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COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR 2011-12



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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



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012



SACRAMENTO AREA COUNCIL OF GOVERNMENTS

1415 L Street, Suite 300
Sacramento, California 95814

Prepared by:
Finance Department
David Ghorso, Finance Manager

Sacramento Area Council of Governments

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Sacramento Area Council of Governments

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January 17, 2013

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, 2012.

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, 2012, 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 unqualified (clean) opinion that the basic financial statements of SACOG for the fiscal year ended June 30, 2012, 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 adopted in 2012, provides the framework for designing transportation needs.

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 & Air Quality; and Transportation. The SACOG Board of Directors also meets as the Board of Directors for Capitol Valley SAFE, and 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, equipment 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 located in Sacramento, California. The SACOG region, if a separate state, would rank 46th in acreage, ahead of Connecticut, Rhode Island, and Delaware, and 37th 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) upon which SACOG receives an administrative fee and a transportation planning fee. SACOG also has agreements with the transportation planning agencies in El Dorado County and Placer County to designate a portion of their LTF revenues in return for the transportation planning SACOG performs on their behalf. Revenues from those agencies are also on the increase.

A new federal transportation reauthorization bill passed, titled *Moving Ahead for Progress in the 21st Century* (MAP-21), which covers the two-year period expiring October 1, 2014. Under the new bill, SACOG expects that the number of discretionary grants SACOG typically receives each year for various transportation and transit planning functions may be subject to change. Funds from the federal agencies are determined by formula and subject to Congressional appropriation. Prior to the passage of MAP-21, *Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) had been in effect and operating on a series of short-term extensions.

In 2012-13, the State of California is expected to face increased costs due to the expiration of a number of temporary budget measures, a significant increase in Proposition 98 school costs under current law, the required repayment of a \$2 billion Proposition 1A property tax loan used to help balance the budget in 2009, and other factors. These factors contribute to a projected \$10 billion operating shortfall (the difference between annual General Fund revenues and expenditures) in 2012-13. However, due to the tax measure approved in the November 2012 General Election, California's budgetary condition is looking up. The California Legislative Analyst's forecast of the state's budget condition over the next five years shows that California's situation has improved sharply, and that the state's economic recovery, prior budget cuts, and the additional, temporary taxes provided by Proposition 30 have combined to bring California to a promising moment: The possible end of a decade of acute state budget challenges. The Legislative Analyst's economic and budgetary forecast indicates that California's leaders face a dramatically smaller budget problem in 2013-14 compared to recent years. Furthermore, assuming steady economic growth and restraint in augmenting current program funding levels, there is a strong possibility of multibillion-dollar operating surpluses within a few years.

Notwithstanding the uplifting budget outlook, the state budget pressures may continue to threaten revenues that would normally pass to cities and counties. 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.

The six-county Sacramento Region will see positive annual job growth return by the third quarter of 2012, according to the first quarter 2012 update to the Sacramento Region Business Forecast. The forecast shows annual job growth ranging between -0.4 percent and 1.2 percent within the April 2012 to March 2013 period. To put the high end of this range in perspective, the state and nation have been posting annual job growth around or above the 1.0 percent level since early 2011. On average, over the 12-month forecast period, the Region will post 0.5 percent job growth (equating to 3,800 jobs), which reflects a notable improvement over the past 12 months when job growth averaged -0.9 percent. Recovery in the Sacramento Region has lagged the state and the nation, but regional job growth has shown an upward pattern since the summer of 2011 and is currently experiencing only modest annual job losses. The positive momentum of sustained job growth at the statewide and national levels, and encouraging trends in other key indicators such as consumer sentiment and business confidence (as reflected in the Sacramento Region Business Confidence Index), will likely have a beneficial impact on recovery in the Sacramento Region, particularly in the private sector. Following a brief period of continued negative job growth, the forecast shows that the Region will again see job gains on a consistent basis, nearly two full years after the state and the nation shifted back to positive territory, and following 54 straight months in negative territory.

Major Initiatives during the Year

There were a number of focus areas during the fiscal year.

The most highly visible and far-reaching work for SACOG was the development of the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) for 2035, which culminated in April 2012 with the SACOG Board of Directors approving a new long-term plan for

the six-county region. The program-level Environmental Impact Report (EIR) for the MTP/SCS, which has to be in compliance with the California Environmental Quality Act (CEQA), was also approved by the Board in April 2012.

An MTP is a required project for Metropolitan Planning Organizations (MPOs) every four years. The last MTP was adopted by the Board of Directors in March 2008, and it was recognized by state and national organizations as an innovative and unique document to be held as a standard for others to follow. Since the adoption of the 2008 Plan, California enacted the Sustainable Communities and Climate Protection Act, also known as Senate Bill 375, which requires MPOs to include a Sustainable Communities Strategy (SCS) element in their MTP updates to further integrate transportation planning, land use planning, state affordable housing processes, and streamlined environmental review under CEQA. In May 2012, the California Air Resources Board determined that the MTP/SCS, if implemented, would meet SACOG's projected greenhouse gas emissions reductions of 10 percent by 2020 and 16 percent by 2035.

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. SACOG engaged in extensive public outreach and education to coincide with the technical research and planning.

SACOG continued work on the Regional Plan for Sustainable Development project, that was based on a \$1.5 million grant SACOG received last year from the U.S. Department of Housing and Urban Development for Sustainable Communities Regional Planning. The grant funded a new Sacramento Regional Consortium made up of regional partners and stakeholders charged with accelerating transit-oriented development. This Consortium met various times during the year. The focus is on improving quality of life through creating more complete communities and reducing overall cost of living. The remaining work will be completed in the 2012-13 budget year. The grant work complements the MTP/SCS and funds a portion of the environmental review work that will benefit transit priority areas under SB 375.

Staff continued work on the Rural-Urban Connections Strategy (RUCS). RUCS is designed to study the challenges and opportunities in the rural areas, with an eye toward the economic sustainability of rural areas, as well as the transportation needs in rural areas, where agricultural vehicles often compete with commuters who bypass congested main roads for rural roads. Last year, SACOG received a \$750,000 grant from the California Strategic Growth Council, a partnership between state agencies, to address social equity, economic development, environmental protection, and safety and health in the RUCS project. The work for that grant began this year; however, a large portion of this effort will occur in FY 2012-13 and the following year. In connection with RUCS, in October 2011, the California Department of Food and Agriculture awarded SACOG a Specialty Block Grant of \$318,000 to work with the food banks and agriculture producers to study the potential for a local food system using food banks as distribution hubs for locally grown food.

Another focus area is a continuing project called the Connect Card Implementation, which involves the implementation planning, procurement, and deployment of a regional universal transit fare card system. The new system is expected to simplify and integrate transit operations, improve system connectivity, contribute to regional air quality goals, and increase the attractiveness of transit

to new patrons. During the year, the project was proceeding in Phase II. Phase III will involve full system design, deployment, integration, and testing. Full system acceptance is anticipated by January 2014.

Another focus area this year was the ongoing work on the 511/STARNET Capital Improvement project, which is the communication platform that will be used by the operators of the transportation facilities and emergency responders in the Sacramento region. The project will enable real-time sharing of data and live video, and the refinement of joint procedures for operations of roadways and public transportation safety activities. The project also will provide more timely and accurate information for travelers via the region's 511 website and interactive phone services. It is anticipated that this work will reach conclusion and transition to maintenance and operations program in 2013-14.

A new focus area began in September 2011, with the receipt of \$75,000 in grant funding from the U.S. Department of Energy to the Capital Area Plug-in Electric Vehicle Coordinating Council (a partnership between SACOG, SMUD, Sacramento Metropolitan Air Quality Management District, and Greenwise Joint Venture) and a partnership of other regions to plan for plug-in electric vehicle infrastructure around California. In October 2011, the California Energy Commission presented SACOG with another grant for \$200,000 to the Capital Area Plug-in Electric Vehicle Coordinating Council on behalf of the region.

