

Southern California Association of Governments

Comprehensive Annual Financial Report



YEAR ENDED JUNE 30, 2008

Southern California Association of Governments

Comprehensive Annual Financial Report



YEAR ENDED JUNE 30, 2008

Department of the Chief Financial Officer
Mr. Wayne Moore, Chief Financial Officer
Finance and Accounting Division

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table of Contents

	Page(s)
INTRODUCTORY SECTION	
Letter of Transmittal	1-8
Regional Council Officers and Members	9
Organizational Chart – Southern California Association of Governments	10
Organizational Chart – Finance Department	11
Certificate of Achievement for Excellence in Financial Reporting	12
FINANCIAL SECTION	
REPORT OF INDEPENDENT AUDITORS	13-14
MANAGEMENT’S DISCUSSION AND ANALYSIS	15-25
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	26
Statement of Activities	27
Balance Sheet – Governmental Funds	28
Reconciliation of Total Governmental Fund Balances to Net Assets in the Statement of Net Assets	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Notes to Financial Statements	32-51
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – General Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – Federal Transportation Administration – Major Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a Budgetary Basis – Federal Highway Administration – Major Fund	54
Notes to Required Supplementary Information	55-56

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table of Contents

	Page(s)
SUPPLEMENTAL COMBINING FINANCIAL STATEMENTS	
SPECIAL REVENUE FUNDS	
Combining Balance Sheet – Nonmajor Funds	57
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Funds	58
Combining Balance Sheet – Federal Nonmajor Funds	59
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Federal Nonmajor Funds	60
Combining Balance Sheet – State Nonmajor Funds	61
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – State Nonmajor Funds	62
Combining Balance Sheet – Local Nonmajor Funds	63
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Local Nonmajor Funds	64
SUPPLEMENTAL SCHEDULES	
Supplemental Schedule of Indirect Costs	65
Supplemental Schedule of Fringe Benefits	66
Supplemental Schedule of Distribution of Salaries and Fringe Benefits by Project Area	67
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	68-69
STATISTICAL SECTION	
Financial Trends	
Table 1 – Net Assets by Component – Last Six Fiscal Years	71
Table 2 – Changes in Net Assets – Last Six Fiscal Years	72
Table 3 – Fund Balances of Governmental Funds – Last Six Fiscal Years	73
Table 4 – Changes in Fund Balances of Governmental Funds – Last Six Fiscal Years	74
Table 5 – Indirect and Fringe Benefit Costs – Last Ten Fiscal Years	75
Revenue Capacity	
Table 6 – Member Dues – Last Six Fiscal Years	76
Table 7 – Principal Members – Current Year and Five Years Ago	77

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table of Contents

	Page(s)
STATISTICAL SECTION (Continued)	
Demographic and Economic Information	
Table 8 – Population by County in the SCAG Region – Last Ten Calendar Years	78
Table 9 – Number of Households by County in the SCAG Region – Last Ten Calendar Years	79
Table 10 – Wage and Salary Employment by County in the SCAG Region – Last Ten Calendar Years	80
Table 11 – Labor Force by County in the SCAG Region – Last Ten Calendar Years	81
Table 12 – Unemployment by County in the SCAG Region – Last Ten Calendar Years	82
Table 13– Principal Employers by County in the SCAG Region – Current Year	83-84
Table 14 – Housing Units by County in the SCAG Region – Last Ten Calendar Years	85
Table 15 – Median Home Values by County in the SCAG Region – Last Ten Calendar Years	86
Table 16 – Land Use by County in the SCAG Region – Last Ten Calendar Years	87
Table 17 – Assessed Valuation by County in the SCAG Region – Last Ten Calendar Years	88
Operating Information	
Table 18 – Full-time and Part-time Employees by Function – Last Six Fiscal Years	89
Table 19– Operating Indicators by Function – Last Six Fiscal Years	90
Table 20– Capital Asset Statistics by Function – Last Six Fiscal Years	91

INTRODUCTORY SECTION

SOUTHERN CALIFORNIA



**ASSOCIATION OF
GOVERNMENTS**

Main Office

818 West Seventh Street

12th Floor

Los Angeles, California

90017-3435

t (213) 236-1800

f (213) 236-1825

www.scag.ca.gov

Officers

President

Richard Dixon, Lake Forest

First Vice President

Harry Baldwin, San Gabriel

Second Vice President

Jon Edney, El Centro

Immediate Past President

Gary Ovitt, San Bernardino County

Policy Committee Chairs

Executive/Administration

Richard Dixon, Lake Forest

Community, Economic and
Human Development

Larry McCallon, Highland

Energy & Environment

Keith Hanks, Azusa

Transportation

Mike Ten, South Pasadena

November 21, 2008

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

Subject: Letter of Transmittal

As the Executive Director and Chief Financial Officer of SCAG, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the Southern California Association of Governments (SCAG) for the fiscal year ended June 30, 2008.

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 2007-2008.

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

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

- Listing of the Officers and Members of the Regional Council (RC),
- 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 FY07 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, 2007. This was the fifth 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 Vasquez & Company LLP, a certified public accounting firm, licensed and qualified to perform audits in the State of California. The goal of the independent audit is to provide reasonable assurance that the financial statements of SCAG for the fiscal year ended June 30, 2008 are free of material misstatement. The Report of the Independent Auditors is included elsewhere in the CAFR.

The Single Audit Report

The independent audit of the financial statements in this CAFR is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards applied in the single audit require consideration of internal controls, and compliance with legal and federal requirements in the administration of federal awards. There were no findings reported by Vasquez & Company LLP. The Single Audit report for the year ended June 30, 2008 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 FY08 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 FY08-09

- Position the Agency to respond positively to any federal or state funding changes or opportunities. Expand funding from local sources.
- Continue the accumulation of reserve funds.
- Develop and implement new contracting and invoicing procedures to reduce cycle times and increase vendor satisfaction.
- Assess alternative Enterprise Resource Planning systems. Acquire and implement a new system if advantageous.
- Develop and implement a project management system for improved intra-agency coordination and resource management.

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 regions and four county transportation commissions and two councils of government.

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

188 cities

38,000 square miles

19 million people

10th largest economy in the world.

Governing Body of SCAG

The Regional Council (RC) is SCAG's governing body. The membership is comprised of elected representatives from 73 cities and county-elected supervisors, three transportation commissions and one Indian tribe representative. All are elected from within the six-county region. All policy making, the annual OWP, 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 Indian tribe represented is included in the introductory section.

The RC's policy-making process and operational oversight is guided by the work of an Executive Committee, made up of the officers. There are three policy committees. The committees are: 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 Executive/Administration Committee.

SCAG's Mandates

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

(a) Development of the Regional Transportation Plan

The Regional Transportation Plan (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.

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, a first amendment of the 2008 RTP is already underway in 2008 to allow the region to move forward with changes to some of the transportation projects in response to changing realities. 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.

(b) Development of the Regional Transportation Improvement Plan

The Regional Transportation Improvement Plan (RTIP) is a short-term component of the RTP. It is updated every two years and it identifies and prioritizes how much federal funding state and local agencies in the region will receive in a five-year period. The RTIP essentially represents the near-term implementation of the RTP. The RTIP includes and identifies all transportation capital projects proposed over a six-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 RTIP. It is the primary instrument for funding and implementing transportation capital projects identified in the RTP. The 2008 RTIP, which is the most recent RTIP, was adopted by the Regional Council in July 2008 and is pending 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.

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 RC 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. While such appeals are currently pending, SCAG remains optimistic about its chances in prevailing on these matters in the appellate courts.

(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's RC 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 RC 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 RC and Caltrans.

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. 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 gratitude to the President, the Honorable Richard Dixon, and to each of the members of the RC for their leadership, hard work and support throughout the year. We recognize that being a member of the RC is a demanding responsibility and requires a tremendous investment of time.

With leadership from the RC 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

Mission Statement

Leadership

Vision

Progress

Leadership, vision and progress which promote economic growth, personal well-being, and livable communities for all Southern Californians.

The Association will accomplish this Mission by:

- Developing long-range regional plans and strategies that provide for efficient movement of people, goods and information; enhance economic growth and international trade; and improve the environment and quality of life.
- Providing quality information services and analysis for the region.
- Using an inclusive decision-making process that resolves conflicts and encourages trust.
- Creating an educational and work environment that cultivates creativity, initiative, and opportunity.

