Assets 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 FY09.

FINANCIAL HIGHLIGHTS

- Revenues fell to \$29.4 million in FY09 from \$33.5 million in FY08, a decrease of \$4.1 million, or 12%. Less grant funding was available in FY09.
- Federal revenues decreased by \$2.8 million; state revenues decreased \$0.9 million; local revenues fell by \$0.4 million; and General Fund revenues were almost unchanged.
- Net assets increased by \$1.0 million to \$4.8 million. The actual increase was \$952,948 and was attributable to the surpluses in the General and Transportation Development Act Funds.
- Cash increased by \$2.4 million; accounts receivable decreased by \$1.8 million; and accounts payable decreased by \$0.8 million, all compared to FY08.
- Cash balances were adequate to support operations. There were no draws on SCAG's line of credit in FY09. In fact, SCAG has not utilized its line of credit since FY05 (\$3.0 million).
- Accounts Receivable (AR) decreased \$1.8 million to \$5.9 million. No ARs are past due at year end.
- Accounts Payable (AP) payments to vendors are disbursed on a current basis. AP balances decreased \$0.8 million to \$4.5 million. All AP obligations are current.

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 assets and the statement of activities.

The Statement of Net Assets is the basic government-wide statement of financial position. It presents information on all assets and liabilities, and the difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets 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 assets have changed during the most recent fiscal year. Changes in net assets 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 assets are a result of the financial activities of the General and 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. They report transactions involving current financial resources by focusing on: assets that are a form of cash or convertible to cash within the ordinary course of operations and on liabilities that will be settled with current financial resources.

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
June 30, 2009

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 51 of this report.

The Statement of Net Assets

The Statement of Net Assets is prepared using accrual accounting since its measurement focus is total economic resources. Thus, it reports both long- and short-term assets and liabilities. At the end of FY09, assets exceeded liabilities by \$4,801,921, an increase of \$952,948 from FY08. This results from the increases in the General and TDA fund balances. No other funds have a fund balance.

The following is a summary of net assets as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 10,672,688	10,859,819
Capital assets, net	746,236	481,769
Total assets	<u>11,418,924</u>	<u>11,341,588</u>
Current liabilities	5,243,314	6,275,634
Noncurrent liabilities	1,373,689	1,216,981
Total liabilities	<u>6,617,003</u>	<u>7,492,615</u>
Net assets:		
Invested in capital assets	746,236	481,769
Unrestricted	4,055,685	3,367,204
Total net assets	<u>\$ 4,801,921</u>	<u>3,848,973</u>

Cash and Cash Equivalents

Over the last year, cash has increased \$2.4 million to \$4.7 million. During that same period, cash as a percentage of total assets rose from 20% to 41% thanks to a decline in receivables during that period.

Included in cash was \$2.1 million of TDA, which remained available for future years, and \$0.2 million of member dues for FY10 received in FY09. It is important to note that the General Fund had advanced \$1.3 million to other funds at year-end in anticipation of grant reimbursements to those funds. This was repaid in FY10.

Accounts Receivable (AR)

ARs from federal, state, local and others at the end of FY09 were \$5.9 million compared to \$7.7 million the year before. SCAG received reimbursement from the State on a more timely basis. This accounted for the reduction in ARs. AR balances represented 51% of total assets compared to 75% in FY08.

SCAG has continued to monitor ARs. Each AR was fully documented and its collection was carefully monitored. All AR balances are considered collectible. Less than 1% of ARs have been outstanding more than 90 days.

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. SCAG uses the rapid pay option offered by Caltrans. In exchange for a fee, payments to SCAG are expedited.

Federal ARs at \$5.3 million were \$1.9 million less than last year. State receivables rose by \$0.04 million to \$0.4 million. Other receivables fell by \$0.6 million to \$0.2 million due to the collection of indirect costs under-recovered in prior years.

Accounts Payable (AP)

During FY09, SCAG met its goal of paying 95% of invoices within 30 days in all but two months (those immediately after the fiscal year-end). Less than 5% of AP at June 30, 2009 were outstanding more than 30 days. The AP balance fell \$0.8 million to \$4.5 million. The decrease was largely attributable to improved invoice processing procedures.

Line of Credit (LOC)

There were no draws on the LOC in FY09. In prior years, it was a valuable resource to ensure cash demands were met while awaiting reimbursement from grant funding sources.

The LOC is a \$5.0 million credit line with an independent financial institution, which expires on February 28, 2010. 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 interest rate specified on the current agreement is the prime rate but not less than 4%.

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Capital Assets

Investment in net capital assets of \$746,236 represents about 16% of net assets. These assets have continuing value, which contribute to the efficiency and effectiveness in conducting SCAG's transportation planning activities. For additional information, the reader is referred to note 4 of the basic financial statements.

The policy with respect to capitalizing assets is that the asset must cost more than \$5,000 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:

SUMMARY OF CAPITAL ASSETS

	June 30	
	2009	2008
Computer Equipment, net	\$ 571,954	\$ 389,339
Leasehold improvements, net	48,677	92,430
Furniture & Fixtures, net	125,605	-
	\$ 746,236	\$ 481,769

Statement of Activities

	Year ended June 30	
	2009	2008
REVENUES		
Charges for services – member dues	\$ 1,609,029	1,520,805
Operating grants and contributions	27,643,659	30,763,997
General revenues:		
Interest revenue	86,581	104,946
Other revenue	61,383	92,366
	29,400,652	32,482,114
EXPENSES		
Transportation	27,137,783	29,814,918
Aviation	17,455	363,924
High Speed Rail	92,797	123,407
Energy	47,643	116,947
Administration	1,152,026	1,379,139
	28,447,704	31,798,335
Change in net assets	952,948	683,779
Net assets – beginning	3,848,973	3,165,194
Net assets – ending	\$ 4,801,921	3,848,973

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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All current year revenues and expenses are accounted for in the Statement of Activities. It recognizes revenues when earned and expenditures 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, high speed rail, integrated planning and administration, are described below.

Total revenues in FY09 were \$29.4 million compared to \$32.5 million last year. This is a decrease of \$3.1 million or about 9.5%. It reflects reduced funding for SCAG's programs.

The increase in net assets reflects unused TDA Fund match (\$417,689) for projects not completed this year and a General Fund surplus (\$535,259) resulting from conservative financial practices.

Most of SCAG's funding (about 87%) comes from the federal government. The rest comes from state and local sources. SCAG is exploring several alternatives to diversify its funding.

Major Expenses

In FY09, salary expenses were \$9.7 million which included \$1.3 million of non-worktime. The comparable amounts in FY08 were \$11.3 million and \$1.7 million, respectively. Salaries, including non-worktime, represent about 34% of total expenses.

Consultant expenses are the next largest expense line item. They decreased \$2.0 million, or 16%, to \$7.5 million in FY09 from \$9.5 million in FY08. They represent about 26% of total expenses. The decrease in the level of consultant expenditures partially accounts for the decrease in overall revenues in FY09. 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.

Federal Transportation Grants

Major FHWA and FTA Grants

SCAG's two major federal grants are the Metropolitan Planning grant from the Federal Highway Administration (FHWA) and the Section 5303 grant 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 Regional Transportation Improvement Program (RTIP) every two years. The RTP lays out the framework for investments in transportation infrastructure and maintaining it over the long term.

The RTIP, 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 RTIP must comply with all applicable state and federal requirements, including transportation conformity, fiscal constraint and inter-agency consultation and public outreach.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
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These two grants had revenues of \$25.1 million compared to budget of \$32.1 million. FHWA revenues amounted to \$18.9 million and FTA \$6.1 million in FY09. Salaries and fringe benefits accounted for \$8.5 million, consultant expenses were \$5.6 million and the balance represented indirect overhead of \$9.9 million and other direct project costs of \$1.0 million. Other direct project expenses include professional services, travel, printing and other non-labor costs.

Other Federal Grants

In addition to the two major grants, there were five non-major Federal grants, which were awarded to SCAG to fund specific project activities.

The total FTA-5304 budget was \$0.5 million. The total amount expended was \$0.3 million (FTA), or about 60% of the budgets. The unused grant balance will be carried forward to future years, subject to authorization from Caltrans.

FRA revenue was \$92 thousand and FAA revenue was \$17 thousand. In FY08, FRA revenues were \$0.2 million and FAA revenues were \$0.2 million.

The FRA grant was supplemented by additional required cash match contributions to the project in the amount of \$92 thousand. The local contributors were the San Bernardino Association of Governments, the City of Ontario, and the City of Los Angeles, which all contributed their match share at the inception of the project.

About 96% of the project was consultant work and the balance of 4% was performed by SCAG staff. The advanced planning, preliminary feasibility and alternative scenario analysis work for the High-Speed Regional Transport (HSRT) system Initial Operating Segment (IOS) was completed in 2006. The IOS segment would connect LAX/West Los Angeles, Los Angeles Union Station, West Covina, and the Ontario International Airport. The completed report was forwarded to the Federal Railroad Administration. The carryover funding allowed the High-Speed Rail/Maglev Alternatives Analysis, to be completed in FY09. The Alternatives Analysis evaluated two different alignments along the IOS from a technology neutral standpoint.

For FY09 we had one FAA-funded project. It was for Regional Airport Management Reporting (\$17 thousand) for which SCAG prepared Aviation and freight Collaboratives reports using the services of Moore Iacofano Goltsman, Inc.

The last two Federal grants are from the FTA: Jobs Access and Reverse Commute (JARC) and New Freedom grants. 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 Regional Transportation Improvement program and the State Transportation Improvement Plan.