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 federal funds to regional jurisdictions for capital projects. In December 2011, SACOG allocated \$115 million in state and federal funds (held by Caltrans) to local governments through the regional funding program. These projects are anticipated to be completed between 2012 and 2017. 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.

These are 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, that preserves the dynamic heritage of the region.

Financial Information

The Planning and Administration Fund is where the majority of SACOG's activities are recorded. The original combined budgets of the Planning and Administration Fund and Board and Advocacy Fund projected a \$894,976 use of reserves for the year. This was followed by a mid-year improved budget projecting a \$400,159 use of reserves. SACOG ended up using \$618,776 of reserves, when combining the two funds' activities.

The total actual change in the calculation of the Planning and Administration Fund balances was a decrease of \$1,069,223 for the year, per the Statement of Revenues, Expenditures, and Changes in Fund balance on page A-24. SACOG's Planning and Administration Fund operations (excluding SMF activity) use of reserves totaled \$720,359; however, this was offset by an increase in the Board

and Advocacy Fund balance of \$101,583, netting to the \$618,776 number. The SACOG Managed Fund activity accounted for \$477,947 of the fund decrease, as funds were paid out for approved claimant costs from “committed” fund balance. The GIS Recipient’s assigned fund balance increased by \$27,500.

SACOG planning 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. The Planning and Administration Fund activities encompass the myriad of projects and programs for which SACOG is responsible. The SMF activity is accounted for separately within the Planning and Administration Fund.

The SACOG Financing Corporation had a small increase due to interest income; however, it remained essentially the same as last year. The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Special Revenue Fund, in its fourth year, received \$13.7 million compared to \$800,000 last year, and payments to grantees increased accordingly. The STA Special Revenue Fund appears to be back on its normal annual cycle of funding by the State of California, as SACOG received \$14.2 million for the year, whereas last year there was no revenue or expenses, as the \$14.7 million it received in June 2010 covered both FY 2009-10 and FY 2010-11 program years. The four Local Transportation Funds (LTFs) had increased sales tax revenue as compared to last year. This is the second year in a row for increases. The combined four-county average increase was 5.77 percent higher than last year. Yuba County had the highest percentage increase of 8.48 percent. Payments to jurisdictions were higher also, as more funds were available for distribution.

The Sacramento Emergency Clean Air and Transportation Program (SECAT) Special Revenue Fund, supported by TCRP funding, was designed to fund inefficient engine replacements in order to reduce the nitrogen oxide emissions in the area. Program funds are essentially exhausted; however, refunds of prior expenditures continue to come to SACOG, and Caltrans has requested that the refunds be returned to them directly.

The Capitol Valley SAFE remains a fiscally strong fund with a reliable stream of revenue. Some projected expenditures did not materialize in fiscal year 2011-12, so the fund balance increased by \$556,178.

Other Information

I N D E P E N D E N T A U D I T

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 Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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,



MIKE McKEEVER
Chief Executive Officer



DAVID GHIORSO
Finance Manager

Special acknowledgement goes to:

Kirk Trost, Chief Operating Officer & General Counsel
Daphne Chavarria, Accountant III
Stacy Niccum, Accountant III
Debra Overton, Accountant I
Gayle Greene, Administrative Assistant III
Scott Overton, Administrative Clerk III

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, 2011

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



Christopher P. Morrell

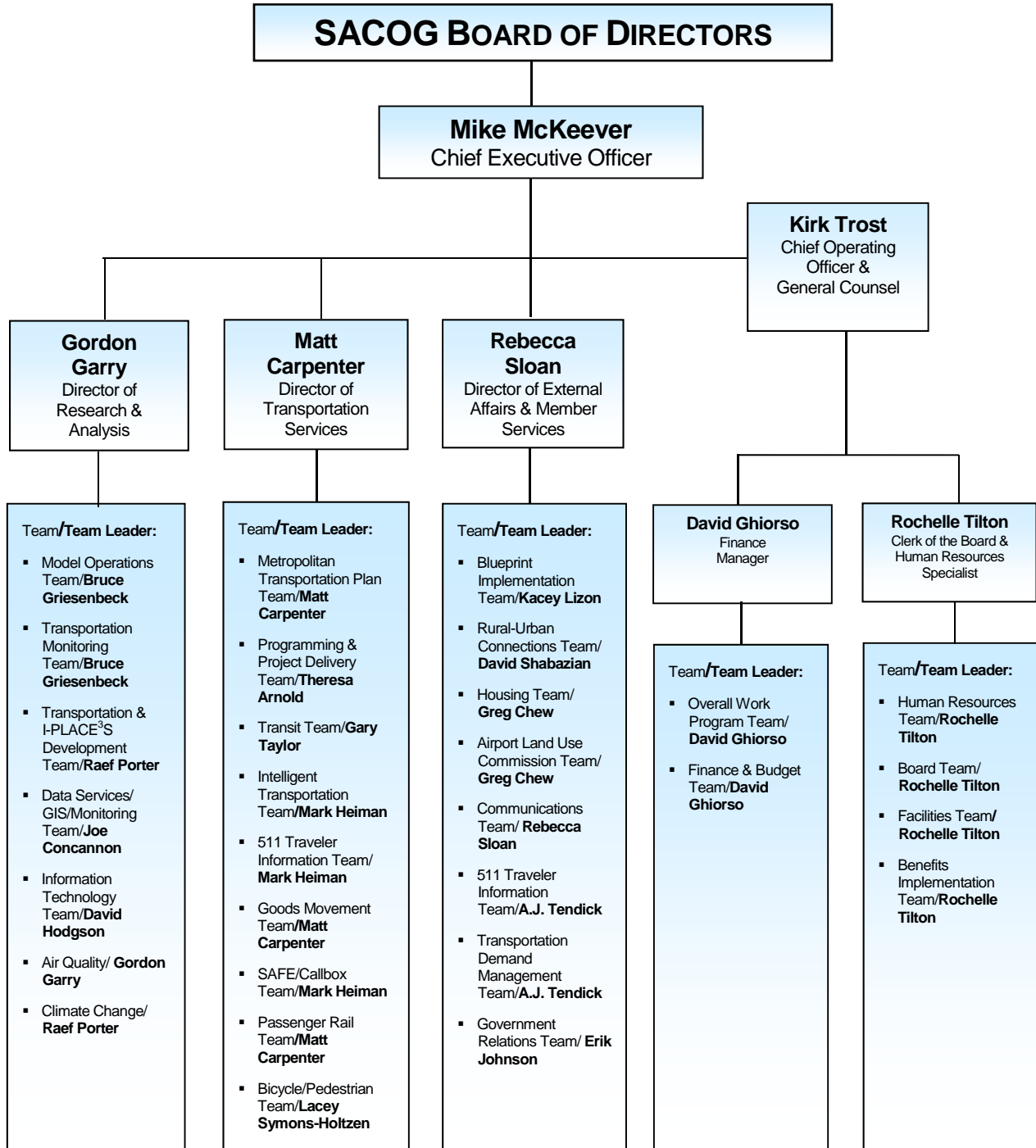
President

Jeffrey R. Emmer

Executive Director



Organization Chart





INDEPENDENT AUDITORS' REPORT

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

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 fiscal year ended June 30, 2012, which collectively comprise SACOG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SACOG's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit 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, which are major funds and collectively represent 38 percent, 24 percent, and 72 percent, respectively, of the assets, net assets, and revenues of the governmental activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SACOG's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of SACOG as of June 30, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 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 evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SACOG's financial statements as a whole. 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 financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the supplementary information and the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the 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.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
January 17, 2013

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

This section of the annual financial report presents a discussion of the financial position and changes in financial position for the Sacramento Area Council of Governments (SACOG) and its related component units for the fiscal year ended June 30, 2012. This discussion and analysis is intended to be used in conjunction with the financial statements and the notes to the financial statements, which follow this section.

