



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2016-17



SACRAMENTO AREA COUNCIL OF GOVERNMENTS

BOARD MEMBERS AND MEMBER JURISDICTIONS

Brian Veerkamp (Chair) El Dorado County
Jay Schenirer (Vice-Chair) City of Sacramento
Jason Banks City of Live Oak
John Buckland City of Yuba City
Christopher Cabaldon City of West Sacramento
John Clerici City of Placerville
Mark Crews City of Galt
Kim Douglass City of Colfax
Jack Duran Placer County
Dan Flores Sutter County
Lucas Frerichs City of Davis
Greg Janda City of Rocklin
Robert Jankovitz City of Isleton
Paul Joiner City of Lincoln
Patrick Kennedy Sacramento County
Steve Miklos City of Folsom
Pierre Neu City of Winters
Tim Onderko Town of Loomis
Susan Peters Sacramento County
Susan Rohan City of Roseville
Ricky Samayoa City of Marysville
David Sander City of Rancho Cordova
Don Saylor Yolo County
Phil Serna Sacramento County
Jeffrey Slowey City of Citrus Heights
Matt Spokely City of Auburn
Tom Stallard City of Woodland
Darrell Steinberg City of Sacramento
Darren Suen City of Elk Grove
Andy Vasquez Yuba County
Rick West City of Wheatland
Amarjeet Benipal (Ex-Officio Member) Caltrans District 3

SACOG MISSION

Delivering transportation projects; providing public information and serving as a dynamic forum for regional planning and collaboration in the greater Sacramento Metropolitan Area



1415 L Street, Suite 300
Sacramento, CA 95814
tel 916.321.9000
tdd 916.321.9550
www.sacog.org

Sacramento Area Council of Governments

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017



SACRAMENTO AREA COUNCIL OF GOVERNMENTS

1415 L Street, Suite 300
Sacramento, California 95814

Prepared by:
Finance Department
Stacy Niccum, Finance Manager

Sacramento Area Council of Governments

Table of Contents

For the Fiscal Year Ended June 30, 2017

SACOG Mission, Board of Directors, and Member Counties and Cities	Inside Front Cover
What We Do.....	Inside Back Cover

Introductory Section

Letter of Transmittal	1
Organizational Chart	10
Certificate of Achievement for Excellence in Financial Reporting.....	11

Financial Section

Independent Auditors' Report.....	A-1
Management's Discussion and Analysis	A-4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	A-25
Statement of Activities.....	A-26
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	A-27
Statement of Revenues, Expenditures and Changes in Fund Balances –	
Governmental Funds	A-29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	A-31
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget	
and Actual – Planning and Administration Fund	A-32
Statement of Revenues, Expenditures, and Changes in Fund Balance –	
Budget and Actual – Capitol Valley Regional SAFE Special Revenue Fund	A-33
Notes to the Basic Financial Statements	A-34
Required Supplementary Information:	
Schedule of Funding Progress	A-70
Schedule of SACOG's Proportionate share of the Net Pension Liability.....	A-70
Schedule of Contributions	A-71
Supplemental Information:	
Schedule of Revenues and Expenditures – Board of Directors and Advocacy –	
Budget and Actual.....	A-72
Schedule of Indirect Service Costs	A-73

Table of Contents

For the Fiscal Year Ended June 30, 2017

(Continued)

Statistical Section

Index of Tables	B-1
Net Position by Component	B-2
Statement of Activities & Changes in Net Position.....	B-4
Planning and Administration Fund – Changes in Fund Balance.....	B-6
Fund Balances – Governmental Funds	B-8
Components of Fund Balance	B-10
Total Population by Jurisdiction.....	B-12
Total Households by County	B-13
Labor Force & Unemployment by County.....	B-14
Largest Employment Centers by County.....	B-16
Public School Enrollment by County	B-18
Total Acreage by County	B-19
Average Annual Wages by County.....	B-20
Transit Providers by County	B-21
Summary of Full-Time Equivalent Employees by Function & Program.....	B-22
Summary of Full-Time Equivalent Employees by Project	B-23
Planning & Administration Fund – Indirect Service Cost Comparison.....	B-26
Capital Assets – by Fund	B-28
Miscellaneous Statistics	B-30

Single Audit Section

Supplementary Information:	
Schedule of Expenditures of Federal Awards	C-1
Notes to the Schedule of Expenditures of Federal Awards	C-2
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the Transportation Development Act	C-3
Independent Auditors’ Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with in accordance with the Uniform Guidance	C-5
Schedule of Findings and Questioned Costs	C-7
Summary Schedule of Prior Audit Findings	C-10



March 29, 2018

Sacramento Area Council of Governments Board of Directors
Capitol Valley Regional Service Authority for Freeways and Expressways
Board of Directors
Sacramento Area Council of Governments Financing Corporation
Board of Directors

At the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards and *Government Auditing Standards* by a firm of licensed certified public accountants is required. Pursuant to that requirement, we are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Sacramento Area Council of Governments (SACOG) for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of SACOG. Consequently, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of SACOG. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and changes in the financial position of the various funds of SACOG, and all disclosures necessary to enable the reader to gain an understanding of SACOG's financial activities have been included. To provide a reasonable basis for making these representations, management of SACOG has established a comprehensive internal control framework that is designed both to protect SACOG's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of SACOG's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, SACOG's 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate in all material respects.

The firm of Vavrinek, Trine, Day & Co., LLP, a licensed certified public accounting firm, has audited the basic financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of SACOG for the fiscal year ended June 30, 2017, are free of

Auburn
Citrus Heights
Colfax
Davis
El Dorado County
Elk Grove
Folsom
Galt
Isleton
Live Oak
Lincoln
Loomis
Marysville
Placer County
Placerville
Rancho Cordova
Rocklin
Roseville
Sacramento
Sacramento County
Sutter County
West Sacramento
Wheatland
Winters
Woodland
Yolo County
Yuba City
Yuba County

material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Vavrinek, Trine, Day & Co., LLP issued their unmodified (clean) opinion that the basic financial statements of SACOG for the fiscal year ended June 30, 2017, are fairly presented in accordance with GAAP. Their report is presented as the first component of the financial section of this CAFR.

Profile of SACOG

This comprehensive annual financial report includes all of the funds of the following entities:

- Sacramento Area Council of Governments (SACOG)
- Sacramento Area Council of Governments Financing Corporation
- Capitol Valley Regional Service Authority for Freeways and Expressways (Capitol Valley SAFE)
- Glenn County Service Authority for Freeways and Expressways (Glenn County SAFE)

SACOG is a joint powers authority of local governments formed by six counties and 22 cities in the region. Member governments are the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba and the cities of Auburn, Citrus Heights, Colfax, Davis, Elk Grove, Folsom, Galt, Isleton, Lincoln, Live Oak, Loomis, Marysville, Placerville, Rocklin, Rancho Cordova, Roseville, Sacramento, West Sacramento, Wheatland, Winters, Woodland, and Yuba City. SACOG's primary responsibility is the transportation planning for the region; however, some land use planning, as reflected in the Blueprint project and the Sustainable Communities Strategy, provides the framework for designing transportation needs. SACOG also provides other services to local governments, including cooperative purchasing, research, consulting, and convening.

SACOG has a 31-member Board of Directors comprised of elected officials from each of the member agencies, plus one ex-officio member from Caltrans. These members sit on three committees: Government Relations & Public Affairs; Land Use & Natural Resources; and Transportation. The SACOG Board of Directors also meets as the Board of Directors for Capitol Valley SAFE; and the Airport Land Use Commission (ALUC) for Sacramento, Sutter, Yolo and Yuba counties. The Government Relations & Public Affairs Committee meets as the Board of Directors for the Financing Corporation.

SACOG provides transportation planning and funding for the region and serves as a forum for the study and resolution of regional issues. In addition to preparing the region's long-range transportation plan and assisting member agencies in delivery of the projects within that plan, SACOG approves the distribution of affordable housing in the region and assists in planning for transit, bicycle and pedestrian networks, clean air, and airport land uses.

The annual budget serves as the foundation for SACOG's financial planning and control. The budget is prepared in two segments: the Overall Work Program (OWP), which is subject to approval by the federal funding partners and the California Department of Transportation (Caltrans); and the non-OWP budget that contains the costs related to the Board of Directors and Advocacy, capital

purchases, and similar expenditures outside the purview of Caltrans. The budget process begins in December-January with the SACOG management and staff identifying projects for the subsequent year as well as grant projects that are not expected to be completed by the end of the current fiscal year. For the next several months, SACOG management and staff, the Board of Directors, Caltrans and federal funding partners, regional transportation partners, citizens, and others are involved in defining the goals and objectives, as well as the projects, to be included in the OWP. In April, a public meeting is held where all interested parties are invited to comment on the OWP, with final Board of Director approval occurring in May or June. Within the OWP budget, the level of budgetary control is at the element level. Costs for the projects, as well as classification of costs, can be modified as long as the element total remains the same. Board approval is needed if costs are expected to exceed the element total, or if new projects are added to the element.

Throughout the year, budget adjustments are proposed by staff for new grant funding and/or a realignment of project priority, and approved by the Board of Directors, federal funding partners and Caltrans.

The Capitol Valley SAFE budget is prepared by staff based on the expected contractual agreements for operating the call box system and maintenance of the call box equipment. The preliminary budget is presented in March, with final approval in May or June, by the SAFE Board of Directors.

Budget-to-actual comparisons are provided in this financial statement for the governmental funds for which an appropriated annual budget is adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which SACOG operates.

SACOG is in Sacramento, California. The SACOG region, if a separate state, would rank 48th in acreage, ahead of Connecticut, Rhode Island, and 36th in size for population. Unlike its member agencies, SACOG is primarily dependent upon formula revenues and planning grants from the Federal Highway Administration, Federal Transit Administration, and the State of California. These funds are passed through Caltrans. The primary source of local revenue is Local Transportation Fund (LTF) revenues received from the ¼-cent sales tax on gasoline from four counties (Sacramento, Sutter, Yolo, and Yuba), from which SACOG receives an administrative and a transportation-planning fee. SACOG also has agreements with the transportation planning agencies in El Dorado and Placer counties to designate a portion of their LTF revenues in return for the transportation planning SACOG performs on their behalf.

In December 2015, President Obama signed into law the FAST Act, a five-year federal transportation reauthorization bill that succeeds Moving Ahead for Progress in the 21st Century (MAP-21). The FAST Act maintained funding programs that SACOG relies on and provided a one-time increase in 2016, followed by inflationary increases in the final four years of the law. Funds from federal agencies are primarily determined by formula and subject to Congressional appropriation.

Notwithstanding the overall positive fiscal health of the State of California, state funding for transportation is declining, which puts pressure on cities and counties to maintain existing infrastructure.

Funding for transportation from the State of California will be improved after the passage of Senate Bill 1 in April 2017, which is estimated to provide \$5.2 billion in annual funding in both competitive and formula distribution to cities, counties, transit agencies and Regional Transportation Planning Agencies such as SACOG starting in fiscal year 2018. At the same time, there is a forecasted long-term decline in state funding for transportation due to increasing fuel efficiency (and therefore lower gas tax revenues), which puts pressure on cities and counties to maintain existing infrastructure through other funding sources.

Federal funds flowing through the state are secure from the ongoing state budget challenges, as they are segregated from other state funding sources. However, the release of those funds to SACOG can be delayed if the state budget is not approved in a timely manner. Each year, SACOG monitors cash flow issues that could result from state budget delays. However, the risk is much lower than it was historically. Proposition 25 passed in 2010, which now requires only a simple majority of the state legislature to approve the budget. Since its passage, the legislature has approved the budget on time every year.

In January 2017, the Sacramento Business Review reported that the pace of labor market improvement has slowed in general, however the Sacramento region has reported above-average growth as it continues to play catch-up. Income inequality is a concern nationally, as well as in California and the Sacramento region.

Job growth in the region has been 3% overall, but unbalanced, construction accounting for 16% of jobs over the past five years, despite being just 6% of total employment. In 2016, construction accounted for 8.63% of growth, followed by education (5.83%), healthcare (3.27%), professional services (2.73%), finance (2.71%), manufacturing (2.22%), government (1.7%), leisure and hospitality (1.28%), and trade/transportation/utilities (-1.42%).

Major Initiatives

There were several focus areas during the fiscal year.

SACOG began implementation of the 2016 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) after its adoption in February 2016.

The MTP/SCS is an important document that, among other things, outlines the region's transportation needs, sets principles and policies, proposes specific strategies to coordinate and manage future transportation improvements in the region, considers resource areas and farmland in the region, identifies areas in the region to house the projected population of the region in light of state housing goals, and, to the extent feasible, forecasts a development pattern for the region that will meet the regional target for greenhouse gas emission reductions.

Staff continued work on the Rural-Urban Connections Strategy (RUCS). Through cutting-edge technical work and stakeholder engagement, RUCS is designed to study the challenges and

opportunities in the rural areas of the Sacramento region and identify strategies that leverage and enhance the value of these assets.

SACOG received funding through the USDA's Specialty Crop Block Grant Program to conduct a groundwater recharge study for specialty crop production (i.e. fruits, vegetables, nuts, and nursery products) in the Sacramento region. By linking regional production of specialty crops to water availability, SACOG is showing critical links between implementation of the state's groundwater recharge and monitoring requirements to crop production that supports a range of agricultural and food industries in the region. This project is still underway, but early results show where the region has the most potential to apply surface water to fields and other areas where percolation can occur relatively quickly into aquifers and then later be used for crop production. Consultants and staff are currently conducting workshops to gather input on scenarios that SACOG will run to illustrate various recharge results from changes in cropping patterns, surface water supply, state regulation, and other factors that may impact where and how much water can be recharged. The final report will summarize the technical work and scenarios in recommendations for local jurisdictions and private land owners to maximize groundwater supplies.

SACOG also began working on forest management concerns raised by board members. The initial work on this topic included engagement with an "upland-lowland collaboration" that is focused on better understanding and communication between those managing the forests and those receiving benefits and impacts on services such as water supply, flood, recreation, jobs, habitat, and air quality. The work has led to discussions with the Sierra Nevada Conservancy and stakeholders in the American River Watershed on possible collaboration to identify projects and funding that will reduce the frequency and severity of fires.

Connect Card implementation is a continuing project involving the planning, procurement, and deployment of a regional electronic transit fare system. The new system is expected to simplify and integrate transit operations, improve system connectivity, contribute to regional air quality goals, and increase transit ridership. The primary activities this year were related to implementation. The system successfully completed a Soft Launch achieving a goal of 1,000 users that served as a test run for customer service focused activities and allowed the team to refine processes for the full system launch in June 2017. The public launch focused efforts on market penetration and expanding the Corporate Accounts program. System testing and software development continue as minor bugs are found and system enhancements are provided based on customer feedback.

SACOG is the lead agency responsible for developing a Regional Bike Share System in partnership with SACOG's bike share vendor, JUMP Bikes, the cities of Davis, Sacramento, and West Sacramento, and UC Davis and Sacramento State. Under this unique partnership, the Sacramento region will have the largest electric-assist bike share system in North America, featuring 900 electric assist bicycles and 150 stations.

Bike share is a membership-based system that can be used for recreation, commuting, exercise, or other trips. It can help people get to transit stops more easily, connect to different neighborhoods, shops, restaurants, and jobs, and can help people be more active. JUMP's e-bikes are similar to regular bikes, but they have pedal assist, allowing speeds up to 20 miles per hour. E-bikes do not operate without pedaling, but the electric assist makes it easier for people to travel longer distances in a shorter amount of time.

Primary activities this year include completing a bike share system operator Request for Proposals process and awarding an operating agreement to JUMP Bikes, launching the 70-bike Tower Bridge Preview System in the cities of Sacramento and West Sacramento, and developing an e-bike charging dock by working closely with utilities, cities, and universities. Full system deployment is expected by the end of June 2018.

The 511/STARNET project provides real-time sharing of data and video feeds, and has facilitated the refinement of joint procedures for operations of roadways and public transportation safety activities. The project is providing timely and accurate multi-modal information for travelers via the region's 511 website, smart phone apps, and interactive phone services. Customization of routes, which when completed on the website, allows users to control information provided by the telephone system.

The SACOG Board of Directors adopted the regional PEV Readiness and Infrastructure plan in December 2013. Since then, staff has been working on implementing the infrastructure plan. This has included work on siting PEV charging equipment, purchasing and installing chargers through a California Energy Commission grant, and updating the TakeChargeSac.org website. SACOG staff has worked with the local civic technology sector to create a smartphone application that PEV drivers can use to identify preferred charging locations. Data from this tool will be used in conjunction with SACOG's modeling data to identify priority charging stations locations throughout the region.

The Call Box Modernization/Upgrade/Removal project began in March 2016; for Capitol Valley SAFE and Glenn County SAFE. The project was completed for Glenn County SAFE last year but is continuing into FY 2017-18 for Capitol Valley SAFE. This involves removing call boxes, various technology retrofits, battery replacements, some ADA retrofits, and some signage improvements.

During the year, SACOG also continued to support the Sacramento Emergency Clean Air and Transportation (SECAT) program with CMAQ funding. The program finances the retrofitting of diesel engines with cleaner, fuel-efficient engines for traveling within the SACOG region.

SACOG also administers programs that allocate flexible federal funds to regional jurisdictions for capital projects. Local governments obtain their federal funds by seeking reimbursement directly from Caltrans.

SACOG also administers many pass-through grants on behalf our member jurisdictions and local transit agencies.

This is by no means the only work accomplished by SACOG this year. Many other agency projects support the principles of efficient and diverse regional transportation, integrated with smart, mixed-use, compact development, which preserves the quality of life in the region.

Financial Information

The Planning and Administration Fund is where the majority of SACOG's operational activities are recorded. The final combined budgeted use of fund balance of the Planning and Administration Fund, Board and Advocacy Fund, and SACOG Managed Fund was a negative \$685,913. The total actual change in fund balance was a decrease of \$3,763,180 for the year, per the Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget to Actual.

The decrease of \$3,763,180 is a combination of the following activities and reporting classifications:

- \$3,273,888 in revenue is shown as “deferred” because these funds were not received by SACOG within six months after year-end and, therefore, cannot be classified as assets at year-end. These deferred funds are reflected in the government-wide presentation of the Statement of Net Position and Statement of Activities.
- The SACOG Managed Fund decreased by \$272,244 for expenditures to grant recipients, and the Restricted Fund balance for Transportation projects decreased by \$100,736 for expenditures on member transportation projects.
- The Planning and Administrative fund decreased by \$148,913.
- The Board and Advocacy fund balance increased by \$7,601 and the GIS fund balance increased by \$25,000.

SACOG Planning and Administration Fund operations can be impacted by various factors, including the receipt of additional federal funds, additional sales tax revenue, project cost savings and deferral of some costs into future years, collection of funds previously expensed via the indirect cost plan (in prior years), and over-absorption and under-absorption of indirect expenses in the current year, and revenues collected and reported as revenue in the current year with related expenditures occurring in future years. The Planning and Administration Fund activities encompass the many projects and programs for which SACOG is responsible. The SACOG Managed Fund activity is accounted for separately within the Planning and Administration Fund.

The SACOG Financing Corporation had a slight increase in fund balance due to interest income earned of \$29,733. The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Special Revenue Fund received revenues of \$3.9 million versus \$887,174 last year and expenditures to grantees were \$4.9 million versus \$5.4 million last year. The annual PTMISEA funding is volatile year to year and depends on various factors.

The STA revenue decreased by \$898,196 million; however, the STA fund balance ended up a positive \$144,397 due to mid-year apportionment revisions. Two of the four Local Transportation Funds (LTFs) had increased sales tax revenue as compared to last year, while Yolo and Sutter County showed a slight decrease.

During the year, the Sacramento Emergency Clean Air and Transportation Program (SECAT) funds of \$306,460 were reclassified from a liability to the Restricted Fund Category, based upon a new agreement between SACOG and the Sacramento Metropolitan Air Quality Management District

(SMAQMD). The funds now belong to SACOG; however, the funds must be used on projects, that meet certain specifications.

The Capitol Valley Service Authority for Freeways and Expressways (Capitol Valley SAFE) fund balance decreased by \$444,007, primarily because of the continuation of the CallBox Modernization/Upgrade/Removal project that began in March 2016. This project is expected to be completed by June 30, 2018.

Glenn County Service Authority for Freeways and Expressways (Glenn County SAFE) fund balance increased by \$32,885, as it had no additional costs for its portion of the CallBox Modernization/Upgrade/Removal project. Vehicle registrations increased by 4% over last year.

Other Information

INDEPENDENT AUDIT

SACOG is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and the Uniform Guidance. The Schedule of Expenditures of Federal Awards can be found in the Single Audit section, along with the auditors' reports on Internal Controls and Compliance. The reports of Vavrinek, Trine, Day & Co., LLP, are included in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SACOG's MD&A can be found immediately following the report of the independent auditors.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department and Communications and Administrative staff. Their dedication to professional excellence is reflected in this comprehensive annual financial report. We would also like to commend SACOG's Board of Directors for their interest in, and support of, this substantial effort, as well as a shared commitment to assuring the financial viability of SACOG, which remains progressively committed to meeting the transportation planning needs of the region.

Respectfully submitted,



James Corless
Chief Executive Officer



Stacy Niccum
Finance Manager

Special acknowledgement goes to:

Kirk Trost, Chief Operating Officer/General Counsel

Arleicka Conley, Interim Finance Director

Erik Johnson, Director of Administration and Local Government Services

David Ghiorso, CPA

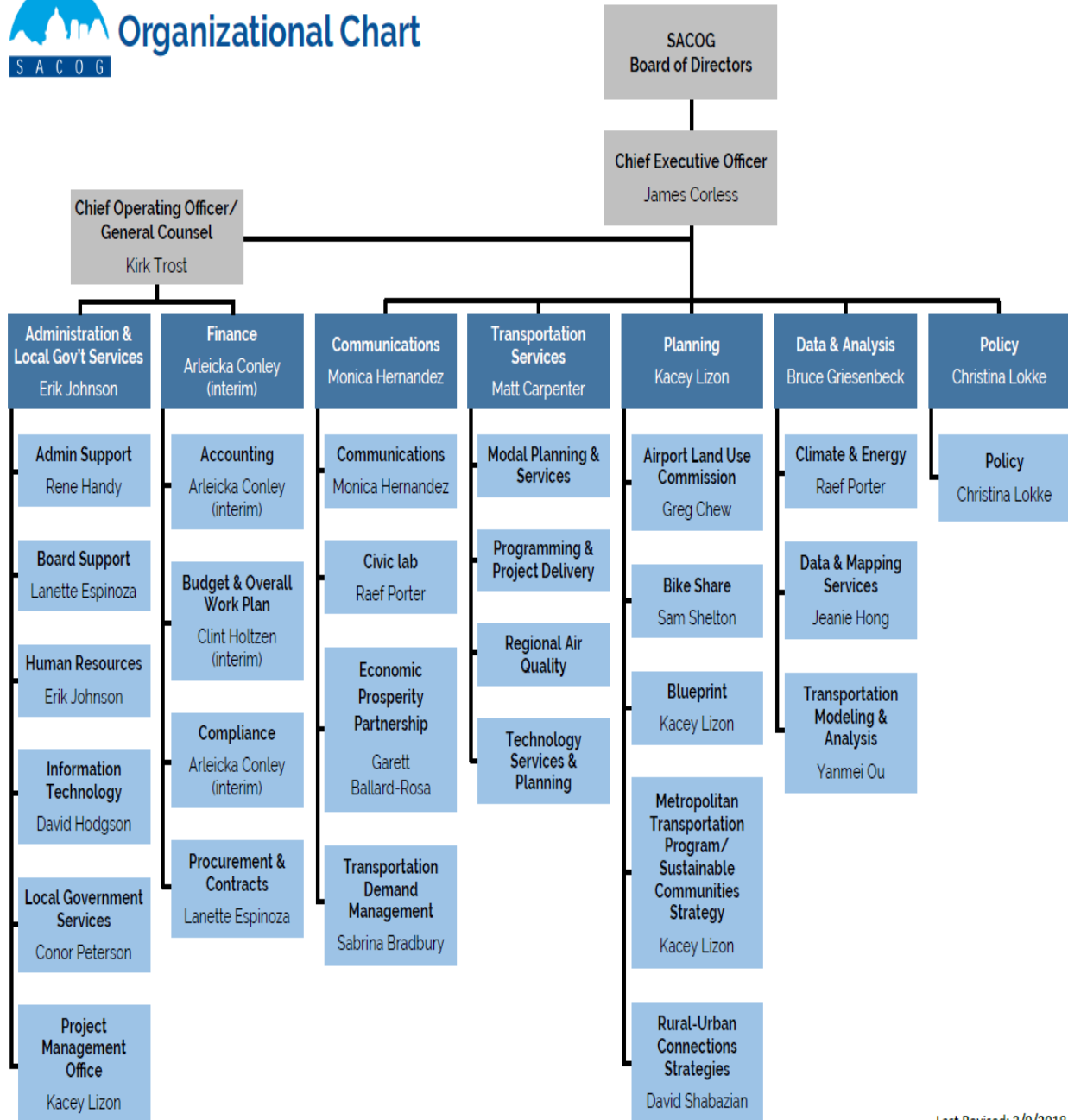
Jeri Krajewski, Accountant

Debra Overton, Accounting Specialist

Austin Murray, Accounting Intern



Organizational Chart



Last Revised: 3/9/2018



Government Finance Officers Association

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

Presented to

**Sacramento Area Council
of Governments, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sacramento Area Council of Governments (SACOG) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SACOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the County of Sacramento Local Transportation Special Revenue Fund, the County of Yuba Local Transportation Special Revenue Fund, the County of Sutter Local Transportation Special Revenue Fund, the County of Yolo Local Transportation Fund, and the State Transit Assistance Special Revenue Fund, which are major funds and collectively represent 40 percent, 31 percent, and 77 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County of Sacramento Local Transportation Special Revenue Fund, the County of Yuba Local Transportation Special Revenue Fund, the County of Sutter Local Transportation Special Revenue Fund, the County of Yolo Local Transportation Fund, and the State Transit Assistance Special Revenue Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of SACOG as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the Planning and Administrative General Fund and Capitol Valley Regional SAFE Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SACOG's basic financial statements. The introductory section, supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of SACOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SACOG's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California

March 29, 2018

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Introduction

The Management Discussion & Analysis (MD&A) of the Sacramento Area Council of Governments (SACOG) presents an overview and analysis of the financial activities and changes in financial position for SACOG and its blended component units. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

Financial Highlights

The governmental activities net position of SACOG is \$34,994,168 at June 30, 2017, which is a decrease of \$1,102,819 compared to June 30, 2016. Total Assets decreased by \$3.4 million while Total Liabilities decreased by \$40,590. Total Net Position decreased by \$1.1 million as total expenses exceed total revenues by that amount. Here are the highlights:

The SACOG Planning and Administration Fund, which includes the SACOG Planning Fund, Board and Advocacy, and SACOG Managed funds, decreased \$3,763,180 for the year. The decrease is a combination of several activities and reporting classifications. First, \$3,273,888 in revenue is shown as “deferred” because the funds were not received within six months after year-end. The funds are nevertheless reflected in SACOG’s Statement of Net Position and Statement of Activities. Second, the SACOG Managed Fund decreased by \$272,244 for expenditures to grant recipients, and the Restricted Fund balance for Transportation projects decreased by \$100,736 for expenditures on member transportation projects. Third, overall fund balance in the Planning and Administration fund decreased by \$148,913. Fourth, the Board and Advocacy fund balance increased by \$7,601 and the GIS fund balance increased by \$25,000.