State Grants

State revenues this year were \$0.99 million from three state grants compared to \$1.9 million in FY08. The largest was the California Regional Blueprint Planning grant for \$0.85 million. The grant is available to Metropolitan Planning Organizations to support integrated regional planning efforts that better coordinate transportation investment and land use decision making. SCAG's Blueprint Grant award supports the Compass Blueprint program and its current implementation efforts. The grant provides resources to conduct research and analysis, public education and planning support through partnerships with local governments and county transportation commissions aimed at improving local and regional accessibility and mobility through a more sustainable planning approach. Current efforts include developing infill market feasibility studies, transit oriented development codes, context sensitive transportation solutions and public participation in planning.

State Planning & Research Discretionary grant revenues in FY09 were \$91 thousand for the Congestion Pricing Study project. One other grant is from the Office of Emergency Services for \$45 thousand for the *Dare to Prepare* project.

Local Revenues

Local revenues were \$1.1 million compared to \$1.5 million in FY08 consisting of local match, mostly of Transportation Development Act (TDA) funding. The TDA fund, a major fund, had revenues of \$1 million and expenditures of \$0.6 million. The TDA resource is an annual apportionment to SCAG of \$1.0 million received from four Transportation Commissions in the region. The funds are primarily used to meet the local match requirement for federal grants.

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 SCAG's only internal source of 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 FY09, the fund balance increased \$507,831. The reader is referred to page 27, which presents the statement of activities on a government-wide basis and reports an increase in net assets of \$952,948.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2009

	Year ended June 30	
	2009	2008
Revenues:		
Membership assessments	\$ 1,609,029	1,520,805
Interest and other	147,964	197,312
Total revenues	<u>1,756,993</u>	<u>1,718,117</u>
Expenditures:		
Transportation	9,959,631	10,502,769
Administration	1,041,644	1,093,211
Capital outlay	366,192	257,272
Total expenditures	<u>11,367,467</u>	<u>11,853,252</u>
Deficiency of revenues over expenditures	(9,610,474)	(10,135,135)
Other financing sources (uses):		
Transfers in	10,118,305	11,197,177
Net change in fund balance	507,831	1,062,042
Fund balance, beginning of year	<u>2,923,649</u>	<u>1,861,607</u>
Fund balance, end of year	<u>\$ 3,431,480</u>	<u>2,923,649</u>

Dues assessed to member jurisdictions

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

The RC has implemented formal policies to retain members and grow dues collections. By-law amendments have been approved to permit increases in dues equal to the consumer price index. Member dues collections improved in FY09 to \$1,609,029 from \$1,520,805 in FY08, an increase of about 5.8%. This resulted partially from a dues increase equivalent to the Consumer Price Index and partially from increased membership. During FY09, SCAG welcomed Chino Hills, Dana Point, Huntington Park, La Puente, Menifee, Mission Viejo, South Gate, Wildomar, and the Morongo Band of Mission Indians as new members.

Other GF revenues and interest income

Total other revenues decreased in FY09 to \$147,964 from \$197,312 in FY08. Most of this revenue was interest income which decreased to \$86,581 from \$146,987 in FY08. The repurchase agreement which had been supplementing interest earnings by sweeping unused cash balances in SCAG's checking account into overnight investments, was terminated in January 2009. Earnings had fallen below the cost of the program. 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 \$1.0 million compared to the budget of \$1.2 million, a positive variance of \$0.2 million. The GF budget includes RC expenditures including member stipends, travel, monthly RC meeting expenses, and annual meetings. It also includes contracted federal and state lobbying, and legal fees. Most of the positive variance resulted from savings in professional services contracts.

Next Year's Budgets

SCAG's aggregate grant budget, called the Overall Work Program (OWP), for FY10 is \$38.9 million compared to the grant budget in FY09 of \$40.1 million, a net decrease of \$1.2 million or 3.0%. Most FY10 OWP funding comes from the Federal government (82%), 12% comes from local sources, and 6% from the State of California.

Requests for Information

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

Basic Financial Statements

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Net Assets
June 30, 2009

ASSETS

Cash and cash equivalents (note 2)	\$ 4,718,850
Receivables:	
Federal grants	5,326,335
State grants and contracts	449,211
Other	95,165
Prepays	83,127
Capital assets, net (note 4)	<u>746,236</u>
Total assets	<u>11,418,924</u>

LIABILITIES

Accounts and contracts payable	4,468,568
Accrued liabilities	286,594
Deferred revenues (note 3)	488,152
Noncurrent liabilities [notes 8 and 10(d)]:	
Due within one year	632,235
Due in more than one year	<u>741,454</u>
Total liabilities	<u>6,617,003</u>

Commitments and contingencies (notes 6, 7, 9, and 11)

NET ASSETS

Invested in capital assets	746,236
Unrestricted	<u>4,055,685</u>
Total net assets	<u>\$ 4,801,921</u>

See notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year ended June 30, 2009

	<u>Expenses</u>	<u>Indirect cost allocations</u>	<u>Program revenues</u>		<u>Net (expenses) revenues and change in net assets 2009</u>
			<u>Charges for services – member dues (note 9)</u>	<u>Operating grants and contributions</u>	
Functions/programs:					
Transportation	\$ 17,021,793	10,115,990	—	27,485,077	347,294
Aviation	17,455	—	—	17,275	(180)
High speed rail	92,797	—	—	91,840	(957)
Energy	45,328	2,315	—	49,467	1,824
Administration	11,270,331	(10,118,305)	1,609,029	—	457,003
Total governmental activities	<u>28,447,704</u>	<u>-</u>	<u>1,609,029</u>	<u>27,643,659</u>	<u>804,984</u>
General revenues:					
Interest income					86,581
Other revenue					61,383
Total general revenues					<u>147,964</u>
Change in net assets					952,948
Net assets at beginning of year					<u>3,848,973</u>
Net assets at end of the year					<u>\$ 4,801,921</u>

See notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2009

Assets	General Fund	FTA Fund	FHWA Fund	TDA Fund	Nonmajor Funds	Total
Cash and cash equivalents (note 2)	\$ 4,718,850	—	—	—	—	4,718,850
Receivables:						
Federal grants	—	1,890,422	3,279,334	—	156,579	5,326,335
State grants and contracts	—	—	—	—	449,211	449,211
Other	95,165	—	—	—	—	95,165
Due from other funds (note 5)	1,272,990	—	—	2,055,405	173,353	3,501,748
Prepays	83,127	—	—	—	—	83,127
Total assets	\$ 6,170,132	1,890,422	3,279,334	2,055,405	779,143	14,174,436
Liabilities and Fund Balances						
Accounts and contracts payable	\$ 846,795	1,337,346	1,967,730	57,511	259,186	4,468,568
Accrued liabilities	286,594	—	—	—	—	286,594
Due to other funds (note 5)	1,290,464	553,076	1,311,604	—	346,604	3,501,748
Deferred revenues (note 3)	314,799	—	—	—	173,353	488,152
Total liabilities	2,738,652	1,890,422	3,279,334	57,511	779,143	8,745,062
Fund balances – undesignated reported in:						
General fund	3,431,480	—	—	—	—	3,431,480
Special revenue funds	—	—	—	1,997,894	—	1,997,894
Total fund balances	3,431,480	—	—	1,997,894	—	5,429,374
Total liabilities and fund balances	\$ 6,170,132	1,890,422	3,279,334	2,055,405	779,143	14,174,436

See notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Reconciliation of Total Governmental Fund Balances to
Net Assets in the Statement of Net Assets
June 30, 2009

Total governmental fund balances		\$ 5,429,374
Amounts reported for governmental activities in the accompanying statement of net assets are different because:		
Capital assets, net of accumulated depreciation of \$5,494,947 used in governmental activities are not financial resources; they are therefore not reported in the governmental fund financial statements (Note 4)		746,236
Deferred credits recorded on the statement of net assets are not considered to be fund liabilities as they are not expected to be liquidated with current financial resources		(265,614)
Compensated absences liabilities are not due and payable at year end; they are therefore not reported in the governmental fund financial statements		(805,885)
Net pension obligations are not due and payable at year end; they are therefore not reported in the governmental fund financial statements		<u>(302,190)</u>
Net assets		<u>\$ 4,801,921</u>

See notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2009

	General Fund	FTA Fund	FHWA Fund	TDA Fund	Nonmajor Funds	Total
Revenues:						
Federal grants, net	\$ —	6,122,427	18,941,739	—	492,824	25,556,990
State grants and contracts	—	—	—	—	986,200	986,200
Local grants and contracts	—	—	—	1,000,000	100,469	1,100,469
Membership assessments (note 9):						
Cities	1,231,148	—	—	—	—	1,231,148
Counties	292,881	—	—	—	—	292,881
Commission	85,000	—	—	—	—	85,000
Interest and other	147,964	—	—	—	—	147,964
Total revenues	1,756,993	6,122,427	18,941,739	1,000,000	1,579,493	29,400,652
Expenditures:						
Transportation	9,959,631	4,112,879	11,061,019	576,184	1,201,316	26,911,029
Aviation	—	—	—	—	17,275	17,275
High speed rail	—	—	—	—	91,840	91,840
Energy	—	—	—	—	47,152	47,152
Administration	1,041,644	—	—	—	—	1,041,644
Capital outlay	366,192	—	—	—	—	366,192
Total expenditures	11,367,467	4,112,879	11,061,019	576,184	1,357,583	28,475,132
Excess (deficiency) of revenues over expenditures	(9,610,474)	2,009,548	7,880,720	423,816	221,910	925,520
Other financing sources (uses):						
Transfers in	10,118,305	—	—	—	—	10,118,305
Transfers out	—	(2,009,548)	(7,880,720)	(6,127)	(221,910)	(10,118,305)
Net change in fund balance	507,831	—	—	417,689	—	925,520
Fund balances at beginning of year	2,923,649	—	—	1,580,205	—	4,503,854
Fund balances at end of year	\$ 3,431,480	—	—	1,997,894	—	5,429,374

See notes to basic 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, 2009

Net change in fund balances – total governmental funds	\$	925,520
Amounts reported for governmental activities in the accompanying statement of activities are different because:		
Refund of premiums from the Joint Powers Insurance Authority from prior years was collected in the current year and netted to expense in the fund financials		(80,331)
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 (Note 4):		
Capital outlay	\$ 366,192	
Contributed leasehold improvement	134,335	
Depreciation expense	<u>(236,060)</u>	264,467
Deferred credits and compensated absences liabilities are not recorded in the governmental funds and the corresponding changes in these balances are not reflected in the change in fund balance:		
Deferred credits		(21,757)
Compensated absences liabilities		(55,985)
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:		
Increase in net pension obligation		<u>(78,966)</u>
Change in net assets of governmental activities	\$	<u><u>952,948</u></u>

See notes to basic 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 in 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 76-member Regional Council (RC). Members of the RC are locally elected officials who are appointed to serve two-year terms by their respective local jurisdictions. RC officers are elected by the RC membership and serve a one-year term.