Overview

The approval of the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) for 2035, which occurred in April 2012, was a major focus of the year. This new plan covers the six-county region. The program-level Environmental Impact Report (EIR) for the MTP/SCS, which has to be in compliance with the California Environmental Quality Act (CEQA), was also approved at the same time.

Metropolitan Planning Organizations (MPOs) are required to prepare a new MTP every four years. The last MTP was adopted by the Board of Directors in March 2008. Since then, California enacted the Sustainable Communities and Climate Protection Act, also known as Senate Bill 375, which requires MPOs to include a Sustainable Communities Strategy (SCS) element in their MTP updates to further integrate transportation planning, land use planning, state affordable housing processes, streamlined environmental review under CEQA, and greenhouse gas emission reductions. With respect to the latter, the MTP/SCS forecasts greenhouse gas emission reductions of 10 percent by 2020 and 16 percent by 2035, if the MTP/SCS is implemented.

SACOG engaged in extensive public outreach and education to coincide with the technical research and planning. The MTP/SCS 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.

SACOG continued work on the Regional Plan for Sustainable Development project. This project helped support the new Sacramento Regional Consortium, which is made up of regional partners and stakeholders charged with promoting infrastructure and development near transit stations. The Consortium's task is to improve quality of life through creating more complete communities and reducing overall cost of living. This work is expected to continue into the 2012-13 budget year. The work complements the MTP/SCS and supports the environmental review work that will benefit transit priority areas under SB 375.

Rural-Urban Connections Strategy (RUCS) work continues. Last year, SACOG received a grant from the California Strategic Growth Council, a partnership between state agencies, to support this ongoing work into the future. SACOG received another grant in October 2011, to work with the food banks and agriculture producers to study the potential for a local food system using food banks as distribution hubs for locally grown food. RUCS is designed to study the challenges and opportunities in the rural areas, with an eye toward the economic sustainability of rural areas, as well

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as the transportation needs in rural areas, where agricultural vehicles often compete with commuters who bypass congested main roads for rural roads.

The Connect Card Implementation project continues to march forward, with full system application expected by January 2014. The new system is expected to simplify and integrate transit operations, improve system connectivity, contribute to regional air quality goals, and increase the attractiveness of transit to new patrons. The project involves the implementation planning, procurement, and deployment of a regional universal transit fare card system. During the year, the project was proceeding in Phase II.

The 511/STARNET Capital Improvement project also is moving forward, and it is expected that in FY 2013-14, work will conclude, and the project will become more operations- and maintenance-focused. The project will enable real-time sharing of data and live video, and the refinement of joint procedures for operations of roadways and public transportation safety activities. The project also will provide more timely and accurate information for travelers via the region's 511 website and interactive phone services.

A new foray into the Plug-In Electric Vehicle arena began in September 2011, with the receipt of a grant from the U.S. Department of Energy. The project was tasked with establishing a Capital Area Plug-in Electric Vehicle Coordinating Council between various local jurisdictions and then forming a partnership with other interested regions, in order to plan for plug-in electric vehicle infrastructure around California. In addition, in October 2011, SACOG was awarded another grant for \$200,000 to further support these efforts. These efforts will continue into the next two years.

The Sacramento Emergency Clean Air and Transportation (SECAT) program continues to provide for the retrofitting of diesel engines with cleaner, fuel-efficient engines. In December 2011, SACOG allocated \$115 million in state and federal funds (held by Caltrans) to local governments through the regional funding program. SACOG's Project Delivery/Programming Team administers the program that approves federal funds to regional jurisdictions for capital types of projects. SACOG also administers many pass-through grants on behalf our member jurisdictions, and local transit agencies.

Financial Highlights

The overall net assets of SACOG are \$55,931,343 an increase of \$3,221,771 from last year.

The Planning and Administration's fund balance decreased by \$1,069,223 from last year, as a result of a \$720,359 decrease from the Planning Administration operations and a decrease of \$477,947 due to the SACOG Managed Fund activity. This was offset by a \$101,583 increase in the Board and Advocacy Fund and a \$27,500 increase in the GIS Recipient's fund balance.

The SACOG Managed Fund activity (included within the Planning and Administration fund) included interest income and expenditures to jurisdictions who participate in the Community Design program and other programs. Last year, this activity was integrated into the SACOG Planning and

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Administration Fund because of the reporting requirements of GASB 54. Interest earned was \$37,504 and disbursements to grantees totaled \$517,451. The net impact to fund balances was a \$477,947 decrease.

The SACOG Financing Corporation increased its fund balance by \$15,032 due to investment earnings in the Sacramento County investment pool. The cash and investments in the fund are the result of two building sales transactions in prior years.

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. This is the fourth year of operations. This year the fund had increased activity and received \$13.7 million in advance funds compared to \$800,000 last year. Reimbursements to the local transit operators for approved and completed projects were higher than last year because of the increased activity.

The STA Special Revenue Fund appears to be back on its normal annual cycle of funding by the State of California, as SACOG received \$14.2 million for the year. Payments out to jurisdictions increased accordingly.

The four Local Transportation Funds (LTFs) had increased sales tax revenue as compared to last year. This is the second year in a row for sales tax increases. The combined four-county average increase was 5.77 percent higher than last year. Yuba County had the highest percentage increase of 8.48 percent. Payments to jurisdictions also were higher, as more funds were available for distribution. The combined assets for the four funds increased by \$2.4 million, primarily because Sacramento County had more cash at year-end as a result of a higher amount of funds Due to other Governments than last year. Corresponding liabilities for four LTF funds (apportionment claims) increased by \$5.5 million primarily due to more reimbursement claims awaiting disbursement at the Sacramento County LTF. The liability balances can fluctuate from year to year depending when the jurisdictions submit their reimbursement claim requests.

The SECAT fund (utilizing TCRP state money) continues to exist, as the fund received refunds from prior disbursements because not all funds were needed by grant recipients. Caltrans has requested that the refunds be returned directly to them as they oversee the state TCRP program. A second SECAT program funded with CMAQ federal monies is accounted for in the Planning and Administration Fund.

Increases in fund balance for the Capitol Valley Service Authority for Freeways and Expressways (Capitol Valley SAFE) and Glenn County Service Authority for Freeways and Expressways (Glenn County SAFE) reflect normal operations. Some significant costs for Capitol Valley SAFE did not occur as planned. As a result, fund balance increased by \$556,178.

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Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SACOG's basic financial statements. The basic financial statements are comprised of the government-wide financial statements, the fund financial statements, and the notes to the basic financial statements. This report also contains required supplementary information to further enhance the reader's understanding of SACOG's financial position, as well as statistical and other information.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of SACOG's financial performance in a manner similar to the financial reports provided to stockholders of private-sector companies.

The statement of net assets presents information on all of SACOG's assets and liabilities, including its component units, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SACOG as a whole is improving or deteriorating. The statement of activities presents information showing how SACOG's net assets have changed during the fiscal year. Revenues and expenses are reported when the underlying event giving rise to the transaction occurs, regardless of when the cash is received or paid.

FUND FINANCIAL STATEMENTS

SACOG has eleven 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 an annual budget for the Planning and Administration Fund and the Board and Advocacy Fund, which is accounted for separately within the Planning and Administration Fund. Much of the Planning and Administration fund budget is formulated through the OWP in order 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, and Federal Transit Administration also review and approve the OWP. The Board of Directors also adopts a separate budget for expenditures not related to the OWP, i.e., capital equipment expenditures, Board of Directors and Advocacy, and other program expenditures not eligible for grant funding.

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The SECAT program and the PTMISEA do not have annual budgets since they are grant funded and used only for their ongoing specific program. 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 also the SACOG Board of Directors. The Glenn County SAFE fund does not have an annually adopted budget 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 essential for a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes can be found on pages A-29 through A-60 of this report.

Government-Wide Financial Analysis

Overall, SACOG's net assets increased \$3,221,771 as shown in the following table.