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) fund accounts for the activities related the bond proceeds from the State of California’s Proposition 1B to fund transportation/transit projects. The PTMISEA revenue increased by \$3 million, to \$3.9 million compared to \$887,174 last year. Expenditures decreased by \$500,000 compared to last year. The annual funding is volatile and depends on numerous factors.

The combined four LTF revenues increased \$1.8 million over last year, which is almost entirely due to Sacramento County’s increase of \$1.9 million. One other county had an increase, but it was offset by decreases by the other two counties.

Payments to the jurisdictions were higher by \$4.5 million, and \$3.7 million was from the Sacramento County LTF, as more funds were available for distribution based on revised apportionments. Sacramento County’s LTF balance decreased by \$735,533 to \$11.5 million. Yuba County’s LTF balance increased by \$342,762 to \$421,767. Both Sutter and Yolo County’s LTF balances were negative at year end, (\$453,978) and (\$611,182) respectively, due to various factors. Both of those balances, since they are negative, are shown as Unrestricted in the Government funds balance sheet. The FY 2017-18 apportionments for those two counties will need to address the funding shortfalls. Fund balance changes can fluctuate from year to year depending on actual sales tax revenues received and how much of the previous fund balance was included in the annual apportionment (distribution).

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

What each county planned to pay out of the previous year's fund balance is often less than originally planned due to the higher sales tax received during the year.

The STA fund balance ended at \$144,397 compared to the negative \$2.3 million last year. SACOG had to amend the FY 2017-18 apportionment substantially downward to cover the FY 2015-16 obligations. The original apportionment amount approximated \$9.5 million, but it was revised downward to \$7.1 million, to make up for the \$2.3 million shortfall. For the current year, Sales and Use Tax revenues decreased by \$898,196 to \$9.5 million. Sales and Use Tax revenues have been declining for the last few years; however, that trend should reverse in FY 2017-18, with the passage of Senate Bill 1 (SB1).

For the Governmental-Wide Activities, the net difference from last year of the combined pension changes for the ending net pension liability and deferred inflows and outflows, show a net increase of \$278,257 [can you show where this number comes from?], for the combined amounts. The net change in the pension expense for this stand-alone year, reflected a decrease of \$277,857 of pension expense.

The SACOG Financing Corporation's fund balance increased to \$3.9 million based on interest income of \$29,733.

The SECAT Fund balance increased from -0- to \$306,460 at year-end. During the year, these funds were reclassified from a liability to the Restricted Fund Category, based upon a new agreement between SACOG and the Sacramento Metropolitan Air Quality Management District (SMAQMD). The funds now belong to SACOG; however, the funds must be used on projects that meet certain specifications, and SACOG staff is working on drafting the project requirements

The Capitol Valley SAFE fund continues to be fiscally strong, with a reliable stream of vehicle registration revenue. Vehicle Registration revenue increased by 1.75% and its year-end fund balance decreased, as planned, due to continuing costs for the Call Box Modernization/Upgrade/Removal project, which is to be finished in FY 2017-18.

The Glenn County SAFE funds continue to be fiscally strong, with a reliable stream of vehicle registration revenue. Vehicle registration revenue increased by 4%, and its year-end fund balance increased because it had no further ongoing costs related to the Call Box Modernization/Upgrade/Removal project in FY 2016-17.

Overview of the Financial Statements

The MD&A is intended to serve as an overview of SACOG's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of SACOG's finances in a manner like private-sector financial statements. This means reporting the extent to which SACOG met its operating objectives. The government-wide statements ignore the partitions created by the funds, bringing the financial activity together in one place, reporting all assets and liabilities, and inflows and outflows of resources.

The statement of net position presents information on all SACOG's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SACOG is improving or deteriorating.

The statement of activities presents information showing how SACOG's net position changed during the last fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods (e.g., unused vacation leave).

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SACOG has 11 governmental funds used to account for the activities supported by grants, sales taxes, intergovernmental revenues, member assessments, charges for services, administrative services, and other similar types of revenue sources. These funds focus on the near-term annual inflows and outflows of resources, rather than the longer-term focus of governmental activities as seen in the government-wide financial statements. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison of the governmental funds to the government-wide statements.

The Board of Directors adopts separate annual budgets for the Planning and Administration Fund and the Board and Advocacy Fund, the latter of which is accounted for separately within the Planning and Administration Fund. The Board of Directors also adopts a separate capital budget. Much of the Planning and Administration fund budget is formulated through the Overall Work Program (OWP) to comply with state and federal grant budgeting requirements. The OWP identifies the revenue sources and planned program expenditures for each of the project elements. The California Department of Transportation (Caltrans), Federal Highway Administration (FHWA), and Federal Transit Administration (FTA) also review and approve the OWP.

The SECAT and PTMISEA funds do not have annual budgets, as they are grant funded and used only for their ongoing specific programs. The STA fund and LTF funds also do not have annual budgets, but are funded and governed by California state statutes and California Code of Regulation requirements for each program. Capitol Valley Regional SAFE has an annual budget separately adopted by its Board of Directors, which is the SACOG Board of Directors, plus a representative from San Joaquin County. The Glenn County SAFE fund does not have an annually adopted budget,

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

but is used to account for the activities of SACOG and Capitol Valley SAFE on its behalf as identified in the agreement between the agencies.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning SACOG's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of SACOG, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,994,168 at the close of the most recent fiscal year.

CONDENSED STATEMENT OF NET POSITION
As of June 30, 2017, and 2016

	Governmental Activities		Increase (Decrease)
	2017	2016	
ASSETS			
Current and other assets	\$ 72,920,062	\$ 76,373,206	\$ (3,453,144)
Capital Assets	209,730	204,303	5,427
Total Assets	73,129,792	76,577,509	(3,447,717)
Deferred Outflows of Resources			
Deferred outflows related to pension	3,974,136	2,111,596	1,862,540
LIABILITIES			
Other Liabilities	26,839,615	29,317,283	(2,477,668)
Long Term Liabilities	14,815,978	12,378,900	2,437,078
Total Liabilities	41,655,593	41,696,183	\$ (40,590)
Deferred Inflows of Resources			
Deferred inflows related to pension	454,167	895,935	(441,768)
NET POSITION			
Investment in Capital Assets	209,730	204,303	5,427
Restricted:			
Transportation Projects	473,445	574,181	(100,736)
Transportation Claimaints	30,653,263	32,365,872	(1,712,609)
Unrestricted	3,657,730	2,952,631	705,099
Total Net Position	\$ 34,994,168	\$ 36,096,987	\$ (1,102,819)

Total assets decreased by \$3.4 million due to the following significant activity that occurred in each of SACOG's major funds:

- The combined assets of the four LTFs decreased by \$1.2 million for the year. Balances can fluctuate, depending on when reimbursement claims are submitted and paid. Yolo County had the largest decrease of \$1.1 million and Yuba County had the largest increase of \$180,000.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

- State Transit Assistance fund assets decreased by \$3.8 million. This is a combination of less cash and investments of \$1.2 million and a decrease in Due from other Governments (State of California) of \$2.5 million. The previous year's Due from Governments balance was unusually high because the State delayed paying two quarters of STA revenues until after year-end.
- Planning and Administrative fund assets are higher by \$3.9 million over last year. This increase is largely the result of an increase in the amount Due from Other Governments by \$4.3 million.
- PTMISEA fund assets decreased by \$2.3 million as the ending cash balance was lower than last year, mainly because the Due to Other governments year-end balance was \$1.4 million lower than last year. Revenue was \$3.9 million and Expenditures were \$4.9 million for the year.
- Capitol Valley SAFE and Glenn County assets decreased by \$168,827. This is primarily due to the continuation of the Call Box Modernization/Upgrade/Removal project and the costs associated with that project.

Total capital assets increased by \$5,427 due to additions of \$68,258 and depreciation expense of \$62,831 for the year.

Deferred outflows related to pensions was \$3,974,136 compared to \$2,111,596 the prior year, resulting in an increase is \$1.9 million. This ending calculation was based on the difference between expected and actual experience, projected and actual earnings on plan investments, changes in employers' proportion of contributions, and pension contributions subsequent to the measurement date. The primary reason was that there was an increase of \$2.1 million in the net difference between projected and actual earnings on Plan investments.

Total liabilities decreased by \$40,590:

Other Liabilities decreased by \$2.5 million due to:

- Liabilities for the STA Fund declined \$6.2 million over last year to \$5 million. This decrease was expected because once SACOG received the last two quarterly state payments totaling \$5.2 million in October 2016 (for the last fiscal year), it could then pay out those funds to approved claimants and jurisdictions who were waiting on the actual funds.
- Liabilities for the Planning and Administrative fund increased by \$4.4 million over last year to \$6.9 million. This increase is comparable to the increase in Due from Other Governments.
- PTMISEA liabilities decreased by \$1.4 million. This balance typically varies from year to year depending on when claim requests are submitted.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

- Liabilities for the combined four LTFs increased by \$618,330 for the year. The increases went to Sutter County at \$661,658 and Sacramento County at \$442,232. Yolo County decreased by \$327,049 and Yuba County decreased by \$158,511. Liabilities can fluctuate if jurisdictions do not file timely claims to receive their LTF monies.
- Capitol Valley SAFE and Glenn County liabilities increased by \$242,295. This is primarily due to the continuation of the Call Box Modernization/Upgrade/Removal project and the costs associated with that project
- SECAT Liabilities decreased by \$233,239 as this balance was reclassified to the Restricted for Public Transportation Category.

Long Term Liabilities increased by \$2.4 million this year, because of the increase in the net pension liability. It also increased \$2.3 million last year for the same reason.

Deferred inflows related to pension this year decreased by \$441,768 to \$454,167. This relates to the GASB Statement No. 68 Pension adjustment calculation. This calculation is based on changes in assumptions, the net difference between projected and annual earnings on plan investments, differences between expected and actual experience, and change in proportion and differences between the employer's contribution and proportionate share of contribution.

Net Position decreased by \$1.1 million as result of:

- Net Investment in Capital Assets increased by \$5,427 primarily due to asset additions of \$68,258 exceeding depreciation expense of \$62,831.
- Restricted net position for Transportation Projects decreased by \$100,736 to \$473,445. This balance represents revenues received during the year (or in past years) that were recognized as revenue; however, no offsetting costs were incurred during year. As a result, the on-going balance is shown as restricted net position, to be used to fund future expenses for these specific grants. The fact that it decreased reflects more expenses than income for the year.
- Restricted Transportation Claimants net position, decreased by \$1.7 million. This category includes PTMISEA, the Four LTFs, Capitol Valley SAFE and Glenn SAFE, and SECAT (which was added this year). Five of the eight funds had decreases in their restricted balances, with the largest being PTMISEA at \$.9 million, Sacramento County LTF at \$.5 million, and SAFE at \$.8 million. The largest increase was the Yuba County LTF of \$0.3 million.
- Unrestricted net position increased by \$705,099 million to \$3.7 million. The increase is attributed to three factors: This balance increased by \$1.4 million due to Planning and Administration Fund activities; however, this was offset by a net decrease of \$277,857 due to the combined pension calculation (net pension liability and deferred outflows and inflows); and, there is a decrease of \$321,279 related to the SACOG Managed Fund Committed Fund Balance.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

CONDENSED STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

	Governmental Activities		
	2017	2016	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 3,098,294	\$ 3,404,338	\$ (306,044)
Operating Grants and contributions	21,869,310	12,259,076	9,610,234
General revenues:			
State shared revenue - sales /use tax	83,067,575	82,144,492	923,083
Investment earnings	421,368	407,335	14,033
Other and In-Kind	111,067	46,431	64,636
Total Revenues	108,567,614	98,261,672	10,305,942
Expenses			
Planning and Administration	22,248,042	16,149,917	6,098,125
Transportation Claimants	79,530,309	81,636,347	(2,106,038)
PTMISEA	4,930,158	5,452,494	(522,336)
Capitol Valley Regional SAFE	2,961,035	2,472,852	488,183
Glenn County SAFE	889	90,061	(89,172)
Total expenses	109,670,433	105,801,671	3,868,762
Change in Net Position	(1,102,819)	(7,539,999)	6,437,180
Net- Position Beginning	36,096,987	43,636,986	(7,539,999)
Net - Position Ending	\$ 34,994,168	\$ 36,096,987	\$ (1,102,819)

Total revenue increased by \$10.3 million as a result of the following significant activity:

- Operating Grants and Contributions revenue reflects a net increase of \$9.6 million, primarily due to a \$6.2 million increase to the Planning and Administrative Fund, and PTMISEA revenue increasing by \$3 million over last year.
- The Planning and Administration Fund revenue reimbursements increased by \$6.2 million compared to last year. SACOG operations are mostly reimbursement based, but revenues and expenditures can fluctuate from year to year, depending on what projects are completed by staff, and the dollar amount of pass-through project activity that SACOG manages/oversees for the year.
- PTMISEA funding this year was \$3.9 million compared to \$887,174 last year. PTMISEA funding can vary significantly, and is dependent on state bond sales, which can vary from year to year, depending on the state's financial circumstances.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

State Shared Revenue – Sales and Use Tax (includes STA and the four LTF Funds) had a net increase of \$900,000. The Sacramento County LTF sales tax revenue had the largest increase of \$1.9 million (3%), and Yuba County LTF sales tax revenue increased by \$146,651 (12%). STA sales tax revenue decreased by \$898,196 (9%), Sutter County LTF sales tax revenue decreased by \$143,551 (3%), and Yolo County LTF sales tax revenue decreased by \$59,732 (1%).

Total expenses increased by \$3.9 million based on the following significant activity:

- Planning and Administration expenses increased by \$6.3 million over last year. Expenses can fluctuate from year to year depending on the Overall Work Program goals and the amount of consultant and pass-through costs that SACOG incurs in carrying out program activities.
- Transportation claimants' expenses for STA and the four LTF funds decreased by \$2.1 million. This number can vary from year to year because it is based on the annual apportionments, which is essentially based on the forecasted sales tax revenue for the year plus any remaining prior year estimated ending fund balance that is included in the apportionment calculation.
- PTMISEA expenses decreased by \$522,336 as a result of lower reimbursement requests. SACOG did receive \$3 million more in PTMISEA revenues than last year, however, expenses are dependent on timing of when jurisdictions submit approved claims for payment. Both revenue and expenses can fluctuate from year to year, depending on the State of California's ability to sell bonds, and the grantees' ability to complete their approved projects and request reimbursement.
- Capitol Valley Regional SAFE expenses decreased by \$378,580 over last year. This is primarily due to the ongoing SAFE Modernization/Upgrade/Removal project, that started last year, and had less costs this year. That project is scheduled to finish by the end of FY 2017-18.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Fund Financial Statement Analysis

As noted earlier, SACOG uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

PLANNING AND ADMINISTRATION

The Planning and Administration Fund's fund balance decreased by \$3,763,180. The decrease is a combination of three component activities within the fund:

The final budget included budgeted fund balance use of \$685,913, so the difference between actual and budget was \$3,077,267 to the negative.

The primary reason for the large Fund Balance decrease and budget variance is:

At year end, \$3,273,888 of funds is shown as "deferred" because SACOG uses a six-month availability period to align with the reimbursement timeline associated with most of its funding sources, and this amount was not deemed "to be available" to pay liabilities of the current period. Therefore, the funds cannot be included as assets in the Governmental funds presentation.

Two other components, as expected, affected the ending fund balance change for a total of \$372,980. The SACOG Managed fund decreased by \$272,244 for payments to SMF grantees and the Restricted Fund balance for Transportation projects decreased by \$100,736. In both of these cases, this outflow of funds represents monies that were essentially recognized or received in prior years.

The Board and Advocacy fund balance increased by \$7,601, annual member assessments and interest exceeded expenditures. The GIS fund balance increased by \$25,000 as additional revenues were received during the year.

Restricted Fund balance for Transportation Projects decreased by \$100,736 to \$473,445. The net decrease represents project expenditures incurred in the current year that had the related specific income recognized in a prior year, offset by any new revenues recognized in the current year with no offsetting expenditures this year.

Committed Fund balance decreased by \$313,678 primarily because SACOG Managed Fund activity increased by a net \$321,279, which was offset by an increase in the Board and Advocacy Fund of \$7,601. Payments to SACOG Managed Fund grantees were \$272,244 and additional commitments changes were (\$119,172), and interest earned was \$70,137, resulting in the net change of \$321,279.

Assigned Fund balance increased by \$25,000 from revenues added to the GIS Recipients Fund.

Unassigned Fund balance decreased by \$3.3 million compared to last year. As noted herein, the reason for this decrease is due to the deferred inflow of resources not received within six months of year-end.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

SACOG's operations are primarily reimbursement based due to its funding structure. Typically, expenditures drive the offsetting revenues, which in most cases results in a net zero effect of fund balance. However, fund balance can be impacted by accounting requirements to recognize certain specific grant revenues even though there may not be offsetting grant expenditures in the current year.

Changes in fund balance can also depend on whether SACOG's annual source of local funds (TDA funds for planning and administration) are fully utilized, either as a match for federal grants and/or used to overmatch project costs, if deemed necessary to meet the project deliverables. The use of Unassigned fund balance can occur when SACOG uses more than its annual stream of TDA funding and dips into its cash reserves to cover operating costs. SACOG also tracks other Committed and Assigned reserve activities, which typically don't have a budget, like the SACOG Managed Fund and the GIS Recipient's reserve.

The final approved combined budgets for the Planning and Administration Fund and the Board and Advocacy Fund projected a use of reserves in the amount of \$685,913. Actual fund balance decreased by \$3,763,180 as explained above.

SACOG FINANCING CORPORATION

The SACOG Financing Corporation, a legally-separate entity, was created to purchase the Meridian Plaza complex with a local developer. During FY 2004-05, the Meridian Plaza complex was sold, resulting in a net gain to the Financing Corporation of \$1.2 million for the initial investment of \$2 million. Since then, the proceeds have been invested in the Sacramento County investment pool and have accumulated interest earnings, bringing the total cash and investments and interest receivable in the fund to \$3,939,388 at June 30, 2017.

Activity during the year consisted of the receipt of interest earnings of \$18,284.

In 2006, the Board of Directors assigned amounts in the SACOG Financing Corporation for the potential funding of retiree health benefits. At the time, the Board noted that its action was policy only and, if at some future date, it is determined there is a better use for these funds, the policy could be modified or reversed.

SACRAMENTO EMERGENCY CLEAN AIR AND TRANSPORTATION PROGRAM (SECAT)

SECAT is in its 17th year of operation as a separate special revenue fund. The fund was originally advance-funded \$66 million from the California Governor's Traffic Congestion Relief Program (TCRP). The goal of the program was to reduce nitrogen oxide (NOx) emissions in the region. SACOG had planned to close this fund in FY 2012-13; however, it continued to receive refunds from monies not fully utilized by the engine owners. In years past, Caltrans had directed SACOG to return these refunds to Caltrans as the administrator of the original TCRP program.

However, in FY 2016-17 these funds were reclassified from a liability to the Restricted Fund Category, based upon a new agreement between SACOG and the Sacramento Metropolitan Air Quality Management District (SMAQMD). The funds now belong to SACOG; however, the funds must be

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

used on projects, that meet certain specifications, and SACOG staff is working on drafting the project requirements.

During the year, more refunds and interest of \$72,896 were received by SACOG, resulting in an ending cash balance of \$305,065 and interest receivable balance of \$1,395.

**PUBLIC TRANSPORTATION MODERNIZATION
IMPROVEMENT & SERVICE ENHANCEMENT ACCOUNT
(PTMISEA)**

The annual amount awarded to the PTMISEA program, now in its ninth year, was \$3,902,487. The previous four years of awards were \$887,174, \$10.7 million, \$170,197, and \$27.7 million. The amount awarded can fluctuate dramatically from year to year. Amounts awarded are impacted by the State of California's ability to sell bonds for this program, and the number of grant requests received/approved.

Annual Interest earnings decreased by \$46,607 from last year to \$118,455. This is primarily due to the fact that the prior year interest of \$165,062 was abnormally higher due to a mistake by Sacramento County, in computing previous interest (over a multi-year period), back in in 2014. Sacramento County stipulated that the overpayments of interest be paid back in 2016, and that is why interest income was so much higher last year.

Current year expenditures were \$4.9 million. The previous four years of expenditures were \$5.5 million, \$9.4 million, \$10.9 million, and \$20.4 million. Expenditure can vary with grant reimbursement requests submitted by grantees. The SACOG Board of Directors approves all projects that receive PTMISEA funds.

Cash balance at year-end is \$15.1 million versus \$17.4 million last year, decreasing by \$2.3 million.

The Due to other Governments liability changed from \$2,299,522 to \$1,413,337 at year-end, which is a \$1,413,337 decrease. This number can vary from year to year and is dependent on jurisdictions filing time claims so they can be paid by June 30 of each year.

Expenditures were for Fixed Route Bus Replacements for YCTD, Replacement Buses for Elk Grove, Southline SSCP-Long Lead items, Connect Card Implementation, Surveillance Equipment, Downtown/Riverfront Streetcar, and other smaller projects. More detail on this can be found in the Note O section of the Notes to Basic Financial Statements.

STATE TRANSIT ASSISTANCE FUNDS (STA)

The State Transit Assistance fund was created under the Transportation Development Act (TDA) to provide funding for transportation planning, public transportation, and community transit purposes as specified by the legislature. The money is appropriated to the State Controller's Office and is then "allocated" by formula to each designated regional planning and programming agency. SACOG is responsible for the "allocation" (means the same as apportionment) of the STA Fund monies to the transit operators and claimants within its region. Sales and Use tax revenues are generated from gasoline and diesel fuel sales.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Sales and use tax revenues decreased by \$898,196 (9%), to \$9.5 million, for the year. This is the 4th year in a row for a decrease. Actual sales tax revenues for last year were \$10.4 million. Sales tax revenues usually approximate the allocation amounts provided by the State of California, except for last year, when the State's revenue estimates were not revised in a timely manner, for SACOG to act on.

The FY 2016-17 revised expenditure allocation was \$7,093,798, which was a \$6,608,041 decrease from last year. The main reason for the decrease was because the prior year allocation number of \$13,701,839, was substantially overstated, because of erroneous data provided by the State of California to SACOG. The State never provided any official midyear revisions to their original estimates, so SACOG could not revise the allocation in a timely manner during the year. The last two quarterly payments for the FY 2016-17 year were not received until October 2016, and they were significantly lower than what the State had estimated. It was at this time that SACOG was able to finally determine the final sales tax revenue amount of \$10.4 million and determine that the Change in Fund balance for the year was a negative (\$3,245,687); that with an offsetting beginning fund balance of \$915,777, netted to the ending negative fund balance of (\$2,329,910), at June 30, 2016.

Because of the negative fund balance situation, the original FY 2016-17 expenditure allocation, had to be revised substantially downward in February 2017, to cover the FY 2015-16 obligations. That is why there is a significant difference of between Sales and use Revenues of \$9,530,233 and the allocation number of \$7,093,798, netting to \$2,436,435. When interest income is added in, the Change in Fund Balance is \$2,474,307.

Fund Balance (which represents cumulated unapportioned amounts), ended up at a \$144,397, because of the February 2017 revised allocation action taken. Last year's fund balance was a negative \$2,329,910.

The FY 2017-18 STA Allocation approved in February 2017 totaled \$10,405,635. Of this \$7,040,615 is for 99313 monies and \$3,365,020 was for 99414 monies. This was revised upward in December 2017, and the updated 99313 amount is \$11,300,215 and the 99314 amount is \$4,207,462, totaling \$15,507,677. This increase is resulting from the recent passage of Senate Bill 1 (SB1).

LOCAL TRANSPORTATION FUNDS (LTF)

The four LTF special revenue funds are administered by SACOG on behalf of various county jurisdictions throughout the Sacramento region and used to fund various transportation-related activities as authorized by California law under the Transportation Development Act. Actual sales tax receipts affect the revenue for these funds. The Findings of apportionment, sometimes called findings or apportionment, is the annual process by which each county estimates its sales tax revenues, its use of prior year fund balance, and corresponding estimating disbursements to its local agencies, in a formalized process that includes SACOG. This is formalized in February of each year for the next fiscal year by an action of the SACOG Board. SACOG is responsible for the administration of the LTFs to these counties. The counties can amend their findings of apportionment through SACOG's board approval process.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

COUNTY OF SACRAMENTO LOCAL TRANSPORTATION
FUND

Sales tax Revenue increased for the eighth year in row. This year's actual sales tax revenues increased by \$1,877,911 (3%), to \$58,389,154. Last year's increase was \$2,887,853 (5%). There were two revisions (both increases) to the apportionment amount during the year. The final apportionment sales tax estimate was \$58,600,000, and the actual sales tax amount was only \$210,846 less than the estimate.

Apportionment expenditures are usually expected to increase as sales tax revenue increases. The apportionment amount for FY 2016-17 was \$59.2 million, which was \$3.9 million higher than last year's apportionment. That is to be expected as the sales tax was increased also.

Fund Balance, which represents accumulated unapportioned amounts, ended up at \$11.5 million, which was \$735,533 lower than last year. This amount is a combination of the use of \$600,000 of fund balance included in the apportionment number, plus the \$210,846 of actual sales tax under the apportionment estimate, offset by \$75,313 in interest earnings, totaling \$735,533.