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

(b) Government-wide and Fund Financial Statements

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

Government-wide financial statements

Governmental funds financial statements

Notes to basic financial statements.

Government-wide Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (continued)

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

In general, expenses related to a predetermined fixed rate percentage applied to direct labor and fringe benefits are reported as indirect costs. 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 costs 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 regulation. Specifically, the Federal Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, 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 cost 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 State of California 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).

Governmental Funds Financial Statements

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

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, expenditures and liabilities are recorded when amounts are due and payable and revenue is recognized when earned and is 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements (continued)

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.

(c) Major Funds

SCAG considers the following funds as major governmental funds:

Governmental Funds

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

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

Transportation Development Act – This fund is established to account for revenues from the Transportation Development Act under separate granting procedures. These funds are available and restricted to support expenditures for specifically identified purposes and projects.

(d) Grant Revenues

All major and nonmajor fund revenues are recognized as program revenue to the extent that allowable expenditures under the grant have been incurred and amounts are considered measurable and available. Grant expenditures incurred in excess of grant revenues available are funded by the General Fund or other allowable funds by transfers. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Deferred Revenue and Advances*

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

(f) *Deferred Credits*

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 deferred credits 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 deferred 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 Assets as noncurrent liabilities (Note 8).

(g) *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 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
Leasehold improvements	12 years
Furniture and fixtures	3 to 7 years

(h) *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. There is no accrued liability reported in governmental funds for vested or accumulated vacation leave of employees as of June 30, 2009.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

(j) 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.

NOTE 2 CASH AND CASH EQUIVALENTS

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

Book balance deposits with financial institutions	\$ 132,851
Cash and cash equivalents in County of Los Angeles Treasury	4,585,549
Petty cash	450
	<u>\$ 4,718,850</u>

(a) Deposits

At June 30, 2009 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.

Independent Financial Institution

At June 30, 2009 SCAG's carrying amount of cash in checking accounts was \$132,851 while the bank balance was \$553,936; the difference is attributable to outstanding checks.

Of the bank balance in financial institutions, the Federal Deposit Insurance Corporation covered \$250,000, while the remaining \$303,936 is collateralized pursuant to signed agreements. The financial institutions are legally required by the California Government Code to collateralize SCAG's deposits by pledging government securities. The pledging financial institution's trust department holds the collateral in the depositor's name. The fair value of the pledged securities is greater than 110% of SCAG's deposit balance.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

(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.

	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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

(c) County of Los Angeles Treasurer's Pool

At June 30, 2009 and as permitted by California Government Code Section 53635, a portion of SCAG's cash balance totaling \$4,585,549 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. government securities	2.94	43%
Negotiable certificates of deposit	0.13	16
Commercial paper	0.04	37
Corporate and deposit notes	0.82	4

NOTE 3 DEFERRED REVENUES

(a) 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 (OMB) Circular A-87, *Cost Principles for State and Local Governments and the State Local Assistance and Procedure Manual*. 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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 3 DEFERRED REVENUES (Continued)

(a) Indirect Overhead (continued)

An underrecovery of \$611,909 was carried forward from fiscal 2008 and the remaining under recovered indirect costs for fiscal 2009 is included in the General Fund as other assets. The fixed percentage rate that was approved by Caltrans and used for fiscal 2009 was 116.33% of salaries plus fringe benefits. A reconciliation of the carryforward to fiscal 2009 follows:

		Indirect costs
Indirect costs	\$	9,688,278
Indirect costs recovered		10,222,804
Over recovered indirect costs		(534,526)
Under recovered indirect costs, beginning of year		611,909
Under recovered indirect costs, end of year	\$	77,383

The balance of under recovered indirect costs at June 30, 2009 amounting to \$77,383 will be carried forward, as an adjustment to the calculation of the indirect cost rate to the second fiscal year subsequent to fiscal year 2008-2009.

(b) Membership Dues

Cash received as of June 30, 2009 for member dues for the following year amounted to \$224,332.

(c) Grant Advances

Cash advances received from various grantees and not yet expended at June 30, 2009 amounted to \$186,437. The amount is reported as deferred revenue in the Governmental Funds financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 4 CAPITAL ASSETS

SCAG's capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions/</u> <u>adjustments</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets being depreciated:				
Computer equipment	\$ 4,003,550	358,345	-	4,361,895
Leasehold improvements	881,615	13,084	-	894,699
Furniture and fixtures	855,491	129,098	-	984,589
Total capital assets being depreciated	<u>5,740,656</u>	<u>500,527</u>	<u>-</u>	<u>6,241,183</u>
Less accumulated depreciation and amortization for:				
Computer equipment	(3,614,211)	(175,730)	-	(3,789,941)
Leasehold improvements	(789,185)	(56,837)	-	(846,022)
Furniture and fixtures	(855,491)	(3,493)	-	(858,984)
Total accumulated depreciation and amortization	<u>(5,258,887)</u>	<u>(236,060)</u>	<u>-</u>	<u>(5,494,947)</u>
Capital assets, net	\$ <u>481,769</u>	<u>264,467</u>	<u>-</u>	<u>746,236</u>

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

Transportation	\$ 173,162
Aviation	145
High speed rail	773
Energy	397
Administration	61,583
	<u>\$ 236,060</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 5 INTERFUND BALANCES

Interfund due to/from amounts at June 30, 2009 were as follows:

		Due from Other Fund	Due to Other Fund
Major Governmental Funds:			
General Fund	\$	1,272,990	1,290,464
FTA Fund		-	553,076
FHWA Fund		-	1,311,604
TDA		2,055,405	-
Total		3,328,395	3,155,144
Nonmajor Governmental Funds		173,353	346,604
Total Funds	\$	3,501,748	3,501,748

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 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, 2009:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	FHWA Fund	\$ 7,880,720	Allocation of indirect cost
	FTA Fund	2,009,548	Allocation of indirect cost
	TDA Fund	6,127	Allocation of indirect cost
	Nonmajor Funds	221,910	Allocation of indirect cost
		\$ 10,118,305	

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 6 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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 6 COMMITMENTS AND CONTINGENCIES (Continued)

(b) Contract Commitments

At June 30, 2009, SCAG is contractually committed to pay for certain future transportation, technical, and other planning consulting services aggregating \$2,785,206.

(c) Lease Commitments

At June 30, 2009, minimum lease commitments under noncancelable operating leases with initial terms of one year or more are as follows:

Fiscal year ending:	
2009	\$ 1,572,228
2010	1,736,026
2011	1,684,110
2012	<u>1,689,963</u>
Total	<u>\$ 6,682,327</u>

(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 affects SCAG's financial position.

(e) Risk Management

SCAG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SCAG is a member of the Joint Powers Insurance Authority (Authority) and participates in certain self-insurance programs for general liability and workers' compensation as described herein. In addition, it has purchased All-Risk Property Insurance with an insured value of \$5.2 million. Administrative expenses are paid from the Authority's investment earnings.

NOTE 6 COMMITMENTS AND CONTINGENCIES (Continued)

(e) Risk Management (continued)

During the year ended June 30, 2009, the premium for general liability coverage was \$257,221 and for workers' compensation it was \$183,569.

The JPIA Executive Committee has adopted a "rolling" retro payment and refund schedule for members. One-fourth of the retro amount is paid or refunded each year. The effect is that payments and refunds will partially net out, thus reducing cash flow fluctuations from year to year.

The Authority is composed of 107 California public entities and is organized under a joint powers agreement pursuant to California Government Code, Section 6500 et seq. The Authority's purpose is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance and reinsurance, and to arrange the group-purchased insurance for property and other coverages. The Authority's pool 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.

General liability insurance costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,001 to \$750,000 are pool based; and costs from \$750,001 to \$15.0 million are currently paid by reinsurance. The coverage for each member is \$50.0 million per occurrence and \$50.0 million in annual aggregate.

SCAG also participates in the workers' compensation pool administered by the Authority. Loss development reserves are established and allocated by pool and loss layers. Costs are spread to members as follows: the first \$50,000 of each claim is charged directly to the members; losses from \$50,000 – \$100,000 are pooled based on losses under \$50,000; losses from \$100,000 to \$2.0 million are pooled based on payroll; and costs from \$2.0 million to \$50.0 million are transferred to an excess insurance policy. Costs in excess of \$50.0 million are pooled among the members based on payroll.