STATEMENT OF NET ASSETS
For Years Ended June 30, 2012 and 2011

	Governmental Activities		Increase (Decrease)
	2012	2011	
ASSETS			
Current and other assets	\$ 76,473,583	\$ 61,600,032	\$ 14,873,551
Capital Assets	281,982	769,096	(487,114)
Total Assets	<u>76,755,565</u>	<u>\$ 62,369,128</u>	<u>14,386,437</u>
LIABILITIES			
Other Liabilities	19,515,816	8,480,537	11,035,279
Long Term Liabilities	1,308,406	1,179,019	129,387
Total Liabilities	<u>20,824,222</u>	<u>9,659,556</u>	<u>11,164,666</u>
NET ASSETS			
Invested in Capital Assets	\$ 281,982	\$ 769,096	\$ (487,114)
Restricted:			
Transportation Claimaints	38,980,228	34,088,672	4,891,556
Unrestricted	16,669,133	17,851,804	(1,182,671)
Total net assets	<u>\$ 55,931,343</u>	<u>\$ 52,709,572</u>	<u>\$ 3,221,771</u>

Total current and other assets increased by \$14.9 million as a result of the following significant activity that occurred in each of SACOG's major funds:

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- The PTMISEA fund assets increased by \$8.9 million because the amount awarded this year was approximately \$13.7 million greater than last year. Disbursement to grantees amounted to \$6.4 million versus \$1.6 million last year.
- The STA fund assets increased by \$4.0 million, as STA received \$14.2 million of funding this year. STA last received funding in June 2010, which was used to cover two years, FY 2009-10 and FY 2010-11.
- The combined assets of the four Local Transportation Funds increased by \$2.4 million. Three of the counties had higher balances, totaling \$4.6 million, but this was offset by a decrease of \$2.3 million from Yolo County. Balances can fluctuate, depending on when reimbursement claims are submitted and paid.
- The SACOG Planning and Administration assets decreased by \$1 million due to use of fund balance reserves by the planning fund and SACOG Managed Fund disbursements.
- Capitol Valley SAFE's assets were higher by \$500,000, as projected expenditures did not occur as anticipated.

Total capital assets decreased by \$487,114 due to an increase to accumulated depreciation resulting from depreciation expense.

Total liabilities increased by \$11.2 million due to the following significant activity:

- Liabilities in the four Local Transportation Funds increased by \$5.5 million primarily because Sacramento County had significantly higher outstanding claimant requests at year-end compared to the previous fiscal year (\$8.6 million vs. \$1.7 million). Sutter County's balance was \$1 million higher and Yolo County's balance was \$2.3 million lower. Liabilities can fluctuate if jurisdictions do not file timely claims to receive their LTF monies. The Sacramento County increase was due to timing issues and various jurisdictions that had not filed claims for payment.
- Liabilities for the STA fund increased by \$3.9 million, as SACOG received STA funds this year. No funds were received last year. The amount at year-end represents STA claimant requests. This can vary from year to year depending on when claim requests are submitted.
- PTMISEA fund liabilities increased by \$1.5 million compared to last year's amount of only \$74,000. This year, the fund received significant funding which correspondingly effects payments to transit claimants. The fund liabilities can fluctuate year-to-year based on transit claimant invoices still outstanding at year-end.

Net Assets increased by \$3.2 million as result of:

Capital Assets declined by \$487,114 due to depreciation expense.

Restricted Net Assets increased by \$4.9 million. The PTMISEA restricted asset balance increased by \$7.4 million due to significantly higher funding from the state bond sales during the

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year. This increase was offset by a decrease in the Sacramento County LTF restricted assets of \$3.6 million, while the other three counties had increases.

For both Sacramento and Yolo counties, actual sales tax revenues came in higher than the apportionment amount, which helped increase net assets. In both cases, the extra funds can now be apportioned out in either FY 2012-13, as an amendment (revision), or can be used in the FY 2013-14 apportionment process.

Unrestricted Net Assets decreased by \$1.2 million. This balance declined due to payouts to SACOG Managed Fund (SMF) project claimants for approved expenditures from the fund. Net impact of SMF transactions (expenditures vs. interest income on the SMF cash balance) was a net outflow of approximating \$477,947. SACOG operations also used approximately \$720,000 of reserve funds for operations. SACOG did have an increased OPEB liability of \$139,039; however, this was partially offset by increases in the Board and Advocacy fund activity.

STATEMENT OF ACTIVITIES
For Years Ended June 30, 2012 and 2011

	Governmental Activities		Increase (Decrease)
	2012	2011	
Revenues			
Program Revenues:			
Charges for services	\$ 2,773,900	\$ 2,691,010	\$ 82,890
Operating Grants and contributions	25,604,323	18,171,115	7,433,208
General revenues:			
State shared revenue - sales /use tax	73,300,929	55,894,683	17,406,246
Investment earnings	249,031	261,290	(12,259)
Other and In-Kind	447,720	995,918	(548,198)
Total Revenues	<u>102,375,903</u>	<u>78,014,016</u>	<u>24,361,887</u>
Expenses			
Planning and Administration	16,548,264	20,668,754	(4,120,490)
Transportation Claimants	73,899,504	51,508,069	22,391,435
SECAT	58,172	1,313	56,859
PTMISEA	6,385,003	1,579,144	4,805,859
Capitol Valley Regional SAFE	2,247,338	2,293,278	(45,940)
Glenn County SAFE	15,851	16,061	(210)
Total expenses	<u>99,154,132</u>	<u>76,066,619</u>	<u>23,087,513</u>
Change in Net Assets	3,221,771	1,947,397	1,274,374
Net- Assets Beginning	52,709,572	50,762,175	1,947,397
Net - Assets Ending	<u>\$ 55,931,343</u>	<u>\$ 52,709,572</u>	<u>\$ 3,221,771</u>

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Total revenue increased by \$24.4 million as a result of the following significant activity:

- State Shared Revenue – Sales and Use Tax (which includes STA and the four LTF Funds) increased by \$17.4 million. The increase is primarily due to a \$14.1 million increase in STA funds, as last year, no STA revenues were received by SACOG. Prior to that, the STA fund received \$14.7 million the final week of 2009-10, that covered two years (FY 2009-10 and FY 2010-11). It appears that the State of California is back on track with its annual funding of STA.

All four LTF funds had sales tax increases over the prior year. The Sacramento County LTF sales tax revenue increased by \$2.3 million (5.4 percent), Yolo County LTF sales tax revenue increased by \$474,000 (6.1 percent), Sutter County LTF sales tax revenue increased by \$258,000 (8.2 percent), and Yuba County LTF sales tax revenue increased by \$97,000 (8.4 percent). This is the second straight year that the LTFs have seen sales tax increases.

- Operating Grants and Contributions revenue reflects a net increase of \$7.4 million. PTMISEA revenue increased \$12.9 million over last year. Last year, the state funding to PTMISEA was only \$800,000 compared to \$13.7 million this year. PTMISEA funding to SACOG is dependent on state bond sales, which can vary from year to year, depending on the state's financial circumstances.

The Planning and Administrative Fund revenue decreased by \$5.4 million as a result of less reimbursable expenditures. SACOG operations are primarily reimbursement based. Revenues and expenditures can fluctuate from year to year, depending on what projects are completed by staff, and the dollar amount of pass-through projects activity that SACOG manages/oversees for the year.

Total expenses increased by \$23.1 million based on the following significant activity:

- Transportation claimants' expenditures for STA and the four LTF funds increased by \$22.4 million primarily because STA expenditures were \$14.0 million higher than last year, when no expenditures or revenue were recorded. In the 2009-10 year, STA recorded \$14.7 in revenue and expenditures that resulted in the allocation of two years of funds that encompassed fiscal years 2009-10 and 2010-11.