The apportionment for the FY 2017-18 year, is now projected at \$61,175,000 (5%) which is only based on sales tax revenue. The County does not show any use of fund balance in the estimate. The sales tax estimate for FY 2017-18 reflects a 5% increase over the current year, which is very optimistic.

COUNTY OF YUBA LOCAL TRANSPORTATION FUND

Sales tax revenues have flip-flopped the last four years, but this year's amount of \$1,355,550 was the highest ever. This year's sales tax revenue increased by \$146,651 (12%), over the prior year. Last year's sales tax decreased by \$109,234 (8%), from the previous highest ever sales tax revenue number in 2015, at \$1,318,133. This year's actual sales tax revenues were \$254,550 (23%) higher than the findings of apportionment sales tax estimate, which was a very conservative estimate.

Apportionment expenditures were projected at \$1,389,069, which was \$374,191 lower than last year. That decrease was expected since the sales tax apportionment was so conservative.

Fund Balance, which represents accumulated unapportioned amounts, ended up at \$421,767, an increase of \$342,762 from the prior year. The increase is primarily because the sales revenue came in higher by \$254,550 compared to the apportionment estimate.

The apportionment estimate for the FY 2017-18 year is projected at \$1,200,600, which is the sales tax revenue number only, because the County is showing a -0- for the fund balance carryover. The FY 2017-18 sales tax estimate appears to be conservative and approximates the 2016 actual sales tax amount.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

COUNTY OF SUTTER LOCAL TRANSPORTATION FUND

Annual sales tax revenues decreased for the first time in nine years. Sales tax revenue decreased by \$143,551 (3%), to \$4 million. Last year's sales tax revenues increase was \$229,315 (6%) to \$4.1 million. The sales tax projection in the findings of apportionment was \$4,283,338. The actual sales tax revenue came in lower by \$321,520 (8%), at \$3,961,818.

The FY 2016-17 apportionment expenditure was based on a sales tax estimate of \$4,283,338 and the use of \$418,003 of fund balance, netting to \$4.7 million. This was \$379,844 higher than last year's apportionment.

The ending Fund Balance was negative at year-end at (\$453,978), which is a swing of \$731,343 from last year. It is unusual for Sutter County to have a negative fund balance, but it can happen. This decrease is primarily due to the lower actual sales tax revenue (than planned) of \$321,520, and lesser amount of opening fund balance of \$140,638 available, for 2017. Projected fund balance available was \$418,003 but it ended up as \$277,365, causing the \$140,638 shortfall. The negative fund balance means that the FY 2017-18 apportionment will need to be adjusted downward to accommodate the \$453,978 shortfall.

The apportionment for the FY 2017-18-year is \$3,549,650. This calculation includes projected sales tax revenue of \$4,006,607, offset by the estimated negative (\$456,957) fund balance. The sales tax estimate for FY 2017-18 is reasonable and approximates the 2016 actual amount.

COUNTY OF YOLO LOCAL TRANSPORTATION FUND

Sales tax Revenue declined slightly this year, after seven straight years of increases. Sales tax revenues decreased by \$59,732 (1%) to \$9.8 million for the year. The previous year increase was \$208,408 (2%) for a total of \$9.9 million.

Apportionment expenditures increased by \$788,015 (8%) over last year, to \$10.6 million. The apportionment was based on a \$10 million sales tax estimate and a fund balance estimate of \$603,000 at June 30, 2016. The two amounts total \$10.6 million. The actual June 30, 2016 fund balance ended up at \$116,307, leaving a \$486,693 shortfall.

The ending Fund Balance was negative as of year-end at (\$611,182), and it was negative in 2015 also (\$21,478), which is unusual, but it can happen. Normally fund balance is a positive number. The Fund balance swing between the two years was \$727,489. The two main factors for the ending negative fund balance were due to actual sales tax revenues being lower by \$169,180 than expected, and the short fall of \$486,693 in expected fund balance available for 2017. The negative fund balance means that the FY 17/18 apportionment will need to be adjusted downward to accommodate the \$611,182 shortfall.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

The FY 2017-18 apportionment, approved in February 2017, was \$9,119,024. This reflects a negative (\$475,000) in fund balance and a sales tax estimate of \$9,594,024. This estimate considers a sizable portion the June 30, 2017 shortfall, and the sales tax estimate appears to be a more conservative estimate, back to 2014 actuals.

CAPITOL VALLEY REGIONAL SERVICE AUTHORITY FOR
FREEWAYS AND EXPRESSWAYS (SAFE)

The Capitol Valley SAFE remains a fiscally strong fund with a reliable stream of revenue

SAFE fund balance decreased by \$444,007 in FY 2016-17, and by \$785,662 in FY 2015-16. This decrease was expected due to the ongoing work on the Call Box Removal/Upgrade Modernization project, of which costs this year were \$637,373. Last year's costs were \$728,796.

The call box removal and upgrade portion of the Call Box Modernization project will continue into next year and is expected to be completed by December 31, 2017. The purpose of the project was to remove about half of the call box system, addressing longstanding ADA deficiencies, and making necessary telecommunication upgrades that will keep the remaining call box system working.

The remaining portion left to complete, after December 31, 2017, is the ADA certification of the call box sites that were moved to make them accessible under the ADA. The ADA certification work is projected to finish by March 31, 2018.

SAFE will likely have a call box removal and upgrade project next year (FY 2018-19), but it will be separate and distinct from the one currently being completed. This project will involve our call box cellular provider Verizon shutting off the 3G network that allows our boxes to work.

Actual Vehicle registration fees increased by 1.75% over last year, and almost matched the budgeted registration fee revenue amount. This is the fourth year in a row with an increase. The San Joaquin County had the largest increase at \$22,369 (3.67%)

The Investment earnings for the year were higher than planned at \$29,347 but comparable to last year's number of \$30,390.

Other income is a combination of services provided by SAFE to Glenn County SAFE and Placer County and call box knock down revenue.

Normal operating expenses like Planning and Administration Fund, Freeway Service Patrol and Equipment and Maintenance were under budget by a combined amount of \$228,946, with the largest difference being Freeway Service Patrol at \$100,077. This was because San Joaquin's Freeway Service Patrol costs were \$90,501 less than planned.

The GTFS - Real Time Implementation project continued into this year with \$23,700 costs compared to \$20,000 last year. This years remaining budget of \$61,300 was unused.

The Call Box Removal/Upgrade Modernization project costs were \$243,627 less than budget. No work was performed on the ITS Master Plan/Regional Architecture Update, or the Regional

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Household Travel Study. Their budgets were \$225,000 and \$150,000 respectively. These three projects total \$618,629 account for most of the final budgeted expenditure difference, which was \$901,772.

This restricted fund balance is limited by SAFE Board action in 2008, whereby a minimum fund balance of \$1,000,000 was established to cover unexpected operating costs and to save for unplanned capital improvements.

GLENN COUNTY SAFE

As expected, The Glenn County SAFE fund balance increased by \$32,885 compared to last year, as there were no further costs for the Call Box Removal/Upgrade Modernization project, as those costs, approximating \$71,000, were completed in the prior year. The previous year's fund balance decreased by \$57,171, as the primary result of that activity.

Vehicle registration income had a sharp increase of 1,214 (4%), which was encouraging, as the normal annual increases have been in the 1% to 2% range over the past few years. Vehicle registration income has increased every year for the last five years.

Budget

Annually, the SACOG Board of Directors approves the budget in two phases. One phase is the OWP budget, which is the plan for the transportation-related projects. The OWP is funded largely by federal and state grants with matching funds from local sources. The projects are comprised of functions related to the responsibilities of a Metropolitan Planning Organization and Regional Transportation Planning Agency and centered on transportation and land use planning and project delivery to fulfill those plans. The OWP is available for public comment for a 30-day period during which the grantor agencies, both federal and state, various public organizations including member agencies, regional transit authorities, and the general public review the projects planned for the budget year and make comments. During the public comment period, a group formed of Federal Highway Administration (FHWA), Federal Transit Administration (FTA), California Department of Transportation and other parties impacted by the OWP, meet and discuss the OWP within the broader goals and guidelines of the region. At the close of the public comment period, the SACOG Board of Directors adopts the OWP as it has been amended during the review period. Final adoption of the OWP occurs in May or June of each year. After adoption by the Board of Directors, Caltrans, FHWA, and FTA approve the OWP. Throughout the year, amendments to the OWP budget occur for grants that are received, a realignment of priorities for projects or other occurrences that require a budget adjustment, and increases or decreases in federal or state funding allocations. Amendments to the OWP are also reviewed and approved by Caltrans.

The second phase of the budget process is the adoption of the operating budget for SACOG. This includes the administrative budget related to the OWP, capital assets budget, the Board of Directors and Advocacy Budget, and other related functions not associated with the OWP. This second phase is adopted no later than June for the following fiscal year.

SACOG's Planning and Administration fund original budget was for \$58.2 million and included the use of prior year fund balance of \$2,025,400, which is a combination of the two items below:

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

- Use of SACOG Managed Fund Committed to Projects of \$1,797,000.
- Use SACOG Planning and Administration Fund Undesignated Fund Balance of \$228,400 for equipment

The original budget was amended a few times during the year, which is normal, to arrive at an estimated negative ending fund balance of \$685,913, primarily due to a true-up of available grant funds remaining at the end of the prior fiscal year for multi-year grant funded projects, and normal changes to grant programs during the year, and the additional of new grants.

The actual change in fund balance for the year in the Planning and Administration Fund was a decrease of \$3,763,180. This difference is more fully explained in the Fund Financial Statement Analysis for the Planning and Administration Fund. More information about this can be found in Note B of the Notes to the Financial Statements.

Planning and Administrative total revenues were \$15,150,068, while the final approved budget revenue estimate was \$41,283,749, leaving a difference of \$26,133,681. Actual expenditures totaled \$21,995,956 compared to the final budget estimate of \$45,104,788, resulting in a difference of \$23,108,832. Both actual and budgeted Transfer In revenue approximated \$3.2 million. Typically, both revenue and expenditures budget variances reflect an approximate corresponding (offsetting) difference, as most SACOG revenues and expenditures are reimbursement based. It is not uncommon for SACOG to get this type of disparity between actual and budgeted numbers.

Budgeted grant revenues for specific projects are recorded at the total remaining grant amount available, which can be higher than actual expenditures for the year. For some projects, it makes more sense to budget the whole amount rather than a portion. The CMAQ SECAT project is one of those projects.

Approximately \$16.4 million of the \$26.1 million total revenue differences is attributed to less need of Federal Funding than what was expected in the fiscal year.

Use of State funds was \$2 million less than planned. Local fund budget difference approximates \$2.3 million.

Approximately \$2 million of the \$26.1 million differences is attributed to a change of accounting treatment in the recording of In-kind revenue and the offsetting In-kind expenses, which results in zero actual amounts.

Capital Assets

Total investment in capital assets at June 30, 2017, net of accumulated depreciation, was \$209,730, an increase of \$5,427 from the prior year. The primary reason for the increase was that Capital additions of \$68,258 for the year exceeded depreciation expense of \$62,831. Planning and Administration assets are primarily computers and other office equipment. SAFE and Glenn assets are fixed Call box capital costs, and both the cost and accumulated depreciation (which netted to zero) were fully written off during the year, in accordance with SACOG's fixed asset policy.

Sacramento Area Council of Governments
Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2017

		Total
	Planning and Administration	Governmental Activities
Equipment, Furniture, Phones, Computers and Software	\$ 1,292,815	\$ 1,292,815
Less Accumulated Deprecia	(1,083,085)	(1,083,085)
Capital Assets, Net	<u>\$ 209,730</u>	<u>\$ 209,730</u>

Additional information regarding capital assets can be found in the Note E to the Basic Financial Statements.

Economic Factors and Next Year's Budget

One of the ongoing challenges for SACOG over the last several years has been the loss of revenues from the close out of certain multi-year discretionary earmarks/grants and finding new revenues to replace them. To address these challenges, SACOG has focused on four main strategies: cost containment measures related to staffing, overhead costs, and legal expenses; concessions from a cooperative Employees Association; discretionary grant awards through SACOG staff's entrepreneurial efforts with state and federal agencies; and increasing federal, state, and local funds.

SACOG is fortunate to have benefitted from a fiscally-sound labor Memorandum of Understanding (MOU) and continues to benefit from a strong relationship with the SACOG Employees Association (SEA), which has greatly supported SACOG's cost reduction and containment strategies. In recent years, the SEA has proactively worked with management to identify and implement additional savings through amendments to the MOU, including foregoing cost-of-living adjustments, assuming a greater share of retirement contributions, implementing a three-tier retirement system with reduced benefits, and modifying the formula for calculating retirement benefits. In February 2017, the SACOG Board of Directors approved a new five-year MOU with the SEA that continues to shift a more equal share of future fluctuations in benefit increases between employees and SACOG. Highlights of the agreement include: employees contributing an additional 1 percent of salary annually for five years to CalPERS; freezing cash-out option for medical insurance; changing to a hybrid defined benefit/defined contribution plan for post-retirement health for new employees, and reducing future benefits for existing employees; transferring large paid time off balances to a 401(a) plan; and reducing maximum cost of living adjustment from 5% to 4%.

While many of the revenues SACOG receives are based on formula planning funds or discretionary grant awards, the requirement to match those funds with non-federal and/or non-state dollars can be a challenge. The primary source of those matching dollars is the ¼ cent sales tax collected within each county for transportation.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

In the long term, we expect funding levels to increase as the economy continues to improve. The number of discretionary grants which SACOG typically receives each year for various transportation and transit planning functions is subject to change, but the state financial outlook is strong. A five-year authorization bill was passed in December 2015 that increased funding overall.

Federal funds flowing through the state are secure from the state budget annual challenges, as they are segregated from other state funding sources. However, the release of those funds to SACOG can be delayed if the state budget is not approved in a timely manner. Since state budget reform was enacted in 2012 that allows for a simple majority of the Legislature to pass the budget, there have been no budget delays.

In May 2017, the SACOG Board of Directors adopted a final FY 2017-18 budget of \$46,885,856. This budget projected the use of reserve funds in categories like that of the previous year. Reserve funds planned usage includes \$1,243,485 for projects for the SACOG Managed Fund, \$295,540 in use of Deferred Revenues, Carryforwards from FY 2016-17 (non-staff) of \$295,540, and \$112,000 for equipment. The budget includes the Overall Work Program (OWP), which includes expenditures to fund the transportation planning projects for the year, of which a sizable portion includes rollover grant funding or pass-through to other agencies.

The key focuses of the annual budget and the OWP, have been guided by SACOG's Strategic Plan, which encompassed three goals:

Goal 1: Sustain the agency's emphasis on information-based decision making by providing state-of-the-art data and tools to members, partners, stakeholders, and residents to help them shape the future of their communities and the region.

Goal 2: Maximize strategic influence for the region through developing and implementing integrated regional transportation plans that produce unique and significant quality of life benefits for residents of the region.

Goal 3: Serve as a source of high quality information, convener, and/or advocate on a range of regional issues when the agency's involvement would provide unique added value to promoting a sustainable future for the region.

SACOG and its component units remain fiscally stable. Management and the Board of Directors remain conservative in their financial policies and have not budgeted for revenues that are not quantified; expenditures are managed carefully and adjustments made as conditions require. While much of the budget relies on funding from the federal and state governments, there continues to be a steady flow, albeit reduced, of money from those programs that fund transportation. As additional funding is received, projects will be assessed to determine their priority within the SACOG Strategic Plan, planning goals for the year, and the availability of staff to work on the project. If funding is received that requires local matching funds, and no matching funds are available, management may decide to postpone the related project to a future year in order to be able to preserve the limited matching funds available. Despite the financial challenges, SACOG is committed to assisting our

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

member agencies with their land use and transportation planning in order to create a more livable region.

Requests for Information

This financial report is designed to provide the reader with a general overview of SACOG's finances and to demonstrate SACOG's accountability for the resources it receives. If you have questions about this report or need additional financial information, please contact the Finance Department, Sacramento Area Council of Governments, 1415 L Street, Suite 300, Sacramento, CA 95814.

Sacramento Area Council of Governments
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 47,741,876
Receivables	25,111,969
Other assets	66,217
Non-current assets:	
Capital assets, net	209,730
Total Assets	73,129,792
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,974,136
 LIABILITIES	
Current liabilities:	
Payables	26,655,265
Long term liabilities - Due within one year	12,984
Compensated absences - Due within one year	171,366
Subtotal	26,839,615
Non-current Liabilities	
Long term liabilities	24,886
Compensated absences	624,664
Net other post employment benefit obligation	339,687
Net pension liability	13,826,741
Subtotal	14,815,978
Total Liabilities	41,655,593
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	454,167
 NET POSITION	
Investment in capital assets	209,730
Restricted for transportation projects	473,445
Restricted for transportation claimants	30,653,263
Unrestricted	3,657,730
Total Net Position	\$ 34,994,168

The notes to the financial statements are an integral part of this statement.

Sacramento Area Council of Governments
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
Planning and administration	\$ 22,248,042	\$ 577,946	\$ 17,663,047	\$ (4,007,049)
Transportation claimants	79,530,309	-	-	(79,530,309)
PTMISEA	4,930,158	-	3,902,487	(1,027,671)
SECAT	-	-	303,776	303,776
Capitol Valley Regional SAFE	2,961,035	2,487,681	-	(473,354)
Glenn County SAFE	889	32,667	-	31,778
Total Governmental Activities	<u>\$ 109,670,433</u>	<u>\$ 3,098,294</u>	<u>\$ 21,869,310</u>	<u>(84,702,829)</u>

General revenues:	
State shared revenue - sales and use tax	83,067,575
Investment earnings	421,368
Other	111,067
Total General Revenue	<u>83,600,010</u>
Change in net position	(1,102,819)
Net Position - Beginning	<u>36,096,987</u>
Net Position - Ending	<u>\$ 34,994,168</u>

The notes to the financial statements are an integral part of this statement

Sacramento Area Council of Governments

Balance Sheet

Governmental Funds

June 30, 2017

	Special Revenue				
	Planning and Administration	SACOG Financing Corporation	Sacramento Emergency Clean Air and Transportation Program	Public Transportation Modernization, Improvement & Service Enhancement Account	State Transit Assistance
Assets					
Cash and investments	\$ 9,038,256	\$ 3,921,104	\$ 305,065	\$ 15,082,599	\$ 2,474,562
Accounts receivable	-	-	-	-	-
Miscellaneous receivable	2,769	-	-	-	-
Due from other governments	10,466,335	-	-	-	2,654,943
Interest receivable	42,719	18,284	1,395	72,987	21,247
Prepaid items	66,217	-	-	-	-
Total assets	\$ 19,616,296	\$ 3,939,388	\$ 306,460	\$ 15,155,586	\$ 5,150,752
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 6,915,981	\$ -	\$ -	\$ 886,185	\$ -
Accrued liabilities	23,009	-	-	-	-
Due to other governments	-	-	-	-	5,006,355
Total liabilities	6,938,990	-	-	886,185	5,006,355
Deferred Inflows of Resources:					
Unavailable revenue	3,273,888	-	-	-	-
Fund Balances:					
Nonspendable:					
Prepaid Items	66,217	-	-	-	-
Restricted:					
SECAT Program	-	-	306,460	-	-
PTMISEA Funds	-	-	-	14,269,401	-
State Transit Assistance Funds	-	-	-	-	144,397
Local Transportation Funds - Sacramento County	-	-	-	-	-
Local Transportation Funds - Yuba County	-	-	-	-	-
Capitol Valley Regional SAFE	-	-	-	-	-
Glenn County SAFE	-	-	-	-	-
Transportation Projects	473,445	-	-	-	-
Committed:					
Board & Advocacy	7,985	-	-	-	-
SACOG Managed Fund Grantees	1,029,814	-	-	-	-
Assigned:					
Legal Defense	500,000	-	-	-	-
Self Insurance	200,000	-	-	-	-
Project Specific Carryover Funds	193,182	-	-	-	-
GIS Recipients	209,897	-	-	-	-
Post Employment Benefits (OPEB)	-	3,939,388	-	-	-
Unassigned:					
Unassigned Fund Balance	6,722,878	-	-	-	-
Total fund balances (deficit)	9,403,418	3,939,388	306,460	14,269,401	144,397
Total liabilities and fund balances	\$ 19,616,296	\$ 3,939,388	\$ 306,460	\$ 15,155,586	\$ 5,150,752

The notes to the financial statements are an integral part of this statement.

Sacramento Area Council of Governments

Balance Sheet

Governmental Funds

June 30, 2017

Special Revenue							
Local Transportation Funds				Capitol Valley Regional SAFE	Glenn County SAFE	Total Governmental Funds	
Sacramento County	Yuba County	Sutter County	Yolo County				
\$ 5,735,159	\$ 218,408	\$ -	\$ 6,758,098	\$ 4,087,604	\$ 121,021	\$ 47,741,876	
-	-	-	-	460,571	5,716	466,287	
-	-	-	-	-	-	2,769	
8,876,000	202,700	646,800	1,580,400	-	-	24,427,178	
39,362	659	-	-	18,436	646	215,735	
-	-	-	-	-	-	66,217	
\$ 14,650,521	\$ 421,767	\$ 646,800	\$ 8,338,498	\$ 4,566,611	\$ 127,383	\$ 72,920,062	
\$ -	\$ -	\$ -	\$ -	\$ 614,507	\$ 759	\$ 8,417,432	
-	-	-	-	-	-	23,009	
3,158,011	-	1,100,778	8,949,680	-	-	18,214,824	
3,158,011	-	1,100,778	8,949,680	614,507	759	26,655,265	
-							3,273,888
-							66,217
-							306,460
-	-	-	-	-	-	14,269,401	
-	-	-	-	-	-	144,397	
11,492,510	-	-	-	-	-	11,492,510	
-	421,767	-	-	-	-	421,767	
-	-	-	-	3,892,104	-	3,892,104	
-	-	-	-	-	126,624	126,624	
-							473,445
-							7,985
-	-	-	-	-	-	1,029,814	
-	-	-	-	-	-	500,000	
-	-	-	-	60,000	-	260,000	
-	-	-	-	-	-	193,182	
-	-	-	-	-	-	209,897	
-	-	-	-	-	-	3,939,388	
-	-	(453,978)	(611,182)	-	-	5,657,718	
11,492,510	421,767	(453,978)	(611,182)	3,952,104	126,624	42,990,909	
\$ 14,650,521	\$ 421,767	\$ 646,800	\$ 8,338,498	\$ 4,566,611	\$ 127,383	\$ 69,646,174	

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION:**

Fund balances - total governmental funds	\$ 42,990,909
Deferred inflow of resources - Unavailable Revenue	3,273,888
Net OPEB Obligation	(339,687)
Long term liability, not due in the current period, therefore, not reported in the funds.	(37,870)
Capital assets used in government activities are not financial resources, and are not reported in the funds	209,730
Compensated absences not due and payable in the current period, and not reported in the funds	(796,030)
Net Pension Liability	(13,826,741)
Deferred inflows related to pension	(454,167)
Deferred outflows related to pension	3,974,136
Net position of governmental activities	<u>\$ 34,994,168</u>

The notes to the financial statements are an integral part of this statement.

Sacramento Area Council of Governments

Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2017

	Special Revenue				
	Planning and Administration	SACOG Financing Corporation	Sacramento Emergency Clean Air and Transportation Program	Public Transportation Modernization, Improvement & Service Enhancement Account	State Transit Assistance
Revenues:					
Sales and use taxes	\$ -	\$ -	\$ -	\$ 3,902,487	\$ 9,530,233
Vehicle registration fees and traffic fines	-	-	-	-	-
Intergovernmental:					
Federal	12,059,126	-	-	-	-
State	904,757	-	303,776	-	-
Local	1,425,276	-	-	-	-
Charges for services	153,416	-	-	-	-
Member assessments	424,530	-	-	-	-
Investment earnings	71,896	29,733	2,684	118,455	37,872
Other	111,067	-	-	-	-
Total revenues	<u>15,150,068</u>	<u>29,733</u>	<u>306,460</u>	<u>4,020,942</u>	<u>9,568,105</u>
Expenditures:					
Current:					
Transportation Claimaints					
City of Elk Grove	-	-	-	-	458,084
City of Citrus Heights	-	-	-	-	218,035
City of Davis	-	-	-	-	248,278
City of Folsom	-	-	-	-	204,835
City of Galt	-	-	-	-	63,011
City of Isleton	-	-	-	-	2,100
City of Live Oak	-	-	-	-	-
City of Sacramento	-	-	-	-	-
City of West Sacramento	-	-	-	-	131,291
City of Rancho Cordova	-	-	-	-	-
City of Wheatland	-	-	-	-	-
City of Winters	-	-	-	-	17,807
City of Woodland	-	-	-	-	147,303
City of Yuba City	-	-	-	-	-
County of Sacramento	-	-	-	-	79,276
County of Sutter	-	-	-	-	-
County of Yolo	-	-	-	-	68,844
County of Yuba	-	-	-	-	-
Sacramento Regional Transit District	-	-	-	-	4,856,650
Yuba-Sutter Transit Authority	-	-	-	-	476,374
Yolo County Transportation District	-	-	-	-	121,910
Paratransit, Inc	-	-	-	-	-
SAFE services	-	-	-	-	-
Freeway service patrol	-	-	-	-	-
Equipment and maintenance	-	-	-	-	-
Insurance and DMV fees	-	-	-	-	-
Planning and administration	21,655,454	-	-	-	-
Public Transportation Modernization Improvement & Service Enhancement	-	-	-	4,930,158	-
Payments to SMF grantees	272,244	-	-	-	-
Capital outlay	68,258	-	-	-	-
Total expenditures	<u>21,995,956</u>	<u>-</u>	<u>-</u>	<u>4,930,158</u>	<u>7,093,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,845,888)</u>	<u>29,733</u>	<u>306,460</u>	<u>(909,216)</u>	<u>2,474,307</u>
Other Financing Sources (Uses):					
Transfers in	3,082,708	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>3,082,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(3,763,180)</u>	<u>29,733</u>	<u>306,460</u>	<u>(909,216)</u>	<u>2,474,307</u>
Fund balances - beginning	13,166,598	3,909,655	-	15,178,617	(2,329,910)
Fund balances (deficit) - ending	<u>\$ 9,403,418</u>	<u>\$ 3,939,388</u>	<u>\$ 306,460</u>	<u>\$ 14,269,401</u>	<u>\$ 144,397</u>

The notes to the financial statements are an integral part of this statement.