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, 2009, SCAG paid \$1,226,368 of health insurance premiums and \$127,638 of vision and dental insurance premiums, as well as \$587,937 to employees who had no health insurance elections.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 7 LINE OF CREDIT

SCAG has a \$5.0 million line of credit arrangement with an independent financial institution, which expires on February 28, 2010. The LOC was not used in the year ended June 30, 2009. 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. At June 30, 2009 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, 2009, SCAG management believes it was in compliance with the financial covenants.

NOTE 8 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2009 was as follows:

	<u>Balance, June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2009</u>	<u>Due within one year</u>
Compensated absences	\$ 749,900	568,667	(512,682)	805,885	550,956
Deferred credits	243,857	184,335	(162,578)	265,614	81,279
Net pension obligation	223,244	132,124	(53,178)	302,190	—
Total \$	<u>1,217,001</u>	<u>885,126</u>	<u>(728,438)</u>	<u>1,373,689</u>	<u>632,235</u>

NOTE 9 RELATED PARTY TRANSACTIONS

For the year ended June 30, 2009, SCAG recorded \$1,609,029 as membership revenue. These revenues are received from member cities, counties, Transportation Commissions and the Pechanga Band of Luiseno Indians 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 10 RETIREMENT PLANS

Defined Benefit Pension Plan

(a) *Plan Description*

SCAG's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. SCAG is a member of the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law establish menus of benefit provisions as well as other requirements. SCAG selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California 95814.

(b) *Funding Policy*

The retirement contribution by active employees is 7% of their eligible salary; however SCAG has elected to pay this amount on behalf of the employee. SCAG also contributes an additional amount based on the actuarially-required amounts determined by CalPERS to fund the retirement benefits. The employer contribution rate for the year ended June 30, 2009 was 12.019% of the total annual eligible payroll. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and may be amended by CalPERS.

(c) *Annual Pension*

For the fiscal year ended June 30, 2009, SCAG's annual required contribution (ARC) was \$1,087,970. The required contribution for fiscal year 2008-2009 was determined as part of the June 30, 2006 annual valuation report. It uses the entry-age-normal-actuarial-cost method and the contributions are determined as a level percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% depending on age, service and type of employment, (c) an assumed annual inflation rate of 3.00% and (d) an overall payroll growth rate of 3.25%. The valuation of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period, depending on the size of investment gains and/or losses. The plan's unfunded actuarial accrued liability is being amortized over a closed average remaining period of twenty two years as of the valuation date. The amortization method is a level percent of payroll. The amortization payment may not be lower than the payment calculated over a thirty year period.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 10 RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (continued)

(d) Three-Year Trend Information

	ARC	Percentage of ARC contributed	Net pension obligation
Fiscal year ended June 30:			
2007	\$ 1,797,659	100	—
2008	2,198,376	100	—
2009	1,087,970	100	—

(e) Required Supplementary Information – Schedule of Funding Progress

	Entry age normal accrued liability	Actuarial value of assets	Unfunded (overfunded) liability	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
Valuation date:						
6/30/05	\$ 58,715,758	\$ 53,673,999	\$ 5,041,759	91.4%	\$ 8,340,644	60.4%
6/30/06	62,396,653	57,737,343	4,659,310	92.5%	8,536,649	54.6%
6/30/07	66,358,446	62,858,119	3,500,327	94.7%	10,305,567	34.0%

Supplemental Defined Benefit Pension Plan

(a) Plan Description

On January 1, 2002, SCAG adopted a Public Agency Retirement System (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 for the purpose of calculating benefits by PERS; 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.

NOTE 10 RETIREMENT PLANS (Continued)

Supplemental Defined Benefit Pension Plan (continued)

(a) *Plan Description (continued)*

The PARS' trust administrator is Phase II Systems, which was appointed by the member agencies affiliated with the trust. The Union Bank of California, N.A. 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. 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.

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.

SCAG has the right to amend, modify, or terminate the plan at any time. In the event of complete discontinuance of the Plan, the entire interest of each participant becomes fully vested, and all benefits under the Plan shall be payable solely from the assets of the trust.

(b) *Funding Policy*

Through 2009, SCAG has contributed to PARS an amount sufficient only to pay the actual required retirement benefit to each of the retirees. The Plan contributions are on a pay-as-you-go basis determined exclusively by the monthly benefit due to each retiree. The amount calculated to be paid to each retiree is stated in the Plan agreement and changes only for the 2% annual cost-of-living adjustment. SCAG has paid the quarterly contributions to PARS at the end of the preceding quarter, and the actual supplemental distributions are paid monthly to each retiree by PARS. The Plan contributions were not calculated based on the results of an actuarial valuation.

An actuarial valuation was performed by an independent actuary as of 2006, and 2008. The actuarial methods and assumptions used were determined by the actuary based on a closed plan where no new members will be added in the future.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 10 RETIREMENT PLANS (Continued)

Supplemental Defined Benefit Pension Plan (continued)

(b) Funding Policy (continued)

The amount of the ARC 2009 was determined by an actuarial valuation as of June 30, 2008. The net pension obligation (NPO) at June 30, 2008 was calculated based on the ARC, less the payments of \$53,178 made on the pay-as-you-go method, plus interest at 6% on the prior year NPO. No adjustment was made for prior year's underfunding. The unfunded amount is reported as a liability of \$302,190 in the *Statement of Net Assets* in long-term liabilities.

(c) Annual Pension

For the fiscal year 2008 – 2009, SCAG's annual actuarially determined pension cost was \$118,750. It was calculated as part of the actuarial valuations using the actual retirement benefits due to each retiree. The actuarial assumptions were (a) a 6% investment rate of return, (b) an annual 2% cost-of-living increase, and (c) and the Group Actuarial Mortality Statistics. The actuarial value of the plan's assets was determined by the actual fund balance in the Plan.

(d) Three-year Trend Information

	ARC	Percentage of ARC contributed	Net pension obligation
Fiscal year ended June 30:			
2007	107,418	60%	179,940
2008	119,281	64%	223,224
2009	117,750	53%	302,190

(e) Required Supplementary Information – Schedule of Funding Progress

	Entry age normal accrued liability	Actuarial value of assets	Unfunded liability	Funded ratio	Annual covered payroll	UAAL as a percentage payroll
June 30, 2007	705,850	—	705,850	—	N/A	N/A
June 30, 2008	729,136	15,044	714,092	2.06%	N/A	N/A
June 30, 2009	718,535	15,851	702,684	2.21%	N/A	N/A

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 10 RETIREMENT PLANS (Continued)

Supplemental Defined Benefit Pension Plan (continued)

(f) Net Pension Obligation

Actuarially determined contribution	\$	118,750
Interest on NPO		<u>13,394</u>
		Annual pension cost
		132,144
Contributions made		<u>(53,178)</u>
		Increase in NPO
		78,966
NPO beginning of year		<u>223,224</u>
		NPO end of year \$
		<u><u>302,190</u></u>

NOTE 11 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, 2009, plan assets totaling \$7,576,144 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 12 POSTEMPLOYMENT 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") health care benefits for retirees through CalPERS. The Prefunding Plan was established to assist SCAG in prefunding payments of health care 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.

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

(a) Plan Description (continued)

The Prefunding Plan is an agent multiple employer plan and CalPERS will publish aggregated GASB 43 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 post employment benefits, including health benefits.

A retiree is fully vested and eligible to receive health care benefits under the Prefunding Plan, if designated by SCAG. At the end of the fiscal year 2008-2009, the actual number of retirees was 88. 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. Health care 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 health care plan from only among the plans available through CalPERS. All of the retiree health benefit continues to the surviving spouse.

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 health care 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

Through 2009, SCAG has paid to CalPERS the amount of \$700,000, sufficient to meet the Annual Required Contribution. During the year, retirees received the health benefit up to the benefit maximum of \$550. The aggregate amount paid to retirees in the fiscal year was \$439,831. 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, 2008. The actuarial methods and assumptions used were determined by the actuary.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2009

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

(c) Annual Pension

The amount of the actuarially determined annual pension cost for the year ended June 30, 2009 was \$700,000. It was calculated by using the June 30, 2008 actuarial valuation. There is no net pension obligation at the end of the year because 100% of the ARC was paid in 2009. The actuarial cost method used for determining the benefit obligation is the Entry Age Normal Cost Method. The actuarial assumptions included using a 7.75% 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 a annual healthcare cost trend rate of 11 to 12 1/2 percent initially, reduced by decrements of approximately 1% per year to an ultimate rate of 4 1/2 percent after the sixth year. Both rates included a 2 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 20-years from June 30, 2007. The amortization period is fixed but it assumes an aggregate payroll increase of 3 1/4 percent annually. 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.