The four LTF funds reflect a net \$8.3 million increase in expenses. Sacramento and Yolo counties show higher expenses, while Sutter and Yuba counties have lower expenses. Sacramento County expenses increased \$8.8 million due to higher apportionment, and a mid-year revision to increase the FY 2011-12 apportionment. The increased apportionment took into account increased sales tax revenues and a significant amount from the June 30, 2012, reserve. Yolo County expenses increased \$1.7 million, as the county increased its apportionment from the previous year. Sutter County expenses decreased by \$2 million, because the prior year's apportionment number was unusually high, due the correction of a previous sales tax recording error taken into account in 2010-11. The Sutter County apportionment for FY 2011-12 was more in line with the actual sales tax received. Yuba

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County expenses decreased by \$19,000, as the county's apportionment estimates appear to be relatively flat for the last two years, even though sales tax revenues increased.

- PTMISEA expenses increased by \$4.8 million over the previous year as a result of higher reimbursement requests and the fact that the program received \$12.9 million more revenue this year compared to last year. There was more money to pay out to more grantees. 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.
- Planning and Administration expenditures decreased by \$4.1 million over last year. As noted above in the revenue section, Planning and Administration revenues also decreased, as SACOG's operations are primarily reimbursement based. This 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.

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 change in balance, which is broken out into four components for clarity, decreased by \$1,069,223 from last year. This amount takes into account the activity from the Board and Advocacy Fund and the SACOG Managed Fund. The decrease is broken out into four sections:

- A \$720,359 decrease from the planning and administration activities
- A \$477,947 net decrease from expenditures from the SACOG Managed Fund committed reserve
- A \$101,583 increase in the Board and Advocacy Fund Committed balance
- A \$27,500 increase in the GIS Recipient's Assigned fund balance reserve

SACOG's operations are primarily reimbursement based due to its funding structure. Expenditures drive the offsetting revenues, which in most cases results in a net zero effect, depending on whether SACOG's annual primary source of local funds (TDA funds for planning and administration) is fully utilized, either as a match for our federal grants and/or used to overmatch project costs, if deemed necessary to meet the project deliverables. A use of reserves 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.

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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 \$400,159. Combined use of reserves was \$618,776, generally due to some minor unanticipated expenses, some future year obligations satisfied in the current year, and some minor declines in revenues.

SACOG FINANCING CORPORATION

The SACOG Financing Corporation, a legally-separate entity, was created to purchase the Meridian Plaza complex with a local developer. During 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 in the fund to \$3,858,271. The only activity for the year was investment earnings of \$15,032.

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. In May 2010, the Board authorized the use of up to \$1,042,000 of the funds to support the FY 2010-11 Planning and Administration Fund should that be necessary. In May 2011, the Board continued that authorization for use in FY 2011-12, should that be necessary. As of June 30, 2012 the amounts were not necessary for FY 2011-12, thus they were reassigned to funding of retiree health benefits.

**SACRAMENTO EMERGENCY CLEAN AIR AND
TRANSPORTATION PROGRAM (SECAT)**

SECAT is in its twelfth 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 nitrous oxide (NOx) emissions in the region. SACOG had planned to close this fund in FY 2012-13; however, it continues to receive refunds from monies not fully utilized by the engine owners. Caltrans has directed SACOG to return these refunds to Caltrans as the administrator of the original TCRP program. SACOG is complying with the request. During the year, \$46,139 in refunds were received by SACOG, and \$58,172 was paid to Caltrans. The cash balance was \$46 at year-end but that will increase by \$20,697 in FY 2012-13 when the Accounts Receivable (refunds) amount of \$20,697 is received. Those funds will be paid to Caltrans.

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

The amount awarded to the PTMISEA program, now in its fourth year, was \$13,695,246. Last year, the program received \$800,000, and the year before that it received \$15.3 million. Amounts awarded are impacted by the State of California's ability to sell bonds for this program. Payments to approved grantees this year amounted to \$6.4 million; the two prior year expenditures were \$1.6

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million and. \$4.7 million, respectively. Cash balance at year-end is \$23.1 million, versus \$14.2 million last year.

Payments out were for Transit Facilities Improvements, Transit Operations Expansion, Automated Fare Box Improvements, Connect Card Implementation costs, Fleet Maintenance Equipment, Bus Engines, and more. More detail on this can be found in the Note O section of the Notes to Basic Financial Statements. The SACOG Board of Directors approves all projects that receive PTMISEA funds.

STATE TRANSIT ASSISTANCE FUNDS (STA)

The STA Special Revenue Fund appears to be back on its normal annual cycle of funding by the State of California, as SACOG received \$14.2 million for the year compared to no revenues or expenses last year. Approximately the same amount (\$14.0 million) also was allocated out (shown as expense) during the year. In FY 2009-10, SACOG received approximately \$14.7 million that ended up covering two fiscal years, FY 2009-10 and FY 2010-11, since there was no STA funding in FY 2010-11. The ending fund balance amount was \$255,441 and is categorized as Restricted. This balance represents funds not yet allocated to the transit agencies or jurisdictions.

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.

COUNTY OF SACRAMENTO LOCAL TRANSPORTATION FUND

Sales tax revenues increased for the second year in row, after a 10 percent dip in 2010. This year's sales tax revenues increased by \$2,394,365 (5 percent) to \$46.2 million for the year. The previous year increase was \$3,452,868 (9 percent). Sales tax is on a very strong upward trajectory, as total sales tax of \$46.2 million has now exceeded the high in 2009 of \$44.1 million.

Apportionment expenditures increased by \$9.2 million (23 percent) over last year and ended at \$49.9 million for the year, primarily because the FY 2011-12 original apportionment was revised in February 2012. The revision increased the sales tax estimate by \$2,344,300 to \$45,144,300. It also increased the use of fund balance reserves by \$3,555,700 to \$4,755,700. The apportionment for FY 2012 was the highest in the last four years.

Actual sales tax ended up about \$1.1 million higher than projected, so not all of the fund balance reserve planned for FY 2011-12 was used. This accounts for the net change in fund balance decreasing by \$3.6 million. Fund Balance, which represents accumulated unapportioned amounts, ended up at \$9.4 million, which was \$3.6 million lower than same time last year. That new balance

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represents about 2.5 months of receivables, based upon the Due from Other Governments balance at June 30, 2012 (\$7.4 million for May and June 2012).

The apportionment for FY 2012-13 projects \$44,000,000 in sales tax revenue and zero use of the fund balance reserve. This estimate for FY 2012-13 is in line with actual sales tax revenues for 2011, but \$2.6 million lower than the actual sales revenues for FY 2011-12.

COUNTY OF YUBA LOCAL TRANSPORTATION FUND

Sales tax revenues increased the last two years from the big drop in 2010. This year's sales tax revenues increased by \$97,404 (8 percent) to \$1.3 million. The previous year increase was \$126,617 (12 percent). Sales tax is on a strong upward trend, as total sales tax of \$1.3 million has now exceeded the high in 2009 of \$1.2 million.

Apportionment expenditures declined a small amount (-2 percent) over last year, to \$950,000. The county projection for FY 2011-12 was comparable to the 2011 apportionment. The apportionment number was based on a sales tax estimate of \$950,000 only, and did not include any use of fund balance. As it turns out, the actual sales tax was \$1,246,638 higher than projected, which equated to a \$296,638 difference that added to fund balance. Fund balance, which represents cumulated unapportioned amounts, ended up at \$693,038, primarily because the actual sales tax came in higher than projected. The apportionment for FY 2012-13 uses \$200,000 of the reserve funds, and includes an increased sales tax revenue estimate of \$1,003,500, which is a 5.6 percent increase over last year's estimate, but a solid \$200,000 less than the actual sales tax revenues for the last two years.

COUNTY OF SUTTER LOCAL TRANSPORTATION FUND

Sales tax revenues continue to increase. Sales tax revenues increased by \$257,724 (8 percent) to \$3.4 million for the year. The previous year's increase was \$138,830 (5 percent). The sales tax trend continues to be positive, as total sales tax of \$3.4 million has exceeded the high in 2009 of \$2.9 million.