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 Transportation Equity Act for the 21st Century (TEA-21). Additional financial assistance was provided by the California State Department of Transportation.*

Regional Council Members

OFFICERS:

PRESIDENT: Richard Dixon, Lake Forest

FIRST VICE PRESIDENT: Harry Baldwin, San Gabriel

SECOND VICE PRESIDENT: Jon Edney, El Centro

IMMEDIATE PAST PRESIDENT: Gary Ovitt, San Bernardino County

IMPERIAL COUNTY: Victor Carrillo, Imperial County • Jon Edney, El Centro

LOS ANGELES COUNTY: Mike Antonovich, Los Angeles County • Zev Yaroslavsky, Los Angeles County • Richard Alarcón, Los Angeles • Jim Aldinger, Manhattan Beach • Harry Baldwin, San Gabriel • 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 • Wendy Greuel, Los Angeles • Frank Gurulé, Cudahy • Janice Hahn, Los Angeles • Keith W. Hanks, Azusa • Carol Herrera, City of Diamond Bar • José Huizar, Los Angeles • Tom LaBonge, Los Angeles • Paula Lantz, Pomona • Nury Martinez, San Fernando • Barbara Messina, Alhambra • Larry Nelson, Artesia • Pam O'Connor, Santa Monica • Bernard Parks, Los Angeles • Jan Perry, Los Angeles • Frank Quintero, Glendale • Ed Reyes, Los Angeles • Susan Rhilinger, 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 • Jack Weiss, Los Angeles • Herb J. Wesson, Jr., Los Angeles • Dennis Zine, Los Angeles

ORANGE COUNTY: Chris Norby, Orange County • John Beauman, Brea • Leslie Daigle, Newport Beach • Richard Dixon, Lake Forest • Paul Glaab, Laguna Niguel • Robert Hernandez, Anaheim • Beth Krom, Irvine • Sharon Quirk, 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 • Glenn Duncan, Chino • Paul Eaton, Montclair • Pat Gilbreath, Redlands • Larry McCallon, Highland • Deborah Robertson, Rialto

VENTURA COUNTY: Linda Parks, Ventura County • Glen Becerra, Simi Valley • Carl Morehouse, San Buenaventura

TRIBAL GOVERNMENT REPRESENTATIVE: Mark Calac, Pechanga Band of Luiseno Indians

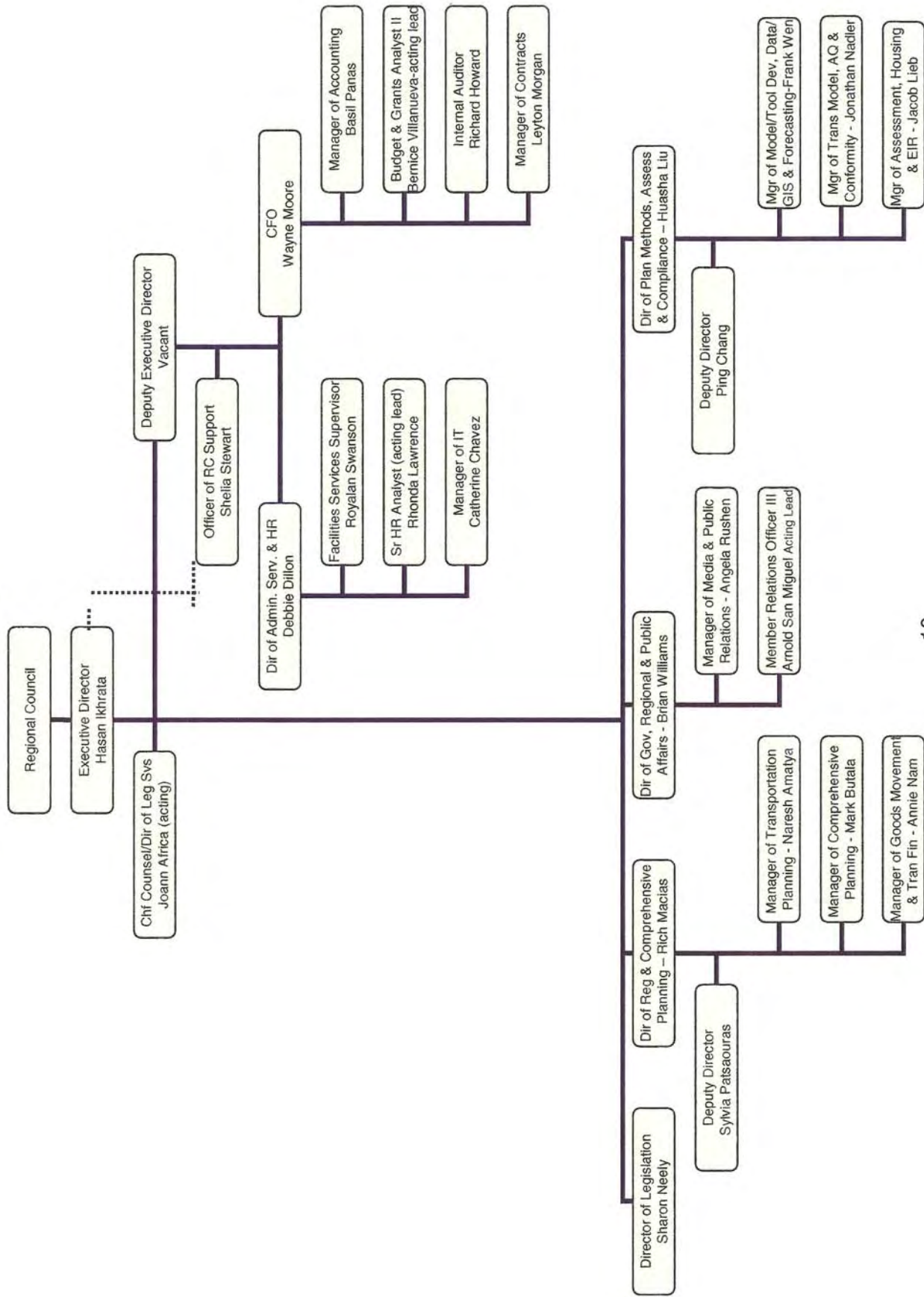
ORANGE COUNTY TRANSPORTATION AUTHORITY: Art Brown, Buena Park

RIVERSIDE COUNTY TRANSPORTATION COMMISSION: Robin Lowe, Hemet

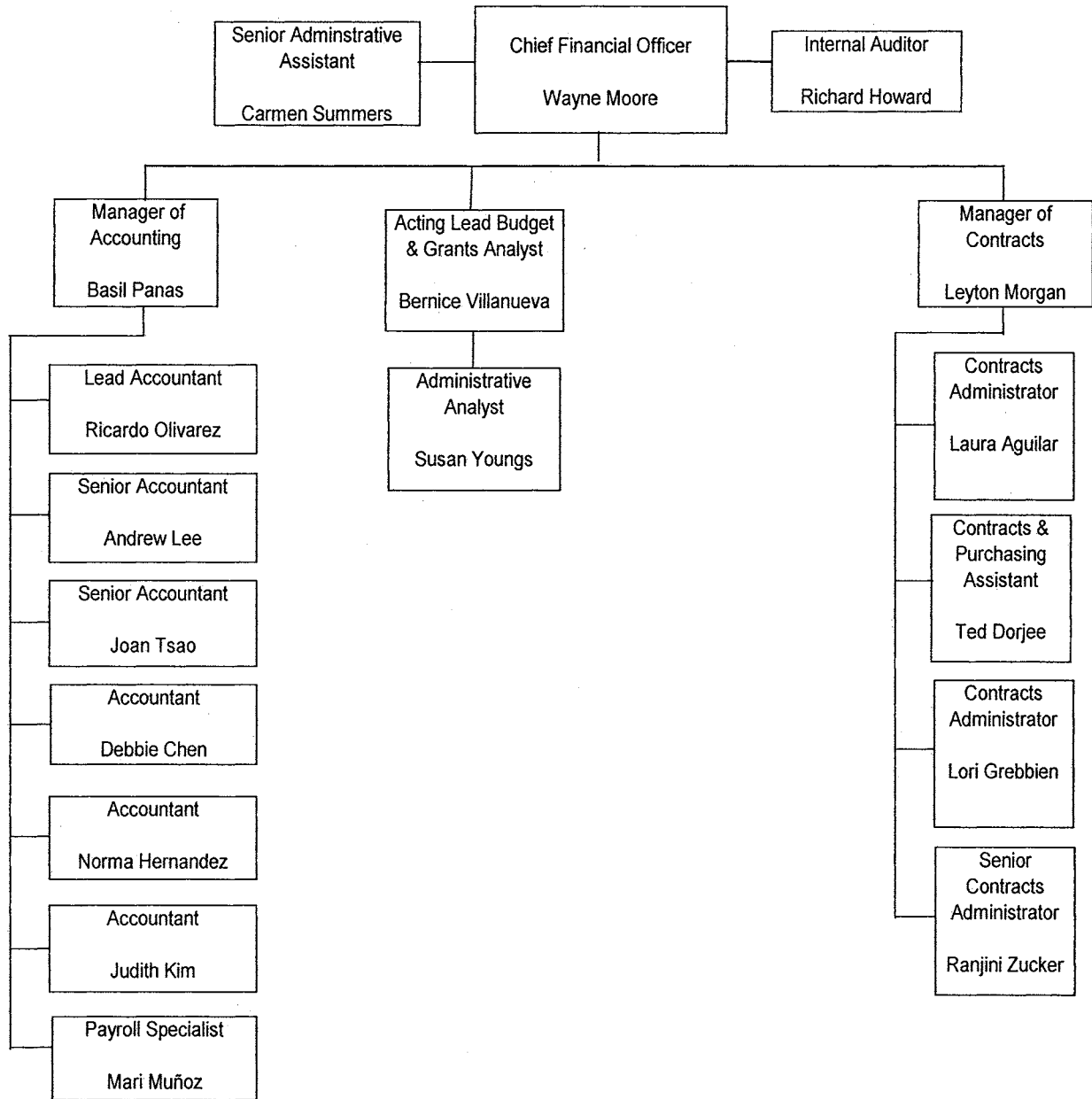
VENTURA COUNTY TRANSPORTATION COMMISSION: Keith Millhouse, Moorpark

12/10/08

SCAG Organization Chart



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Organizational Chart – Finance Department



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, 2007

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.



Chane S. Cox

President

Jeffrey R. Emery

Executive Director

FINANCIAL SECTION

Report of Independent Auditors

The Honorable Members of the Regional Council of Southern California Association of Governments Los Angeles, California

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, 2008, which collectively comprise the Southern California Association of Governments' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Southern California Association of Governments' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2008 on our consideration of the Southern California Association of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

The management's discussion and analysis on pages 15 through 25, the budgetary comparison information on pages 52 through 56, and the schedules of funding progress on pages 46, 48 and 51 are not a required part of the basic financial statements but are 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 opinions on the financial statements that collectively comprise the Southern California Association of Governments' basic financial statements. The introductory section, supplemental combining financial statements, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental combining financial statements and supplemental 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 section 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.