(d) Schedule of Funding Progress – Required Supplementary Information

	<u>normal accrued liability</u>	<u>Actuarial value of assets</u>	<u>Unfunded liability</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>UAAL as a percentage payroll</u>
June 30, 2007	N/A	N/A	N/A	N/A	N/A	N/A
June 30, 2008	\$ 6,498,000	\$ 284,000	\$ 6,214,000	4.37%	\$ 8,614,000	72.1%
June 30, 2009	\$ 6,787,000	\$ 295,000	\$ 6,492,000	4.35%	\$ 8,894,000	73.0%

(e) Schedule of Last three years of ARC and Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2007	N/A	N/A	N/A
6/30/2008	\$ 678,000	100%	
6/30/2009	\$ 700,000	100%	

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Membership assessments:				
Cities	\$ 1,212,314	1,212,314	1,231,148	18,834
Counties	292,881	292,881	292,881	—
Commissions	85,000	85,000	85,000	—
	<u>1,590,195</u>	<u>1,590,195</u>	<u>1,609,029</u>	<u>18,834</u>
Interest and other	92,000	92,000	147,964	55,964
Total revenues	<u>1,682,195</u>	<u>1,682,195</u>	<u>1,756,993</u>	<u>74,798</u>
Expenditures:				
Administration:				
Salaries and wages	28,049	28,049	50,838	(22,789)
Fringe benefits	21,502	21,502	38,992	(17,490)
Indirect costs	57,207	57,207	104,499	(47,292)
Contractual services	370,000	370,000	189,270	180,730
Capital outlay	497,937	434,437	366,192	68,245
Interest and fees	23,000	23,000	16,349	6,651
Professional services	150,000	212,500	187,971	24,529
Regional council	232,500	233,500	290,863	(57,363)
Other meetings	25,000	25,000	21,811	3,189
Memberships	74,607	74,607	43,921	30,686
Travel	73,000	73,000	59,811	13,189
Training	50,000	50,000	—	50,000
Other	79,393	79,393	114,702	(35,309)
Total expenditures	<u>1,682,195</u>	<u>1,682,195</u>	<u>1,485,219</u>	<u>196,976</u>
Excess of revenues over expenditures	—	—	271,774	271,774
Fund balance at beginning of year	<u>2,737,331</u>	<u>2,737,331</u>	<u>2,737,331</u>	<u>—</u>
Fund balance at end of year	<u>\$ 2,737,331</u>	<u>2,737,331</u>	<u>3,009,105</u>	<u>271,774</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
Year ended June 30, 2009

	<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	\$ 8,992,093	8,482,297	6,122,427	(2,359,870)
Expenditures:				
Transportation:				
Allocated salaries and wages	1,260,277	1,195,414	1,072,903	122,511
Allocated fringe benefits	904,501	806,964	654,552	152,412
Allocated indirect costs	2,553,573	2,418,603	2,009,548	409,055
Contractual services	4,260,742	3,870,816	2,341,651	1,529,165
Training	—	—	2,061	(2,061)
Printing	2,000	3,000	—	3,000
Professional services	1,000	177,000	4,786	172,214
Travel	10,000	10,500	15,832	(5,332)
Other	—	—	21,094	(21,094)
Total expenditures	<u>8,992,093</u>	<u>8,482,297</u>	<u>6,122,427</u>	<u>2,359,870</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 Highway Administration
Year ended June 30, 2009

	<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	\$ 23,531,858	23,576,335	18,941,739	(4,634,596)
Expenditures:				
Transportation:				
Allocated salaries and wages	4,621,225	4,596,160	4,124,106	472,054
Allocated fringe benefits	3,316,652	2,982,907	2,650,346	332,561
Allocated indirect costs	9,363,521	9,294,149	7,880,720	1,413,429
Temporary help	200,000	300,000	105,906	194,094
Contractual services	5,748,960	4,973,610	3,312,901	1,660,709
Reproduction and printing	31,000	31,000	—	31,000
Professional services	208,000	1,296,009	287,971	1,008,038
Training	—	—	2,767	(2,767)
Travel	42,500	102,500	85,523	16,977
Other	—	—	491,499	(491,499)
Total expenditures	<u>23,531,858</u>	<u>23,576,335</u>	<u>18,941,739</u>	<u>4,634,596</u>
Excess of revenues over expenditures	—	—	—	—
Fund balance at beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local grants	\$ 1,000,000	1,000,000	1,000,000	—
Expenditures:				
Transportation:				
Allocated salaries and wages	—	—	5,268	(5,268)
Allocated indirect costs	—	—	6,127	(6,127)
Contractual services	949,817	802,495	555,029	247,466
Professional services	—	—	9,907	(9,907)
Travel	—	—	2,418	(2,418)
Other	—	—	3,562	(3,562)
Total expenditures	949,817	802,495	582,311	220,184
Excess of revenues over expenditures	50,183	197,505	417,689	220,184
Fund balance at beginning of year	1,580,205	1,580,205	1,580,205	—
Fund balance at end of year	\$ 1,630,388	1,777,710	1,997,894	220,184

See notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2009

BUDGETARY BASIS OF ACCOUNTING

An annual budget is prepared and established for the General Fund (GF), the Federal Transportation Administration Fund (FTA Fund), and the Federal Highway Administration Fund (FHWA 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	\$ 1,756,993	1,756,993	—
Total expenditures	(1,485,219)	(11,367,467)	(9,882,248)
Total other financing sources	—	10,118,305	10,118,305
Net change in fund balance	\$ 271,774	507,831	236,057

See notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2009

FTA Fund

	Actual/ budget as presented in the budget	Actual/ GAAP as presented in the financial statements	Difference
Total revenues	\$ 6,122,427	6,122,427	—
Total expenditures	(6,122,427)	(4,112,879)	2,009,548
Total other financing uses	—	(2,009,548)	(2,009,548)
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	\$ 18,941,739	18,941,739	—
Total expenditures	(18,941,739)	(11,061,019)	7,880,720
Total other financing uses	—	(7,880,720)	(7,880,720)
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	\$ 1,000,000	1,000,000	—
Total expenditures	(582,311)	(576,184)	6,127
Total other financing uses	—	(6,127)	(6,127)
Net change in fund balance	\$ 417,689	417,689	—

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2009

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, 2009

Assets	Federal Funds	State Funds	Local Funds	Total Nonmajor Funds
Receivables:				
Federal grants	\$ 156,579	—	—	156,579
State grants and contracts	—	449,211	—	449,211
Due from other funds	50,757	—	122,596	173,353
Total assets	<u>\$ 207,336</u>	<u>449,211</u>	<u>122,596</u>	<u>779,143</u>
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 91,331	167,855	—	259,186
Due to other funds	65,248	281,356	—	346,604
Deferred revenue	50,757	—	122,596	173,353
Total liabilities	207,336	449,211	122,596	779,143
Fund balances	—	—	—	—
Total liabilities and fund balances	<u>\$ 207,336</u>	<u>449,211</u>	<u>122,596</u>	<u>779,143</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Funds
Year ended June 30, 2009

	<u>Federal Funds</u>	<u>State Funds</u>	<u>Local Funds</u>	<u>Total Nonmajor Funds</u>
Grant revenues, net	\$ 492,824	986,200	100,469	1,579,493
Expenditures:				
Transportation:				
Allocated salaries and wages	21,986	89,195	—	111,181
Allocated fringe benefits	15,665	61,923	—	77,588
Allocated indirect costs	43,799	175,796	—	219,595
Contractual services	301,547	604,253	96,144	1,001,944
Travel	—	7,563	—	7,563
Other	712	2,328	—	3,040
Total transportation	<u>383,709</u>	<u>941,058</u>	<u>96,144</u>	<u>1,420,911</u>
Aviation:				
Contractual services	17,275	—	—	17,275
Total aviation	<u>17,275</u>	<u>—</u>	<u>—</u>	<u>17,275</u>
High speed rail:				
Contractual services	91,840	—	—	91,840
Total high speed rail	<u>91,840</u>	<u>—</u>	<u>—</u>	<u>91,840</u>
Energy:				
Allocated salaries and wages	—	—	1,095	1,095
Allocated fringe benefits	—	—	895	895
Allocated indirect costs	—	—	2,315	2,315
Contractual services	—	45,142	—	45,142
Other	—	—	20	20
Total energy	<u>—</u>	<u>45,142</u>	<u>4,325</u>	<u>49,467</u>
Total expenditures	<u>492,824</u>	<u>986,200</u>	<u>100,469</u>	<u>1,579,493</u>
Excess of revenues over expenditures	—	—	—	—
Fund balances at beginning of year	—	—	—	—
Fund balances at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

SCAG considers the following funds as nonmajor federal governmental funds:

FTA-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.

Federal Railroad Administration:

This fund is established to account for revenues from the Federal Railroad Administration under separate granting procedures. These funds are available and restricted to support expenditures for Railroad related projects

Federal Aviation Administration:

This fund is established to account for revenues from the Federal Aviation Administration under separate granting procedures. These funds are available and restricted to support expenditures for Aviation related 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 administrative cost related to apportioning the county-level allocations of Program Funds for Riverside and San Bernardino counties.

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 administrative cost related to apportioning the county-level allocations of Program Funds for Riverside and San Bernardino counties.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Federal Nonmajor Funds
June 30, 2009

	FTA Sec. 5304 5930	FRA Maglev accounts 4973	FAA Airport accounts 4530 5530 6530	JARC 9260	NEW FREEDOM 9261	Total Federal Nonmajor Funds
Assets						
Receivables – federal grants	\$ 91,331	—	17,275	31,715	16,258	156,579
Due from other funds	—	—	50,757	—	—	50,757
Total assets	<u>\$ 91,331</u>	<u>—</u>	<u>68,032</u>	<u>31,715</u>	<u>16,258</u>	<u>207,336</u>
Liabilities and Fund Balances						
Accounts and contracts payable	\$ 91,331	—	—	—	—	91,331
Due to other funds	—	—	17,275	31,715	16,258	65,248
Deferred revenue	—	—	50,757	—	—	50,757
Total liabilities	91,331	—	68,032	31,715	16,258	207,336
Fund balances	—	—	—	—	—	—
Total liabilities and fund balances	<u>\$ 91,331</u>	<u>—</u>	<u>68,032</u>	<u>31,715</u>	<u>16,258</u>	<u>207,336</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Federal Nonmajor Funds
Year ended June 30, 2009