Apportionment expenditures decreased by \$2.1 million (-39 percent) compared to last year, to \$3.3 million for the year. The apportionment for FY 2011 was unusually high at \$5.5 million, and it was higher than any previous single year, as a significant portion of fund balance was used to increase the apportionments total as a result of the correction of a prior year's revenue error, when sales tax revenue was understated. The apportionment for FY 2011-12 was more in line with the annual sales tax revenues. The FY 2011-12 apportionment was based on a sales tax estimate of \$3,100,000 and the use of \$228,723 of fund balance. As it turns out, the actual sales tax was higher at \$3,402,913, which equates to a \$302,913 difference.

Fund balance, which represents cumulated unapportioned amounts, ended up at \$668,609, which was \$94,955 higher than last year. This was due the increased sales tax and the fact that the county did not have to use any of the fund balance amount after all. The apportionment for FY

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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2012-13 uses \$400,000 of the June 30, 2012, balance reserve funds, and a higher sales tax revenue estimate of \$3,321,552, which is a 7 percent increase over last year's sales tax estimate.

COUNTY OF YOLO LOCAL TRANSPORTATION FUND

Sales tax revenues have increased the last two years. This year's sales tax revenues increased by \$473,865 (6 percent) to \$8.2 million for the year. The previous year increase was \$750,428 (11 percent). The 2012 sales tax number exceeds the high in 2009 of \$7.8 million.

Apportionment expenditures increased by \$1.7 million (26 percent) over last year, to \$8.2 million. The county increased its apportionment projection for FY 2011-12 to \$6.5 million. The apportionment amount was based on a sales tax estimate of \$7.3 million and the use of accumulated fund balance of \$887,000, totaling \$8.2 million. As it turns out, the actual sales tax was \$1 million higher than the projected sales tax and that covered the apportionment amount, so there was no need to dip into the fund balance amount of \$877,000.

Fund balance, which represents accumulated unapportioned amounts, ended up at \$2.2 million, which approximated last year's ending balance amount. The \$1 million of actual sales tax over the projected amount negated the need for use of any fund balance. The apportionment for FY 2012-13 uses \$1.8 million of the June 30, 2012, fund balance, with projected sales tax revenue of \$7.8 million, for a total apportionment of \$9.6 million.

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

The Capitol Valley Regional SAFE program fund balance increased by \$556,178. Actual revenues compared to budgeted revenue increased by \$175,642, primarily from higher vehicle registration revenue. Actual costs ended up lower than budget by \$415,866, primarily because certain costs related to the 511/STARNET Capital Improvement project and the 511/STARNET Operations program did not materialize as planned. As a result, the fund balance increased accordingly. This 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

The Glenn County SAFE fund balance increased \$12,743 over last year. The increase this year was slightly higher than last year, as revenues were up by \$1,968 due to an increase in registration fees. Expenses were only \$75 higher than last year. For the third year in a row, total annual expenditures continue to average \$10,000 to \$12,000 less than annual total revenues.

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Management's Discussion and Analysis
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(Continued)

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, will 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 from 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.

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, office equipment expenditures, 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 original budget projected a use of reserve funds of \$894,976, of which \$857,000 related to the Planning and Administration fund and \$37,976 was for the Board of Directors Advocacy Fund. The budgeted use of reserved funds was later amended to \$400,159, of which \$362,183 was for the Planning and Administration fund and the Board and Advocacy budget remained the same. The actual change in balance in the Planning and Administration Fund was \$1,069,223. The change is made up the following components: expenditures of \$720,359 from the Planning and Administration Fund itself; expenditures of \$477,947 from the SACOG Managed Fund ; a surplus of \$101,583 from the Board and Advocacy Fund; and a \$27,500 increase in reserves in the GIS Recipient's assigned fund.

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(Continued)

Capital Assets

Total investment in capital assets at June 30, 2012, net of accumulated depreciation, was \$281,982, a decrease of \$487,114 from the prior year. The primary reason for the decrease was depreciation expense. Capital additions were \$42,023 for the year. Planning and Administration assets are primarily computers and other office equipment. SAFE assets are fixed Call box capital costs.

	Planning and Administration	Capitol Valley Regional SAFE	Glenn County SAFE	Total - Governmental Activities
Equipment, Furniture, Phones, computers, and software	\$ 1,104,921	\$ -	-	\$ 1,104,921
SAFE Equipment		5,202,240	195,659	5,397,899
Less Accumulated Depreciation	(1,027,048)	(5,005,799)	(187,991)	(6,220,838)
Capital Assets, Net	\$ 77,873	\$ 196,441	\$ 7,668	\$ 281,982

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) that the Board approved five years ago, 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. 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 two-tier retirement system with reduced benefits, and modifying the formula for calculating retirement benefits.

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Management's Discussion and Analysis
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(Continued)

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. The last two years have seen increases in sales tax revenues throughout the SACOG region, which effects SACOG's funding.

In the long term, we expect funding levels to increase as the economy improves. 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 improved with the passage of Proposition 30 in the November General Election and the federal outlook for transportation is improved by the new federal transportation reauthorization bill. The federal bill, titled *Moving Ahead for Progress in the 21st Century* (MAP-21), covers the two-year period expiring October 1, 2014. Under the bill, SACOG expects that the number of discretionary grants SACOG typically receives each year for various transportation and transit planning functions may be subject to change. 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. Each year, SACOG monitors cash flow issues that could result from state budget delays.

The SACOG Board of Directors adopted a budget, also called the Overall Work Program (OWP), of \$50,301,372 to fund the transportation planning projects in fiscal year 2012-13, of which a significant portion was for rollover grant funding or pass-through to other agencies. The OWP continues a focus on the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS), with particular emphasis on implementation now that the MTP/SCS 2035 was approved in April 2012. This focus will include strategies to fund early year plan priorities and support local jurisdictions interested in pursuing SB375 CEQA benefits that became available with the adoption of the MTP/SCS. SACOG will also continue to complete work related to the RUCS project as part of, and in concert, with implementation of the MTP/SCS. Continuing projects include the next phase implementation of the Connect Card and the Intelligent Transportation Systems' STARNET project, and the Plug-In Electric Vehicle work.

SACOG and its component units remain fiscally stable, although it is projecting to use a small portion of its reserve funds for its fiscal year 2012-13 operations. 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 member agencies with their land use and transportation planning in order to create a more livable and transportation-friendly region.

Sacramento Area Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Continued)

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 Assets

June 30, 2012

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 58,706,912
Receivables	17,692,050
Other assets	74,621
Non-current assets:	
Capital assets, net	281,982
Total assets	<u>76,755,565</u>
LIABILITIES	
Current liabilities:	
Payables	19,452,322
Long term liabilities - Due within one year	12,984
Compensated absences - Due within one year	50,510
Subtotal	<u>19,515,816</u>
Non-current Liabilities	
Long term liabilities	89,807
Compensated absences benefit	959,695
Net other post employment liability	258,904
Subtotal	<u>1,308,406</u>
Total liabilities	<u>20,824,222</u>
NET ASSETS	
Invested in capital assets	281,982
Restricted for Transportation Claimants	38,980,228
Unrestricted	16,669,133
Total net assets	<u>\$ 55,931,343</u>

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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
Planning and administration	\$ 16,548,264	\$ 481,980	\$ 11,909,077	\$ (4,157,207)
Transportation claimants	73,899,504	-		(73,899,504)
Sacramento Emergency Clean Air and Transportation Program	58,172	-	-	(58,172)
PTMISEA	6,385,003		13,695,246	7,310,243
Capitol Valley Regional SAFE	2,247,338	2,261,157		13,819
Glenn County SAFE	15,851	30,763		14,912
Total Governmental Activities	<u>\$ 99,154,132</u>	<u>\$ 2,773,900</u>	<u>\$ 25,604,323</u>	<u>(70,775,909)</u>

General revenues:

State shared revenue - sales and	73,300,929
Investment earnings	249,031
In-kind Revenue	293,611
Other	154,109
Total general revenue	<u>73,997,680</u>
Change in net assets	3,221,771
Net assets - beginning	<u>52,709,572</u>
Net assets - ending	<u>\$ 55,931,343</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, 2012