Vargay + Company LLP

Los Angeles, California
November 21, 2008

MANAGEMENT'S DISCUSSION & ANALYSIS

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2008

INTRODUCTION

This management's discussion and analysis (MD&A) of the Southern California Association of Governments' (SCAG) financial performance provides an overview of the SCAG's financial activities for the fiscal year ended June 30, 2008. 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 FY08.

FINANCIAL HIGHLIGHTS

- Revenues increased by 12% in FY08 to \$32.5 million; cash increased by \$0.5 million; accounts receivable decreased by \$1.0 million; and accounts payable decreased by \$0.7 million, all compared to FY07.
- Federal revenues increased by \$4.0 million in FY08 compared to FY07; state revenues increased \$0.7 million; local revenues fell by \$0.2 million; General Fund revenues were almost unchanged, giving an aggregate increase of \$4.6 million in net total revenues.
- Net assets increased by \$0.7 million to \$3.8 million. The actual increase was \$683,479 and was mostly attributable to the surplus in the Transportation Development Act Fund.
- Cash balances were adequate to support operations.
- There were no draws on SCAG's line of credit in FY08. In fact, SCAG has not utilized its line of credit since FY05 (\$5.0 million).
- Accounts Receivable (AR) decreased \$1.0 million to \$8.5 million. No ARs are past due at year end.
- Accounts Payable (AP) payments to vendors are disbursed on a current basis. AP balances decreased \$0.7 million to \$5.3 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, 2008

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 FY08, assets exceeded liabilities by \$3,848,973 an increase of \$683,779 from FY07. This mostly results from the increase in the fund balance of the TDA fund.

The following is a summary of net assets as of June 30, 2008 and 2007:

	June 30	
	2008	2007
Current and other assets	\$ 10,859,819	11,318,207
Capital assets, net	481,769	412,828
Total assets	11,341,588	11,731,035
Current liabilities	6,275,634	7,206,071
Noncurrent liabilities	1,216,981	1,359,770
Total liabilities	7,492,615	8,565,841
Net assets:		
Invested in capital assets	481,769	412,828
Unrestricted	3,367,204	2,752,366
Total net assets	\$ 3,848,973	3,165,194

Cash and Cash Equivalents

Over the last year, cash has increased \$0.5 million to \$2.3 million. During that same period, cash as a percentage of total assets rose from 16% to 20% thanks to a decline in receivables during that period.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2008

Included in cash was \$1.8 million of TDA, which remained available for future years, and \$0.5 million of member dues for FY09 received in FY08. It is important to note that the General Fund had advanced \$3.9 million to other funds at year-end in anticipation of grant reimbursements to those funds. This was repaid in FY09.

Accounts Receivable (AR)

ARs from federal, state, local and others at the end of FY08 were \$8.5 million compared to \$9.5 million the year before. SCAG actively managed AR collections to maximize liquidity. This accounted for the reduction in ARs. AR balances represented 75% of total assets compared to 81% in FY07.

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 \$7.3 million were the same as last year. State receivables fell by \$0.5 million to \$0.4 million. Local ARs are negligible, primarily because several local funds have paid their share of project commitments in advance. Other receivables fell by \$0.4 million to \$0.8 million.

Accounts Payable (AP)

During FY08, SCAG met its goal of paying 90% of invoices within 30 days in all but three months (those around the fiscal year-end). Less than 5% of AP at June 30, 2008 were outstanding more than 30 days. The AP balance fell \$0.7 million to \$5.3 million. The decrease was largely attributable to improved invoice processing procedures.

Line of Credit (LOC)

There were no draws on the LOC in FY08. The LOC was established to provide SCAG with access to cash, if needed, to support ongoing business operations. It is a valuable resource to ensure cash demands are 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, 2009. 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 6%.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2008

Capital Assets

Investment in net capital assets of \$481,769 represents about 13% of net assets. These assets have continuing value, which contribute to efficiency and effectiveness in conducting SCAG's transportation planning activities. For additional information, the reader is referred to note 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

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Computer equipment, net	\$ 389,339	\$ 268,607
Leasehold improvements, net	92,430	138,168
Furniture and fixtures, net	-	6,053
	<u>\$ 481,769</u>	<u>\$ 412,828</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2008

Statement of Activities

	Years ended June 30	
	2008	2007
REVENUES		
Charges for services – member dues	\$ 1,520,805	1,438,135
Operating grants and contributions	30,763,997	27,198,415
General revenues:		
Interest revenue	104,946	146,987
Other revenue	92,366	158,736
	32,482,114	28,942,273
EXPENSES		
Transportation	29,814,918	25,605,715
High speed rail	363,924	443,831
Aviation	123,407	626,352
Energy	116,947	11,419
Social services	—	96,435
Administration	1,379,139	1,618,820
Water	—	77,615
	31,798,335	28,480,187
Change in net assets	683,779	462,086
Net assets at beginning of year	3,165,194	2,703,108
Net assets at end of year	\$ 3,848,973	3,165,194

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 FY08 were \$32.5 million compared to \$28.9 million last year. This is an increase of \$3.6 million or about 12%. It reflects the growth in SCAG's programs.

The increase in net assets reflects unused TDA Fund match (\$379,453) for projects not completed this year and a General Fund surplus (\$304,026) resulting from below-budget expenditures.

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 reduce reliance on federal funding.

Major Expenses

In FY08, salary expenses were \$7.0 million and fringe benefits were \$3.9 million for a total of \$10.9 million. This was an increase of \$2.7 million over FY07 when salary and fringe benefit expenses were \$5.1 million and \$3.1 million, respectively. Salaries and fringe benefits represent about 31% of total expenses.

Consultant expenses are the next largest expense line item. Consultant expenses increased by 16% to \$11.7 million in FY08 compared to \$10.1 million in FY07, an increase of \$1.6 million. They represent about 33% of total expenses. The increase in the level of consultant expenditures partially accounts for the increase in overall revenues in FY08. Detailed information concerning specific consultant activities is analyzed below in the discussion about major revenues and expenses of federal, state, local grants and the GF.

Federal Transportation Grants

Major FHWA and FTA grants

SCAG's two major 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. The RTP lays out the blueprint for Southern California's transportation network and how it can best handle future needs.

These two grants had revenues of \$27.6 million compared to budget of \$33.7 million. FHWA revenues amounted to \$18.6 million and FTA \$9.0 million in FY08. Salaries and fringe benefits accounted for \$10.6 million, consultant expenses were \$8.2 million and the balance represented indirect overhead of \$10.8 million and other direct project costs of \$0.5 million. Other direct project expenses include professional services, travel, printing and other.

Other FHWA and FTA grants

In addition to the two major grants, there were three non-major FHWA and FTA grants, which were awarded to SCAG to fund specific project activities. All of the FHWA and FTA grants have been combined in the basic financial statements and are reported as such in this analysis.

The total FHWA budget for FY08 was \$20.3 million and the FTA budget was \$13.4 million for a total of \$33.7 million. The total amount expended was \$18.6 million (FHWA) and \$9.0 million (FTA), for a total of \$27.6 million, or about 82% of their aggregate budgets. The unused grant balances will be carried forward to future years, subject to authorization from Caltrans.

Federal Railroad and Aviation grants

\$0.8 million of total federal revenues came from nonmajor federal grants. There were five other grants included in total federal revenues: one Federal Railroad Administration (FRA) grant, and three Federal Aviation Authority (FAA) grants and one grant from the US Geological Survey (USGS).

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2008

Together they represent 3% of total revenues. FRA revenue was \$0.2 million and FAA revenue was \$0.1 million. In FY07, FRA revenues were \$0.3 million and FAA revenues were \$0.6 million. The decrease in FY08 for these grants was \$0.6 million compared to FY07.

Railroad - FRA grants

The total FRA grant was \$0.5 million and was supplemented by additional required cash match contributions to the project of \$0.4 million. The local participants in the project are 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. Of the total funding of \$0.9 million, about \$0.6 million has been expended, or about 65% of the project. The remaining balance of \$0.3 million will be carried forward to complete the project.

About 96% of the project is consultant work and the balance of 4% is performed by SCAG staff. The advanced planning, conceptual design, and schematic engineering 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 will continue work on the High-Speed Rail/Maglev Alternatives Analysis, which is scheduled for completion by December 2008. The Alternatives Analysis will compare speed, ridership, capital, and operating costs and other attributes for High-Speed Rail technology against those of Maglev technology. Also, the Alternatives Analysis will look at two different alignments within the IOS corridor.

Aviation - FAA grants

For FY 07-08 we had two FAA-funded projects. The first was Regional Aviation Reporting (\$42,665) for which we prepared regional aviation activity reports using the services of Back Aviation Solutions. The work is continuing this fiscal year, producing these reports on a quarterly basis. The second was the Airport Ground Access project (\$112,007). This project developed an Airport Ground Access Element for the 2008 RTP, which included recommended projects around airports needed to address forecast congestion and bottlenecks resulting from the potential implementation of the regional aviation demand forecasts in the 2008 RTP.

The first of the two aviation-related projects that were not funded through the FAA was Aviation Planning for the 2008 RTP (\$242,074 FTA). This involved staffing the Aviation Technical Advisory Committee and the Aviation Task Force meetings, coordinating with the Southern California Regional Airport Authority, and managing the development of regional aviation and airport ground access elements for the 2008 RTP including developing and adopting new regional aviation policies and new regional aviation demand forecasts. The other project was the Regional Airport Management Action Plan (\$100,000 FTA) that has yet to be initiated. We added \$50,000 of FAA funds to this project this year from an old FAA grant that was about to expire.

State grants

State revenues this year were \$1.9 million from three state grants compared to \$1.2 million in FY07. The largest was the California Regional Blueprint Planning grant. 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.

Community and Environmental Transportation Acceptability Process (CETAP) revenues in FY08 were \$0.3 million, and \$0.1 million in FY07.