	<u>FTA</u> <u>Sec. 5304</u> <u>5930</u>	<u>FRA</u> <u>Maglev</u> <u>accounts</u> <u>4973</u>	<u>FAA</u> <u>Airport</u> <u>accounts</u> <u>4530</u> <u>5530</u> <u>6530</u>	<u>JARC</u> <u>9260</u>	<u>NEW</u> <u>FREEDOM</u> <u>9261</u>	<u>Total</u> <u>Federal</u> <u>Nonmajor</u> <u>Funds</u>
Federal grants	\$ 335,736	91,840	17,275	31,715	16,258	492,824
Expenditures:						
Transportation:						
Allocated salaries and wages	7,988	—	—	9,254	4,744	21,986
Allocated fringe benefits	7,816	—	—	5,189	2,660	15,665
Allocated indirect costs	18,385	—	—	16,801	8,613	43,799
Contractual services	301,547	—	—	—	—	301,547
Other	—	—	—	471	241	712
Total transportation	<u>335,736</u>	<u>—</u>	<u>—</u>	<u>31,715</u>	<u>16,258</u>	<u>383,709</u>
Aviation:						
Contractual services	—	—	17,275	—	—	17,275
Total aviation	<u>—</u>	<u>—</u>	<u>17,275</u>	<u>—</u>	<u>—</u>	<u>17,275</u>
High speed rail:						
Contractual services	—	91,840	—	—	—	91,840
Total high speed rail	<u>—</u>	<u>91,840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>91,840</u>
Total expenditures	<u>335,736</u>	<u>91,840</u>	<u>17,275</u>	<u>31,715</u>	<u>16,258</u>	<u>492,824</u>
Excess of revenues over expenditures	—	—	—	—	—	—
Fund balances at beginning of year	—	—	—	—	—	—
Fund balances at end of year	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
State Nonmajor Funds
June 30, 2009

SCAG considers the following funds as nonmajor state governmental funds:

State Blueprint Grant (Years 2 & 3):

This fund is established to account for revenues from the State of California. These funds are available and restricted to support expenditures for specifically identified Blueprint Project Studies.

Combined Other Accounts:

This fund is established to account for revenues from the State of California (SP&R Discretionary) and Office of Emergency Services. These funds are available and restricted to support expenditures for specifically identified Multi-Goods Movement Project and Earthquake safety projects.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
State Nonmajor Funds
June 30, 2009

	Blueprint Fund account 6210 6220	Combined other accounts 7950 8210	Total State Nonmajor Funds
Assets			
Receivables – state grants	\$ 358,619	90,592	449,211
Total assets	<u>\$ 358,619</u>	<u>90,592</u>	<u>449,211</u>
Liabilities and Fund Balances			
Accounts and contracts payable	\$ 137,586	30,269	167,855
Due to other funds	<u>221,033</u>	<u>60,323</u>	<u>281,356</u>
Total liabilities	358,619	90,592	449,211
Fund balances	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 358,619</u>	<u>90,592</u>	<u>449,211</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
State Nonmajor Funds
Year ended June 30, 2009

	Blueprint Fund account 6210 6220	Combined other accounts 7950 8210	Total State Nonmajor Funds
State grants and contracts	\$ 850,466	135,734	986,200
	<u>850,466</u>	<u>135,734</u>	<u>986,200</u>
Expenditures:			
Transportation:			
Allocated salaries and wages	89,195	—	89,195
Allocated fringe benefits	61,923	—	61,923
Allocated indirect costs	175,796	—	175,796
Contractual services	513,661	90,592	604,253
Travel	7,563	—	7,563
Other	2,328	—	2,328
Total transportation	<u>850,466</u>	<u>90,592</u>	<u>941,058</u>
Energy:			
Contractual services	—	45,142	45,142
Total energy	<u>—</u>	<u>45,142</u>	<u>45,142</u>
Total expenditures	<u>850,466</u>	<u>135,734</u>	<u>986,200</u>
Excess of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances at beginning of year	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances at end of year	\$ <u>—</u>	<u>—</u>	<u>—</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Local Nonmajor Funds
June 30, 2009

SCAG considers the following funds as nonmajor local governmental funds:

City of Los Angeles:

This fund is established to account for revenues from the City of Los Angeles. These funds are available and restricted to support expenditures for cash match for FRA funds for the High speed Rail Project and specific projects.

Combined Other Accounts:

This fund is established to account for revenues from the City of Ontario, San Bernardino Association of Governments, Imperial Valley Association of Governments, Riverside County Transportation Commission, Los Angeles Department of Public Works and Southern California Edison. These funds are available and restricted to support expenditures for cash match for FRA funds for the Highspeed Rail Project, Commuter Rail Project, Sun Village project, Energy Efficiency project and specifically funded projects.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Local Nonmajor Funds
June 30, 2009

	City of L.A. Modeling account 4720	Combined other accounts 6700,6710 6720,7720 7730,7610,7700	Total Local Nonmajor Funds
Assets			
Due from other funds	\$ 67,084	55,512	122,596
Total assets	<u>\$ 67,084</u>	<u>55,512</u>	<u>122,596</u>
Liabilities and Fund Balances			
Deferred revenue	\$ 67,084	55,512	122,596
Total liabilities	67,084	55,512	122,596
Fund balances	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 67,084</u>	<u>55,512</u>	<u>122,596</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Local Nonmajor Funds
Year ended June 30, 2009

		City of L.A. Modeling account 4720	Combined other accounts 6700,6710 6720,7720 7730,7610,7700	Total Local Nonmajor Funds
Local grants and contracts	\$	—	100,469	100,469
Expenditures:				
Transportation:				
Contractual services		—	96,144	96,144
Total transportation		—	96,144	96,144
Energy:				
Allocated salaries and wages		—	1,095	1,095
Allocated fringe benefits		—	895	895
Allocated indirect costs		—	2,315	2,315
Travel		—	20	20
Total energy		—	4,325	4,325
Total expenditures		—	100,469	100,469
Excess of revenues of revenues over expenditures		—	—	—
Fund balances at beginning of year		—	—	—
Fund balances at end of year	\$	—	—	—

Supplemental Schedules

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Indirect Costs
Year ended June 30, 2009

Indirect costs:	
Salaries and wages	\$ 3,113,292
Temporary help	126,429
Fringe benefits	2,137,372
Office space leases	1,439,245
Professional services	996,004
Computer support	397,529
Telephone	118,902
Office supplies	75,822
Equipment repairs and maintenance	39,556
Travel	109,536
Equipment lease	209,745
Memberships	36,306
Insurance	259,212
Postage and delivery	33,544
Printing	781
Professional materials	23,108
Staff training	136,926
Office purchases under \$5,000	146,824
Other	288,145
Total indirect costs	<u>9,688,278</u>
Indirect costs recovered:	
General Fund	104,499
Federal Transportation Administration	2,009,548
Federal Highway Administration	7,880,720
Transportation Development Act	6,127
Nonmajor Funds	221,910
Total indirect costs recovered	<u>10,222,804</u>
Over recovered	(534,526)
Under recovered indirect costs at beginning of year	<u>611,909</u>
Under recovered indirect costs at end of year	<u>\$ 77,383</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Fringe Benefits
Year ended June 30, 2009

Fringe benefits:	
Employee leave and other salary benefits	\$ 1,262,876
Health insurance	1,721,117
PERS/Other Retirement Plans	1,925,909
Medicare tax – employer share	101,145
Life insurance	73,998
Bus passes	79,906
Worker's compensation/unemployment insurance	274,419
Carpool parking subsidy	2,870
Deferred compensation employer match	84,516
Other	32,989
Total fringe benefits	<u>5,559,745</u>
Fringe benefits recovered:	
Allocated to indirect cost	2,137,372
General Fund	38,992
Allocated to CPG grants	3,304,898
Allocated to other grants	78,483
Total	<u>5,559,745</u>
Underrecovered fringe benefits	—
Underrecovered fringe benefits at beginning of year	<u>—</u>
Underrecovered fringe benefits at end of year	<u>\$ —</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Distribution of Salaries and Fringe Benefits by Project Area
Year ended June 30, 2009

	<u>Salaries and wages</u>	<u>Fringe benefits</u>	<u>Salaries, wages, and fringe benefits</u>
Charges to Direct projects	\$ 5,314,553	3,383,381	8,697,934
Charges to General Fund projects	50,838	38,992	89,830
Charges to Indirect projects	<u>3,113,292</u>	<u>2,137,372</u>	<u>5,250,664</u>
Totals	<u>\$ 8,478,683</u>	<u>5,559,745</u>	<u>14,038,428</u>



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

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

We have audited the financial statements of the governmental activities and each major fund of the Southern California Association of Governments, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 11, 2009. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain other matters we reported to the management of the Southern California Association of Governments in separate letters dated November 11, 2009.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southern California Association of Governments internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Regional Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Mayer Hoffman McCann P.C.

Irvine, California
November 11, 2009

Statistical Section

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statistical Section

This part of the Southern California Association of Governments' Comprehensive Annual 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 contain information to assist the reader understand how Southern California Association of Governments' financial performance has changed over time.

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

Demographic and Economic Information assist 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 implemented GASB 34 in 2003 fiscal year. Schedules presenting government-wide financial statements include information beginning with that year.