	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	\$ 12,208,776	\$ 3,858,271	\$ 46	\$ 23,122,473	\$ 1,447,976
Accounts receivable	-	-	20,697	-	-
Miscellaneous receivable	30,839	-	-	-	-
Due from other governments	3,956,784	-	-	-	3,600,686
Interest receivable	23,142	4,277	4	23,242	2,003
Prepaid items	72,497	-	-	-	-
Total assets	\$ 16,292,038	\$ 3,862,548	\$ 20,747	\$ 23,145,715	\$ 5,050,665
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,715,311	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	263,003	-	-	-	-
Deferred Revenue	212,711	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	116,092	-	20,747	1,616,845	4,795,224
Total liabilities	2,115,677	-	20,747	1,616,845	4,795,224
Fund Balances:					
Nonspendable:					
Prepaid Items	72,497	-	-	-	-
Restricted:					
PTMISEA Funds	-	-	-	21,528,870	-
State Transit Assistance Funds	-	-	-	-	255,441
Local Transportation Funds - Sacramento County	-	-	-	-	-
Local Transportation Funds - Yuba County	-	-	-	-	-
Local Transportation Funds - Sutter County	-	-	-	-	-
Local Transportation Funds - Yolo County	-	-	-	-	-
Capitol Valley Regional SAFE	-	-	-	-	-
Glenn County SAFE	-	-	-	-	-
Committed:					
Board & Advocacy	211,122	-	-	-	-
SACOG Managed Fund Grantees	1,820,244	-	-	-	-
Assigned:					
Legal Defense	500,000	-	-	-	-
Self Insurance	200,000	-	-	-	-
Project Specific Carryover Funds	193,182	-	-	-	-
GIS Recipients	89,897	-	-	-	-
Post Employment Benefits (OPEB)	-	3,862,548	-	-	-
Unassigned:					
Unassigned Fund Balance	11,089,419	-	-	-	-
Total fund balances	14,176,361	3,862,548	-	21,528,870	255,441
Total liabilities and fund balances	\$ 16,292,038	\$ 3,862,548	\$ 20,747	\$ 23,145,715	\$ 5,050,665

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

Sacramento Area Council of Governments

Balance Sheet
GOVERNMENTAL FUNDS

June 30, 2012

Special Revenue							
Local Transportation Funds				Capitol Valley Regional SAFE	Glenn County SAFE	Total Governmental Funds	
Sacramento County	Yuba County	Sutter County	Yolo County				
\$ 10,562,824	\$ 474,237	\$ 1,088,597	\$ 1,915,571	\$ 3,910,415	\$ 117,726	\$ 58,706,912	
-	-	-	-	390,422	5,101	46,220	
-	-	-	-	-	-	30,839	
7,458,500	217,059	574,000	1,361,500	-	-	17,168,529	
11,272	1,742	6,501	-	4,149	130	76,462	
-	-	-	-	2,124	-	74,621	
\$ 18,032,596	\$ 693,038	\$ 1,669,098	\$ 3,277,071	\$ 4,307,110	\$ 122,957	\$ 76,473,583	
\$ -	\$ -	\$ -	\$ -	\$ 177,611	\$ 5,518	\$ 1,898,440	
-	-	-	-	-	-	263,003	
-	-	-	-	-	-	21,271	
-	-	-	-	-	-	-	
8,635,053	-	1,000,489	1,085,158	-	-	17,269,608	
8,635,053	-	1,000,489	1,085,158	177,611	5,518	19,452,322	
-	-	-	-	2,124	-	74,621	
-	-	-	-	-	-	21,528,870	
-	-	-	-	-	-	255,441	
9,397,543	-	-	-	-	-	9,397,543	
-	693,038	-	-	-	-	693,038	
-	-	668,609	-	-	-	668,609	
-	-	-	2,191,913	-	-	2,191,913	
-	-	-	-	4,127,375	-	4,127,375	
-	-	-	-	-	117,439	117,439	
-	-	-	-	-	-	211,122	
-	-	-	-	-	-	1,820,244	
-	-	-	-	-	-	500,000	
-	-	-	-	-	-	200,000	
-	-	-	-	-	-	193,182	
-	-	-	-	-	-	89,897	
-	-	-	-	-	-	3,862,548	
-	-	-	-	-	-	11,089,419	
9,397,543	693,038	668,609	2,191,913	4,129,499	117,439	57,021,261	
\$ 18,032,596	\$ 693,038	\$ 1,669,098	\$ 3,277,071	\$ 4,307,110	\$ 122,957	\$ 76,473,583	

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

Fund balances - total governmental funds	\$ 57,021,261
Amounts reported for governmental activities in the statement of net assets are different because:	
Net OPEB Obligation.	(258,904)
Long term liability, not due in the current period, therefore, not reported in the funds.	(102,791)
Capital assets used in government activities are not financial resources, and are not reported in the funds.	281,982
Compensated absences not due and payable in the current period, and not reported in the funds.	(1,010,205)
Net assets of governmental activities	<u>\$ 55,931,343</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, 2012

	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	\$ -	\$ -	\$ -	\$ 13,695,246	\$ 14,182,888
Vehicle registration fees and traffic fines	-	-	-	-	-
Intergovernmental:					
Federal	8,678,720	-	-	-	-
State	2,676,805	-	-	-	-
Local	553,552	-	-	-	-
Charges for services	197,710	-	-	-	-
Member assessments	284,270	-	-	-	-
Investment earnings	50,047	15,032	74	66,734	4,973
In-kind	293,611	-	-	-	-
Other	66,295	-	46,139	-	-
Total revenues	<u>12,801,010</u>	<u>15,032</u>	<u>46,213</u>	<u>13,761,980</u>	<u>14,187,861</u>
Expenditures:					
Current:					
Transportation Claimaints					
City of Elk Grove	-	-	-	-	944,845
City of Citrus Heights	-	-	-	-	459,163
City of Davis	-	-	-	-	489,369
City of Folsom	-	-	-	-	422,991
City of Galt	-	-	-	-	126,439
City of Isleton	-	-	-	-	4,283
City of Live Oak	-	-	-	-	45,810
City of Sacramento	-	-	-	-	-
City of West Sacramento	-	-	-	-	252,346
City of Rancho Cordova	-	-	-	-	-
City of Wheatland	-	-	-	-	18,541
City of Winters	-	-	-	-	36,987
City of Woodland	-	-	-	-	298,525
City of Yuba City	-	-	-	-	-
County of Sacramento	-	-	-	-	133,122
County of Sutter	-	-	-	-	-
County of Yolo	-	-	-	-	122,827
County of Yuba	-	-	-	-	-
Sacramento Regional Transit District	-	-	-	-	9,596,963
Yuba-Sutter Transit Authority	-	-	-	-	891,912
Yolo County Transportation District	-	-	-	-	201,715
Paratransit, Inc	-	-	-	-	-
SAFE services	-	-	-	-	-
Freeway service patrol	-	-	-	-	-
Equipment and maintenance	-	-	-	-	-
Insurance and DMV fees	-	-	-	-	-
Planning and administration	15,857,825	-	-	-	-
Public Transportation Modernization Improvement & Service Enhancement	-	-	-	6,385,003	-
Payments to SMF grantees	517,451	-	-	-	-
Refunds returned to State SECAT Program	-	-	58,172	-	-
Capital outlay	42,023	-	-	-	-
Total expenditures	<u>16,417,299</u>	<u>-</u>	<u>58,172</u>	<u>6,385,003</u>	<u>14,045,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,616,289)</u>	<u>15,032</u>	<u>(11,959)</u>	<u>7,376,977</u>	<u>142,023</u>
Other Financing Sources (Uses):					
Transfers in	2,547,066	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>2,547,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,069,223)</u>	<u>15,032</u>	<u>(11,959)</u>	<u>7,376,977</u>	<u>142,023</u>
Fund balances - beginning	15,245,584	3,847,516	11,959	14,151,893	113,418
Fund balances - ending	<u>\$ 14,176,361</u>	<u>\$ 3,862,548</u>	<u>\$ -</u>	<u>\$ 21,528,870</u>	<u>\$ 255,441</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, 2012