The other two State grants are for Watershed Planning (\$0.1 million with no match requirement) and a Planning and Research grant of \$0.2 million for various transportation activities with a budgeted match of \$0.4 million.

Local grants

Local revenues were \$1.5 million compared to \$1.7 million in FY07. Most of this represents cash match contributions required for federal grants. The cash match funds are provided by transportation entities in the region that have a stake in the projects being conducted by SCAG.

The total match in FY08 was \$1.5 million, compared to \$1.7 million in FY07, made up mostly of Transportation Development Act (TDA) funding. The TDA 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 FY08, the fund balance increased by \$1,062,042. 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 \$683,479.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2008

	<u>Years ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Membership assessments	\$ 1,520,805	1,438,135
Interest and other	197,312	205,945
Total revenues	<u>1,718,117</u>	<u>1,644,080</u>
Expenditures:		
Transportation	10,502,769	8,301,704
Aviation	-	106,460
Energy	-	5,896
Water	-	40,237
Administration	1,093,211	2,244,573
Capital outlay	257,272	247,578
Total expenditures	<u>11,853,252</u>	<u>10,946,448</u>
Deficiency of revenues over expenditures	(10,135,135)	(9,302,368)
Other financing sources (uses):		
Transfers in	11,197,177	8,454,297
Transfers out	-	(5,277)
Net change in fund balance	1,062,042	(853,348)
Fund balance at beginning of year	<u>1,861,607</u>	<u>2,714,955</u>
Fund balance at end of year	<u>\$ 2,923,649</u>	<u>1,861,607</u>

Dues assessed to member jurisdictions

The main source of revenues is dues assessed and collected from cities, counties, and certain Transportation Commissions in the region. Dues are used to fund the expenses of the RC and its subcommittees, 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. A second amendment was approved to limit voting privileges of RC members from jurisdictions whose dues are not paid by October 1.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2008

Member dues collections improved in FY08 to \$1,520,805 from \$1,438,135 in FY07, an increase of about 5.7%. This resulted partially from a dues increase equivalent to the Consumer Price Index and partially from greater membership. Dues revenue also exceeded the original budget of \$1,483,845 by \$36,960 due to greater membership. During FY08 SCAG welcomed five new members.

Other GF revenues and interest income

Total other revenues decreased in FY08 to \$197,312 from \$205,945 in FY07. Most of this revenue was interest income which decreased from \$146,987 in FY07 to \$104,945. The repurchase agreement supplemented interest earnings by sweeping unused cash balances in SCAG's checking account into overnight investments. 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 Note 2 – Cash and Cash Equivalents for additional information.

GF Budget vs. Actual Expenditures

GF expenditures overall were \$1.5 million compared to the budget of \$1.6 million, a variance of \$0.1 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, legal fees, interest, and charges for uncollectible ARs. The budget underrun resulted from savings in professional services contracts.

Next Year's Budgets

SCAG's aggregate grant budget, called the Overall Work Program (OWP), for FY09 is \$40.1 million compared to the grant budget in FY08 of \$42.0 million, a net decrease of \$1.9 million or 4.5%. Most FY09 OWP funding comes from the Federal government (84%), 12% comes from local sources, and 4% 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

BASIC FINANCIAL STATEMENTS

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Net Assets
June 30, 2008

ASSETS

Cash and cash equivalents (note 2)	\$ 2,313,382
Receivables:	
Federal grants	7,255,164
State grants and contracts	407,677
Local grants and contracts	5,000
Other	837,548
Other assets	41,048
Capital assets, net (note 4)	<u>481,769</u>
Total assets	<u>11,341,588</u>

LIABILITIES

Accounts and contracts payable	5,307,373
Accrued liabilities	300,225
Deferred revenues (note 3)	668,036
Noncurrent liabilities [notes 8 and 10(d)]:	
Due within one year	725,009
Due in more than one year	<u>491,972</u>
Total liabilities	<u>7,492,615</u>

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

NET ASSETS

Invested in capital assets (note 4)	481,769
Unrestricted	<u>3,367,204</u>
Total net assets	<u>\$ 3,848,973</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year ended June 30, 2008

	<u>Expenses</u>	<u>Indirect cost allocations</u>	<u>Program revenues</u>		<u>Net (expenses) revenues and change in net assets 2008</u>
			<u>Charges for services – member dues (note 9)</u>	<u>Operating grants and contributions</u>	
Functions/programs:					
Transportation	\$ 18,626,479	11,188,439	—	30,159,828	344,910
Aviation	123,407	—	—	123,407	—
High speed rail	363,924	—	—	363,924	—
Energy	108,209	8,738	—	116,838	(109)
Administration	12,576,316	(11,197,177)	1,520,805	—	141,666
Total governmental activities	<u>31,798,335</u>	<u>-</u>	<u>1,520,805</u>	<u>30,763,997</u>	<u>486,467</u>
General revenues:					
Interest income					104,946
Other revenue					92,366
Total general revenues					<u>197,312</u>
Change in net assets					683,779
Net assets at beginning of year					<u>3,165,194</u>
Net assets at end of the year					<u>\$ 3,848,973</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2008

Assets	General Fund	FTA Fund	FHWA Fund	Nonmajor Funds	Total
Cash and cash equivalents (note 2)	\$ 2,313,382	—	—	—	2,313,382
Receivables:					
Federal grants	—	3,397,118	3,356,998	501,048	7,255,164
State grants and contracts	—	—	—	407,677	407,677
Local grants and contracts	—	—	—	5,000	5,000
Other	837,548	—	—	—	837,548
Due from other funds (note 5)	3,939,341	—	—	2,394,461	6,333,802
Other assets	41,048	—	—	—	41,048
Total assets	<u>\$ 7,131,319</u>	<u>3,397,118</u>	<u>3,356,998</u>	<u>3,308,186</u>	<u>17,193,621</u>
Liabilities and Fund Balances					
Accounts and contracts payable	\$ 1,068,182	1,823,922	1,251,137	1,164,132	5,307,373
Accrued liabilities	187,642	35,621	73,487	3,475	300,225
Due to other funds (note 5)	2,394,461	1,537,575	2,032,374	369,392	6,333,802
Deferred revenues (note 3)	557,385	—	—	190,982	748,367
Total liabilities	4,207,670	3,397,118	3,356,998	1,727,981	12,689,767
Fund balances – undesignated reported in:					
General fund	2,923,649	—	—	—	2,923,649
Special revenue funds	—	—	—	1,580,205	1,580,205
Total fund balances	<u>2,923,649</u>	<u>—</u>	<u>—</u>	<u>1,580,205</u>	<u>4,503,854</u>
Total liabilities and fund balances	<u>\$ 7,131,319</u>	<u>3,397,118</u>	<u>3,356,998</u>	<u>3,308,186</u>	<u>17,193,621</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Reconciliation of Total Governmental Fund Balances to
Net Assets in the Statement of Net Assets
June 30, 2008

Total governmental fund balances	\$ 4,503,854
Amounts reported for governmental activities in the accompanying statement of net assets are different because:	
Refund of premiums from the Joint Powers Insurance Authority are to be collected in the long-term; they are therefore not reported in the governmental fund financial statements	80,331
Capital assets, net of accumulated depreciation of \$5,258,887 used in governmental activities are not financial resources; they are therefore not reported in the governmental fund financial statements (Note 4)	481,769
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	(243,857)
Compensated absences liabilities are not due and payable at year end; they are therefore not reported in the governmental fund financial statements	(749,900)
Net pension obligations are not due and payable at year end; they are therefore not reported in the governmental fund financial statements	<u>(223,224)</u>
Net assets	<u>\$ 3,848,973</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2008

	General Fund	FTA Fund	FHWA Fund	Nonmajor Funds	Total
Revenues:					
Federal grants, net	\$ —	8,969,347	18,584,984	843,530	28,397,861
State grants and contracts	—	—	—	1,866,733	1,866,733
Local grants and contracts	—	—	—	1,468,849	1,468,849
Membership assessments (note 9):					
Cities	1,176,623	—	—	—	1,176,623
Counties	269,182	—	—	—	269,182
Commission	75,000	—	—	—	75,000
Interest and other	197,312	—	—	—	197,312
Total revenues	1,718,117	8,969,347	18,584,984	4,179,112	33,451,560
Expenditures:					
Transportation	10,502,769	6,300,639	10,365,214	2,895,529	30,064,151
Aviation	—	—	—	123,407	123,407
High speed rail	—	—	—	363,924	363,924
Energy	—	—	—	108,100	108,100
Administration	1,093,211	—	—	—	1,093,211
Capital outlay	257,272	—	—	—	257,272
Total expenditures	11,853,252	6,300,639	10,365,214	3,490,960	32,010,065
Excess (deficiency) of revenues over expenditures	(10,135,135)	2,668,708	8,219,770	688,152	1,441,495
Other financing sources (uses):					
Transfers in	11,197,177	—	—	—	11,197,177
Transfers out	—	(2,668,708)	(8,219,770)	(308,699)	(11,197,177)
Net change in fund balance	1,062,042	—	—	379,453	1,441,495
Fund balances at beginning of year	1,861,607	—	—	1,200,752	3,062,359
Fund balances at end of year	\$ 2,923,649	—	—	1,580,205	4,503,854

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2008

Net change in fund balances – total governmental funds		\$ 1,441,495
Amounts reported for governmental activities in the accompanying statement of activities are different because:		
Refund of premiums from the Joint Powers Insurance Authority are to be collected in the long-term are not reported in the fund balances		(275,036)
Under recovered indirect costs reported as unearned revenue in the governmental fund in the prior year is reported as revenue in the current year		(694,410)
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	\$ 257,272	
Depreciation expense	<u>(188,331)</u>	68,941
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		162,584
Compensated absences liabilities		23,489
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>(43,284)</u>
Change in net assets of governmental activities		<u>\$ 683,779</u>

See notes to financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

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. There are no major revenue sources, which are susceptible to accrual. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

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 soon enough 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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

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.