Sacramento Area Council of Governments
Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

Special Revenue						
Local Transportation Funds				Capitol Valley Regional SAFE	Glenn County SAFE	Total Governmental Funds
Sacramento County	Yuba County	Sutter County	Yolo County			
\$ 58,389,154	\$ 1,355,550	\$ 3,961,818	\$ 9,830,820	\$ -	\$ -	\$ 86,970,062
-	-	-	-	2,487,681	32,667	2,520,348
-	-	-	-	-	-	12,059,126
-	-	-	-	-	-	1,208,533
-	-	-	-	-	-	1,425,276
-	-	-	-	-	-	153,416
-	-	-	-	-	-	424,530
75,313	2,090	8,180	44,691	29,347	1,107	421,368
-	-	-	-	-	-	111,067
<u>58,464,467</u>	<u>1,357,640</u>	<u>3,969,998</u>	<u>9,875,511</u>	<u>2,517,028</u>	<u>33,774</u>	<u>105,293,726</u>
6,286,478	-	-	-	-	-	6,744,562
3,285,930	-	-	-	-	-	3,503,965
-	-	-	3,240,798	-	-	3,489,076
2,890,833	-	-	-	-	-	3,095,668
949,615	-	-	-	-	-	1,012,626
31,644	-	-	-	-	-	33,744
-	-	401,570	-	-	-	401,570
382,018	-	-	-	-	-	382,018
-	-	-	2,489,060	-	-	2,620,351
54,992	-	-	-	-	-	54,992
-	45,132	-	-	-	-	45,132
-	-	-	337,590	-	-	355,397
-	-	-	2,792,619	-	-	2,939,922
-	-	1,647,686	-	-	-	1,647,686
1,645,292	-	-	-	-	-	1,724,568
-	-	813,077	-	-	-	813,077
-	-	-	1,310,164	-	-	1,379,008
-	83,965	-	-	-	-	83,965
39,128,579	-	-	-	-	-	43,985,229
-	844,369	1,647,131	-	-	-	2,967,874
2,127,969	-	-	-	-	-	121,910
-	-	-	-	-	-	2,127,969
-	-	-	-	742,901	-	742,901
-	-	-	-	924,423	-	924,423
-	-	-	-	920,121	-	920,121
-	-	-	-	22,749	158	22,907
-	-	-	-	350,841	731	22,007,026
-	-	-	-	-	-	4,930,158
-	-	-	-	-	-	272,244
-	-	-	-	-	-	68,258
<u>56,783,350</u>	<u>973,466</u>	<u>4,509,464</u>	<u>10,170,231</u>	<u>2,961,035</u>	<u>889</u>	<u>109,418,347</u>
<u>1,681,117</u>	<u>384,174</u>	<u>(539,466)</u>	<u>(294,720)</u>	<u>(444,007)</u>	<u>32,885</u>	<u>(4,124,621)</u>
-	-	-	-	-	-	3,082,708
(2,416,650)	(41,412)	(191,877)	(432,769)	-	-	(3,082,708)
(2,416,650)	(41,412)	(191,877)	(432,769)	-	-	-
(735,533)	342,762	(731,343)	(727,489)	(444,007)	32,885	(4,124,621)
12,228,043	79,005	277,365	116,307	4,396,111	93,739	47,115,530
<u>\$ 11,492,510</u>	<u>\$ 421,767</u>	<u>\$ (453,978)</u>	<u>\$ (611,182)</u>	<u>\$ 3,952,104</u>	<u>\$ 126,624</u>	<u>\$ 42,990,909</u>

The notes to the financial statements are an integral part of this statement

Sacramento Area Council of Governments

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ (4,124,621)
--	----------------

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

Deferred inflow of resources - Unavailable Revenue	3,273,888
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

68,258

Change in OPEB Liability	(129,093)
--------------------------	-----------

Depreciation expense for Planning & Administrative Fund	(62,831)
---	----------

Change in Long Term Debt	12,985
--------------------------	--------

Change in Compensated absences	136,452
--------------------------------	---------

Pension Expense Adjustment for GASB #68 reporting	(277,857)
---	-----------

Change in net position of governmental activities	<u>\$ (1,102,819)</u>
---	-----------------------

The notes to the financial statements are an integral part of this statement

Sacramento Area Council of Governments

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget And Actual — Planning And Administration

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal	\$ 29,664,267	\$ 28,399,605	\$ 12,059,126	\$ (16,340,479)
State	4,733,720	2,907,248	904,757	(2,002,491)
Local	8,956,609	3,730,705	1,425,276	(2,305,429)
Services to Others	6,875,869	3,662,410	153,416	(3,508,994)
Member assessments	424,530	424,530	424,530	-
Investment earnings	-	6,000	71,896	65,896
In-kind	2,298,585	2,153,251	-	(2,153,251)
Other	-	-	111,067	111,067
Total revenues	<u>52,953,580</u>	<u>41,283,749</u>	<u>15,150,068</u>	<u>(26,133,681)</u>
Expenditures:				
Current:				
Planning and administration	50,028,120	43,079,388	21,655,454	21,423,934
Payments to SMF grantees	1,797,000	1,797,000	272,244	1,524,756
Capital outlay	<u>228,400</u>	<u>228,400</u>	<u>68,258</u>	<u>160,142</u>
Total expenditures	<u>52,053,520</u>	<u>45,104,788</u>	<u>21,995,956</u>	<u>23,108,832</u>
Deficiency of revenues under expenditures	<u>900,060</u>	<u>(3,821,039)</u>	<u>(6,845,888)</u>	<u>(3,024,849)</u>
Other Financing Sources:				
Transfers in	<u>3,255,709</u>	<u>3,135,126</u>	<u>3,082,708</u>	<u>(52,418)</u>
Total Other Financing Sources	<u>3,255,709</u>	<u>3,135,126</u>	<u>3,082,708</u>	<u>(52,418)</u>
Change in fund balances	<u>\$ 4,155,769</u>	<u>\$ (685,913)</u>	<u>(3,763,180)</u>	<u>\$ (3,077,267)</u>
Fund balance - beginning			<u>13,166,598</u>	
Fund balance - ending			<u>\$ 9,403,418</u>	

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget And Actual –Capitol Valley Regional Safe Special
Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Vehicle registration fees	\$ 2,468,251	\$ 2,468,251	\$ 2,469,037	\$ 786
Investment earnings	2,000	2,000	29,347	27,347
Other	125,740	125,740	18,644	(107,096)
Total revenues	<u>2,595,991</u>	<u>2,595,991</u>	<u>2,517,028</u>	<u>(78,963)</u>
Expenditures:				
Current:				
SAFE services	1,046,848	1,046,848	742,901	303,947
Freeway Service Patrol	1,024,500	1,024,500	924,423	100,077
Equipment and maintenance	1,343,459	1,343,459	920,121	423,338
Insurance and DMV fees	23,000	23,000	22,749	251
Planning and administration	425,000	425,000	350,841	74,159
Total expenditures	<u>3,862,807</u>	<u>3,862,807</u>	<u>2,961,035</u>	<u>901,772</u>
Deficiency of expenditures over expenditures	<u>\$ (1,266,816)</u>	<u>\$ (1,266,816)</u>	<u>(444,007)</u>	<u>\$ 822,809</u>
Fund balance - beginning			<u>4,396,111</u>	
Fund balance - ending			<u>\$ 3,952,104</u>	

The notes to the financial statements are an integral part of this statement

NOTE A — Summary of Significant Accounting Policies

I. REPORTING ENTITY

In January 1965, the Sacramento Regional Area Planning Commission (SRAPC) was organized under the State Planning Law to provide a forum for elected officials to address multi-county problems, issues, and needs. In January 1981, the Sacramento Area Council of Governments (SACOG) succeeded SRAPC under a new Joint Powers Agreement pursuant to Section 6500 of the California Government Code. Title 26 of the Internal Revenue Code, Section 115, states that income derived from a governmental function is tax exempt. Since SACOG's members are all governmental entities and SACOG exercises the common powers of its members, SACOG exercises governmental functions. Therefore, SACOG's income is exempt from federal taxation.

SACOG is an association of local governments formed by six counties and 22 cities. SACOG's member governments are the counties of El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba, and the cities of Auburn, Citrus Heights, Colfax, Davis, Elk Grove, Folsom, Galt, Isleton, Lincoln, Live Oak, Loomis, Marysville, Placerville, Rocklin, Rancho Cordova, Roseville, Sacramento, West Sacramento, Wheatland, Winters, Woodland, and Yuba City.

SACOG is governed by a 31-member Board of Directors composed of elected officials representing the member governments. The Board of Directors maintains budgetary controls over SACOG's accounts.

SACOG's various designations and certifications include:

Designations as:

- Regional Transportation Planning Agency (RTPA) for Sacramento, Sutter, Yolo, and Yuba counties by the California State Secretary of Business, Transportation and Housing Agency.
- Metropolitan Planning Organization (MPO) by the Governor and the U.S. Department of Transportation for the Sacramento, Yuba City, and Davis Urbanized Areas.
- Metropolitan Planning Organization in the Sacramento Metropolitan Planning Area (MPA) by the California State Secretary of Business, Transportation and Housing Agency.
- Airport Land Use Commission (ALUC) for Sacramento, Sutter, Yolo and Yuba counties
- Service Authority for Freeway and Expressways for Sacramento, San Joaquin, Yolo, Yuba, Sutter, and El Dorado counties.
- Area Wide Clearinghouse for the counties of Sacramento, Sutter, Yolo, and Yuba and the cities of Lincoln, Rocklin, and Roseville by the State of California Procedures of

NOTE A — Summary of Significant Accounting Policies, Continued

- Intergovernmental Review of Federal Financial Assistance and Direct Development Activities.
- Designated recipient for the Sacramento large urbanized area for FTA Section 5316 Job Access Reverse Commute (JARC) and FTA Section 5317 New Freedom Programs.

Joint Certification as:

- Sacramento Area Metropolitan Planning Process by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA).

The governmental reporting entity consists of SACOG and its component units. Component units are legally separate organizations for which the Board is financially responsible, or other organizations whose nature and significant relationship with SACOG are such that exclusion would cause SACOG's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either SACOG's ability to impose its will on the organization or (ii) the potential for the organization to provide a financial benefit to or impose a financial burden on SACOG.

Blended Component Units:

The Sacramento Area Council of Governments Financing Corporation (Corporation) was established on April 9, 2002, and is governed by SACOG's Board of Directors Government Relations and Public Affairs Committee. Although it is legally separate from SACOG, the Corporation is reported as if it were part of the primary government because its sole purpose was to purchase, own, lease, encumber and dispose of all or any interest in certain real property located at 14th and L Streets and 15th and K Streets in Sacramento, California, which was to benefit SACOG. After the property was sold, it was legally determined that the Corporation should continue to exist in order to manage the proceeds from the sale of the property, until another use is determined.

The Sacramento Area Council of Governments Service Authority for Freeway Emergencies, also known as the Capitol Valley Regional Service Authority for Freeways and Expressways (Capitol Valley SAFE), is a legally constituted public entity created and established pursuant to the provisions of Chapter 14 of Division 3 of the Street and Highways Code of the State of California (the "Freeway Act") to serve as the service authority for freeway emergencies in the counties of El Dorado, Sacramento, San Joaquin, Sutter, Yolo, and Yuba. Under the Freeway Act, Capitol Valley SAFE is authorized to impose a fee on vehicles registered in the six counties for the implementation, maintenance and operation of the motorist aid system of call boxes. Capitol Valley SAFE is administered by a governing board consisting of members of SACOG's Board of Directors plus one member representing San Joaquin County and one member representing the cities of San Joaquin County. SACOG provides administrative services for Capitol Valley SAFE. Capitol Valley SAFE is included in SACOG's reporting entity because of the significance of its financial or operational relationship and its mutual governing board.

The financial statements of SACOG have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant policies:

NOTE A — Summary of Significant Accounting Policies, Continued

II. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and statement of activities report information on all of the activities of SACOG. SACOG is engaged only in governmental activities, which are normally supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of SACOG's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Program revenues include (i) charges paid by the recipients of the goods or services offered by the programs and (ii) grants and contributions that are restricted for meeting the operational requirements of SACOG's activities. Sales and use taxes, investment earnings, and other revenues not properly included among program revenues are reported as general revenues.

III. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SACOG considers revenues to be available if they are collected within six months from the end of the current fiscal period. SACOG uses a six-month availability period to align with the reimbursement timeline associated with most of its funding sources, except for LTF revenues, which is 60 days. Revenues considered susceptible to accrual primarily include sales tax revenues, federal, state and local funds, as well as investment earnings. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Major sources of revenue are federal, state and local planning grants and sales tax revenues. Grant revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. When such funds are received in advance, they are recorded as deferred revenue until SACOG has satisfied the grantor's eligibility requirements. Such funding is subject to review by the funding agency and may result in disallowance in subsequent periods. Sales taxes collected and held by the state at year-end on behalf of SACOG are recognized as revenue.

NOTE A — Summary of Significant Accounting Policies, Continued

SACOG Reports the Following General Fund:

Planning and Administration Fund

Used to account for SACOG's transportation planning and administration activities funded from various federal, state and local sources. Included in it are the transactions for the Board and Advocacy Fund and the SACOG Managed Fund.

SACOG Reports the Following Major Special Revenue Funds:

SACOG Financing Corporation Fund

Used to account for the proceeds received from the sale of the Meridian Plaza building and for annual interest revenue earned on the funds. The Financing Corporation is a blended component unit and its general fund is reported as a special revenue fund of SACOG.

Sacramento Emergency Clean Air and Transportation Program Fund (SECAT)

Accounts for the revenues and expenditures restricted for SACOG's administration of the Traffic Congestion Relief Program (TCRP), funded by the State of California. However, in FY 2016-17 these funds were reclassified from a liability to the Restricted Fund Category, based upon a new agreement between SACOG and the Sacramento Metropolitan Air Quality Management District (SMAQMD). The funds now belong to SACOG; however, the funds must be used on projects, that meet certain specifications.

Public Transportation, Modernization, Improvement & Service Enhancement Account

Used to account for restricted funds from Public Transportation, Improvement & Service Enhancement Account (PTMISEA) Regional Funds. SACOG is the grant recipient for these funds and will pass the funding to transit agencies for approved transit projects. SACOG Board approval is required for the subrecipient funding agreements.

State Transit Assistance Fund

Created pursuant to the Transportation Development Act (TDA) to account for the allocations received from the state restricted for transportation planning and mass transportation purposes. Funds are derived from the statewide sales tax on gasoline and diesel fuel.

Local Transportation Funds

Created pursuant to the TDA to account for the proceeds received from the State Board of Equalization of the ¼ cent of the state's 7.5 percent retail sales tax collected within the below listed counties. These restricted funds are administered by SACOG on behalf of each County and used to fund various transportation related activities as authorized by California Law, under the Transportation Development Act.

- Sacramento County
- Yuba County
- Sutter County
- Yolo County

NOTE A — Summary of Significant Accounting Policies, Continued

Capitol Valley Regional SAFE Fund

Used to account for SACOG's administrative activities for implementing, operating and maintaining the motorist aid system of call boxes and 511 operations within the counties of El Dorado, Sacramento, San Joaquin, Sutter, Yolo and Yuba. Revenues are derived from the vehicle registration fee imposed pursuant to the provisions of Chapter 14 of Division 3 of the Streets and Highways Code.

Glenn County SAFE Fund

Used to account for activities in accordance with the contract with the County of Glenn for implementing, operating and maintaining the motorist aid system of call boxes within the County of Glenn pursuant to Street and Highways Code section 2553. Revenues are derived from the vehicle registration fee imposed pursuant to the provisions of Chapter 14 of Division 3 of the Streets and Highways Code.

IV. ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS, AND NET POSITION OR FUND BALANCE

Investments

Investments are recorded at fair value.

Fair Value Measurement

SACOG categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Accounts Receivable/Payable

These amounts represent receivables/payables with other non-government agencies, vendors, employees and other miscellaneous transactions due at June 30, 2017.

Due from/to Other Governments

These amounts represent receivables/payables with other federal, state and local governments.

Interest Receivable

Investment income earned but not yet received at June 30, 2017.

Prepaid Items

Payments for services that will benefit periods beyond June 30, 2017.

Capital Assets (including Intangible Assets)

Capital and intangible assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the Sacramento Area Council of Governments date of receipt of donation. Capital and intangible

NOTE A — Summary of Significant Accounting Policies, Continued

assets are defined by SACOG as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than two years. Capital and intangible assets used in operations are

depreciated/ amortized using the straight-line method over their estimated useful lives in the government-wide statements of net position. The estimated useful lives for furniture and equipment are 3 to 15 years.

Compensated Absences

It is SACOG's policy to permit employees to accumulate earned but unused paid time off (PTO) leave benefits. Employees are entitled to PTO depending on the length of service and other factors.

SACOG has recognized a liability in the government-wide financial statements for unused PTO leave in which employees have a vested right and which is attributable to employee services already performed. A current liability for this amount is reported in the governmental funds only if the PTO has matured, for example, as a result of employee resignations and retirements. The Planning and Administration Special Revenue Fund is used to liquidate the compensated absences liability.

Interfund Transfers

Interfund transfers typically report the amounts provided to SACOG for planning and administrative services performed by the four Local Transportation Funds.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. SACOG reports deferred outflows related to pensions. SACOG reports deferred outflows of resources related to pensions of \$3,974,136 at June 30, 2017 in the Government-Wide Statement of Net Position.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the governmental funds, the SACOG Planning Fund has one item for \$3.3 million which qualifies for reporting in this category (under modified accrual basis of accounting). Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet and represents unavailable revenues from grant reimbursements and other miscellaneous revenues not yet received. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. At the government-wide statements, this item is eliminated and recognized as revenue since "availability" of resources is not a criterion used in the government-wide statements.

SACOG also reports deferred inflows of resources related to pensions of \$454,167 at June 30, 2017 in the Government-Wide Statement of Net Position.

NOTE A — Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance Policy

The Fund Balance Policy establishes the procedures for reporting fund balance in SACOG's financial statements for its various government funds. Certain commitments and assignments of fund balance will help ensure that there are adequate financial resources to protect the agency against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs management to prepare financial reports which accurately categorize fund balance as per Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The general policies applicable to all SACOG funds are as follows:

1. Maintaining adequate fund balance reserves is an essential part of sound financial management. SACOG realizes the importance of reserves in providing reliable service to its members, financing its operations, and funding emergencies should the need arise.
2. For committed fund balances, the highest level of decision-making authority is the Board of Directors; a SACOG Board resolution or motion is required to formally establish, modify, or rescind a fund balance commitment.
3. The Board delegates to the Chief Executive Officer and/or the Chief Operating Officer authority to assign, change, and manage unassigned fund balance transactions going in and out of the funds where SACOG's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.
4. It is the policy of SACOG that when an expenditure is incurred, and both restricted and unrestricted fund balance is available for the expenditure, that the expenditure reduces the restricted balance first and the unrestricted balance second.
5. It is the policy of SACOG that when an expenditure is incurred, and committed, assigned, or unassigned fund balance is available for the expenditure, that the expenditure reduces the committed balance first, the assigned fund balance second, and the unassigned fund balance last.
6. SACOG's Fund Balance Policy will be reviewed as a part of the annual budget process

NOTE A — Summary of Significant Accounting Policies, Continued

Fund Balance

Nonspendable – This category represents amounts that cannot be spent because they are either (i) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (ii) legally or is contractually required to be maintained intact, such as the principal portion of endowment.

Restricted Fund Balance – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Restricted for Transportation Projects' relates to specific grant funds for specific projects that were received in advance of work performed. The revenue was recognized in the current year; however, fund balance is being restricted for the expenditures for these project activities, as they are expected to occur in future years.

Committed – This category represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, and remain binding unless removed in the same manner. SACOG's Board of Directors is the highest level of decision-making authority. Any formal actions to establish (and modify or rescind) a fund balance commitment would have to be approved the Board of Directors through Board resolution or motion.

Board and Advocacy – represents a portion of fund balance segregated for that portion of discretionary revenue available to support activities of the Board of Directors.

SACOG Managed Fund grantees – represents a portion of the SACOG Managed Fund balance segregated for grantee commitments that are contracted for, but services have not yet been acted on by the grantee.

Assigned – This category represents amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established at either the highest level of decision-making or by an official designated for that purpose. The SACOG Board of Directors has designated the Chief Executive Officer and Chief Operating Officer for this purpose.

Unassigned Fund Balance – This category includes amounts that do not fall into one of the above four categories. The general fund is the only fund that should report a positive amount in this category of fund balance. These funds are the amounts in the Planning and Administration not classified as nonspendable, restricted, committed, or assigned.

NOTE A — Summary of Significant Accounting Policies, Continued

The unassigned fund balance also includes funds previously reported in the SACOG Managed Fund. The SACOG Managed Fund has been used to accumulate funds from local agencies for reimbursement of projects originally expected to have been completed with local funds, but were instead funded with available Federal Funds. Through these reimbursement arrangements, SACOG has been able to accumulate flexible local funds without the burden of state and federal restrictions and processes. The SACOG Managed Fund has been used to provide financing and cash flow to benefit local agency projects. Historically, the Fund has been treated as a separate special revenue fund and was consolidated with the Planning and Administration Fund in accordance with GASB 54 in fiscal year 2011. As of June 30, 2017, the approximate amount of unassigned fund balance that is attributable to the SACOG Managed Fund was \$6,884,684. The SACOG Managed Fund cash balance was \$8,078,079. Management continues work on developing an official Board policy for these funds.

Pensions

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

New Accounting Pronouncements Adopted in Current Year

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. For the applicable provisions, effective, this year. The implementation did not impact the financial statements.

NOTE A — Summary of Significant Accounting Policies, Continued

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This Statement replaces Statements No. 43 and No. 57 related to postemployment benefits other than pensions, as well as includes requirements for defined contribution Other Post-Employment Benefit (OPEB) plans that replace the requirements for those OPEB plans in Statements No. 25, No. 43 and No. 50. Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The implementation did not impact the financial statements.

In August 2015, issued GASB Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is not effective until the fiscal year ending June 30, 2017. The implementation did not impact the financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The implementation did not impact the financial statements.

In January 2015, GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. This Statement is not effective until the fiscal year ending June 30, 2017. SACOG implemented this statement in fiscal year 2017. The implementation did not impact the financial statements.

In March 2016, GASB issued Statement No. 82 – *Pension Issues-An Amendment of GASB Statements No. 67, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice or financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The implementation did not impact the financial statements.

NOTE B — Budgetary Information

The Board adopts an annual budget for the SACOG Planning and Administration and Capitol Valley SAFE Special Revenue funds based on anticipated projects at the beginning of the year. SACOG reports its primary activities through the Planning and Administrative General Fund. The budget is approved in two phases. One phase is the Overall Work Program (OWP) budget, the plan for transportation related projects which is a major portion of the Planning and Administration fund budget, which is approved by the California Department of Transportation (Caltrans), Federal Highway Administration (FHWA), and Federal Transit Administration (FTA) after adoption by the Board of Directors. The second phase of the budget process is the adoption of the operating budget. This includes the OWP, Board of Directors and Advocacy operating project budget, capital assets, and can include other related functions not associated with the OWP.

The annual budgets are adopted on a basis consistent with generally accepted accounting principles and are presented in the modified accrual basis of accounting. Within the OWP budget, the level of budgetary control is at the element level. Board approval is needed if costs are expected to exceed the element total, or if new projects are added to the element.

No annual adopted budget is prepared for the SACOG Financing Corporation because the only activity is interest income. No adopted budget is prepared for the PTMISEA fund due to the nature of how revenue is determined, and the ending fund balance at June 30 becomes the amount available for the next fiscal year. Both STA and LTF have distinct and separate annual Board approval processes (February and March of each year) whereby their annual funds are apportioned and allocated for the next year, and therefore not included in SACOG's budgetary process. Glenn County SAFE is a legally separate organization (and included as a component unit herein) that has contracted with SACOG to provide management and accounting services for implementing, operating, and maintaining the motorist aid system of callboxes with the County of Glenn pursuant to Street and Highway Code Section 2553. The County of Glenn has not directed SACOG to prepare a budget for their activities.

Because of SACOG's dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. SACOG's annual budget differs from that of a local government in two respects: (i) the uncertain nature of grant awards from other entities, and (ii) conversion of grant budgets to a fiscal year basis.

NOTE C — Cash and Investments

AUTHORIZED INVESTMENTS

The table below identifies the investments types that are authorized by the California Government Code Section 53601 et seq. and 53635 et seq.; which constitutes SACOG's investment policy, for funds held with the Sacramento County Pooled Investment Fund. The Pooled Investment Fund investors are comprised of Sacramento County, school and community college districts, districts directed by the Sacramento County Board of Supervisors, and independent special districts (SACOG being a JPA) whose "Treasurer" is the Sacramento County Director of Finance. The following articles, in order of supremacy, govern the Pooled Investment Fund.

1. California Government Code
2. Sacramento County Annual Investment Policy of the Pooled Investment Fund
3. Current Investment Guidelines
4. Approved Lists of banks, note issuers, money market funds, and firms as broker/dealers

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes.

The specific objectives for the Pooled Investment Fund are ranked in order of importance.

1. Safety of Principal
2. Liquidity
3. Public Trust
4. Maximum Rate of Return

	Maximum Maturities	Maximum Concentrations	Maximum Investment in One Issuer	Minimum Rating
U.S. Treasury Notes and Agency Obligations	5 years	100%	--	SP-1/MIGI
Bonds Issued by Local Agencies	5 years	80%	--	SP-1/MIGI
Registered State Warrants and Municipal Notes	5 years	80%	--	None
Bankers' Acceptances	180 days	40%	10%	A-1
Commercial Paper	270 days	40%	10%	A1/P1
Negotiable Certificates of Deposit	180 days	30%	10%	A-1
CRA Bank Deposits/Certificates of Deposit	1 Year	30%	--	A-2/P-2
Repurchase Agreements	1 year	30%	10%	None
Reverse Repurchase Agreements	92 days	20%	10%	None
Medium Term Corporate Notes	180 days	30%	10%	A-1
Shares of Money Market Mutual fund	SEC regs	20%	10%	None
Collateralized Mortgage Obligations	180 days	20%	10%	None
		\$65 million per account		
Local Agency Investment Fund (LAIF)	---		10%	None

NOTE C — Cash and Investments, Continued

The ultimate maximum maturity of any investment shall be five (5) years. The dollar-weighted average maturity of all securities shall be equal to or less than three (3) years.