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Invested in capital assets	\$ 1,065,469	741,180	376,907	289,656	412,828	481,769	746,236
Unrestricted	<u>604,926</u>	<u>999,181</u>	<u>1,128,107</u>	<u>1,549,748</u>	<u>2,752,366</u>	<u>3,367,204</u>	<u>4,055,685</u>
 Total governmental activities							
net assets	<u>\$ 1,670,395</u>	<u>1,740,361</u>	<u>1,505,014</u>	<u>1,839,404</u>	<u>3,165,194</u>	<u>3,848,973</u>	<u>4,801,921</u>

SCAG implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

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

	2003	2004	2005	Fiscal Year 2006	2007	2008	2009
Governmental activities:							
Expenses:							
Transportation	\$ 29,457,264	23,709,616 ¹	19,082,487	20,640,246	25,605,715	29,815,218	27,137,783
High speed rail	—	—	19,738	1,773,395	443,831	363,924	92,797
Aviation	—	—	871,935	1,019,056	626,352	123,407	17,455
Energy	—	—	—	—	96,435	116,947	47,643
Environmental	—	—	—	156,337	—	—	—
Housing	—	—	—	49,769	—	—	—
Water	—	—	70,389	—	77,615	—	—
Social Services	—	—	—	—	11,419	—	—
Capital Outlay	—	—	—	—	—	—	366,192
Administration	—	—	1,556,859	1,595,922	1,618,820	1,379,139	785,834
Interest on line of credit	125,421	64,064	12,504	—	—	—	—
Total expenses	<u>29,582,685</u>	<u>23,773,680</u>	<u>21,613,912</u>	<u>25,234,725</u>	<u>28,480,187</u>	<u>31,798,635</u>	<u>28,447,704</u>
Program revenues:							
Charges for services - member dues	1,193,069	1,270,190	1,313,163	1,367,785	1,438,135	1,520,805	1,609,029
Operating grants and contributions	28,529,885	22,465,587 ²	20,044,549	23,638,803	27,198,415	30,763,997	27,643,659
Total program revenues	<u>29,722,954</u>	<u>23,735,777</u>	<u>21,357,712</u>	<u>25,006,588</u>	<u>28,636,550</u>	<u>32,284,802</u>	<u>29,252,688</u>
Net revenues (expenses)	140,269	(37,903)	(256,200)	(228,137)	156,363	486,167	804,984
General revenues and other changes in net assets:							
Interest income	25,405	107,869	36,863	149,276	146,987	104,946	86,581
Other income	—	—	147,085	413,251 ³	158,736	92,366	61,383
Changes in net assets	<u>\$ 165,674</u>	<u>69,966</u>	<u>(72,252)</u>	<u>334,390</u>	<u>462,086</u>	<u>683,479</u>	<u>952,948</u>

SCAG implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

¹ The decrease in transportation expenditures resulted from the planned phase out of the Rideshare program and the expiration of a Federal Railroad Grant that funded the preconstruction planning of the Los Angeles Maglev system.

² The decrease in revenue resulted from the decrease in reimburseable expenses.

³ Other income for the year ended June 30, 2006 includes the refund from the JPIA amounting to \$250,311.

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

	2003	2004	2005	Fiscal Year 2006	2007	2008	2009
General fund:							
Reserved	\$ —	—	—	—	—	—	—
Unreserved	<u>604,926</u>	<u>999,181</u>	<u>2,715,661</u>	<u>2,714,955</u>	<u>1,861,607</u>	<u>2,923,649</u>	<u>3,431,480</u>
Total general fund	<u>\$ 604,926</u>	<u>999,181</u>	<u>2,715,661</u>	<u>2,714,955</u>	<u>1,861,607</u>	<u>2,923,649</u>	<u>3,431,480</u>
All other governmental funds:							
Reserved	\$ —	—	—	—	—	—	—
Unreserved, reported in:							
Special revenue funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,997,894</u>
Total all other governmental funds	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,997,894</u>

SCAG has elected to show only seven years of data for this schedule.

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

	2003	2004	2005	Fiscal Year 2006	2007	2008	2009
Revenues:							
Federal grants	\$ 22,540,651	20,139,571	19,096,413	21,694,775	24,368,620	28,397,861	25,556,990
State grants and contracts	670,492	740,473	399,002	206,516	1,148,805	1,866,733	986,200
Local grants and contracts	5,316,392	1,551,398	577,353	1,827,834	1,678,332	1,468,849	1,100,469
Membership assessments	1,193,069	1,270,190	1,313,163	1,367,785	1,438,135	1,520,805	1,609,029
Interest and other	25,405	107,869	183,948	312,216	205,945	197,312	147,964
Capital outlay recovery	2,350	—	—	—	—	—	—
Total revenues	<u>29,748,359</u>	<u>23,809,501</u>	<u>21,569,879</u>	<u>25,409,126</u>	<u>28,839,837</u>	<u>33,451,560</u>	<u>29,400,652</u>
Expenditures:							
Current:							
Transportation	29,047,446	23,339,931	19,450,818	20,401,077	25,607,040	30,064,151	26,911,029
Aviation	—	—	884,886	1,019,262	627,253	123,407	17,275
Water	—	—	72,159	—	77,956	—	—
High speed rail	—	—	20,073	2,365,430	443,831	363,924	91,840
Housing	—	—	—	50,179	—	—	—
Energy	—	—	—	—	11,471	108,100	47,152
Social Services	—	—	—	—	96,435	—	—
Administration	—	—	1,230,779	1,536,062	2,244,573	1,093,211	1,041,644
Debt service:							
Interest	125,421	64,064	12,504	—	—	—	—
Capital outlay	9,356	11,251	107,262	37,822	247,578	257,272	366,192
Total expenditures	<u>29,182,223</u>	<u>23,415,246</u>	<u>21,778,481</u>	<u>25,409,832</u>	<u>29,356,137</u>	<u>32,010,065</u>	<u>28,475,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>566,136</u>	<u>394,255</u>	<u>(208,602)</u>	<u>(706)</u>	<u>(516,300)</u>	<u>1,441,495</u>	<u>925,520</u>
Other financing sources (uses)							
Transfers in	—	—	8,131,543	7,801,604	8,459,574	11,197,177	10,118,305
Transfers out	—	—	(8,131,543)	(7,801,604)	(8,459,574)	(11,197,177)	(10,118,305)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ 566,136</u>	<u>394,255</u>	<u>(208,602)</u>	<u>(706)</u>	<u>(516,300)</u>	<u>1,441,495</u>	<u>925,520</u>
Debt service as a percentage of noncapital expenditures	0.4%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%

SCAG has elected to show only seven years of data for this schedule.

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

Fiscal year	Indirect cost*	Fringe benefits	Totals
2000	\$ 9,195,086	3,380,803	12,575,889
2001	10,397,637	3,895,232	14,292,869
2002	9,738,957	4,761,852	14,500,809
2003	8,762,846	4,407,432	13,170,278
2004	8,282,746	4,269,626	12,552,372
2005	8,029,745	4,251,082	12,280,827
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	8,478,683	5,559,745	14,038,428

* Restated to include internal service funds included in indirect cost in fiscal years 2002 and 2003 and reported separately in prior years. Indirect Cost Allocation Plans are reviewed and approved by CALTRANS for federal reimbursements.

Source: SCAG Finance Department.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 6 – Member Dues
Last Seven Fiscal Years

	<u>Cities</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>
2003	165	13,688,368	\$933,413	6	1,901,872	\$224,656	2	\$35,000
2004	163	13,915,685	974,904	6	2,048,850	245,286	3	50,000
2005	162	13,898,797	1,019,884	6	1,964,321	243,279	3	50,000
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

SCAG has elected to show only seven years of data for this schedule.

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

	2009		2004	
	Annual Dues	Percent of Total Dues Assessment	Annual Dues	Percent of Total Dues Assessment
City of Los Angeles	\$ 300,959	20%	\$ 253,554	20%
County of Los Angeles	119,868	8%	107,567	8%
County of Riverside	66,828	4%	47,240	4%
County of San Bernardino	48,008	3%	35,462	3%
City of Long Beach	39,062	3%	34,039	3%
County of Orange	34,180	2%	32,601	3%
City of Anaheim	27,603	2%	24,096	2%
City of Riverside	23,403	2%	19,720	2%
County of Ventura	17,468	1%	16,585	1%
City of Glendale	16,844	1%	14,781	1%
City of San Bernardino	16,686	1%	14,185	1%
City of Huntington Beach	16,462	1%	14,384	1%
City of Irvine	16,449	1%	12,163	1%
City of Oxnard	15,751	1%	13,334	1%
City of Fontana	14,869	1%	10,837	1%
	\$ 774,440	51%	\$ 650,548	51%

Source: SCAG Finance Department

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 8 – Population 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>
2000	142,361	9,519,330	2,846,289	1,545,387	1,710,139	753,197	16,516,703
2001	146,008	9,661,839	2,887,031	1,586,910	1,747,564	765,263	16,794,615
2002	148,910	9,822,627	2,933,771	1,648,756	1,793,726	779,395	17,127,185
2003	152,576	9,966,190	2,975,397	1,719,004	1,842,060	791,580	17,446,807
2004	156,562	10,102,961	3,017,298	1,776,743	1,886,481	802,436	17,742,481
2005	161,800	10,226,506	3,056,865	1,877,000	1,946,202	813,052	18,081,425
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

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
2000	39,384	3,133,771	935,287	506,218	528,594	243,234	5,386,488
2001	39,714	3,141,823	941,630	515,716	532,557	246,034	5,417,474
2002	40,455	3,154,931	951,141	531,482	539,438	250,126	5,467,573
2003	41,340	3,170,393	958,815	546,495	547,439	253,138	5,517,620
2004	41,883	3,184,446	969,028	571,955	556,937	255,741	5,579,990
2005	43,714	3,201,352	976,540	598,207	569,060	258,441	5,647,314
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

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>
2000	50,400	4,079,800	1,396,500	466,500	543,600	294,300	6,831,100
2001	50,000	4,082,000	1,420,800	484,300	566,400	299,000	6,902,500
2002	50,800	4,034,600	1,411,000	508,900	575,900	301,000	6,882,200
2003	51,900	3,990,800	1,436,200	529,600	589,900	304,400	6,902,800
2004	51,300	4,004,100	1,463,400	557,400	621,300	306,900	7,004,400
2005	53,000	4,031,600	1,496,500	593,100	647,100	313,700	7,135,000
2006	56,200	4,100,100	1,524,300	620,600	664,400	320,700	7,286,300
2007	56,000	4,129,600	1,520,500	618,800	666,700	320,800	7,312,400
2008	58,100	4,076,200	1,489,300	595,438	643,262	314,700	7,177,000
2009	56,886	3,936,857	1,429,229	565,340	610,746	303,971	6,903,029