(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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

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, 2008.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

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.

(k) Change in Accounting Policy

Effective July 1, 2004, SCAG changed its accounting policy for the presentation of the general fund budgetary comparison information. SCAG now presents the general fund budget and actual on a budgetary basis in the required supplementary information to the basic financial statements as permitted by U.S. GAAP.

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	\$ 671,265
Cash and cash equivalents in County of Los Angeles Treasury	1,641,667
Petty cash	450
	\$ 2,313,382

(a) Deposits

At June 30, 2008 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, 2008 SCAG's carrying amount of cash in checking accounts was \$671,265 while the bank balance was \$962,262, the difference is attributable to outstanding checks.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

(b) Deposits (continued)

Of the bank balance in financial institutions, the Federal Deposit Insurance Corporation covered \$100,000, while the remaining \$862,262 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.

(c) 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, 2008

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

(d) County of Los Angeles Treasurer's Pool

At June 30, 2008 and as permitted by California Government Code Section 53635, a portion of SCAG's cash balance totaling \$1,641,667 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	36%
Negotiable certificates of deposit	0.13	21
Commercial paper	0.04	35
Corporate and deposit notes	0.82	8

(e) Repurchase Agreement

In May 2007, SCAG entered into a repurchase agreement with its bank. The returns on this program exceeded its costs and forgone bank analysis credits.

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, 2008

NOTE 3 DEFERRED REVENUES (Continued)

(a) Indirect Overhead (continued)

An underrecovery of \$712,601 was carried forward from fiscal 2007 and the remaining under recovered indirect costs for fiscal 2008 is included in the General Fund as other assets. The fixed percentage rate that was approved by Caltrans and used for fiscal 2008 was 112.84% of salaries plus fringe benefits. A reconciliation of the carryforward to fiscal 2008 follows:

		Indirect costs
Indirect costs	\$	11,111,798
Indirect costs recovered		11,212,490
Over recovered indirect costs		(100,692)
Under recovered indirect costs, beginning of year		712,601
Under recovered indirect costs, end of year	\$	611,909

The balance of under recovered indirect costs at June 30, 2008 amounting to \$611,909 will be carried forward, as an adjustment to the calculation of the indirect cost rate to the second fiscal year subsequent to fiscal year 2007-2008.

(b) Membership Dues

Cash received as of June 30, 2008 for member dues for the following year amounted to \$477,054.

(c) Grant Advances

Cash advances received from various grantees and not yet expended at June 30, 2008 amounted to \$190,982. 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, 2008

NOTE 4 CAPITAL ASSETS

SCAG's capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions/</u> <u>adjustments</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets being depreciated:				
Computer equipment	\$ 3,756,794	246,756	-	4,003,550
Leasehold improvements	871,099	10,516	-	881,615
Furniture and fixtures	855,491	-	-	855,491
Total capital assets being depreciated	<u>5,483,384</u>	<u>257,272</u>	<u>-</u>	<u>5,740,656</u>
Less accumulated depreciation and amortization for:				
Computer equipment	(3,488,186)	(126,025)	-	(3,614,211)
Leasehold improvements	(732,932)	(56,253)	-	(789,185)
Furniture and fixtures	(849,438)	(6,053)	-	(855,491)
Total accumulated depreciation and amortization	<u>(5,070,556)</u>	<u>(188,331)</u>	<u>-</u>	<u>(5,258,887)</u>
Capital assets, net	\$ <u>412,828</u>	<u>68,941</u>	<u>-</u>	<u>481,769</u>

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

Transportation	\$ 135,235
Energy	109
Administration	<u>52,987</u>
	<u>\$ 188,331</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

NOTE 5 INTERFUND BALANCES

Interfund due to/from amounts at June 30, 2008 were as follows:

	<u>Due from Other Fund</u>	<u>Due to Other Fund</u>
Major Governmental Funds:		
General Fund	\$ 3,939,341	2,394,461
FTA Fund	-	1,537,575
FHWA Fund	-	2,032,374
Total	<u>3,939,341</u>	<u>5,964,410</u>
Nonmajor Governmental Funds	2,394,461	369,392
Total Funds	<u>\$ 6,333,802</u>	<u>6,333,802</u>

SCAG's General Fund is the organization's main operating fund and all cash receipts and disbursements are processed through the General Fund. Interfund due to/from transactions are used to account for 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, 2008:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	FHWA Fund	\$ 8,219,770	Allocation of indirect cost
	FTA Fund	2,668,708	Allocation of indirect cost
	Nonmajor Funds	308,699	Allocation of indirect cost
		<u>\$ 11,197,177</u>	

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, 2008

NOTE 6 COMMITMENTS AND CONTINGENCIES (Continued)

(b) Contract Commitments

At June 30, 2008, SCAG is contractually committed to pay for certain future transportation, technical, and other planning consulting services aggregating \$4,208,030.

(c) Lease Commitments

At June 30, 2008, 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.

(a) 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.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

NOTE 6 COMMITMENTS AND CONTINGENCIES (Continued)

(a) Risk Management (continued)

During the year ended June 30, 2008, the premium for general liability coverage was \$231,043 and for workers' compensation it was \$40,551. An account receivable of \$132,592 was recorded in the general fund to account for the refund from the JPIA received in July 2008. The refund represented 25% of its March 2008 Retrospective Deposit Computation.

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 balance of \$355,367 was not reported in the governmental fund financial statements, but reported as an account receivable and revenue in the government-wide financial statements.

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, 2008, 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, 2008

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, 2009. The LOC was not used in the year ended June 30, 2008. 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, 2008, 2007, and 2006 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, 2008, 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, 2008 was as follows:

	<u>Balance, June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2008</u>	<u>Due within one year</u>
Compensated absences \$	773,389	740,259	(763,748)	749,900	562,425
Deferred credits	406,441	—	(162,584)	243,857	162,584
Net pension obligation	179,940	119,281	(75,997)	223,224	—
Total \$	<u><u>1,359,770</u></u>	<u><u>859,540</u></u>	<u><u>(1,002,329)</u></u>	<u><u>1,216,981</u></u>	<u><u>725,009</u></u>

NOTE 9 RELATED PARTY TRANSACTIONS

For the year ended June 30, 2008, SCAG recorded \$1,520,805 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, 2008 was 11.958% 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, 2008, SCAG's annual required contribution (ARC) was \$2,198,376. The required contribution for fiscal year 2007-2008 was determined as part of the June 30, 2005 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, 2008

NOTE 10 RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (continued)

(d) *Three-Year Trend Information*

Fiscal year ended June 30:	ARC	Percentage of ARC contributed	Net pension obligation
2006	\$ 1,024,439	100	—
2007	1,797,659	100	—
2008	2,198,376	100	—

(a) *Required Supplementary Information – Schedule of Funding Progress*

Valuation date:	Entry age normal accrued liability	Actuarial value of assets	Unfunded (overfunded) liability	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
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 2008, 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.

SCAG management changed the accounting of the Plan starting the year ended June 30, 2006 to conform with U.S. Generally Accepted Accounting Principles. The method of calculating the 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 2005, 2006, and 2007. 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, 2008

NOTE 10 RETIREMENT PLANS (Continued)

Supplemental Defined Benefit Pension Plan (continued)

(b) *Funding Policy (continued)*

The amount of the ARC 2008 was determined by an actuarial valuation as of June 30, 2007. The net pension obligation (NPO) at June 30, 2008 was calculated based on the ARC, less the payments of \$75,997 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 \$223,224 in the *Statement of Net Assets* in long-term liabilities.

(c) *Annual Pension*

For the fiscal year 2007 – 2008, SCAG's annual actuarially determined pension cost was \$108,485. 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:			
2006	\$ 94,340	45%	\$ 131,929
2007	107,418	60%	179,940
2008	119,281	64%	223,224

(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, 2006	\$ 738,580	\$ 424	\$ 738,157	0.06%	N/A	N/A
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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Financial Statements
Year ended June 30, 2008

NOTE 10 RETIREMENT PLANS (Continued)

Supplemental Defined Benefit Pension Plan (continued)

(f) Net Pension Obligation

Actuarially determined contribution	\$	108,485
Interest on NPO		<u>10,796</u>
	Annual pension cost	119,281
Contributions made		<u>(75,997)</u>
	Increase in NPO	43,284
NPO beginning of year		<u>179,940</u>
	NPO end of year \$	<u><u>223,224</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, 2008, plan assets totaling \$3,684,212 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 GASB43 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. GASB45 was issued in 2004 and it provided standards on accounting and financial reporting for post employment benefits, including health benefits. SCAG has elected to conform to GASB 45 one year earlier than required. GASB 43 provided guidance on financial reporting and how the CalPERS should report under GASB 43, and how its schedules should align with GASB45 disclosure requirements.

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 2007-2008, the actual number of retirees was 70. 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 2008, SCAG has paid to CalPERS the amount of \$678,000, 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 \$383,567. Any health premium over the \$550 is paid by the retiree directly to CalPERS. SCAG management and the governing board approved a change in the funding for health benefits for the year ended June 30, 2008 to conform to U.S. Generally Accepted Accounting Principles. The method of calculating the annual required contribution (ARC) has been changed from a pay-as-you-so 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, 2008

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

(c) Annual Pension

The amount of the actuarially determined annual pension cost for the year ended June 30, 2008 was \$678,000. It was calculated by using the June 30, 2006 actuarial valuation. There is no net pension obligation at the end of the year because 100% of the ARC was paid in 2008. The actuarial assumptions included using a 7.75% investment rate of return, and a 20-year level percent of pay amortization of the unfunded liability, and full payment of the ARC. Normal cost and the amortization of the unfunded liability were both calculated as a level percent of payroll.