No more than 80 percent of the portfolio may be invested in issuers other than United States Treasuries and Government Agencies. No more than 10 percent of the portfolio, except Treasuries and Agencies, may be invested in securities of a single issuer including its related entities.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. SACOG manages its exposure to interest rate risk by investing a significant portion of its investments in investment pools not subject to such risk and by purchasing investments with maturity dates evenly distributed over time. SACOG's investments and maturities are as follows:

	Maturity		
	No Maturity	0 - 5 Years	Total Balance at June 30, 2017
Petty Cash	\$ 300	\$ -	\$ 300
Deposits in banks	207,594	-	207,594
County of Sacramento investment pool	-	40,557,476	40,557,476
County of Yolo investment pool	-	6,758,098	6,758,098
County of Yuba investment pool	-	218,408	218,408
Total cash and Investments	\$ 207,894	\$ 47,533,982	\$ 47,741,876

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. SACOG's investments in the County of Sacramento, County of Sutter, County of Yolo and County of Yuba's investment pools are not rated.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

NOTE C — Cash and Investments, Continued

SACOG has no exposure to custodial credit risk because it primarily invests in external investment pools. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. At year end, the carrying amount of SACOG's cash deposits was \$207,594 which was fully insured and collateralized.

Fair Value Measurements

SACOG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, SACOG held no individual investments. All funds are invested in the County Treasurer's Investment Pool. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SACOG's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the SACOG's proportionate share of investments in the County Treasurers' Investment Pool at June 30, 2017 of \$47,533,982 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SACOG's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the SACOG's proportionate share of investments in the County Treasurers' Investment Pool at June 30, 2017 of \$47,533,982 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Sacramento Area Council of Governments

NOTE D — Receivables

Receivables as of June 30, 2017, for SACOG are as follows:

Fund Name	Accounts Receivable	Due from Other Governments	Interest Receivable	Misc. A/R	Total
Planning and Administration	\$ -	\$ 10,466,335	\$ 42,719	\$ 2,769	\$ 10,511,823
SACOG Financing Corporation	-	-	18,284	-	18,284
SECAT	-	-	1,395	-	1,395
PTMISEA	-	-	72,987	-	72,987
State Transit Assistance	-	2,654,943	21,247	-	2,676,190
Sacramento County Local Transportation Fund	-	8,876,000	39,362	-	8,915,362
Yuba County Local Transportation Fund	-	202,700	659	-	203,359
Sutter County Local Transportation Fund	-	646,800	-	-	646,800
Yolo County Local Transportation Fund	-	1,580,400	-	-	1,580,400
Capitol Valley Regional SAFE	460,571	-	18,436	-	479,007
Glenn County SAFE	5,716	-	646	-	6,362
Total Receivables – Governmental Activities	\$ 466,287	\$ 24,427,178	\$ 215,735	\$ 2,769	\$ 25,111,969

NOTE E — Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	June 30, 2016	Additions	Deletions	June 30, 2017
Computers	\$ 301,004	\$ 68,258	\$ 70,760	\$ 298,502
Furniture and Equipment	681,349	-	-	681,349
Phones	44,408	-	-	44,408
Intangible Assets - Software	214,855	-	25,770	189,085
Leasehold Improvements	47,851	-	-	47,851
Automobiles	31,620	-	-	31,620
Total for SACOG	1,321,087	68,258	96,530	1,292,815

Less Accumulated Depreciation/Amortization for:

Computers	249,342	24,200	70,760	202,782
Furniture and Equipment	654,135	8,263	-	662,398
Phones	11,102	6,344	-	17,446
Intangible Assets - Software	195,345	14,510	25,770	184,085
Leasehold Improvements	1,063	3,190	-	4,253
Automobiles	5,797	6,324	-	12,121
Total for SACOG	1,116,784	62,831	96,530	1,083,085

Net Book Value of Assets

Computers	51,662	44,058	-	95,720
Furniture and Equipment	27,214	(8,263)	-	18,951
Phones	33,306	(6,344)	-	26,962
Intangible Assets - Software	19,510	(14,510)	-	5,000
Leasehold Improvements	46,788	(3,190)	-	43,598
Automobiles	25,823	(6,324)	-	19,499
Total for SACOG	204,303	5,427	-	209,730

Total Governmental Activities Capital Assets, Net	\$ 204,303	\$ 5,427	\$ -	\$ 209,730
--	-------------------	-----------------	-------------	-------------------

Depreciation expense was charged to the governmental activities as follows:

Planning and Administration	\$ 62,831
Total depreciation expense	\$ 62,831

NOTE F — Payables

Payables as of June 30, 2017, for SACOG are as follows:

Sacramento Area Council of Governments

Fund Name	Accounts Payable	Accrued Liabilities	Due to Other Governments	Total
Planning and Administration	\$ 6,915,981	\$ 23,009	-	\$ 6,938,990
PTMISEA	886,185	-	-	886,185
State Transit Assistance Fund	-	-	5,006,355	5,006,355
Sacramento County Local Transportation Fund	-	-	3,158,011	3,158,011
Sutter County Local Transportation Fund	-	-	1,100,778	1,100,778
Yolo County Local Transportation Fund	-	-	8,949,680	8,949,680
Capitol Valley Regional SAFE	614,507	-	-	614,507
Glenn County SAFE	759	-	-	759
Total Payables – Governmental Activities	\$ 8,417,432	\$ 23,009	\$ 18,214,824	\$ 26,655,265

NOTE G — Operating Lease

In July 2002, SACOG entered into a lease agreement to lease office space in the Meridian Plaza office building. SACOG moved into the building on August 18, 2003, and the lease commitment was for 10.5 years with early termination available after 7 years if the landlord sells the property within the first 5 years after completion. That lease was amended effective October 1, 2010. The lease term was extended for ten years through September 30, 2019, with new lease rates.

Rental expenditures for the fiscal year ended June 30, 2017 were \$638,369.

As of June 30, 2017, SACOG minimum lease payments required under the lease are as follows:

Year ending June 30	
2018	\$ 644,226
2019	661,796
2020	166,913
Total	\$ 1,472,935

NOTE H — Compensated Absences

Compensated absences activity for the fiscal year ended June 30, 2017, was as follows:

	July 1, 2016	Additions	Deletions	June 30, 2017	Due within One year
Compensated Absences	\$ 932,482	799,975	936,427	\$ 796,030	\$ 171,366

A portion of the ending balance is expected to be paid out in the next fiscal year so is categorized as due within one year. The Planning and Administration fund is used to liquidate the compensated absences liability.

NOTE I — Contingent Liabilities, Commitments and Long-Term Liabilities

SACOG has received federal and state grants for specific purposes that are subject to review and audit by the granting agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

Based on prior experience, SACOG believes such disallowance, if any, will be immaterial.

Commitments generally represent open consultant contracts, whereby the goods and services for which the contracts were set up, were not received or provided by the end of the year, and are expected to be liquidated in the following year(s). In some cases, certain longer term consultant contract amounts (commitments) are shown at their total amount, even though the work to be performed will cover multiple future years' activity and be funded by future revenues.

Commitments (purchase orders) for the Planning and Administration Fund are \$2,855,377 at June 30, 2017. The PTMISEA Fund commitments (purchase orders) totaled \$4,517,847 at June 30, 2017, and the CVR-SAFE Fund commitments (purchase orders) totaled \$323,438 at June 30, 2017. These amounts are not intended to tie out to the committed fund balance sections of the financial statements.

In 2010, SACOG incurred a long-term severance liability (in lieu of an OPEB benefit) of \$129,814 (that is separate from the OPEB CERBT information found in Note N) as a result of an agreement with an employee who retired from SACOG. Payments approximate \$13,000 per year, over 10 years. The balance of this liability is \$37,870 at June 30, 2017.

NOTE J — 401(a)/ Special Pay Plans

The Board of Directors has established four defined contribution plans (IRC Section 401(a)) for the employees. The plans are fully vested. As a defined contribution plan, benefits are dependent solely on amounts contributed to the plan plus investment earnings.

NOTE J — 401(a)/ Special Pay Plans Continued

The first plan is the FICA-Alternative Plan. This plan is for temporary employees and interns. These employees are exempt from the Old Age and Survivors Disability portion of Social Security and employees contribute 7.5 percent of their gross pay to the plan. These funds are fully vested to the employee. Under this program, neither SACOG nor the employee contributes to Social Security. SACOG does not contribute to this plan, and it is funded solely by the employee.

The second plan is for year-end PTO hours and employees who terminate employment. Effective July 1, 2006, the negotiated agreement with the SACOG Employee Association effected an amendment to the contract provisions such that the cash value of Paid Time Off (PTO) leave in excess of 592 hours for those employees over age 50 is deposited to the Special Pay Plan. In addition, any employee who separates from SACOG employment will have the cash value of accumulated PTO hours over 80 hours deposited to the Special Pay Plan, subject to IRS limitation. In May 2010, the plan was amended to include contract employees age 35 and older that have a leave balance over 592 hours. In July 2017, the plan was further modified to provide for all employees with a PTO balance over 592 hours to have the excess balance deposited into the Special Pay Plan, subject to IRS limitation. Total contributions to this plan were \$211,613 for the year. This plan is administered by ICMA retirement corporation.

The third plan is a voluntary 401(a) money purchase program for employees. SACOG does not contribute to the plan, and it is funded solely by the employee on a volunteer basis.

The fourth plan is for employees who opt out of retiree health benefits and instead choose to have ten years of the Kaiser two-party Sacramento premium rate at the time of retirement deposited into a health retirement savings account (HRSA). Additionally, new hires starting employment with SACOG on or after July 1, 2017 will receive \$50 per month deposited into the HRSA plan in-lieu of retiree health benefits. Total contributions to this plan as of June 30, 2017, were \$8,287.

NOTE K — Risk Management

SACOG 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. SACOG reports its risk management activities in its Planning and Administration Fund and Capitol Valley Regional SAFE Special Revenue Fund. SACOG purchases commercial insurance through the Golden State Risk Management Authority, a pooled risk Joint Power Authority.

NOTE K — Risk Management, Continued

SACOG's deductibles and maximum coverage are as follows:

Coverage	Deductible	Maximum per Occurrence
General liability, bodily injury and property damage liability	- \$	25,000,000
Personal injury	-	25,000,000
Non-owned and hired automobile liability	-	25,000,000
Owned automobile liability	-	25,000,000
Public official errors and omissions	-	25,000,000
Fire damage	\$ 1,000	600,000,000
Uninsured motorist	-	25,000,000
Employment practice liability	-	5,000,000
Crime policy	2,500	15,000,000
Products and Completed Operations	-	50,000,000
Policy Property Limit	1,000	600,000,000
Insured Property Limit	1,000	600,000,000
Cyber Liability	-	4,000,000
Pollution Liability	-	10,000,000

SACOG made one annual payment toward the premium. There was no deductible paid by SACOG regarding workers' compensation. The Planning and Administration Fund is used to record any worker's compensation claims.

To date, there have been no reductions in any of SACOG's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the last three years.

NOTE L — Pension Plan

PLAN DESCRIPTION

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. SACOG sponsors one miscellaneous rate Plan. Benefit provisions under the Plan

NOTE L — Pension Plan, Continued

are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Assembly Bill (AB) 340 Pension reform created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of "new member" under PEPRA. Employees who meet the definition of "classic member" hired on or after January 1, 2013 fall into the Tier II benefit formula.

BENEFITS PROVIDED

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

The rate plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire Date	MISCELLANEOUS		
	Tier I	Tier II	PEPRA
	Prior to May 1, 2011	May 1, 2011 - December 31, 2012	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of annual salary	2.5%	2%	2%
Required employee contribution rates	8%	7%	6.50%
Required employer contribution rates	11.20%	9.34%	7.07%

CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SACOG is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. During the year, SACOG paid 2.10 percent of the employees'

NOTE L — Pension Plan, Continued

contribution on behalf of its Tier I employees and the employee contributed the remaining 5.90 percent. For Tier II, SACOG paid 1.10 percent of the employee's contribution, and the employee contributed 5.90 percent. For the PEPR Tier, SACOG paid 0.60 percent of the employee's contribution and the employee contributes the remaining 5.90 percent.

SACOG's employer contributions to the Plan for the year ended June 30, 2017 were \$1,179,184 for Tier 1, \$48,922 for Tier II, and \$64,655 for PEPR, for a total of \$1,292,761.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed monthly. SACOG's required contribution for the unfunded liability was \$758,511 in fiscal year 2017.

PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

As of June 30, 2017, SACOG reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$13,826,741.

SACOG's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016 using standard update procedures. SACOG's proportion of the net pension liability was based on a projection of the SACOG's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. SACOG's proportionate share of the net pension liability measured as of June 30, 2015, and 2016 was as follows:

Proportion - June 30, 2015	0.16382%
Proportion - June 30, 2016	0.15979%
Change - Increase (Decrease)	<u>-0.00403%</u>

For the year ended June 30, 2017, SACOG recognized pension expense of \$1,570,618. At June 30, 2017, SACOG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE L — Pension Plan, Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 42,685	\$ 9,780
Changes in assumptions	-	403,842
Net differences between projected and actual earnings on plan investments	2,101,866	-
Changes in proportion and differences between employer's contributions and proportionate share of contributions	536,824	40,545
Pension contributions subsequent to measurement date	1,292,761	\$ -
Total	<u>\$ 3,974,136</u>	<u>\$ 454,167</u>

\$1,292,761 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30

2018	\$ 396,528
2019	352,362
2020	933,910
2021	544,408
Total	<u>\$ 2,227,208</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	7.65% (1)
Mortality	Derived using CalPERS' Membership Data for all Funds

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

NOTE L — Pension Plan, Continued

The underlying mortality assumptions and all other actuarial assumptions used in the June 2016 valuation were based on results of a 2010 CalPERS Experience Study for the period from 1997 to 2011. The experience study report can be obtained at CalPERS' website under Forms and Publications.

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

In determining the long-term expected rate of return, staff considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11- 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Target Allocation	Long-term expected real rate of return	
		Real Return Years	Real Return Years
		1 - 10 (1)	11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	<u>100%</u>		

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the

NOTE L — Pension Plan, Continued

municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the SACOG’s proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what SACOG’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.65%
Net Pension Liability	\$	23,188,409
Current Discount Rate		7.65%
Net Pension Liability	\$	13,826,741
1% Increase		8.65%
Net Pension Liability	\$	6,097,596

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE M — Other Post-Employment Health Benefits (OPEB)

SACOG POST-RETIREMENT MEDICAL BENEFIT PLAN

(A) Plan Description

Through June 30, 2017, SACOG provided three-tier post-retirement health insurance coverage, in accordance with the Public Employees' Medical and Hospital Care Act (PEMHCA), Chapter One, Article 8 of the California Public Employees Retirement Law, to employees who retire under the Public Employee's Retirement System on or after attaining the age of 50. On July 1, 2017, a new Memorandum of Understanding between SACOG and the SACOG Employees Association modified post-retirement health benefits for future retirees (current employees) and all new hires. The long-term effect of this change should reduce SACOG's overall OPEB liability with the reduction of future benefits for current employees and the introduction of a hybrid defined benefit/defined contribution plan for new employees. Current employees will receive the existing MOU post-retirement benefits until December 31, 2018 with the exception that the "opt out" provided in section D above is only for an HRSA, not cash (see post-retirement opt-out description below).

- Tier I employees receive 100 percent of their health premiums up to the maximum amount of the Kaiser Bay Area/Sacramento Family rate, currently \$1,906.55 per month.
- Tier II employees, those hired after November 1, 2005, and before June 30, 2006, are funded based on the vesting schedule identified in Article 8 of the PEMHCA. Employees who have five years of SACOG service and five years of other PERS service shall receive the premium value of 50 percent of the Kaiser Bay Area/Sacramento Family rate. Tier II employees will also receive an additional 5 percent of the premium for each year up to 20 years of service which will entitle them to 100 percent of the Kaiser Bay Area/Sacramento Family rate.
- Tier III employees, those hired on or after July 1, 2006, are subject to the same vesting schedule as Tier II employees; however, their benefit is limited to the Kaiser/Sacramento Two-Party Basic premium, currently \$1,381.12 per month.

In addition, employees hired prior to July 1, 2006, may "opt out" of any retiree health benefits in exchange for monthly Health Retirement Savings Account payments, net of OASDI and Medicare premiums, equal to the Kaiser Bay Area/Sacramento Two-Party Basic premium as of the retirement date, for ten years from the date of retirement. As of June 30, 2017, 38 retirees and their spouses met the Tier I eligibility requirements; and there was one Tier II retiree and no Tier III retirees.

After January 1, 2019, there shall be two Tiers:

- Tier 1: For employees hired prior to July 1, 2017, those who retire from SACOG and retire from CalPERS within 120 days would receive the same SACOG contribution towards the medical benefit premium amount as existing employees, with the vesting schedule based on years of service at SACOG if applicable, below. As the employee benefit portion paid by SACOG increases, retirees will see this same increase. SACOG will pay the then-current PEMHCA minimum, which is set by CalPERS. The current rate is \$128 per month towards

NOTE M — Other Post-Employment Health Benefits (OPEB), Continued

CalPERS-provided health premiums. The rest of the premium will be paid to the retiree through an HRSA, and the premium amount will be deposited by direct deposit to the retiree once the retiree identifies annually to the benefits administrator the monthly premium amount. Tier 1 employees hired prior to July 1, 2006 will still be eligible for the “opt out” option described above.

- Tier 2: For employees hired starting on or after July 1, 2017, those who retire from SACOG and retire from CalPERS within 120 days will receive the then-current PEMHCA minimum, which is set by CalPERS. The current rate is \$128 per month towards CalPERS-provided health premiums. An additional \$50 per month will be added to a portable HRSA during employment at SACOG (i.e., the employee can take the HRSA funds if they leave SACOG, pre- or post-retirement).

SACOG provides post-retirement health benefits to spouses, surviving spouses and dependent children (up to age 26) of eligible retirees.

SACOG’s policy is to contribute the cost of retiree and dependent medical coverage based on the limits identified above. Once the eligible retiree has reached the age of 65, the retiree is required to enroll in Medicare, and the cost to SACOG decreases.

In an effort to further secure the funding of the OPEB obligation; in 2006 the SACOG Board of Directors directed that the funds in the SACOG Financing Corporation fund be assigned for the future costs of the employee post-retirement health benefits. At that time, the Board noted that its action was policy only and, if at some future date it is determined there is a better use for these funds, the policy could be modified or reversed. At June 30, 2017, the Fund Balance is \$3,939,388. Authority to establish and amend the benefit provisions of the plan resides with the SACOG Board of Directors.

In July 2008, SACOG established an Other Post Employment Health Benefit (OPEB) irrevocable trust with the California Employer’s Retiree Benefit Trust Program (CERBT) administered by the California Public Employees’ Retirement System (CalPERS) as an agent multiple-employer plan. This trust is used to accumulate resources to fund future benefits; however, it does not represent the activities of the plan. Financial statements of CERBT are included in the CalPERS CAFR. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

(B) Funding Policy

The contribution rate is determined on an annual basis by an independent actuary and is authorized by the SACOG Board of Directors. The contribution rate is based on the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is

NOTE M — Other Post-Employment Health Benefits (OPEB), Continued

projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (for funding excess) over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2017, was 12.0% of annual covered payroll.

(C) Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2017, SACOG's annual OPEB cost (expense) was estimated to be \$607,178; which was based on the actuarial dated July 1, 2016. SACOG contributed \$478,305 for the year. The cumulative estimated Net OPEB Obligation at June 30, 2017, is \$339,687.

Description	Amount
Annual Required Contribution (ARC)	\$ 607,178
Interest on Net OPEB Obligation	14,742
Adjustment to Annual Required Contribution	(14,522)
Annual OPEB Cost	607,398
Contributions made	478,305
Increase in Net OPEB	129,093
Net OPEB Obligation at beginning of year	210,594
Net OPEB Obligation at end of year	\$ 339,687

SACOG's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, 2016, and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$348,424	100%	\$261,833
2016	\$292,404	100%	\$210,594
2017	\$607,398	79%	\$339,687

Note: Fiscal Year 2017 Annual OPEB Cost includes the ARC related to the implicit subsidy. The ARC excluding the implicit subsidy is \$478,085. SACOG's contribution to OPEB for Fiscal Year 2017 fully funds the ARC less the implicit subsidy.

NOTE M — Other Post-Employment Health Benefits (OPEB), Continued

(D) Funded Status & Funding Progress

As of June 30, 2016, the most recent actuarial valuation, the plan was 42 percent funded. The actuarial accrued liability for benefits was \$9,915,166 and the actuarial value of assets was \$3,891,598, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,303,568. The covered payroll (annual payroll of active employees covered by the plan) was \$5,066,256, and the ratio of the UAAL to the covered payroll was 105 percent. The significant increases in Annual OPEB Cost and unfunded actuarial accrued liability, and the related decrease in funded status has to do with a change in assumptions, primarily related to health care premium increases, used in the June 30, 2016 actuarial valuation report.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In 2006, the Board of Directors assigned amounts in the SACOG Financing Corporation for the potential funding of retiree health benefits. At the time, the Board noted that its action was a policy only and, if at some future date it is determined there is a better use for these funds, the policy could be modified or reversed

(E) Actuarial Methods and Economic Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses) and annual healthcare cost trend rates of 8 percent for pre-Medicare plans and 5.5% for post-Medicare plans.

The actuarial value of SACOG's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. SACOG's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2016, was twenty-three years.

NOTE N — Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$3.6 billion was set aside by the state as instructed by statute into the PTMISEA account. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. PTMISEA activity for SACOG for the fiscal years ended June 30, 2016, and 2017 are as follows:

NOTE N — Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA), Continued

	PTMISEA
Cash Balance at June 30, 2015	\$ 20,661,752
Receipts: Interest	59,023
Receipts: PTMISEA Funding	887,174
Disbursements : Low Floor Buses, City of Folsom	(925,081)
Disbursements: Connect Card Implementation	(748,310)
Disbursements: Downtown/Riverfront Streetcar	(378,991)
Disbursements: Civil Track Structures	(1,693,117)
Disbursements: Wheelchair project YCTD	(479,767)
Cash Balance at June 30, 2016	<u>\$ 17,382,683</u>
Receipts: Interest	140,924
Receipts: PTMISEA Funding	3,902,487
Disbursements: Connect Card Implementation	(421,544)
Disbursements: Fixed Route Bus replacement YCTD	(2,600,000)
Disbursements: On Board Digital Surveillance-Paratransit	(115,521)
Disbursements: Replacement Buses-Elk Grove	(1,741,330)
Disbursements: 1 Paratransit bus-Unitrans Davis	(40,000)
Disbursements: Surveillance Equipment	(274,872)
Disbursements: Southline SSCP-Long Lead items	(954,251)
Disbursements: Downtown/Riverfront Streetcar	(146,990)
Disbursements: Bus Maintenance Facility II-CNG Fuel	(21,681)
Disbursements: LRT Crossing Enhancements	(15,845)
Disbursements: Wheelchair project YCTD	(11,460)
Cash Balance at June 30, 2017	<u><u>\$ 15,082,599</u></u>

NOTE O — New Accounting Pronouncements

In March 2016, GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. SACOG has not determined its effect on the financial statements.

The Governmental Accounting Standards Board (GASB) has released the following five new standards during the last fiscal year. In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. SACOG has not determined its effect on the financial statements. In November 2016, GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. SACOG has not determined its effect on the financial statements.

In January 2017, GASB issued Statement No. 84 - *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

NOTE O — New Accounting Pronouncements, Continued

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. SACOG has not determined its effect on the financial statements.

In March 2017, GASB issued Statement No. 85 - *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation

- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, GASB issued Statement No. 86 - *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This

NOTE O — New Accounting Pronouncements, Continued

Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

In-Substance Defeasance of Debt Using Only Existing Resources

Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

Prepaid Insurance Related to Extinguished Debt

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

Additional Disclosure for All In-Substance Defeasance Transactions

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are *not* essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. SACOG has not determined its effect on the financial statements.

In June 2017, GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on

NOTE O — New Accounting Pronouncements, Continued

the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

Lease Term

The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

- a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.
- e. A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

- a. The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
- b. The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- c. An event specified in the lease contract that requires an extension or termination of the lease takes place.

Short-Term Leases

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term

NOTE O — New Accounting Pronouncements, Continued

lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Lessee Accounting

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing

arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Lessor Accounting

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

Contracts with Multiple Components and Contract Combinations

Generally, a government should account for the lease and non lease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the

NOTE O — New Accounting Pronouncements, Continued

same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

Lease Modifications and Terminations

An amendment to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by remeasuring the lease liability and adjusting the related lease asset by a lessee and remeasuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

Subleases and Leaseback Transactions

Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. SACOG has not determined its effect on the financial statements.