Source: Processed by SCAG Staff; CA EDD - March 2008 Benchmark, 4/18/2008

: 2009 data: average bateween Jan. 09 and Jul. 09

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>
2000	56,100	4,677,300	1,481,100	680,700	739,400	392,700	8,027,300
2001	55,600	4,752,800	1,513,200	711,100	763,200	399,300	8,195,200
2002	57,600	4,770,200	1,532,800	750,400	791,000	408,200	8,310,200
2003	59,100	4,759,100	1,557,000	781,700	808,200	412,700	8,377,800
2004	59,700	4,764,600	1,575,100	820,900	832,400	413,900	8,466,600
2005	61,000	4,810,000	1,594,500	857,300	856,200	418,200	8,597,200
2006	63,700	4,844,500	1,613,900	890,100	868,700	423,800	8,704,700
2007	66,700	4,912,600	1,623,000	911,500	871,200	427,500	8,812,500
2008	73,500	4,972,000	1,638,600	918,800	876,300	432,500	8,911,700
2009	76,671	4,971,414	1,635,757	924,686	882,343	435,229	8,926,100

Source: Processed by SCAG Staff; CA EDD - March 2008 Benchmark, 4/18/2008

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

<u>Calendar year</u>	<u>Imperial</u>	<u>Los Angeles</u>	<u>Orange</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Ventura</u>	<u>Total</u>
2000	9,800	252,400	52,000	36,500	35,400	17,700	403,800
2001	8,900	269,500	59,800	39,100	38,700	19,400	435,400
2002	8,600	323,100	76,400	48,600	47,800	23,600	528,100
2003	9,200	332,000	74,400	51,100	50,700	23,900	541,300
2004	10,200	310,400	67,100	49,300	48,100	22,200	507,300
2005	9,800	257,100	60,100	46,300	44,900	20,000	438,200
2006	9,800	231,300	54,900	44,800	41,900	18,200	400,900
2007	12,000	249,900	63,100	55,000	48,800	20,900	449,700
2008	16,800	373,800	86,200	79,000	69,900	27,300	653,000
2009	21,614	558,871	140,686	123,143	112,714	42,414	999,442

Source: Processed by SCAG Staff; CA EDD - March 2008 Benchmark, 4/18/2008

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

	No. of Employees	Percent of Total Employment
Imperial		
State of California	2,400	4.15%
County of Imperial	1,712	2.96%
Federal Government	1,312	2.27%
Pioneer Memorial Hospital	900	1.56%
Walmart	850	1.47%
Brawley Beef	800	1.38%
Jjall LLC	800	1.38%
Quechan Paradise Casino	610	1.06%
B.C. Harvesting	600	1.04%
Imperial Date Gardens	500	0.87%
Los Angeles	87,622	
Los Angeles Unified School District	96,596	2.17%
Los Angeles County	87,622	1.97%
City of Los Angeles	46,513	1.04%
UCLA	31,589	0.71%
State of California	28,397	0.64%
USC	21,385	0.48%
Nestle Corporation	20,000	0.45%
McDonlads	13,717	0.31%
US Postal Service	13,031	0.29%
Ralphs Grocery Company	11,677	0.26%
Orange		
Disneyland	13,109	0.83%
UC, Irvine	12,186	0.77%
County of Orange	9,432	0.60%
State of California	8,225	0.52%
Albertsons	7,566	0.48%
Target Corporation	5,006	0.32%
Home Depot	4,146	0.26%
US Postal Service	4,097	0.26%
Ralphs Grocery Company	4,045	0.26%
Hoag Memorial	4,001	0.25%

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

	Number of Employees	Percent of Total Employment
Riverside		
UC, Riverside	4,482	0.67%
Stater Brothers Market	4,231	0.64%
Pechanga Development	3,300	0.50%
Wal-mart Stores	3,180	0.48%
Target Corporation	3,115	0.47%
Morongo Casino	3,000	0.45%
Home Depot	2,991	0.45%
Albertsons	2,866	0.43%
McDonalds	2,545	0.38%
Starbucks	2,177	0.33%
San Bernardino		
Loma Linda University Medical Center	9,000	1.33%
Ontario-International Airport	6,000	0.89%
County of San Bernardino	5,428	0.80%
Kaiser Foundation	5,000	0.74%
Stater Brothers Market	4,497	0.66%
Wal-mart Stores	4,311	0.64%
Target Corporation	3,323	0.49%
Colton Unified School District	3,311	0.49%
San Manuel Indian Casino	3,000	0.44%
Home Depot	2,849	0.42%
Ventura		
Federal Government	9,790	2.69%
Amgen	5,000	1.37%
Harbor Tools	3,000	0.82%
County of Ventura	3,000	0.82%
Vons	2,250	0.62%
Blue Cross of California	2,000	0.55%
Albertsons	1,659	0.46%
Baxter Bioscience	1,500	0.41%
Farmers Insurance Group	1,500	0.41%
Los Robles Hospital	1,500	0.41%

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 14 – Housing Units 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>
2000	43,891	3,270,906	969,484	584,674	601,369	251,712	5,722,036
2001	44,218	3,278,902	976,162	595,682	605,809	254,585	5,755,358
2002	45,035	3,292,582	986,067	613,667	613,139	258,798	5,809,288
2003	45,944	3,308,777	994,130	634,197	621,964	261,900	5,866,912
2004	46,531	3,323,630	1,003,929	659,795	632,267	264,583	5,930,735
2005	48,495	3,341,548	1,013,842	690,075	645,639	267,363	6,006,962
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

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

<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>
2000	118,095	196,458	252,958	144,487	117,188	250,021	1,079,207
2001	124,000	222,875	283,333	165,525	134,833	266,833	1,197,399
2002	130,200	263,767	335,818	187,359	152,839	320,729	1,390,712
2003	136,710	330,000	450,000	238,000	181,000	400,000	1,735,710
2004	146,000	414,000	540,000	319,000	246,000	500,000	2,165,000
2005	157,000	494,000	617,000	388,000	344,000	592,000	2,592,000
2006	182,000	509,000	626,000	423,000	365,000	584,000	2,689,000
2007	245,100	530,958	628,000	414,261	367,125	582,687	2,768,131
2008	201,900	400,000	461,000	260,000	230,000	420,000	1,972,900
2009	173,600	321,000	420,000	185,000	140,000	375,000	1,614,600

Source: Data Quick.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 16 – Land Use 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>
2000	4,175	4,060	790	7,208	20,062	1,846	38,141
2001	4,175	4,060	790	7,208	20,062	1,846	38,141
2002	4,175	4,060	790	7,208	20,062	1,846	38,141
2003	4,175	4,060	790	7,208	20,062	1,846	38,141
2004	4,175	4,060	790	7,208	20,062	1,846	38,141
2005	4,175	4,060	790	7,208	20,062	1,846	38,141
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

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>
2000	5,743,907,262	546,327,369,732	206,183,506,744	79,757,592,482	78,426,342,715	51,256,814,965	967,695,533,900
2001	5,974,962,496	582,445,970,989	225,513,689,510	88,029,325,251	81,660,106,184	56,225,012,611	1,039,849,067,041
2002	6,509,341,507	622,333,984,376	246,142,319,416	97,381,425,501	86,962,701,280	61,033,182,674	1,120,362,954,754
2003	6,576,083,449	660,226,621,950	266,813,653,450	108,274,548,900	93,866,366,040	65,931,327,778	1,201,688,601,567
2004	7,111,265,553	709,464,293,809	284,868,806,916	121,044,256,493	102,025,286,469	71,391,458,104	1,295,905,367,344
2005	7,244,127,196	761,355,097,239	308,833,261,022	138,021,800,263	112,879,426,833	77,897,210,734	1,406,230,923,287
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

Source: State of California – Controller’s Office.

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

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

	Transportation	High Speed Rail	Aviation	Environmental	Housing	Water	Administration	Total
2003	64						45	109
2004	54						43	97
2005	44	1	1	1	6	1	42	96
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

SCAG has elected show only seven years of data.
Source: SCAG's Human Resources Department

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Transportation							
No. of projects undertaken	24	13	13	15	27	25	24
Grants & Contracts Revenue	\$ 26,433,070	\$ 21,320,486	\$ 19,082,487	\$ 20,640,246	\$ 28,806,467	\$ 31,699,796	\$ 29,929,881
High Speed Rail							
No. of projects undertaken	1	1	1	3	2	1	1
Grants & Contracts Revenue	\$ 999,227	\$ 231,821	\$ 19,738	\$ 1,773,395	\$ 443,831	\$ 899,136	\$ 32,989
Aviation							
No. of projects undertaken	4	4	3	4	3	3	1
Grants & Contracts Revenue	\$ 1,097,588	\$ 913,280	\$ 871,935	\$ 1,019,056	\$ 626,352	\$ 375,864	\$ 276,933
Environmental							
No. of projects undertaken				2		2	2
Grants & Contracts Revenue				\$ 156,337		\$ 2,574,424	\$ 49,467
Housing							
No. of projects undertaken				1			
Grants & Contracts Revenue				\$ 49,769			
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		

SCAG has elected to show only seven years of data for this schedule.

Source: SCAG Finance department

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

No capital assets indicators are available to SCAG.



SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS

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