(d) Schedule of Funding Progress – Required Supplementary Information

	Entry age normal accrued liability	Actuarial value of assets	Unfunded liability	Funded ratio	Annual covered payroll	UAAL as a percentage payroll
June 30, 2008	\$ 6,214,000	\$ 283,964	\$ 6,214,000	4.57%	\$ 8,618,585	72.1%

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, 2008

	<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	\$ 1,164,663	1,172,154	1,176,623	4,469
Counties	269,182	269,182	269,182	—
Commissions	50,000	75,000	75,000	—
	<u>1,483,845</u>	<u>1,516,336</u>	<u>1,520,805</u>	<u>4,469</u>
Interest and other	<u>73,309</u>	<u>205,000</u>	<u>197,312</u>	<u>(7,688)</u>
Total revenues	<u>1,557,154</u>	<u>1,721,336</u>	<u>1,718,117</u>	<u>(3,219)</u>
Expenditures:				
Administration:				
Salaries and wages	30,057	30,057	12,865	17,192
Fringe benefits	18,026	18,026	5,606	12,420
Indirect costs	51,771	51,771	15,311	36,460
Contractual services	320,000	345,000	345,761	(761)
Capital outlay	—	167,000	257,272	(90,272)
Interest and fees	1,000	1,000	999	1
Professional services and other	540,000	582,000	497,649	84,351
Operating contributions to projects	330,000	87,000	85,227	1,773
Travel	66,000	66,000	58,530	7,470
Training	50,000	52,500	52,488	12
Other	150,300	156,800	154,294	2,506
Total expenditures	<u>1,557,154</u>	<u>1,557,154</u>	<u>1,486,002</u>	<u>71,152</u>
Excess of revenues over expenditures	—	164,182	232,115	67,933
Fund balance at beginning of year	<u>2,505,216</u>	<u>2,505,216</u>	<u>2,505,216</u>	<u>—</u>
Fund balance at end of year	<u>\$ 2,505,216</u>	<u>2,669,398</u>	<u>2,737,331</u>	<u>67,933</u>

See independent auditors' report and 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal grants	\$ 12,736,603	13,413,756	8,969,347	(4,444,409)
Expenditures:				
Transportation:				
Salaries and wages	1,576,160	1,602,939	1,423,061	179,878
Fringe benefits	935,703	951,969	941,976	9,993
Indirect costs	2,704,523	2,882,981	2,668,708	214,273
Temporary help	75,000	75,000	324,804	(249,804)
Contractual services	7,355,217	7,755,866	3,520,549	4,235,317
Printing	8,000	63,000	26,335	36,665
Travel	82,000	82,001	53,668	28,333
Other	—	—	10,246	(10,246)
Total expenditures	12,736,603	13,413,756	8,969,347	4,444,409
Excess of revenues over expenditures	—	—	—	—
Fund balance at beginning of year	—	—	—	—
Fund balance at end of year	\$ —	—	—	—

See independent auditors' report and 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, 2008

	<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	\$ 20,237,803	20,315,252	18,584,984	(1,730,268)
Expenditures:				
Transportation:				
Salaries and wages	4,486,697	4,629,311	4,399,916	229,395
Fringe benefits	2,690,672	2,776,198	2,884,531	(108,333)
Indirect costs	7,727,872	8,356,378	8,219,770	136,608
Temporary help	225,000	225,000	96,065	128,935
Contractual services	4,189,562	3,410,365	2,266,186	1,144,179
Reproduction and printing	100,000	100,000	78,261	21,739
Professional services and other		—	34,426	(34,426)
Travel	117,000	117,000	109,381	7,619
Other	701,000	701,000	496,448	204,552
Total expenditures	<u>20,237,803</u>	<u>20,315,252</u>	<u>18,584,984</u>	<u>1,730,268</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 independent auditors' report and notes to required supplementary information.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2008

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	\$ 1,718,117	1,718,117	—
Total expenditures	(1,486,002)	(11,853,252)	(10,367,250)
Total other financing sources	—	11,197,177	11,197,177
Net change in fund balance	\$ 232,115	1,062,042	829,927

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information
Year ended June 30, 2008

FTA Fund

	Actual/ budget as presented in the budget	Actual/ GAAP as presented in the financial statements	Difference
Total revenues	\$ 8,969,347	8,969,347	—
Total expenditures	(8,969,347)	(6,300,639)	2,668,708
Total other financing uses	—	(2,668,708)	(2,668,708)
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	\$ 18,584,984	18,584,984	—
Total expenditures	(18,584,984)	(10,365,214)	8,219,770
Total other financing uses	—	(8,219,770)	(8,219,770)
Net change in fund balance	\$ —	—	—

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, 2008

Assets	Federal accounts	State accounts	Local accounts	Total nonmajor accounts
Receivables:				
Federal grants	\$ 501,048	—	—	501,048
State grants and contracts	—	407,677	—	407,677
Local grants and contracts	—	—	5,000	5,000
Due from other funds	114,563	172,867	2,107,031	2,394,461
Total assets	\$ 615,611	580,544	2,112,031	3,308,186
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 418,947	402,823	342,362	1,164,132
Accrued liabilities	1,815	1,660	—	3,475
Deferred revenue	6,518	—	184,464	190,982
Due to other funds	188,331	176,061	5,000	369,392
Total liabilities	615,611	580,544	531,826	1,727,981
Fund balances – designated	—	—	1,580,205	1,580,205
Total liabilities and fund balances	\$ 615,611	580,544	2,112,031	3,308,186

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Funds
Year ended June 30, 2008

	<u>Federal accounts</u>	<u>State accounts</u>	<u>Local accounts</u>	<u>Total nonmajor accounts</u>
Grant revenues, net	\$ 843,530	1,866,733	1,468,849	4,179,112
Expenditures:				
Transportation:				
Salaries and wages	12,613	139,764	—	152,377
Fringe benefits	8,384	105,068	—	113,452
Contractual services	493,472	1,231,906	894,488	2,619,866
Other	—	9,834	—	9,834
Total transportation	<u>514,469</u>	<u>1,486,572</u>	<u>894,488</u>	<u>2,895,529</u>
Aviation:				
Contractual services	123,407	—	—	123,407
Total aviation	<u>123,407</u>	<u>—</u>	<u>—</u>	<u>123,407</u>
High speed rail:				
Contractual services	181,962	—	181,962	363,924
Total high speed rail	<u>181,962</u>	<u>—</u>	<u>181,962</u>	<u>363,924</u>
Energy:				
Salaries and wages	—	1,660	3,590	5,250
Fringe benefits	—	—	2,492	2,492
Contractual services	—	100,358	—	100,358
Total energy	<u>—</u>	<u>102,018</u>	<u>6,082</u>	<u>108,100</u>
Excess of revenues over expenditures	23,692	278,143	386,317	688,152
Other financing uses:				
Transfers out	(23,692)	(278,143)	(6,864)	(308,699)
Net change in fund balances	—	—	379,453	379,453
Fund balances at beginning of year			1,200,752	1,200,752
Fund balances at end of year	\$ <u>—</u>	<u>—</u>	<u>1,580,205</u>	<u>1,580,205</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Federal Nonmajor Funds
June 30, 2008

	FTA		FRA	FAA	USGS	Total federal nonmajor accounts
	05930	FHWA	Maglev	Airport		
Assets	07050	07060	accounts	accounts	08220	
			04973	04530		
				05530		
				06530		
Receivables – federal grants	\$ 306,936	—	26,726	123,407	43,979	501,048
Due from other funds	29,919	50,126	28,000	6,518	—	114,563
Total assets	\$ 336,855	50,126	54,726	129,925	43,979	615,611
Liabilities and Fund Balances						
Accounts and contracts payable	\$ 297,095	50,126	54,726	17,000	—	418,947
Accrued liabilities	1,815	—	—	—	—	1,815
Deferred revenue	—	—	—	6,518	—	6,518
Due to other funds	37,945	—	—	106,407	43,979	188,331
Total liabilities	336,855	50,126	54,726	129,925	43,979	615,611
Fund balances – undesignated	—	—	—	—	—	—
Total liabilities and fund balances	\$ 336,855	50,126	54,726	129,925	43,979	615,611

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Federal Nonmajor Funds
Year ended June 30, 2008

	<u>FTA</u> <u>05930</u> <u>07050</u>	<u>FHWA</u> <u>07060</u>	<u>FRA</u> <u>Maglev</u> <u>accounts</u> <u>04973</u>	<u>FAA</u> <u>Airport</u> <u>accounts</u> <u>04530</u> <u>05530</u> <u>06530</u>	<u>USGS</u> <u>08220</u>	<u>Total</u> <u>federal</u> <u>nonmajor</u> <u>accounts</u>
Federal grants and services	\$ 494,182	—	181,962	123,407	43,979	843,530
Expenditures:						
Transportation:						
Salaries and wages	12,613	—	—	—	—	12,613
Fringe benefits	8,384	—	—	—	—	8,384
Contractual services	449,493	—	—	—	43,979	493,472
Total transportation	<u>470,490</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>43,979</u>	<u>514,469</u>
Aviation:						
Contractual services	—	—	—	123,407	—	123,407
Total aviation	<u>—</u>	<u>—</u>	<u>—</u>	<u>123,407</u>	<u>—</u>	<u>123,407</u>
High speed rail:						
Contractual services	—	—	181,962	—	—	181,962
Total high speed rail	<u>—</u>	<u>—</u>	<u>181,962</u>	<u>—</u>	<u>—</u>	<u>181,962</u>
Excess of revenues over expenditures	23,692	—	—	—	—	23,692
Other financing uses:						
Transfers out	(23,692)	—	—	—	—	(23,692)
Net change in fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances at beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
State Nonmajor Funds
June 30, 2008