Required Supplementary Information
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2017

OTHER POST-EMPLOYMENT BENEFIT PLAN

	A	B	C (B-A)	D (A/B)	E	F (C/E)
Actual Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (B-A)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered
6/30/2013	\$2,879,055	\$5,354,655	\$2,475,600	54%	\$4,945,535	50%
7/1/2015	\$3,613,870	\$5,845,136	\$2,231,266	62%	\$5,070,320	44%
7/1/2016	\$3,891,598	\$9,195,166	\$5,303,568	42%	\$5,066,256	105%

Schedule of SACOG'S Proportionate Share of the Net
Pension Liability
LAST 10 YEARS*

	2017	2016	2015
SACOG's Proportion of the net pension liability	0.15979%	0.16382%	0.14297%
SACOG's Proportionate share of the net pension liability	\$ 13,826,741	\$ 11,244,576	\$ 8,896,169
Covered - payroll	\$ 5,066,256	\$ 5,070,320	\$ 5,095,286
SACOG's Proportionate Share of the net pension liability as a percentage of covered payroll	36.64%	45.09%	57.28%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

Schedule of Contributions

LAST 10 YEARS*

	2017	2016	2015
Actuarially determined contributions	\$ 1,292,761	\$ 1,194,202	\$ 984,832
Contributions in relation to the actuarially determined contribution	1,292,761	1,194,202	984,832
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 5,214,553	\$ 5,066,256	\$ 5,070,320
Contributions as a percentage of covered payroll	24.79%	23.57%	19.42%

Notes to Schedule

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

Schedule of Revenues and Expenditures

Board of Directors and Advocacy

Budget And Actual

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget (over) and under budget
	Original	Final	Actual Amount	
Revenues:				
Member assessments	\$ 424,530	\$ 424,530	\$424,530	\$ -
Sponsorships	-	-	10,000	10,000
Investment earnings	-	-	15,474	15,474
Total revenues	<u>424,530</u>	<u>424,530</u>	<u>450,004</u>	<u>25,474</u>
Expenditures:				
Current:				
Meetings/Training/Travel Expenses	75,000	75,000	90,191	(15,191)
Board Reimbursement (per Diem & Director Fees)	60,000	60,000	51,426	8,574
Consultant	40,000	40,000	40,323	(323)
Other (printing, supplies, employee travel)	12,000	12,000	15,515	(3,515)
Memberships	30,000	30,000	23,779	6,221
Labor, Benefits, & Overhead - Staff Performing Federal/State Legislative Duties	<u>201,966</u>	<u>201,966</u>	<u>221,169</u>	<u>(19,203)</u>
Total expenditures	<u>418,966</u>	<u>418,966</u>	<u>442,403</u>	<u>(23,437)</u>
Excess of Revenues over Expenditures	<u>\$ 5,564</u>	<u>\$ 5,564</u>	<u>\$ 7,601</u>	<u>\$ 2,037</u>

Schedule of Indirect Service Costs

For the Fiscal Year Ended June 30, 2017

DIRECT COSTS:

Salaries	\$ 3,372,904
----------	--------------

INDIRECT COSTS:

Allocated Indirect Costs (69.62%):

Service costs	2,348,216
---------------	-----------

Actual Indirect Costs:

Building expenses	662,936
Career Development Program	75,491
Consultants	153,126
Depreciation	62,831
Insurance	72,193
Legal	111,393
Office Equipment	61,122
Office Equipment Maintenance	6,509
Meetings	1,628
Memberships	41,012
Miscellaneous	32,803
Travel Expenses	13,345
Parking	8,070
Postage	12,473
Publications/Periodicals	4,222
Salaries	1,048,707
Computer Software and Maintenance	99,682
Supplies	38,422
Accounting Services	6,006
Telecommunications	28,228
Temporary labor services	48,916
Printing costs	1,490
Total indirect costs	2,590,606

Under-absorbed indirect costs	\$ (242,390)
-------------------------------	--------------

This page intentionally left blank.

Statistical Section

For the Fiscal Year Ended June 30, 2017

The Statistical section contains comprehensive statistical data that relates to physical, economic, social and political characteristics of SACOG's ongoing operations and impact within the six-county region it serves. It is intended to provide users with a broad and more complete understanding of SACOG and its financial affairs than is possible from the financial statements and supporting schedules.

In this section, readers will find comparative information related to SACOG's revenue sources, expenditures, and demographics.

In addition, this section provides information related to demographic data encompassing the six-county region that SACOG serves, and other miscellaneous statistics pertaining to services provided by SACOG.

In contrast to the financial section, the statistical section information is not subject to independent audit.

Index of Tables

Net Position by Component	B-2
Statement of Activities & Changes in Net Position	B-4
Planning and Administration Fund	B-6
Changes in Fund Balance	B-6
Fund Balances – Governmental Funds	B-8
Components of Fund Balances	B-10
Total Population by Jurisdiction	B-12
Total Households by County	B-13
Labor Force & Unemployment by County	B-14
Labor Force & Unemployment by County	B-15
Largest Employment Centers by County	B-16
Public School Enrollment by County	B-18
Total Acreage by County	B-19
Average Annual Wages by County	B-20
Transit Providers by County	B-21
Summary of Full-Time Equivalent Employees By Function & Program	B-23
Summary of Full-time Equivalent Employees By Project	B-24
Planning & Administration Fund Indirect Service Cost Comparison	B-28
Capital Assets – by Fund	B-30
Miscellaneous Statistics	B-32

Sacramento Area Council of Governments

Net Position by Component

For Ten Fiscal Years Ended June 30

	2008	2009*	2010	2011
GOVERNMENTAL ACTIVITIES:				
Net Investment in Capital Assets	\$ 2,624,670	\$ 2,062,372	\$ 1,282,726	\$ 769,096
Restricted for Transportatio Projects				
Restricted for Transportation Claimants	7,119,396	11,681,253	13,895,556	34,088,672
Unrestricted	<u>13,203,519</u>	<u>27,759,660</u>	<u>35,583,893</u>	<u>17,851,804</u>
Total governmental activities Net Position	<u>\$ 22,947,585</u>	<u>\$ 41,503,285</u>	<u>\$ 50,762,175</u>	<u>\$ 52,709,572</u>

Note: For SACOG, governmental activities are the same as the Primary Government Activities. Therefore, the Primary Government Activities section is not shown.

Source:
Agency Annual Reports

Sacramento Area Council of Governments

Net Position by Component

For Ten Fiscal Years Ended June 30

2012	2013	2014	2015	2016	2017
\$ 281,982	\$ 102,217	\$ 148,847	\$ 174,906	\$ 204,303	\$ 209,730
	882,560	917,880	700,946	574,181	473,445
38,980,228	49,966,728	36,701,567	37,546,082	32,365,872	29,443,706
<u>16,669,133</u>	<u>16,183,317</u>	<u>15,798,418</u>	<u>5,215,052</u>	<u>2,952,631</u>	<u>4,867,287</u>
<u><u>\$ 55,931,343</u></u>	<u><u>\$ 67,134,822</u></u>	<u><u>\$ 53,566,712</u></u>	<u><u>\$ 43,636,986</u></u>	<u><u>\$ 36,096,987</u></u>	<u><u>\$ 34,994,168</u></u>

Sacramento Area Council of Governments

Statement of Activities & Changes in Net Position

For Ten Fiscal Years Ended June 30

	2008	2009	2010	2011**
EXPENSES				
Transportation Claimants	\$ 71,889,819	\$ 62,570,554	\$ 62,176,903	\$ 51,508,069
Planning and Administration	11,103,987	14,959,542	17,283,003	20,668,754
Sacramento Emergency Clean Air & Transportation Program	5,926,133	8,984,793	2,494,831	1,313
SACOG Managed Fund	-	1,941,314	1,068,276	n/a
PTMISEA	-	68,584	4,742,226	1,579,144
SECAT				
Capitol Valley SAFE	5,431,978	2,302,480	2,431,941	2,293,278
Glenn County SAFE	101,897	30,311	33,236	16,061
Total Expenses	\$ 94,453,814	\$ 90,857,578	\$ 90,230,416	\$ 76,066,619
PROGRAM REVENUES				
Operating Grants and Contributions:				
Planning and Administration	\$ 12,260,257	16,900,076	14,153,990	17,371,115
Sacramento Emergency Clean Air & Transportation Program	5,926,133	11,437,452	-	-
PTMISEA	-	4,060,255	15,319,020	800,000
Charges for Services:				
Planning and Administration	1,237,811	1,190,472	430,347	581,041
SACOG Managed Fund	-	3,051,000	-	-
PTMISEA				
Capitol Valley SAFE	2,208,656	2,195,851	2,145,307	2,081,247
Glenn County SAFE	30,876	30,243	29,386	28,722
Total Program Revenues	21,663,733	38,865,349	32,078,050	20,862,125
Net Expense	\$ (72,790,081)	\$ (51,992,229)	\$ (58,152,366)	\$ (55,204,494)
General Revenues and Other Changes in Net Assets				
State Shared Revenue - Sales and Use Taxes	\$ 75,580,640	\$ 63,210,973	\$ 66,132,449	\$ 55,894,683
Investment Earnings	1,168,227	766,571	529,002	261,290
In-Kind Revenue	-	-	627,948	649,531
Other	710,086	653,710	121,857	346,387
Special Item - Sale of Meridian Plaza	-	-	-	-
Loss on Disposal of Capital Assets	-	-	-	-
Total General Revenues	\$ 77,458,953	\$ 64,631,254	\$ 67,411,256	\$ 57,151,891
 Change in Net Position	 4,668,872	 12,639,025	 9,258,890	 1,947,397
Net Position - Beginning	18,278,712	28,864,260	41,503,285	50,762,175
Prior Period Adjustment Pension Liability GASB 68	-	-	-	-
Net Position - Ending	\$ 22,947,584	\$ 41,503,285	\$ 50,762,175	\$ 52,709,572

*2009 numbers have been restated

Note: For SACOG, governmental activities are the same as the Primary Government Activities. Therefore, the Primary Government Activities section is not shown.

**2011. The SACOG Managed Fund activity was transferred into the SACOG Planning and Administration Fund due to GASB

Source: Individual internal fund statements

Sacramento Area Council of Governments

Statement of Activities & Changes in Net Position

For Ten Fiscal Years Ended June 30

2012	2013	2014	2015	2016	2017
\$ 73,899,504 16,548,264	\$ 72,395,499 18,329,698	\$ 82,519,242 23,478,952	\$ 80,040,856 19,462,387	\$ 81,636,347 16,149,917	\$ 79,530,309 22,248,042
58,172	-	-	-	-	-
n/a	n.a	n.a	n.a	n.a	n.a
6,385,003	20,405,161	10,872,693	9,424,005	5,452,494	4,930,158
2,247,338	2,030,134	1,955,345	2,091,288	2,472,852	2,961,035
15,851	10,196	23,781	16,712	90,061	889
<u>\$ 99,154,132</u>	<u>\$ 113,170,688</u>	<u>\$ 118,850,013</u>	<u>\$ 111,035,248</u>	<u>\$ 105,801,671</u>	<u>\$ 109,670,433</u>
11,909,077	15,319,095	22,010,737	15,820,697	11,371,902	17,663,047
-	-	-	-	-	303,776
13,695,246	27,710,682	170,197	10,780,660	887,174	3,902,487
481,980	561,106	424,844	586,896	851,521	577,946
-	-	-	-	-	-
2,261,157	2,189,461	2,269,183	2,326,565	2,521,364	2,487,681
30,763	29,655	30,303	30,790	31,453	32,667
<u>28,378,223</u>	<u>45,809,999</u>	<u>24,905,264</u>	<u>29,545,608</u>	<u>15,663,414</u>	<u>24,967,604</u>
<u>\$ (70,775,909)</u>	<u>\$ (67,360,689)</u>	<u>\$ (93,944,749)</u>	<u>\$ (81,489,640)</u>	<u>\$ (90,138,257)</u>	<u>\$ (84,702,829)</u>
\$ 73,300,929	\$ 77,777,632	\$ 79,607,818	\$ 82,089,764	\$ 82,144,492	\$ 83,067,575
249,031	336,414	81,680	(49,608)	407,335	421,368
293,611	320,458	582,399	-	-	-
154,109	129,664	104,742	58,562	46,431	111,067
-	-	-	-	-	-
<u>\$ 73,997,680</u>	<u>\$ 78,564,168</u>	<u>\$ 80,376,639</u>	<u>\$ 82,098,718</u>	<u>\$ 82,598,258</u>	<u>\$ 83,600,010</u>
3,221,771	11,203,479	(13,568,110)	609,078	(7,539,999)	(1,102,819)
<u>52,709,572</u>	<u>55,931,343</u>	<u>67,134,822</u>	<u>53,566,712</u>	<u>43,636,986</u>	<u>36,096,987</u>
-	-	-	(10,538,804)	-	-
<u>\$ 55,931,343</u>	<u>\$ 67,134,822</u>	<u>\$ 53,566,712</u>	<u>\$ 43,636,986</u>	<u>\$ 36,096,987</u>	<u>\$ 34,994,168</u>

Planning and Administration Fund

Changes in Fund Balance

For Ten Fiscal Years Ended June 30

	2008	2009*	2010	2011**
REVENUES				
Federal	\$ 6,240,742	\$ 7,463,171	\$ 12,157,504	\$ 13,637,674
State	841,536	1,406,497	1,204,156	3,088,223
Local	1,072,500	1,012,580	743,493	645,220
Charges for Services	922,725	840,987	146,077	296,771
Member Assessments	315,086	349,485	284,270	284,270
Investment Earnings	109,952	80,243	12,696	56,532
In-Kind			625,448	649,531
Other	614,434	622,954	86,467	288,978
Total Revenues	<u>10,116,975</u>	<u>11,775,917</u>	<u>15,260,111</u>	<u>18,947,199</u>
EXPENDITURES				
Planning and Administration	11,219,835	13,155,044	16,981,392	20,022,388
Community Design Grants	-	-	-	390,310
Planning Grants	1,343,608	1,188,305		
Payments to SMF agencies				
Capital Outlay	77,311	48,806	42,278	16,816
Total Expenditures	<u>12,640,754</u>	<u>14,392,155</u>	<u>17,023,670</u>	<u>20,429,514</u>
Deficiency of Revenues under Expenditures	<u>(2,523,779)</u>	<u>(2,616,238)</u>	<u>(1,763,559)</u>	<u>(1,482,315)</u>
OTHER FINANCING SOURCES				
Transfers in	2,468,402	2,301,584	2,033,399	2,124,575
Transfers out	<u>(28,748)</u>			
Change in Fund Balance	<u>(84,125)</u>	<u>(314,654)</u>	<u>269,840</u>	<u>642,260</u>
Fund Balance - Beginning	<u>3,602,334</u>	<u>3,518,209</u>	<u>3,203,555</u>	<u>14,603,324</u>
Fund Balance - Ending	<u>\$ 3,518,209</u>	<u>\$ 3,203,555</u>	<u>\$ 3,473,395</u>	<u>\$ 15,245,584</u>
RESERVATIONS OF FUND BALANCE - PRE GASB 54				
Reserved for Prepaid Items	\$ 70,833	\$ 118,876	\$ 68,505	
Reserved for Unrecovered indirect costs	-	-	-	-
Unreserved, Designated for:				
Contingencies	700,000	700,000	700,000	-
Land Use Blueprint	-	-	-	-
Operating Cash Reserve	-	1,500,000	1,500,000	-
Encumbrances	1,513,569			
Fund Balance Categories under GASB 54				
Nonspendable - prepaid Items	168,856	212,056	151,573	58,725
Restricted:				
Restricted for Transportation Projects				-
Committed:				
Board and Advocacy				109,539
Community Design Grantees				1,412,071
Assigned:				
Legal Defense				500,000
Self Insurance				200,000
Project Specific Carryover Funds			194,065	194,065
GIS Receipts			75,451	62,397
Unassigned:				
Unassigned Fund Balance	1,064,951	672,623	783,801	12,708,787
Total Ending Fund Balance	<u>\$ 3,518,209</u>	<u>\$ 3,203,555</u>	<u>\$ 3,473,395</u>	<u>\$ 15,245,584</u>

*2009 was restated by \$71,320

**2011 Beginning Fund Balance was restated as the SACOG Managed Fund was transferred into the Planning and Administration, in accordance with the new GASB 54 Reporting requirements.

Planning and Administration Fund

Changes in Fund Balance

For Ten Fiscal Years Ended June 30

2012	2013	2014	2015	2016	2017
\$ 8,678,720	\$ 9,533,766	\$ 12,847,391	\$ 10,476,372	\$ 7,560,062	\$ 12,059,126
2,676,805	4,654,503	4,783,759	3,923,625	2,726,891	904,757
553,552	1,130,826	1,410,738	1,420,700	1,084,949	1,425,276
197,710	277,719	140,574	302,626	475,533	153,416
284,270	284,270	284,270	284,270	375,988	424,530
50,047	75,288	11,847	(22,172)	54,698	71,896
293,611	320,458	582,399	-	-	-
66,295	79,108	69,354	36,732	46,431	111,067
<u>12,801,010</u>	<u>16,355,938</u>	<u>20,130,332</u>	<u>16,422,153</u>	<u>12,324,552</u>	<u>15,150,068</u>
15,857,825	18,182,940	22,331,342	19,002,274	15,106,301	21,655,454
517,451	146,758	1,005,170	647,705	453,123	272,244
42,023	66,086	95,110	75,716	90,755	68,258
<u>16,417,299</u>	<u>18,395,784</u>	<u>23,431,622</u>	<u>19,725,695</u>	<u>15,650,179</u>	<u>21,995,956</u>
(3,616,289)	(2,039,846)	(3,301,290)	(3,303,542)	(3,325,627)	(6,845,888)
2,547,066	2,445,564	2,802,773	2,821,163	2,891,043	3,082,708
(1,069,223)	405,718	(498,517)	(482,379)	(434,584)	(3,763,180)
<u>15,245,584</u>	<u>14,176,361</u>	<u>14,582,079</u>	<u>14,083,562</u>	<u>13,601,182</u>	<u>13,166,598</u>
<u>\$ 14,176,361</u>	<u>\$ 14,582,079</u>	<u>\$ 14,083,562</u>	<u>\$ 13,601,182</u>	<u>\$ 13,166,598</u>	<u>\$ 9,403,418</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
72,497	95,313	18,011	75,929	81,339	66,217
-	-	-	-	-	-
-	882,560	917,880	583,947	574,181	473,445
211,122	233,770	166,323	37,999	384	7,985
1,820,244	1,712,060	1,256,846	797,670	1,351,093	1,029,814
500,000	500,000	500,000	500,000	500,000	500,000
200,000	200,000	200,000	200,000	200,000	200,000
193,182	193,182	193,182	193,182	193,182	193,182
89,897	117,397	139,897	162,397	184,897	209,897
11,089,419	10,647,797	10,691,423	11,050,059	10,081,522	6,722,878
<u>\$ 14,176,361</u>	<u>\$ 14,582,079</u>	<u>\$ 14,083,562</u>	<u>\$ 13,601,183</u>	<u>\$ 13,166,598</u>	<u>\$ 9,403,418</u>

Changes in Fund Balances – Governmental Funds

For Ten Fiscal Years Ended June 30

	2008	2009*	2010	2011
REVENUES				
Sales and Use Taxes	\$ 75,580,640	\$ 63,210,973	\$ 66,132,449	\$ 56,694,683
Vehicle registration fees and traffic fines	2,239,532	2,226,094	2,174,693	2,109,969
Intergovernmental:				
Federal	6,240,742	7,463,171	12,157,504	13,637,674
State	6,768,648	20,445,532	16,523,176	3,088,223
Local	5,410,000	7,540,080	792,331	645,220
Charges for services	922,725	840,987	146,077	296,771
Member assessments	315,086	349,485	284,270	284,270
Investment earnings	1,168,227	766,571	529,002	261,290
In-Kind		524,413	627,948	649,531
Other	710,086	129,297	121,857	346,387
Total Revenues	99,355,686	103,496,603	99,489,307	78,014,018
EXPENDITURES				
City of Elk Grove	4,961,671	4,816,070	4,453,961	3,855,576
City of Citrus Heights	3,261,077	3,030,674	2,718,195	2,387,142
City of Davis	3,060,636	2,742,094	2,875,410	2,054,718
City of Folsom	2,611,488	2,469,833	2,342,024	1,936,048
City of Galt	863,102	817,643	745,182	657,899
City of Isleton	31,365	29,461	25,426	22,299
City of Live Oak	364,421	128,846	236,516	464,676
City of Marysville	48,781	39,846	67,049	-
City of Sacramento	517,112	314,308	253,973	270,420
City of West Sacramento	1,970,250	1,850,226	1,952,997	1,487,468
City of Rancho Cordova	38,710	39,750	32,551	34,747
City of Wheatland	109,987	57,047	73,562	45,266
City of Winters	313,752	283,631	292,099	219,278
City of Woodland	2,416,275	2,226,637	2,317,034	1,755,475
City of Yuba City	1,634,398	135,202	508,249	2,787,330
County of Sacramento	974,665	1,145,801	1,109,664	1,051,691
County of Sutter	906,757	232,880	538,880	1,232,138
County of Yolo	1,041,769	953,893	969,937	735,302
County of Yuba	895,991	311,142	549,293	374,072
Sacramento Regional Transit District	41,280,919	37,381,148	36,298,222	27,382,646
Yolo County Transportation District	95,753	67,986	143,020	-
Yuba-Sutter Transit Authority	2,764,093	1,765,555	2,268,254	1,264,700
Paratransit, Inc	1,726,847	1,730,882	1,405,405	1,489,178
SAFE services	368,075	348,682	403,004	384,153
Freeway service patrol	697,525	791,631	814,681	834,494
Equipment and maintenance	517,207	573,455	443,720	450,983
Insurance and DMV fees	19,719	19,666	17,365	21,255
Planning and Administration (includes planning grants)	13,605,568	14,912,347	17,118,422	20,156,239
Other SAFE Projects	-	-	-	-
SACOG Managed Fund		1,941,314	1,068,276	
Public Transportation Modernization Improvement & Service Enhancement	-	68,584	4,742,226	1,579,144
Community Design Grants				390,310
SECAT grants or refunds	5,926,133	8,984,793	2,494,831	1,313
Capital outlay	2,500,319	48,806	42,278	16,816
Total Expenditures	95,524,365	90,259,833	89,321,706	75,342,776
Excess of Revenues over Expenditures	3,831,321	13,236,770	10,167,601	2,671,242
OTHER FINANCING USES				
Transfers in	2,497,150	2,301,584	2,033,399	2,124,575
Transfers out	(2,497,150)	(2,301,584)	(2,033,399)	(2,124,575)
Total other financing uses	-	-	-	-
Net Change in Fund Balances	3,831,321	13,236,770	10,167,601	2,671,242
Fund Balance - Beginning	17,360,315	27,108,311	40,345,081	50,512,682
Fund Balance - Ending	\$ 21,191,636	\$ 40,345,081	\$ 50,512,682	\$ 53,183,924

*2009 was restated.

Source: Individual internal fund statements

Sacramento Area Council of Governments

Changes in Fund Balances – Governmental Funds

For Ten Fiscal Years Ended June 30

	2012	2013	2014	2015	2016	2017
\$	86,996,175	\$ 105,488,314	\$ 79,778,015	\$ 92,870,424	\$ 83,031,666	\$ 86,970,062
	2,291,919	2,219,115	2,299,485	2,357,355	2,552,816	2,520,348
	8,678,720	9,533,766	12,847,391	10,476,372	7,560,062	12,059,126
	2,676,805	4,654,503	4,783,759	3,923,625	2,726,891	1,208,533
	553,552	1,130,826	1,410,738	1,420,700	1,084,949	1,425,276
	197,710	277,719	140,574	302,626	475,533	153,416
	284,270	284,270	284,270	284,270	375,988	424,530
	249,031	336,414	81,680	(49,608)	407,335	421,368
	293,611	320,458	582,399	-	-	-
	154,109	129,664	104,742	58,562	46,431	111,067
	<u>102,375,902</u>	<u>124,375,049</u>	<u>102,313,053</u>	<u>111,644,326</u>	<u>98,261,671</u>	<u>105,293,726</u>
	5,708,010	5,784,892	6,359,521	6,640,834	6,782,505	6,744,562
	3,376,119	3,016,818	3,368,745	3,464,765	3,509,808	3,503,965
	3,074,492	3,522,718	3,643,141	3,773,822	3,518,718	3,489,076
	2,788,369	2,667,342	2,965,270	2,994,838	3,094,786	3,095,668
	929,674	857,479	966,917	993,483	1,008,347	1,012,626
	31,494	29,151	32,531	33,478	33,835	33,744
	333,610	319,649	336,684	293,500	366,996	401,570
	-	-	77,028	-	-	-
	331,851	295,055	339,472	353,082	357,147	382,018
	2,132,866	2,514,725	2,651,674	2,757,538	2,574,828	2,620,351
	42,932	41,159	47,641	49,906	50,994	54,992
	62,663	55,756	85,968	51,472	63,164	45,132
	312,839	338,503	367,905	381,115	353,484	355,397
	2,523,464	2,840,885	2,993,489	3,109,907	2,898,327	2,939,922
	1,345,087	1,464,744	1,696,190	1,289,439	1,540,935	1,647,686
	1,365,862	1,579,742	1,681,590	1,667,857	1,693,570	1,724,568
	715,189	679,161	756,226	641,138	774,868	813,077
	1,042,866	1,258,760	1,366,234	1,381,364	1,255,389	1,379,008
	352,238	410,109	883,272	359,374	395,445	83,965
	43,151,709	40,062,709	44,128,867	44,967,604	45,903,513	43,985,229
	201,715	2,807,839	2,872,942	2,732,566	203,485	121,910
	2,251,612	214,427	213,026	140,588	3,268,262	2,967,874
	1,824,843	1,633,876	1,882,136	1,963,186	1,987,941	2,127,969
	360,441	436,837	367,588	364,335	814,681	742,901
	851,210	848,418	831,623	857,834	886,303	924,423
	459,685	455,440	656,886	584,818	414,471	920,121
	19,780	20,393	11,291	21,462	22,293	22,907
	15,945,296	18,258,075	22,443,080	19,281,825	15,531,462	22,075,284
	-	-	-	-	866,767	-
	517,451	-	-	-	-	-
	6,385,003	20,405,161	10,872,693	9,424,005	5,452,494	4,930,158
	-	146,758	1,005,170	647,705	453,123	272,244
	58,172	-	-	-	-	-
	42,023	66,086	95,110	75,716	90,755	-
	<u>98,538,565</u>	<u>113,032,667</u>	<u>115,999,910</u>	<u>111,298,556</u>	<u>106,168,696</u>	<u>109,418,347</u>
	<u>3,837,337</u>	<u>11,342,382</u>	<u>(13,686,857)</u>	<u>345,770</u>	<u>(7,907,025)</u>	<u>(4,124,621)</u>
	2,547,066	2,445,564	2,445,564	2,821,163	2,891,043	3,082,708
	<u>(2,547,066)</u>	<u>(2,445,564)</u>	<u>(2,445,564)</u>	<u>(2,821,163)</u>	<u>(2,891,043)</u>	<u>(3,082,708)</u>
	-	-	-	-	-	-
	3,837,337	11,342,382	(13,686,857)	345,770	(7,907,025)	(4,124,621)
	<u>53,183,924</u>	<u>57,021,261</u>	<u>68,363,643</u>	<u>54,676,786</u>	<u>55,022,555</u>	<u>47,115,530</u>
\$	<u>57,021,261</u>	<u>\$ 68,363,643</u>	<u>\$ 54,676,786</u>	<u>\$ 55,022,556</u>	<u>\$ 47,115,530</u>	<u>\$ 42,990,909</u>

Components of Fund Balances

For Ten Fiscal Years Ended June 30

	2008	2009*	2010	2011
MAJOR FUNDS - Pre GASB 54				
Reserved	\$ 73,143	\$ 121,026	\$ 70,656	
Unreserved, designated for:				
Contingencies	760,000	760,000	700,000	
Operating Cash Reserve	-	1,500,000	2,542,000	
Encumbrances	1,513,569			
Glenn County SAFE				
Board and Advocacy	168,856	212,056	151,573	
Project Specific Carryover Funds			194,065	
Community Design Grantees			1,660,260	
Reserved for GIS recipients			75,451	
Post Retirement Health Benefits	3,699,737	3,789,940	2,785,847	
Total unreserved, designated	6,142,162	6,261,996	8,109,196	-
Unreserved, undesignated	14,976,331	33,999,177	42,332,830	
Fund Balance Categories under GASB 54				
Reserved for prepaid items				60,877
Restricted:				
SECAT Program				11,959
PTMISEA Funds				14,151,893
State Transit Assistance Funds				113,418
Local Transportation Funds - Sacramento County				13,017,462
Local Transportation Funds - Yuba County				389,688
Local Transportation Funds - Sutter County				573,654
Local Transportation Funds - Yolo County				2,154,733
Capitol Valley Regional SAFE				3,571,169
Glenn County SAFE				104,696
Restricted for Transportation Projects				
Committed:				
Board and Advocacy				109,539
Community Design Grantees (SMF)				1,412,071
Assigned:				
Legal Defense				500,000
Self Insurance				200,000
Project Specific Carryover Funds				194,065
GIS Recipients				62,397
Post Employment Benefits (OPEB)				2,805,516
Planning and Administration Fund				1,042,000
Assigned:				
Unassigned Fund Balance				12,708,787
Total Fund Balance	\$ 21,191,636	\$ 40,382,199	\$ 50,512,682	\$ 53,183,924

* 2009 was restated.