	Blueprint Fund account 06200 06210	Caltrans State Planning and Research CETAP account 04960	Combined other accounts 07950 07960 08210	Total state nonmajor accounts
Assets				
Receivables – state grants	\$ 66,240	159,093	182,344	407,677
Due from other funds	150,932	—	21,935	172,867
Total assets	<u>\$ 217,172</u>	<u>159,093</u>	<u>204,279</u>	<u>580,544</u>
Liabilities and Fund Balances				
Accounts and contracts payable	\$ 176,217	104,313	122,293	402,823
Accrued liabilities	—	—	1,660	1,660
Due to other funds	40,955	54,780	80,326	176,061
Total liabilities	217,172	159,093	204,279	580,544
Fund balances – undesignated	—	—	—	—
Total liabilities and fund balances	<u>\$ 217,172</u>	<u>159,093</u>	<u>204,279</u>	<u>580,544</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
State Nonmajor Funds
Year ended June 30, 2008

	Blueprint Fund account 06200 06210	Caltrans State Planning and Research CETAP account 04960	Combined other accounts 07950 08210 07960	Total state nonmajor accounts
State grants and services	\$ 885,837	302,082	651,348	1,839,267
Local grants and services	—	27,466	—	27,466
	<u>885,837</u>	<u>329,548</u>	<u>651,348</u>	<u>1,866,733</u>
Expenditures:				
Transportation:				
Salaries and wages	139,764	—	—	139,764
Fringe benefits	105,068	—	—	105,068
Contractual services	354,902	329,548	547,456	1,231,906
Travel	9,834	—	—	9,834
Total transportation	<u>609,568</u>	<u>329,548</u>	<u>547,456</u>	<u>1,486,572</u>
Energy:				
Salaries and wages	—	—	1,660	1,660
Contractual services	—	—	100,358	100,358
Total energy	<u>—</u>	<u>—</u>	<u>102,018</u>	<u>102,018</u>
Excess of revenues over expenditures	<u>276,269</u>	<u>—</u>	<u>1,874</u>	<u>278,143</u>
Other financing uses:				
Transfers out	<u>(276,269)</u>	<u>—</u>	<u>(1,874)</u>	<u>(278,143)</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances at beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Balance Sheet
Local Nonmajor Funds
June 30, 2008

	TDA Planning account 07110 08110	City of L.A. Modeling account 04720	Cash match 06600-06620 06700-06720 06740-06750 07320-07730	Combined other accounts	Total local nonmajor accounts
Assets					
Receivables – local grants	\$ —	—	5,000	—	5,000
Due from other funds	1,800,811	67,084	184,560	54,576	2,107,031
Total assets	<u>\$ 1,800,811</u>	<u>67,084</u>	<u>189,560</u>	<u>54,576</u>	<u>2,112,031</u>
Liabilities and Fund Balances					
Accounts and contracts payable	\$ 220,606	—	90,949	30,807	342,362
Due to other funds	—	—	5,000	—	5,000
Deferred revenue	—	67,084	93,611	23,769	184,464
Total liabilities	220,606	67,084	189,560	54,576	531,826
Fund balances – designated	1,580,205	—	—	—	1,580,205
Total liabilities and fund balances	<u>\$ 1,800,811</u>	<u>67,084</u>	<u>189,560</u>	<u>54,576</u>	<u>2,112,031</u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Local Nonmajor Funds
Year ended June 30, 2008

	TDA Planning 07110 08110	City of L.A. Modeling account 04720	Cash match 06600-06620 06700-06720 06740-06750 07320-07730	Combined other accounts	Total local nonmajor accounts
Local grants and services	\$ 1,000,000	—	337,850	130,999	1,468,849
Expenditures:					
Transportation:					
Contractual services	620,547	—	155,888	118,053	894,488
Total transportation	620,547	—	155,888	118,053	894,488
High speed rail:					
Contractual services	—	—	181,962	—	181,962
Total high speed rail	—	—	181,962	—	181,962
Energy:					
Salaries and wages	—	—	—	3,590	3,590
Fringe benefits	—	—	—	2,492	2,492
Total energy	—	—	—	6,082	6,082
Excess of revenues over expenditures	379,453	—	—	6,864	386,317
Other financing uses:					
Transfers out	—	—	—	(6,864)	(6,864)
Net change in fund balances	379,453	—	—	—	379,453
Fund balances at beginning of year	1,200,752	—	—	—	1,200,752
Fund balances at end of year	\$ 1,580,205	—	—	—	1,580,205

SUPPLEMENTAL SCHEDULES

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Indirect Costs
Year ended June 30, 2008

Indirect costs:	
Salaries and wages	\$ 3,653,082
Temporary help	516,647
Fringe benefits	2,471,660
Office space leases	1,407,832
Professional services	854,765
Computer support	206,780
Telephone	90,949
Office supplies	189,851
Equipment repairs and maintenance	24,408
Travel	128,501
Equipment lease	433,721
Memberships	63,495
Insurance	231,043
Postage and delivery	72,955
Printing	50,820
Professional materials	21,869
Staff training	128,700
Office purchases under \$5,000	355,408
Other	209,312
	<hr/>
Total indirect costs	11,111,798
Indirect costs recovered:	
General Fund	15,313
Federal Transportation Administration	2,668,708
Federal Highway Administration	8,219,770
Nonmajor Funds	308,699
	<hr/>
Total indirect costs recovered	11,212,490
Over recovered	(100,692)
Under recovered indirect costs at beginning of year	<hr/> 712,601
Under recovered indirect costs at end of year	\$ <u><u>611,909</u></u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Fringe Benefits
Year ended June 30, 2008

Fringe benefits:	
Employee leave and other salary benefits	\$ 1,683,849
Health insurance	1,941,943
PERS/Other Retirement Plans	2,274,373
Medicare tax – employer share	158,120
Life insurance	95,683
Bus passes	107,035
Worker's compensation/unemployment insurance	55,681
Carpool parking subsidy	3,017
Deferred compensation employer match	73,209
Other	26,808
Total fringe benefits	<u>6,419,718</u>
Fringe benefits recovered:	
Allocated to indirect cost	2,471,660
General Fund	5,606
Allocated to other grants	3,942,452
Total	<u>6,419,718</u>
Underrecovered fringe benefits	—
Underrecovered fringe benefits at beginning of year	<u>—</u>
Underrecovered fringe benefits at end of year	<u><u>\$ —</u></u>

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Supplemental Schedule of Distribution of Salaries and Fringe Benefits by Project Area
Year ended June 30, 2008

	Salaries and wages	Fringe benefits	Salaries, wages, and fringe benefits
Charges to Direct projects	\$ 5,967,991	3,942,452	9,910,443
Charges to General Fund projects	12,865	5,606	18,471
Charges to Indirect projects	3,653,082	2,471,660	6,124,742
Charges to leave	1,683,849 (1)	—	1,683,849
Totals	\$ 11,317,787	6,419,718	17,737,505

(1) Includes salaries paid to staff for vacation and other paid leave. Leave costs are included in fringe benefits.

**Report of Independent Auditors on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of Southern California Association of Governments as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify 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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern California Association of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, 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.

Vergara + Company LLP

**Los Angeles, California
November 21, 2008**

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 Six Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets	\$ 1,065,469	741,180	376,907	289,656	412,828	481,769
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>
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>

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 Six Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Expenses:						
Transportation	\$ 29,457,264	23,709,616 ¹	19,082,487	20,640,246	25,605,715	29,815,218
High speed rail	—	—	19,738	1,773,395	443,831	363,924
Aviation	—	—	871,935	1,019,056	626,352	123,407
Energy	—	—	—	—	96,435	116,947
Environmental	—	—	—	156,337	—	—
Housing	—	—	—	49,769	—	—
Water	—	—	70,389	—	77,615	—
Social services	—	—	—	—	11,419	—
Administration	—	—	1,556,859	1,595,922	1,618,820	1,379,139
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>
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
Operating grants and contributions	28,529,885	22,465,587 ²	20,044,549	23,638,803	27,198,415	30,763,997
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>
Net revenues (expenses)	140,269	(37,903)	(256,200)	(228,137)	156,363	486,167
General revenues and other changes in net assets:						
Interest income	25,405	107,869	36,863	149,276	146,987	104,946
Other income	—	—	147,085	413,251 ³	158,736	92,366
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>

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 Six Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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>
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>
All other governmental funds:						
Reserved	\$ —	—	—	—	—	—
Unreserved, reported in:						
Special revenue funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,200,752</u>	<u>1,580,205</u>
Total all other governmental funds	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,200,752</u>	<u>1,580,205</u>

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues:						
Federal grants	\$ 22,540,651	20,139,571	19,096,413	21,694,775	24,368,620	28,397,861
State grants and contracts	670,492	740,473	399,002	206,516	1,148,805	1,866,733
Local grants and contracts	5,316,392	1,551,398	577,353	1,827,834	1,678,332	1,468,849
Membership assessments	1,193,069	1,270,190	1,313,163	1,367,785	1,438,135	1,520,805
Interest and other	25,405	107,869	183,948	312,216	205,945	197,312
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>
Expenditures:						
Current:						
Transportation	29,047,446	23,339,931	19,450,818	20,401,077	25,607,040	30,064,151
Aviation	—	—	884,886	1,019,262	627,253	123,407
Water	—	—	72,159	—	77,956	—
High speed rail	—	—	20,073	2,365,430	443,831	363,924
Housing	—	—	—	50,179	—	—
Energy	—	—	—	—	11,471	108,100
Social services	—	—	—	—	96,435	—
Administration	—	—	1,230,779	1,536,062	2,244,573	1,093,211
Debt service:						
Interest	125,421	64,064	12,504	—	—	—
Capital outlay	9,356	11,251	107,262	37,822	247,578	257,272
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>
Excess (deficiency) of revenues over 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>
Other financing sources (uses)						
Transfers in	—	—	8,131,543	7,801,604	8,459,574	11,197,177
Transfers out	—	—	(8,131,543)	(7,801,604)	(8,459,574)	(11,197,177)
Net other financing sources (uses)	<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>

SCAG has elected to show only six 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
1999	\$ 8,371,674	4,090,959	12,462,633
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	8,056,802	4,251,082	12,307,884
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

* Restated to include internal service funds reported separately prior to 2002.