Format conforms with GASB 54 guidelines.

Source: Agency Annual Reports

Components of Fund Balances

For Ten Fiscal Years Ended June 30

B-11

Sacramento Area Council of Governments

Total Population by Jurisdiction

For Ten Fiscal Years Ended June 30

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SACOG Region	2,266,234	2,290,482	2,312,406	2,327,914	2,341,006	2,360,844	2,378,721	2,404,700	2,439,231	2,473,098
El Dorado County	177,897	179,150	180,682	180,483	180,712	182,286	182,404	184,917	183,750	185,062
Placerville	10,275	10,324	10,365	10,306	10,369	10,441	10,527	10,673	10,702	10,743
South Lake Tahoe	21,737	21,517	21,407	21,328	21,343	21,498	21,409	21,738	20,807	21,024
Unincorporated	145,885	147,309	148,910	148,849	149,000	150,347	150,468	152,506	152,241	153,295
Placer County	333,805	340,995	347,133	351,463	355,328	357,463	366,115	369,454	373,976	382,837
Auburn	13,079	13,232	13,307	13,378	13,468	13,446	13,804	13,818	14,070	14,096
Colfax	1,822	1,843	1,946	1,966	1,977	1,969	1,998	1,994	2,068	2,070
Lincoln	40,726	41,787	42,589	43,144	43,572	43,818	45,206	45,837	47,339	48,165
Loomis	6,385	6,416	6,427	6,460	6,500	6,493	6,608	6,623	6,692	6,775
Rocklin	54,561	55,566	56,720	57,767	58,295	58,484	59,672	60,252	60,531	64,417
Roseville	111,259	114,869	118,180	120,307	122,060	123,514	126,956	128,382	134,073	135,868
Unincorporated	105,973	107,282	107,964	108,441	109,456	109,739	111,871	112,548	109,203	111,446
Sacramento County	1,394,510	1,406,168	1,417,259	1,427,961	1,435,153	1,445,806	1,454,406	1,470,912	1,495,297	1,514,770
Citrus Heights	83,347	83,317	83,382	83,583	83,881	84,345	84,544	85,147	86,291	87,013
Elk Grove	146,083	149,302	152,652	154,440	155,937	159,074	160,688	162,899	167,965	171,059
Folsom	71,064	71,625	72,139	72,393	72,725	72,294	74,014	74,909	77,246	78,525
Galt	23,371	23,584	23,654	23,757	24,076	24,185	24,289	24,607	25,450	25,693
Isleton	800	802	805	808	810	815	815	820	846	854
Rancho Cordova	61,526	62,724	64,024	65,475	66,093	66,927	67,839	69,112	72,203	73,872
Sacramento	458,965	463,633	466,740	469,477	470,956	473,509	475,122	480,105	485,683	493,025
Unincorporated	549,354	551,181	553,863	558,028	560,675	564,657	567,095	573,313	579,613	584,729
Sutter County	92,983	93,918	94,765	94,620	95,065	95,851	95,733	95,948	97,308	96,956
Live Oak	8,255	8,355	8,422	8,446	8,247	8,341	8,481	8,546	8,346	8,636
Yuba City	62,974	64,042	64,818	64,792	65,300	65,841	65,677	66,363	68,052	67,445
Unincorporated	21,754	21,521	21,525	21,382	21,518	21,669	21,575	21,039	20,910	20,875
Yolo County	196,219	198,642	200,484	201,071	202,133	205,999	206,381	209,393	214,555	218,896
Davis	64,712	65,143	65,558	65,421	65,052	66,471	66,656	66,757	68,314	68,740
West Sacramento	46,979	47,962	48,582	49,048	49,292	50,460	50,836	51,272	53,082	53,163
Winters	6,648	6,638	6,630	6,609	6,839	6,974	6,979	6,954	7,214	7,255
Woodland	54,118	54,750	55,400	55,345	55,646	56,908	57,223	57,525	57,526	59,616
Unincorporated	23,762	24,149	24,314	24,648	25,304	25,186	24,687	26,885	28,419	30,122
Yuba County	70,820	71,609	72,083	72,316	72,615	73,439	73,682	74,076	74,345	74,577
Marysville	12,285	12,310	12,304	12,098	12,104	12,250	12,266	12,051	12,010	11,973
Wheatland	3,488	3,506	3,519	3,459	3,469	3,493	3,495	3,437	3,519	3,509
Unincorporated	55,047	55,793	56,260	56,759	57,042	57,696	57,921	58,588	58,816	59,095

Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State, California Department of Finance, Demographic Research Unit, as of of January 1, of each year.

Total Households by County

For Ten Fiscal Years Ended June 30

	2008		2009		2010	
	Total Units	Vacant	Total Units	Vacant	Total Units	Vacant
SACOG Region	916,203	60,780	922,560	63,442	932,323	90,378
El Dorado County	832,751	14,024	83,871	14,107	88,121	17,926
Placer County	147,408	15,701	149,265	16,061	152,422	20,003
Sacramento County	551,219	23,627	553,916	23,874	555,335	41,944
Sutter County	33,491	1,503	33,681	1,506	33,846	2,421
Yolo County	73,138	2,563	73,811	4,347	74,984	4,178
Yuba County	27,672	3,362	28,016	3,547	27,615	3,906
	2011		2012		2013	
	Total Units	Vacant	Total Units	Vacant	Total Units	Vacant
SACOG Region	935,759	90,071	937,035	90,173	940,393	90,455
El Dorado County	88,272	17,957	88,300	17,965	88,495	17,999
Placer County	153,730	20,107	154,525	20,188	155,782	20,312
Sacramento County	556,973	42,060	558,209	42,143	559,806	42,244
Sutter County	33,920	2,426	33,935	2,427	33,971	2,430
Yolo County	75,326	4,192	74,379	4,171	74,589	4,184
Yuba County	27,538	3,329	27,687	3,279	27,750	3,286
	2014		2015		2016	
	Total Units	Vacant	Total Units	Vacant	Total Units	Vacant
SACOG Region	945,012	91,473	948,072	89,424	952,314	87,702
El Dorado County	88,950	18,072	89,293	18,471	89,675	20,038
Placer County	157,117	20,435	158,518	20,458	159,959	20,724
Sacramento County	561,460	42,353	562,950	41,311	564,517	37,602
Sutter County	34,080	2,437	34,140	2,736	34,205	2,701
Yolo County	75,600	4,884	75,231	3,931	75,869	3,781
Yuba County	27,805	3,292	27,940	2,517	28,089	2,856
	2017					
	Total Units	Vacant				
SACOG Region	959,216	85,701				
El Dorado County	90,353	19,584				
Placer County	162,489	20,647				
Sacramento County	567,281	37,165				
Sutter County	34,339	2,630				
Yolo County	76,449	3,306				
Yuba County	28,305	2,369				

Source: California Department of Finances E-5 City/County Population and Housing Estimates (Annual)
(<http://www.dof.ca.gov/HTML/DEMOGRAP/ReportsPapers/ReportsPapers.php>)

Note: Counts as of July 1, of each year.

Labor Force & Unemployment by County

For Ten Fiscal Years Ended June 30

	2007				2008			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,126,700	1,063,100	63,600	6.0	1,128,600	1,045,200	83,400	7.4
El Dorado County	94,500	89,600	4,900	5.2	92,400	85,900	6,400	6.9
Placer County	174,400	165,900	8,500	4.9	176,200	164,700	11,500	6.5
Sacramento County	690,900	653,100	37,800	5.5	690,400	640,800	49,600	7.2
Sutter County	42,400	38,300	4,100	9.6	42,000	36,900	5,200	12.3
Yolo County	96,700	91,000	5,700	5.9	99,500	92,200	7,300	7.4
Yuba County	27,800	25,200	2,600	9.3	28,100	24,700	3,400	12.0

	2009				2010			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,128,400	997,800	130,600	11.6	1,111,000	966,700	144,500	13.0
El Dorado County	91,800	81,500	10,300	11.3	90,800	79,400	11,500	12.6
Placer County	179,000	160,100	18,900	10.6	177,100	156,800	20,300	11.5
Sacramento County	687,600	609,600	78,000	11.3	674,900	588,600	86,300	12.8
Sutter County	42,100	34,900	7,200	17.0	42,100	33,800	8,300	19.8
Yolo County	99,200	88,000	11,200	11.3	98,000	85,300	12,700	13.0
Yuba County	28,700	23,700	5,000	17.3	28,100	22,800	5,400	19.1

	2011				2012			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,110,800	974,400	136,500	12.3	1,118,600	997,100	121,500	10.9
El Dorado County	91,000	80,300	10,700	11.8	90,500	81,100	9,400	10.4
Placer County	175,100	156,200	18,900	10.8	178,800	162,000	16,800	9.4
Sacramento County	675,600	594,100	81,500	12.1	680,200	608,400	71,800	10.6
Sutter County	43,300	35,200	8,200	18.8	42,800	35,300	7,500	17.6
Yolo County	97,800	85,700	12,100	12.4	98,500	87,200	11,300	11.5
Yuba County	28,000	22,900	5,100	18.2	27,800	23,100	4,700	16.9

Source: Labor Force Data for Sub-County Areas (Annual), State of California Employment Development Department Labor Market Information Division (<http://www.labormarketinfo.edd.ca.gov/>)

Labor Force & Unemployment by County

For Ten Fiscal Years ended June 30

	2013				2014			
	Labor Force	Employment	Unemploy-ment	Rate	Labor Force	Employment	Unemploy-ment	Rate
SACOG Region	1,114,500	1,015,100	99,200	9	1,122,000	1,038,000	84,000	8
El Dorado County	90,100	82,600	7,500	8	88,800	82,600	6,200	7
Placer County	178,200	164,800	13,400	8	176,500	165,400	11,100	6
Sacramento County	678,200	619,100	59,000	9	682,200	632,200	50,000	7
Sutter County	42,600	36,200	6,400	15	44,500	38,800	5,700	13
Yolo County	97,900	88,700	9,200	9	101,800	94,000	7,800	8
Yuba County	27,500	23,700	3,700	14	28,200	25,000	3,200	11

	2015				2016			
	Labor	Employment	Unemploy-	Rate	Labor	Employment	Unemploy-	Rate
SACOG Region								
El Dorado County	89,100	84,100	5,100	6	89,700	85,200	4,500	5
Placer County	178,200	169,200	9,000	5	179,800	171,800	8,000	4
Sacramento County	689,000	647,600	41,400	6	697,400	660,100	37,300	5
Sutter County	44,800	40,000	4,800	11	45,300	41,000	4,300	10
Yolo County	103,900	97,200	6,700	6	106,300	100,100	6,100	6
Yuba County	28,100	25,500	2,600	9	28,300	25,900	2,400	9

Source: Labor Force Data for Sub-County Areas (Annual), State of California Employment Development Department Labor Market Information Division (<http://www.labormarketinfo.edd.ca.gov/>)

Information for 2017 is not yet available.

Largest Employment Centers by County

For Last Two Fiscal Years

El Dorado County

2015			2016		
Employer	# of Emps	%	Employer	# of Emps	%
Blue Shield of California	2,069	3.9%	El Dorado County	1,860	3.6%
El Dorado County	1,859	3.5%	Blue Shield of California	1,341	2.6%
Red Hawk Casino	1,250	2.4%	Red Hawk Casino	1,300	2.5%
Marshall Medical Center	1,154	2.2%	Marshall Medical Center	1,202	2.3%
DST Output	850	1.6%	DST Output	850	1.7%
Barton Health	839	1.6%	Barton Health	840	1.6%
State of California	764	1.5%	U.S. Government	788	1.5%
Safeway Inc.	703	1.3%	State of California	743	1.4%
El Dorado Union High School District	670	1.3%	El Dorado County Office of Edu	669	1.3%
El Dorado County Office of Education	664	1.3%	El Dorado Union High School D	650	1.3%
Sierra-at-Tahoe Resort LLC	650	1.2%	Raleys Inc	507	1.0%
		0.0%	Sierra-at-Tahoe Resort LLC	500	1.0%
County Employment Estimate	52,500	100.0%	County Employment Estimate	51,300	100.0%

Placer County

2015			2016		
Employer	# of Emps	%	Employer	# of Emps	%
Kaiser Permanente	3,839	2.5%	Sutter Health	5,435	3.6%
Sutter Health	3,693	2.4%	Kaiser Permanente	5,361	3.5%
Squaw Valley Resort	2,500	1.6%	Placer County	2,700	1.8%
Placer County	2,378	1.6%	Squaw Valley Resort	2,500	1.6%
Hewlett-Packard Co.	2,000	1.3%	Hewlett-Packard Co.	2,100	1.4%
Thunder Valley Casino Resort	1,875	1.2%	Sierra Joint Community Colleg	1,940	1.3%
Pride Industries	1,221	0.8%	Thunder Valley Casino Resort	1,915	1.3%
Safeway Inc.	1,218	0.8%	Pride Industries	1,155	0.8%
City of Roseville	1,047	0.7%	Union Pacific Railroads	1,091	0.7%
Roseville City School District	1,015	0.7%	City of Roseville	1,067	0.7%
State of California	993	0.7%	Roseville City School District	1,038	0.7%
Raley's Inc.	930	0.6%	Raley's Inc	934	0.6%
County Employment Estimate	151,800	100.0%	County Employment Estimate	152,300	100.0%

Sacramento County

2015			2016		
Employer	# of Emps	%	Employer	# of Emps	%
State of California	74,329	12.1%	State of California	73,676	11.4%
Sacramento County	10,598	1.7%	Sacramento County	11,950	1.8%
UC Davis Health System	9,706	1.6%	UC Davis Health System	10,145	1.6%
US Government	9,668	1.6%	US Government	10,007	1.5%
Sutter Health	8,817	1.4%	Sutter Health	8,905	1.4%
San Juan Unified School District	7,523	1.2%	Kaiser Permanente	8,885	1.4%
Kaiser Permanente	6,464	1.1%	Dignity Health	7,853	1.2%
Dignity Health	6,286	1.0%	Intel Corp	6,000	0.9%
Intel Corp	6,200	1.0%	Elk Grove Unified School District	5,863	0.9%
Elk Grove Unified School District	5,758	0.9%	City of Sacramento	4,300	0.7%
City of Sacramento	4,262	0.7%	Sacramento City Unified Schoo	4,213	0.7%
County Employment Estimate	615,600	100.0%	County Employment Estimate	647,700	100.0%

(Continued)

Largest Employment Centers by County

For Last Two Fiscal Years

Sutter County					
2015			2016		
Employer	# of Emps	%	Employer	# of Emps	%
Sutter County	925	3.2%	Sutter County	1,000	3.6%
Wal-Mart	500	1.7%	Wal-Mart	500	1.8%
Sunsweet Growers	600	2.0%	Sunsweet Growers	600	2.1%
Novartis	525	1.8%	Sierra Gold Nurseries	400	1.4%
Sierra Gold Nurseries	415	1.4%	Sysco Sacramento	350	1.2%
Sutter Medical Foundation	340	1.2%	Fountains Skilled Nursing	310	1.1%
Sysco Sacramento	330	1.1%	Fremont Hospital	440	1.6%
Yuba City	300	1.0%	Sutter Medical	340	1.2%
			Yuba City	312	1.1%
County Employment Estimate	29,300	100.0%	County Employment Estimate	28,100	100.0%

Yolo County					
2015			2016		
Employer	# of Emps	%	Employer	# of Emps	%
University of California, Davis	30,815	29.2%	University of California, Davis	30,000	27.7%
State of California	2,753	2.6%	State of California	2,753	2.5%
US Government	2,323	2.2%	US Government	2,316	2.1%
Cache Creek Casino Resort	2,180	2.1%	Cache Creek Casino Resort	2,300	2.1%
Yolo County	1,517	1.4%	Yolo County	1,411	1.3%
United Parcel Service	1,429	1.4%	Woodland Joint Unified School District	1,116	1.0%
Woodland Joint Unified School District	1,116	1.1%	Raley's Inc	1,007	0.9%
Clark Pacific Corp	1,016	1.0%	Walgreens	839	0.8%
Raley's Inc	794	0.8%	Woodland Memorial Hospital	712	0.7%
Woodland Memorial Hospital	725	0.7%	Sutter Health	665	0.6%
Walgreens	691	0.7%	Clark Pacific Corp.	591	0.5%
Pacific Gas & Electric	635	0.6%	Nugget Market Inc.	435	0.4%
Sutter Health	601	0.6%	City of Davis	385	0.4%
County Employment Estimate	105,600	100.0%	County Employment Estimate	108,300	100.0%

Yuba County					
2015			2016		
Employer	# of Emps	%	Employer	# of Emps	%
Rideout Memorial Hospital	1,250	7.7%	Rideout Memorial Hospital	1,250	7.6%
Beale AFB	1,300	8.0%	Beale AFB	1,300	7.9%
Yuba County	920	5.6%	Yuba County	914	5.5%
State of California	770	4.7%	State of California	800	4.8%
Marysville Joint Unified School District	650	4.0%	Marysville Joint Unified School District	650	3.9%
Yuba Community College District	540	3.3%	Yuba Community College District	550	3.3%
WalMart	450	2.8%	WalMart	450	2.7%
Wheatland Elementary School District	320	2.0%	Wheatland Elementary School District	320	1.9%
Yuba county Office of Education	250	1.5%	Yuba county Office of Education	250	1.5%
County Employment Estimate	16,300	100.0%	County Employment Estimate	16,500	100.0%

Public School Enrollment by County

For Ten Fiscal Years Ended June 30

	2007/08	2008/09	2009/10	2010/11	2011/12
SACOG Region	395,240	397,285	398,098	399,127	400,310
El Dorado	29,417	29,662	29,336	29,972	29,781
Placer	64,401	65,708	67,088	68,278	68,815
Sacramento	238,233	238,346	237,722	236,936	237,362
Sutter	19,137	19,599	20,020	20,652	21,110
Yolo	29,493	29,507	29,591	29,366	29,404
Yuba	14,559	14,463	14,341	13,923	13,838

	2012/13	2013/14	2014/15	2015/16	2016/17
SACOG Region	401,784	402,061	403,258	406,734	411,074
El Dorado	29,441	27,237	26,960	26,987	27,021
Placer	69,831	70,141	70,496	71,435	72,769
Sacramento	238,290	240,216	241,022	242,725	244,394
Sutter	21,170	21,390	21,459	21,693	22,633
Yolo	29,250	29,185	29,345	29,681	29,841
Yuba	13,802	13,892	13,976	14,213	14,416

Source: County Reports (Annual), California Department of Education

Total Acreage by County

	Total Acreage
SACOG Region	4,199,415
El Dorado	1,145,825
Placer	959,744
Sacramento	637,640
Sutter	389,537
Yolo	654,720
Yuba	411,950

Source: U.S. Census Bureau, Census 2000 Tiger Line File

Average Annual Wages by County

For Ten Fiscal Years Ended June 30

	2007		2008		2009		2010	
	Average Weekly Wages	Average Annual Wages ¹	Average Weekly Wages	Average Annual Wages ¹	Average Weekly Wages	Average Annual Wages ¹	Average Weekly Wages	Average Annual Wages ¹
SACOG Region	\$808	\$41,992	\$833	\$43,316	\$842	\$43,784	\$861	\$44,772
El Dorado County	\$719	\$37,384	\$742	\$38,584	\$748	\$38,896	\$736	\$38,272
Placer County	\$822	\$42,770	\$824	\$42,848	\$839	\$43,628	\$861	\$44,772
Sacramento County	\$842	\$43,773	\$867	\$45,084	\$875	\$45,500	\$899	\$46,748
Sutter County	\$590	\$30,687	\$608	\$31,616	\$629	\$32,708	\$628	\$32,656
Yolo County	\$753	\$39,170	\$776	\$40,352	\$777	\$40,404	\$790	\$41,080
Yuba County	\$663	\$34,454	\$701	\$36,452	\$716	\$37,232	\$750	\$39,000

	2011		2012*		2013*		2014	
	Average Weekly Wages	Average Annual Wages	Average Weekly Wages	Mean Annual Wages ²	Average Weekly Wages	Average Annual Wages ²	Average Weekly Wages	Average Annual Wages
SACOG Region	\$876	\$45,552	\$997	\$51,844	\$997	\$51,844	\$919	\$47,788
El Dorado County	\$740	\$38,490	\$1,005	\$52,261	\$1,005	\$52,238	\$805	\$41,860
Placer County	\$883	\$45,924	\$1,005	\$52,261	\$1,005	\$52,238	\$947	\$49,244
Sacramento County	\$915	\$47,557	\$1,005	\$52,261	\$1,005	\$52,238	\$948	\$49,296
Sutter County	\$639	\$33,249	\$820	\$42,633	\$821	\$42,676	\$682	\$35,464
Yolo County	\$799	\$41,534	\$1,005	\$52,261	\$1,005	\$52,238	\$847	\$44,044
Yuba County	\$754	\$39,185	\$820	\$42,633	\$821	\$42,676	\$774	\$40,248

	2015		2016	
	Average Weekly Wages	Average Annual Wages ¹	Average Weekly Wages	Average Annual Wages ¹
SACOG Region	\$954	\$49,614	\$964	\$50,128
El Dorado County	\$837	\$43,524	\$871	\$45,292
Placer County	\$989	\$51,428	\$1,013	\$52,676
Sacramento County	\$983	\$51,116	\$986	\$51,272
Sutter County	\$714	\$37,128	\$727	\$37,804
Yolo County	\$872	\$45,344	\$891	\$46,332
Yuba County	\$823	\$42,796	\$835	\$43,420

* Data for 2012 and 2013 were only available at the Metropolitan Statistical Area (MSA) level, individual county level data was

Source: California Employment Development Department, Labor Market Information Division

¹ Average Annual Wages based upon Average Weekly Wages

² Average Weekly Wages based upon Average Annual Wages (of 1st Quarter of Employment data)

Transit Providers by County

SACOG REGION	TRANSIT PROVIDERS
El Dorado County	El Dorado Transit
Placer County	Auburn Transit Lincoln Transit Placer County Transit Roseville Transit
Sacramento County	Elk Grove Transit Folsom Stage Lines Paratransit, Inc. Sacramento Regional Transit District South County Transit/LINK
Yolo County	Davis Community Transit UC Davis - TAPS Unitrans Yolo County Transportation District
Yuba-Sutter County	Yuba-Sutter Transit

Source: SACOG

Summary of Full-Time Equivalent Employees By Function & Program

For Ten Fiscal Years Ended June 30

FUNCTION	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Chief Executive Officer*	1	1	1	1	1	1	1	1	1	1
Chief Operations Officer/General Counsel						1	1	1	1	1
Administration	6	9	8	9	9	8	8	8	9	10
Finance	5	5	4	4	4	4	3	3	4	4
Research Analysts	13	9	10	12	12	11	11	11	11	11
Information Technology	2	2	2	2	1	1	1	1	1	1
Planning	18	19	19	19	19	23	22	22	21	24
Public Affairs and Communications	5	5	5	5	5	6	5	6	7	7
Interns	1	1	2	2	2	2	2	3	1	5
Total Approved Full-Time Positions	51	51	51	54	53	57	54	56	56	64

Summary of Full-Time Equivalent Employees By Project

For Ten Fiscal Years Ended June 30

	2008	2009	2010	2011	2012	2013	2014	2015
Direct Projects								
Interagency Relations and Program Management	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Project Delivery and Programming	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multimodal Transportation Planning and Coordination	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Air Quality Planning, Analysis and Coordination	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Transit Planning and Coordination	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Housing and Land Use	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Regional Monitoring and Forecasting	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Geographic Information Systems	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public Information/Outreach and Advocacy Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Special Projects and Local Technical Assistance/NEPA Linkages	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Regional Blueprint Programming	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Metropolitan Transportation Plan	n/a	n/a	n/a	12.0	10.8	3.9	4.7	11.1
Sustainable Communities Strategy Implementation								
Grant from Strategic Growth Council, Round #2	n/a	n/a	n/a	n/a	n/a	1.0	1.2	2.9
Services to Other Agencies (pass-through)	n/a	n/a	n/a	0.2	0.3	0.2	0.1	0.7
Misc Other Funding	n/a	n/a	n/a	n/a	0.2	0.6	0.4	1.1
Government Relations, Public Affairs & Administration	4.9	5.1	4.5	4.7	4.0	5.6	6.1	5.5
Long-Range Transportation Planning	10.1	3.5	6.0	3.7	3.5	4.2	3.0	1.7
Short-Range Transportation Planning & Studies	1.4	0.4	1.1	2.8	1.3	2.3	1.6	2.5
Continuing Transportation Implementation	5.7	11.0	8.9	6.8	7.8	6.9	8.1	6.7
Land Use & Housing Planning	8.7	11.1	10.2	4.4	3.5	6.8	8.4	4.2
Public Services	2.8	2.8	2.7	n/a	n/a	n/a	n/a	n/a
Member & Agency Services	4.9	4.7	3.7	7.0	8.6	9.6	8.6	5.7
Services to Other Agencies	0.9	0.5	0.5	0.5	0.4	1.0	0.7	1.6
Board and Advocacy	0.2	0.3	0.2	0.2	0.2	0.6	0.4	1.3
Subtotal - Direct Projects	39.6	39.4	37.8	42.3	40.7	42.7	43.4	45.0
Indirect	12.2	12.4	12.8	11.7	12.3	14.3	10.6	10.6
Total FTEs Based on Total Hours	51.8	51.8	50.6	54.0	53.0	57.0	54.0	55.6

Summary of Full-Time Equivalent Employees By Project

For Ten Fiscal Years Ended June 30

		2016	2017
Direct Projects			
Core and Long-Range Member, Agency, and			
Transportation Services and Planning Activities	100	27.3	28.2
Discretionary Transportation Planning Grant Activities	200	2.1	1.6
Other Planning Grant and Partnerships	220	7.0	2.8
Regional Bikeshare Pilot Project	300	n/a	2.2
Downtown Riverfront Streetcar Project	301	n/a	1.5
Connect Card	302	n/a	2.5
Pass-Through to other Agencies	400	0.0	0.0
Services to Other Agencies	500	2.9	1.8
Board and Advocacy	990	1.8	1.3
Subtotal - Direct Projects		41.1	42.0
Indirect		12.9	22.3
Total FTEs Based on Total Hours		54.0	64.2

This page intentionally left blank.

Planning & Administration Fund

Indirect Service Cost Comparison

For the last Ten Fiscal Years Ended June 30

	2008	2009	2010	2011
INDIRECT COSTS				
Building Costs	\$ 638,875	\$ 677,089	\$ 601,854	\$ 582,991
Career Development Program	52,408	89,195	42,699	46,247
Consultants	116,034	269,661	100,131	45,655
Depreciation	133,337	86,257	82,426	45,844
Insurance	69,959	68,903	68,251	68,376
Legal	320,942	259,557	242,566	245,404
Maintenance	13,295	11,580	14,590	6,762
Meetings	5,300	12,187	7,269	8,737
Memberships	25,377	25,511	17,246	28,795
Miscellaneous	2,530	3,719	4,664	4,660
Mileage	14,093	12,915	14,171	13,749
Office Equipment	19,591	11,044	2,823	4,520
Parking	7,550	9,450	10,376	10,200
Postage	21,367	9,014	17,998	10,462
Printing	1,762	9,081	(1,931)	(18,297)
Publications	4,869	3,567	2,264	2,686
Salaries and Benefits	1,337,701	1,423,539	1,496,208	1,475,280
Software & Maintenance	49,921	51,418	62,364	86,315
Supplies	45,429	53,275	70,105	56,512
Accounting Services	17,065	9,420	9,844	12,943
Unemployment Costs	-	-	-	4,279
Telephone/Telcommunications	34,114	39,244	37,349	40,350
Temporary services	409	132	384	403
OPEB ARC	-	-	405,800	-
Total Indirect Costs	\$ 2,931,928	\$ 3,135,758	\$ 3,309,451	\$ 2,782,873

Planning & Administration Fund

Indirect Service Cost Comparison

For the last Ten Fiscal Years Ended June 30

	2012	2013	2014	2015	2016	2017
\$	575,236	\$ 597,186	\$ 602,173	\$ 595,752	\$ 627,635	\$ 662,936
	50,103	50,515	58,748	40,713	64,409	75,491
	45,455	38,972	91,669	156,099	193,000	153,126
	44,537	42,462	47,330	49,658	61,358	62,831
	67,924	69,721	76,403	69,777	72,503	72,193
	40,782	78,814	67,426	95,132	92,152	111,393
	3,439	5,366	8,537	9,377	8,037	6,509
	8,678	4,798	2,052	1,916	1,655	1,628
	11,663	4,818	6,412	24,701	43,282	41,012
	5,242	5,960	5,972	10,458	8,359	32,803
	13,717	10,548	11,392	12,799	14,869	13,345
	12,499	14,878	32,878	48,062	43,835	61,122
	10,650	9,925	8,300	8,607	7,510	8,070
	8,219	6,954	6,739	3,819	5,028	12,473
	(8,146)	(6,204)	14,266	2,209	22,944	17,250
	1,497	2,589	1,885	2,057	2,442	4,222
	1,600,335	1,911,553	1,560,919	1,683,761	991,498	1,048,707
	66,675	63,373	72,148	120,135	121,058	99,682
	45,136	49,377	26,867	39,181	16,154	22,662
	10,189	12,142	39,153	12,567	14,481	6,006
	1,281	4,619	-	4,520	5,333	-
	45,640	35,154	37,542	25,512	22,940	28,228
	1,623	865	41,062	20,154	37,880	48,916
	-	-	-	-	-	-
\$	2,662,374	\$ 3,014,385	\$ 2,819,873	\$ 3,036,966	\$ 2,478,361	\$ 2,590,606

Capital Assets – by Fund

For Ten Fiscal Years Ended June 30

	2008	2009	2010	2011
Planning and Administration Fund:				
Furniture/equipment/computers	\$ 313,598	\$ 235,902	\$ 109,415	\$ 80,386
Capital Valley Regional SAFE:				
Call boxes	2,250,826	1,779,369	1,139,355	667,898
Glenn County SAFE:				
Call boxes	<u>60,245</u>	<u>47,101</u>	<u>33,956</u>	<u>20,812</u>
Total	<u>\$2,624,669</u>	<u>\$2,062,372</u>	<u>\$1,282,726</u>	<u>\$769,096</u>

Source: Individual internal fund statements

Capital Assets – by Fund

For Ten Fiscal Years Ended June 30

2012	2013	2014	2015	2016	2017
\$ 77,873	\$ 102,217	\$ 148,847	\$ 174,906	\$ 204,303	\$ 209,730
196,441	-	-	-	-	-
7,668	-	-	-	-	-
<u>\$ 281,982</u>	<u>\$ 102,217</u>	<u>\$ 148,847</u>	<u>\$ 174,906</u>	<u>\$ 204,303</u>	<u>\$ 209,730</u>

Miscellaneous Statistics

For Fiscal Year Ended June 30, 2017

Date of Joint Powers Authority	In January 1965, the Sacramento Regional Area Planning Commission (SRAPC) was organized under the State Planning Law to provide a forum for elected officials to address multi-county problems, issues, and needs. In January 1981, SACOG succeeded SRAPC under a new Joint Powers agreement pursuant to section 6500 of the California Government Code.
Form of Government	Joint Powers Authority, Board of Directors.
Member Jurisdictions	Six counties and 22 Cities within the greater Sacramento Metropolitan Area.
Board of Directors	Board of Supervisors and City Council members appointed by their member jurisdictions, 31 members and one ex-officio member from Caltrans.
Board Committees	Government Relations & Public Affairs; Land Use & Natural Resources; Transportation; and Strategic Planning.
Board Terms	Board members serve multi-year terms and may be reappointed. The chair and vice-chair, elected by voting members of SACOG, serve one-year terms.
SACOG Mission	Provide leadership and a dynamic, collaborative public forum for achieving an efficient regional transportation system, innovative and integrated regional planning, and a high quality of life within the greater Sacramento region.
Regional Transportation Planning Agency	Sacramento, Sutter, Yolo, and Yuba Counties.
Metropolitan Planning Organization	Sacramento, Yuba City, and Davis Urbanized Areas and the Sacramento Metropolitan Planning Area.
Airport Land Use Commission	Sacramento, Sutter, Yolo, and Yuba Counties.
Service Authority for Freeways and Expressways	Sacramento, San Joaquin, Yolo, Yuba, and Sutter Counties.
Designated Recipient for Sacramento Large Urbanized Area	FTA Section 5316 Job Access Reverse Commute and Section 5317 New Freedom Programs.

Source: SACOG

**SACRAMENTO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	CFDA Number	Pass-through Grant Award Number	Federal Expenditures	Expenditures to Subrecipients
<u>Department of Transportation</u>				
Passed through the State of California,				
Department of Transportation				
Highway, Planning and Construction Cluster:				
Highway Planning and Construction, Planning	20.205	03-6085R	\$ 2,740,742	
Highway Planning and Construction, CMAQ - Connect Card Implementation	20.205	03-6085R	53,703	53,703
Highway Planning and Construction, CMAQ - Transportation Demand Management	20.205	03-6085R	1,066,601	351,818
Highway Planning and Construction, CMAQ - SECAT Program	20.205	03-6085R	3,624,749	
Highway Planning and Construction, CMAQ - Regional Bike Share	20.205	03-6085R	378,275	
Highway Planning and Construction, - FHWA Partnership Planning	20.205	03-6085R	48,523	
Highway Planning and Construction, SAFE Routes to Schools Grant	20.205	03-6085R	55,476	
Highway Planning and Construction, Regional Surface Transportation Program	20.205	03-6085R	184,408	
Highway Planning and Construction, California Planning Grant (CPG) funds	20.205	03-6085R	422,369	
Subtotal - Highway, Planning and Construction Cluster:			8,574,846	405,521
Metropolitan Transportation Planning, and State Metropolitan Planning & Research	20.505	5304 Funds	1,018,734	56,129
Transit Services Programs Cluster:				
New Freedom Program	20.521	CA-57-X060-01	576,450	576,450
Subtotal - Transit Services Programs Cluster:			576,450	576,450
Federal Transit Cluster:				
Federal Transit - Formula Grants, - Federal Transit Administration - 5307	20.507	CA-95-0275	2,623,074	2,541,762
Federal Transit - Formula Grants, - FTA Funds from YCTD for Connect Card	20.507	CA-90-2253-00	563,259	
Subtotal - Federal Transit Formula Grants:			3,188,333	2,541,762
Federal Transit - Capital Investment Grants, - Transit Oriented Development Pilot Grant	20.500	CA-2016-122-00	611,070	603,718
Subtotal - Federal Transit Capital Investment Grants:			611,070	603,718
Subtotal - Federal Transit Cluster:			3,799,403	3,145,480
Total Department of Transportation			13,969,433	4,183,580
Total Expenditures of Federal Awards			\$ 13,969,433	\$ 4,183,580

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Notes to the Schedule of Expenditures of Federal Awards

For Fiscal Year Ended June 30, 2017

NOTE #1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Sacramento Area Council of Governments (SACOG) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SACOG, it is not intended to and does not present the financial position, changes in net position, or cash flows of SACOG.

NOTE #2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE #3 – INDIRECT COST RATE

SACOG elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE #4 – FEDERAL CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE #5 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule will show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, SACOG has determined that no identifying number is assigned for the program or SACOG was unable to obtain an identifying number from the pass-through entity.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

To the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sacramento Area Council of Governments (SACOG) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SACOG's basic financial statements and have issued our report thereon dated March 29, 2018. Our report includes a reference to other auditors who audited the fund financial statements of the County of Sacramento Local Transportation Special Revenue Fund, the County of Yuba Local Transportation Special Revenue Fund, the County of Sutter Local Transportation Special Revenue Fund, the County of Yolo Local Transportation Fund, and the State Transit Assistance Special Revenue Fund, as described in our report on SACOG's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SACOG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SACOG's internal control. Accordingly, we do not express an opinion on the effectiveness of SACOG's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 through 2017-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

SACOG's Response to Findings

SACOG's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. SACOG's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
March 29, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited the Sacramento Area Council of Government's (SACOG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SACOG's major federal programs for the year ended June 30, 2017. SACOG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of SACOG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SACOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SACOG's compliance.

Opinion on Each Major Federal Program

In our opinion, SACOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-003 through 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

SACOG's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. SACOG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of SACOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SACOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SACOG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-003 through 2017-005 that we consider to be significant deficiencies.

SACOG's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and separate corrective action plan. SACOG's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
March 29, 2018

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

No

Significant deficiencies identified?

Yes

Noncompliance material to financial statements noted?

No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?

No

Significant deficiency(ies) identified not considered to be material weaknesses?

Yes

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

20.500/20.507

Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

FINDING 2017-001

PROCUREMENT PROCESS

Criteria:

Internal controls should be designed and implemented to ensure disbursement transactions recorded in the general ledger are subject to sufficient and appropriate procurement procedures. These procurement procedures should ensure that the underlying disbursements pertain to valid contracts and agreements that have been properly authorized by designated personnel or governing body that are segregated from the functions of recording accounting transactions and custody functions.

Condition Found:

Significant Deficiency - Specific procedures over procurement and disbursements were performed to assess the consistency and existence of procurement procedures, where the following exceptions were identified:

- For one contract selected for testing, SACOG was unable to provide evidence that an amendment made to the existing contract was properly approved the Board.
- For one contact selected for testing, a purchase order was not created which is required by SACOG's purchasing policy. Invoices related to the contract were misapplied to a previous purchase order for an expired contract.

Context:

The above condition was identified during our audit procedures to assess the design and implementation of internal controls to mitigate the risk of material misstatement over accounts connected to the procurement process.

Effect:

Exceptions to the current adopted procurement procedures were noted. These exceptions increase the risk that disbursement transactions are not supported by agreements that have undergone a consistent procurement process.

Cause:

The conditions noted were due to the involvement of new project managers who have been subsequently trained regarding contract amendments and purchase orders.

Recommendation:

In addition we recommend that management design and implement internal controls to ensure conformity with the policy.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

FINDING 2017-002

TIMECARD APPROVALS

Criteria:

Employee hours processed through the payroll system should be approved by an employee's supervisor in a timely manner. The supervisors' certification is the main approval over the payroll time entered. SACOG's payroll system should maintain support evidencing the supervisor's timely certification of employee time.

Condition Found:

Significant Deficiency - Based on the testing over the payroll process internal controls we noted that supervisors access the payroll system and certify the employees' payroll time for each pay period. However, if a subsequent change or correction is made to employee time, the timesheet is required to be re-approved by the employee's supervisor. The payroll system is not currently designed to maintain a log of changes to employee time and only documents the most recent approval of time by the supervisor. As such, for many timesheets selected for testing, the supervisor approval in the system was dated subsequent to the pay period tested.

Context:

The condition noted above was identified during our testing over the approval of payroll time processed through SACOG's electronic timekeeping system.

Effect:

SACOG was not able to provide evidence of timely supervisor certification of employee's payroll time processed through the electronic payroll system.

Cause:

SACOG's system does not maintain an audit trail of modifications made to payroll time processed.

Recommendation:

We recommend that SACOG review the current design of the payroll system to identify a solution that will enable SACOG the ability to maintain documentation of timely approval of hours worked for its employees each pay period.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2017-003

Program: Federal Transit Cluster

CFDA No.: 20.500/20.507

Federal Agency: U.S. Department of Transportation

Passed-through: N/A

Award Year: 2016-2017

Compliance Requirement: Cash Management

Criteria:

Per the *2017 OMB Compliance Supplement*, Non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means (2 CFR section 200.305(b)).

In addition, Title 2 CFR Section 200.302(b)(6) of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Cash Management).

Condition Found:

Significant Deficiency, Instance of Non-Compliance –

- For one drawdown selected, payment was not made within three business days after the funds were received from the Federal Government. Per the FTA policy for cash disbursement, all federal funds must be used for project purposes no later than three business days after receiving the funds.
- SACOG did not maintain written cash management procedures as required by Title 2 CFR Section 200.302 (b)(6) as part of the administration of the program noted above.

Context:

The condition noted above was noted during review of SACOG's cash management processes and procedures.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

Effect:

SACOG has not complied with the specific requirements for written procedures over cash management as described in the Uniform Guidance.

Cause:

The condition is caused by SACOG not following its established policies and procedures to ensure that federal reimbursements are requested after the disbursement is made. Also, SACOG did not ensure the required written procedures were developed and implemented in accordance with the Uniform Guidance.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend that SACOG strengthen its current policies and procedures with regards to cash management and ensure that such policies and procedures are formally documented and adhered to by SACOG personnel. We recommend SACOG formalize written procedures related to cash management requirements required by 2 CFR Section 200.305.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

FINDING 2017-004

Program: Federal Transit Cluster

CFDA No.: 20.500/20.507

Federal Agency: U.S. Department of Transportation

Passed-through: N/A

Award Year: 2016-2017

Compliance Requirement: Reporting

Criteria:

Per 2 CFR section 200.303, the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per the 2017 *OMB Compliance Supplement*, financial reports must be complete, accurate and prepared in accordance with the required accounting basis. Financial reports required to be submitted under the program should also be traceable to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

Condition Found:

Significant Deficiency, Instance of Non-Compliance

- For 4 of the 4 *Federal Financial Reports* (SF-425) selected for testing, the reports were not reviewed by program management before being submitted.
- For 3 of the 4 *Federal Financial Reports* (SF-425) selected for testing, we could not reconcile the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

Context:

The condition noted above was identified during our testing procedures over reporting under the program.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect:

Deficiency in internal controls on reporting can cause inaccuracy and misrepresentation of reported information regarding federal expenditures.

Cause:

Management does not have a formalized management review process in place for reports submitted under the program.

Recommendation:

We recommend that SACOG strengthen its policies and procedures to ensure that program management review and approve the reports before submitting to the federal agency to ensure accuracy of reported amounts.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

FINDING 2017-005

Program: Federal Transit Cluster

CFDA No.: 20.500/20.507

Federal Agency: U.S. Department of Transportation

Passed-through: N/A

Award Year: 2016-2017

Compliance Requirement: Subrecipient Monitoring

Criteria:

Per the 2017 *OMB Compliance Supplement* and Title 2 CFR Section 200.331(f) of the Uniform Guidance, the pass through entity must verify that subrecipients expected to be audited as required by 2 CFR part 200, subpart F, met this requirement. This verification may be performed as part of the required monitoring under 2 CFR section 200.331(d)(2) to ensure that the subrecipient takes timely and appropriate action on deficiencies detected through audits.

Condition Found:

Significant Deficiency, Instance of Non-Compliance – As a result of our audit procedures over subrecipient monitoring, we noted that SACOG did not have procedures in place to verify that subrecipients are meeting the single audit requirement as required by 200.331(f).

Questioned Costs:

No questioned costs were identified as a result of our procedures.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Context:

The condition noted above was identified during our testing over subrecipient monitoring requirements of the program.

Effect:

SACOG did not have procedures in place to verify that subrecipients are meeting the single audit requirement as required by 200.331(f) which could increase the likelihood of noncompliance in relation to the program.

Cause:

SACOG'S policy and procedures regarding subrecipient monitoring did not include procedures to ensure that subrecipients expected to be audited as required by 2 CFR part 200, subpart F, met this requirement.

Recommendation:

It is recommended that SACOG update its policies and procedures to include verification and review of the program's subrecipients single audits to ensure all subrecipient monitoring requirements have been met.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

None reported.

WHAT WE DO

The Sacramento Area Council of Governments (SACOG) is an association of Sacramento Valley governments formed from the six regional counties—El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba—and 22 member cities. SACOG's directors are chosen from the elected boards of its member governments. SACOG's primary charge is to provide regional transportation planning and funding, as well as a forum for the study and resolution of regional issues. In this role, SACOG prepares the region's long-range transportation plan; approves distribution of affordable housing around the region; keeps a region-wide database for its own and local agency use; helps counties and cities use federal transportation funds in a timely way; assists in planning for transit, bicycle networks, clean air and airport land uses; and has completed the Blueprint Project which links transportation and land development more closely.

This report was funded in part through grants from the Federal Highway Administration and Federal Transit Administration, U.S. Department of Transportation. The views and opinions of the authors or agency expressed herein do not necessarily state or reflect those of the U.S. Department of Transportation.

MANAGEMENT STAFF

James Corless

Chief Executive Officer

Kirk Trost

Chief Operating Officer/
General Counsel

Matt Carpenter

Director of Transportation Services

Arleicka Conley

Interim Finance Director

Erik Johnson

Manager of Policy & Administration

PROJECT STAFF

Stacy Niccum

Finance Manager

Jeri Krajewski

Accountant

Debra Overton

Accounting Specialist



SACRAMENTO AREA COUNCIL OF GOVERNMENTS

Corrective Action Plan

Year ended June 30, 2017

Auburn

Citrus Heights

Colfax

Davis

El Dorado County

Elk Grove

Folsom

Galt

Isleton

Live Oak

Lincoln

Loomis

Marysville

Placer County

Placerville

Rancho Cordova

Rocklin

Roseville

Sacramento

Sacramento County

Sutter County

West Sacramento

Wheatland

Winters

Woodland

Yolo County

Yuba City

Yuba County

**Prepared by: Stacey Niccum, Finance Manager
Sacramento Area Council of Governments**

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

Corrective Action Plan

Year ended June 30, 2017

I. FINANCIAL STATEMENT FINDING

Finding 2017-001

PROCUREMENT PROCESS

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Actions:

These were single incidents. Management determined that the project manager taking over this project (it was transitioned to a new project manager when the previous project manager resigned a couple of years ago) was under the impression that the Board approval of the OWP, which included budget for the contract amendment, constituted Board approval of the contract amendment. The contract amendment was provided to the Board, but as an informational item and not an action item. SACOG subsequently executed a further amendment to the contract, which amendment was taken to the Board as an action item. That item described the previous amendment executed without Board approval to get subsequent approval for that amendment. The employee has been trained (as with all project managers), and a reminder was provided to all SACOG staff that Board approval is required for any contract amendment that puts a contract over the \$60K Board approval limit. With respect to the purchase order, Finance now signs off on budget for all PO/Contract requests (including for amendments) that includes a review of whether Board action is needed before signing off on budget to move forward with the contract or amendment.

Projected Implementation Date:

Immediately.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

Corrective Action Plan

Year ended June 30, 2017

I. FINANCIAL STATEMENT FINDING (CONTINUED)

Finding 2017-002

TIMECARD APPROVALS

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Actions:

SACOG developed and implemented additional timecard entry and approval procedures in November, 2016. It was found that the system (Ajera) does not maintain information for original timecard submittal and approval dates when timecards are changed. SACOG also implemented a process to document original timecard submittal and approval dates when changes are made, and documentation with employee and supervisor approvals when timecard changes are necessary. There is a form created that is utilized for timecard changes to document the change, reason, and approvals.

Projected Implementation Date:

Immediately.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

Corrective Action Plan

Year ended June 30, 2017

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2017-003

Program: Federal Transit Cluster

CFDA No.: 20.500/20.507

Federal Agency: U.S. Department of Transportation

Passed-through: N/A

Award Year: 2016-2017

Compliance Requirement: Cash Management

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Action:

SACOG is currently implementing additional procedures to mitigate future policy and compliance issues with the *2017 Compliance Supplement* /FTA cash disbursements/drawdown requirements/ Title 2 CFR Section 200.302 (b)(6). These additional procedures include:

- The Accounts Payable (A/P) manager or designee will initiate payment for federal project purposes no later than two business days after receiving the federal funds.
- The A/P manager or designee will have the Director of Finance or designee approve the federal projects payment (bill) via wire transfer within two business days of the ECHO drawdown. Therefore, the wire transfer/bill payment transaction process will assist in remaining in compliance and adherence to the *2017 Compliance Supplement* and 2 CFR section 200.305(b).
- After approval from the Director of Finance or designee the A/P manger or designee will wire the funds within three business days of the initial drawdown.
- SACOG will document and formalize written procedures related to cash management requirements as required by CFR Section 200.305.
- SACOG will formalize the additional ECHO drawdown procedures via written procedures.

Projected Implementation Date:

SACOG has implemented the additional drawdown policy and procedures. The formalization of written procedures related to cash management requirements pursuant to CFR Section 200.305 will be finalized and implemented at the earliest opportunity, which will likely occur in FY 2018-2019.

Contact:

Erik Johnson

Director of Administration and Local Government Services

916-340-6247

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

Corrective Action Plan

Year ended June 30, 2017

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2017-004

Program: Federal Transit Cluster

CFDA No.: 20.500/20.507

Federal Agency: U.S. Department of Transportation

Passed-through: N/A

Award Year: 2016-2017

Compliance Requirement: Reporting

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Action:

SACOG is currently coordinating and working with FTA to receive compliance reporting training and guidance for timely and accurate filings of future Federal Financial Reports (SF-425). FTA financial reporting training and guidance will be required and provided to finance/ administrative/planning staff.

Process for future filings include:

- Project Managers or designee will prepare SF-425 report filings;
- Project Managers or designee will provide a copy of the SF-425 report filings to their supervisor or designee for review;
- Project Managers or designee will forward the SF-425 to the Director of Finance or designee for review and reconciliation;
- The Director of Finance or designee will reconcile reported amounts to the accounting system (Ajera) to ensure accuracy; and discrepancies in the amounts reported will be reconciled between the Project Manager/Director of Finance or designee; and
- Upon completion of the reconciled SF-425 report filings, the Project Manager or designee will approve and submit the SF-425 filings to the federal agency to ensure accuracy of reported amounts; the Project Manager will also provide the submitted final SF-425 filings their supervisor and to the Director of Finance or designee.

SACOG will formalize the Federal Financial Reporting Reports (FFRs/SF-425) filings via written procedures.

Projected Implementation Date:

This will be an ongoing process as staff receives training and guidance. Planning and Finance staff are currently coordinating to reconcile current and future SF-425 filings.

Contact:

Erik Johnson

Director of Administration and Local Government Services

916-340-6247

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

Corrective Action Plan

Year ended June 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINDING 2017-005

Program: Federal Transit Cluster

CFDA No.: 20.500/20.507

Federal Agency: U.S. Department of Transportation

Passed-through: N/A

Award Year: 2016-2017

Compliance Requirement: Subrecipient Monitoring

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Action:

SACOG will update its written policies to ensure all subrecipient monitoring requirements have been met. The policies will include, but are not limited to:

- Director of Finance or designee will review all subrecipient audit reports and management letters (if applicable) to ensure single audit requirements are being met; and
- Implement procedures if subrecipient is not compliant with 2 CFR section 200.331(d)(2).

Projected Implementation Date:

This is ongoing as subrecipient monitoring will occur upon determination and award of federal funding. In addition, SACOG will update and finalize its written policies at the earliest opportunity, which will likely occur in FY 2018-2019.

Contact:

Erik Johnson

Director of Administration and Local Government Services

916-340-6247