Source: SCAG Finance Department.

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

	Cities			Counties			Commission	
	No. of Members	Population	Annual Dues	No. of Members	Population	Annual Dues	No. of Members	Annual Dues
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

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

Note: Member dues are assessed using a base amount plus an additional amount based on population of each of the cities and counties.

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

<u>City/County</u>	<u>2008</u>		<u>2003</u>	
	<u>Annual Dues</u>	<u>Percent of Total Dues Assessment</u>	<u>Annual Dues</u>	<u>Percent of Total Dues Assessment</u>
City of Los Angeles	\$ 286,727	19%	\$ 230,587	19%
County of Los Angeles	118,764	8%	99,778	8%
County of Riverside	55,210	4%	42,636	4%
County of San Bernardino	38,959	3%	33,483	3%
City of Long Beach	39,078	3%	30,713	3%
County of Orange	32,517	2%	26,272	2%
City of Anaheim	27,668	2%	22,024	2%
City of Riverside	23,186	2%	17,556	1%
County of Ventura	17,427	1%	15,977	1%
City of Glendale	16,886	1%	13,344	1%
City of Huntington Beach	16,424	1%	13,010	1%
City of San Bernardino	16,488	1%	11,782	1%
City of Oxnard	15,566	1%	11,993	1%
City of Irvine	15,861	1%	10,248	1%
City of Ontario	14,093	1%	11,017	1%
	<u>\$ 734,854</u>	<u>48%</u>	<u>\$ 590,420</u>	<u>49%</u>

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

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
1999	140,000	9,330,100	2,776,100	1,490,500	1,666,600	736,000	16,139,300
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

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

<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>
1999	38,912	3,082,136	900,568	473,016	516,258	236,185	5,247,075
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

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>
1999	51,000	4,010,200	1,352,200	441,600	518,700	281,100	6,654,800
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	57,700	4,123,600	1,518,000	618,800	666,700	319,400	7,304,200
2008	60,271	4,105,286	1,496,627	603,838	664,933	314,943	7,245,898

Source: Processed by SCAG Staff; CA EDD

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>
1999	55,200	4,579,600	1,461,200	691,500	749,000	394,600	7,931,100
2000	61,800	4,677,300	1,480,400	680,400	739,000	392,400	8,031,300
2001	55,600	4,752,900	1,513,200	711,100	763,200	399,400	8,195,400
2002	57,500	4,770,200	1,532,900	750,400	791,000	408,200	8,310,200
2003	59,100	4,759,100	1,557,000	781,800	808,200	412,700	8,377,900
2004	59,900	4,770,800	1,582,100	824,500	836,100	415,700	8,489,100
2005	61,400	4,816,000	1,603,000	861,900	860,800	420,400	8,623,500
2006	64,100	4,850,700	1,623,700	895,600	874,000	426,400	8,734,500
2007*	68,100	4,921,200	1,633,100	909,800	885,000	429,600	8,846,800
2008	71,143	4,944,829	1,632,771	917,357	891,386	429,657	8,887,143

Source: Processed by SCAG Staff; CA EDD

* 2007 is Preliminary 9-Month Average (Jan-Sept)

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

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
1999	13,000	270,200	39,100	37,900	36,400	19,000	415,600
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	310,300	67,400	49,500	48,300	22,300	508,000
2005	9,900	256,500	60,500	46,600	45,200	20,100	438,800
2006	9,900	229,900	55,400	45,300	42,200	18,400	401,100
2007*	12,300	245,900	64,300	56,000	49,900	21,300	449,700
2008	14,343	313,971	78,600	71,086	63,600	24,914	566,514

Source: Processed by SCAG Staff, CA EDD and American Community Survey (2007)

* 2007 is Preliminary 9-Month Average (Jan-Sept)

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

<u>Employer</u>	<u>2008</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
<u>Imperial</u>		
State of California	2,631	4.37%
Wal-mart Stores	1,280	2.12%
Federal Government	1,258	2.09%
J.L. Padilla & Son	1,085	1.80%
Calexico Unified School District	1,053	1.75%
National Beef California	926	1.54%
El Centro Regional Medical Center	740	1.23%
Imperial Irrigation District	685	1.14%
EDCO Harvest	684	1.13%
Imperial County Office of Education	606	1.01%
<u>Los Angeles</u>		
Los Angeles Unified School District	97,572	2.38%
Los Angeles County	88,062	2.15%
City of Los Angeles	46,684	1.14%
UCLA	31,135	0.76%
State of California	28,414	0.69%
USC	21,373	0.52%
Target Corporation	13,784	0.34%
Kaiser Foundation Hospitals	13,295	0.32%
Long Beach Unified School District	11,764	0.29%
Ralphs Grocery Company	11,344	0.28%
<u>Orange</u>		
Disneyland	13,211	0.88%
Boeing Company	9,973	0.67%
County of Orange	9,465	0.63%
State of California	8,225	0.55%
UC, Irvine	7,823	0.52%
Garden Grove Unified School District	6,515	0.44%
Santa Ana Unified School District	6,184	0.41%
Target Corporation	5,636	0.38%
Capistrano Unified School District	5,430	0.36%
Home Depot	4,531	0.30%

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

<u>Employer</u>	<u>2008</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
<u>Riverside</u>		
Corona-Norco Unified School District	5,458	0.90%
Riverside Unified School District	5,065	0.84%
Pechanga Entertainment Center	4,682	0.78%
UC, Riverside	4,325	0.72%
Moreno Valley Unified School District	3,780	0.63%
Temecula Unified School District	3,603	0.60%
State of California	3,474	0.58%
Desert Sands Unified School District	3,299	0.55%
Target Corporation	3,078	0.51%
Stater Brothers Market	2,829	0.47%
<u>San Bernardino</u>		
State of California	8,007	1.20%
Loma Linda University Medical Center	6,457	0.97%
Stater Brothers Market	6,036	0.91%
United Parcel Service	5,304	0.80%
Target Corporation	5,031	0.76%
Barrett Business Services	4,576	0.69%
Fontana Unified School District	4,490	0.68%
Chino Unified School District	3,399	0.51%
Rialto Unified School District	3,307	0.50%
Wal-mart Stores	3,218	0.48%
<u>Ventura</u>		
Amgen	7,163	2.27%
Countrywide Financial	5,894	1.87%
Conejo Valley Unified School District	3,179	1.01%
Blue Cross of California	3,004	0.95%
Simi Valley Unified School District	2,929	0.93%
Ventura Unified School District	2,479	0.79%
Ventura County Community College	2,025	0.64%
Barrett Business Services	1,875	0.60%
Oxnard School District	1,843	0.59%
Community Memorial Hospital	1,765	0.56%

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>
1999	43,067	3,261,750	954,882	569,287	604,060	248,500	5,681,546
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

Source: California Department of Finance.

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

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
1999	112,472	179,938	234,229	145,218	109,203	218,688	999,748
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	2,689,000
2008	201,900	400,000	461,000	260,000	230,000	420,000	1,972,900

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>
1999	4,175	4,060	790	7,208	20,062	1,846	38,141
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
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

Source: Census Bureau, Tiger File.

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

Calendar year	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
1998	\$ 5,627,769,284	501,456,640,687	179,335,984,190	73,424,218,753	74,330,189,999	46,619,917,098	880,794,720,011
1999	5,608,104,087	516,561,843,546	189,646,750,192	74,906,811,132	76,224,892,856	48,526,601,312	911,475,003,125
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

Source: State of California – Controller's Office.

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

	Full-time and Part-time Employees as of June 30					
	2003	2004	2005	2006	2007	2008
Transportation	64	54	44	42	71	48
High speed rail	—	—	1	2	1	1
Aviation	—	—	1	1	1	1
Environmental	—	—	1	1	3	3
Housing	—	—	6	6	2	3
Water	—	—	1	—	1	—
Administration	45	43	42	49	67	55
Total	<u>109</u>	<u>97</u>	<u>96</u>	<u>101</u>	<u>146</u>	<u>111</u>

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

Source: SCAG's Human Resources Department

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Table 19— Operating Indicators by Function
Last Six Fiscal Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Transportation:						
No. of projects undertaken	24	13	13	15	27	25
Grants and contracts revenue	\$26,433,070	21,320,486	19,082,487	20,640,246	28,806,467	31,699,796
High speed rail						
No. of projects undertaken	1	1	1	3	2	1
Grants and contracts revenue	999,227	231,821	19,738	1,773,395	443,831	899,136
Aviation						
No. of projects undertaken	4	4	3	4	3	3
Grants and contracts revenue	1,097,588	913,280	871,935	1,019,056	626,352	375,864
Environmental						
No. of projects undertaken			—	2	—	2
Grants and contracts revenue			—	156,337	—	2,574,424
Housing						
No. of projects undertaken			—	1	—	—
Grants and contracts revenue			—	49,769	—	—
Water						
No. of projects undertaken			1	—	1	—
Grants and contracts revenue			70,389	—	77,615	—
Social services						
No. of projects undertaken			—	—	1	—
Grants and contracts revenue			—	—	11,419	—

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

No capital assets indicators are available to SCAG.