Special Revenue						
Local Transportation Funds				Capitol Valley Regional SAFE	Glenn County SAFE	Total Governmental Funds
Sacramento County	Yuba County	Sutter County	Yolo County			
\$ 46,241,065	\$ 1,246,638	\$ 3,402,913	\$ 8,227,425	\$ -	\$ -	\$ 86,996,175
-	-	-	-	2,261,156	30,763	2,291,919
-	-	-	-	-	-	8,678,720
-	-	-	-	-	-	2,676,805
-	-	-	-	-	-	553,552
-	-	-	-	-	-	197,710
-	-	-	-	-	-	284,270
39,016	6,712	20,765	31,764	13,469	445	249,031
-	-	-	-	-	-	293,611
-	-	-	-	4,1675	-	154,109
<u>46,280,081</u>	<u>1,253,350</u>	<u>3,423,678</u>	<u>8,259,189</u>	<u>2,316,300</u>	<u>31,208</u>	<u>102,375,902</u>
4,763,165	-	-	-	-	-	5,708,010
2,916,956	-	-	-	-	-	3,376,119
-	-	-	2,585,123	-	-	3,074,492
2,365,378	-	-	-	-	-	2,788,369
803,235	-	-	-	-	-	929,674
27,211	-	-	-	-	-	31,494
-	-	287,800	-	-	-	333,610
331,851	-	-	1,880,520	-	-	3,318,51
42,932	-	-	-	-	-	42,932
-	44,122	-	-	-	-	62,663
-	-	-	275,852	-	-	312,839
-	-	-	2,224,939	-	-	2,523,464
-	-	1,345,087	-	-	-	1,345,087
1,232,740	-	-	-	-	-	1,365,862
-	-	715,189	-	-	-	715,189
-	-	-	920,039	-	-	1,042,866
-	352,238	-	-	-	-	352,238
33,554,746	-	-	-	-	-	43,151,709
-	514,877	844,823	-	-	-	2,251,612
-	-	-	-	-	-	201,715
1,824,843	-	-	-	-	-	1,824,843
-	-	-	-	344,831	15,610	360,441
-	-	-	-	851,210	-	851,210
-	-	-	-	459,685	-	459,685
-	-	-	-	19,631	149	19,780
-	-	-	-	84,765	2,706	15,945,296
-	-	-	-	-	-	6,385,003
-	-	-	-	-	-	517,451
-	-	-	-	-	-	58,172
-	-	-	-	-	-	42,023
<u>47,863,057</u>	<u>911,237</u>	<u>3,192,899</u>	<u>7,886,473</u>	<u>1,760,122</u>	<u>18,465</u>	<u>98,538,565</u>
(1,582,976)	342,113	230,779	372,716	556,178	12,743	3,837,337
-	-	-	-	-	-	2,547,066
(2,036,943)	(38,763)	(135,824)	(335,536)	-	-	(2,547,066)
(2,036,943)	(38,763)	(135,824)	(335,536)	-	-	-
(3,619,919)	303,350	94,955	37,180	556,178	12,743	3,837,337
13,017,462	389,688	573,654	2,154,733	3,573,321	104,696	53,183,924
<u>\$ 9,397,543</u>	<u>\$ 693,038</u>	<u>\$ 668,609</u>	<u>\$ 2,191,913</u>	<u>\$ 4,129,499</u>	<u>\$ 117,439</u>	<u>\$ 57,021,261</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, 2012

Net change in fund balances - total governmental funds (page A-23) \$ 3,837,337

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

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.

Capital outlay for Planning and Administrative Fund	42,023
Depreciation expense for Planning & Administrative Fund, Capitol Valley SAFE and Glenn SAFE	(529,139)

Net Other Post Employment Benefit Obligation	(139,039)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Debt for OPEB Liability	12,986
Compensated absences for Planning & Administrative Fund	<u>(2,397)</u>

Change in net assets of governmental activities (page A-19)	<u><u>\$ 3,221,771</u></u>
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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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal	\$ 31,911,454	\$ 38,097,977	\$ 8,678,720	\$ (29,419,257)
State	10,785,080	11,747,254	2,676,805	(9,070,449)
Local	838,095	857,421	553,552	(303,869)
Charges for services	398,206	294,727	197,710	(97,017)
Member assessments	284,270	284,270	284,270	-
Investment earnings	20,000	20,000	50,047	30,047
In-kind	836,031	1,685,127	293,611	(1,391,516)
Other		210,019	66,295	(143,724)
Total revenues	45,073,136	53,196,795	12,801,010	(40,395,785)
Expenditures:				
Current:				
Planning and administration	48,204,254	56,074,229	15,857,825	40,216,404
SACOG Managed Fund grantees	-	-	517,451	(517,451)
Capital outlay	70,000	70,000	42,023	27,977
Total expenditures	48,274,254	56,144,229	16,417,299	39,726,930
Deficiency of revenues under expenditures	(3,201,118)	(2,947,434)	(3,616,289)	(668,855)
Other Financing Sources:				
Transfers in	2,306,142	2,547,275	2,547,066	(209)
Total Other Financing Uses	\$ 2,306,142	\$ 2,547,275	\$ 2,547,066	\$ (209)
Change in fund balances	\$ (894,976)	\$ (400,159)	(1,069,223)	\$ (669,064)
Fund balance - beginning			15,245,584	
Fund balance - ending			\$ 14,176,361	

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 -
 CAPITOL VALLEY REGIONAL SAFE SPECIAL REVENUE FUND**
 For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Vehicle registration fees	\$ 2,095,158	\$ 2,095,158	\$ 2,261,156	\$ 165,998
Investment earnings	16,000	16,000	13,469	(2,531)
Other	<u>31,500</u>	<u>31,500</u>	<u>41,675</u>	<u>10,175</u>
Total revenues	<u>2,142,658</u>	<u>2,142,658</u>	<u>2,316,300</u>	<u>173,642</u>
Expenditures:				
Current:				
SAFE services	656,069	656,069	344,831	311,238
Freeway Service Patrol	897,409	897,409	851,210	46,199
Equipment and maintenance	469,373	469,373	459,685	9,688
Insurance and DMV fees	21,000	21,000	19,631	1,369
Planning and administration	<u>132,137</u>	<u>132,137</u>	<u>84,765</u>	<u>47,372</u>
Total expenditures	<u>2,175,988</u>	<u>2,175,988</u>	<u>1,760,122</u>	<u>415,866</u>
Excess of revenues over expenditures	<u>\$ (33,330)</u>	<u>\$ (33,330)</u>	556,178	<u>\$ 589,508</u>
Fund balance - beginning			<u>3,573,321</u>	
Fund balance - ending			<u>\$ 4,129,499</u>	

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

Sacramento Area Council of Governments
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 6 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 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 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 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.

NOTE A, Continued

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. 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:

II. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets 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 because of the reimbursement timeline associated with most of its funding sources. 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.

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 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.

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 7-1/2 percent retail sales tax collected within the following 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

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 AND NET ASSETS OR FUND BALANCE

Investments

Investments are recorded at fair value, which is the quoted market price.

Accounts Receivable/Payable

These amounts represent receivables/payables with other agencies, vendors, employees and other miscellaneous transactions due at June 30, 2012.

Due from/to Other Governments

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

Interest Receivable

Investment income available but not yet received at June 30, 2012.

Prepaid Items

Payments for services that will benefit periods beyond June 30, 2012.

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 fair market value on the Sacramento Area Council of Governments date of donation. Capital and intangible assets are defined by SACOG, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 assets. 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.

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 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.

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 contractually required to be maintained intact, such as the principal portion of endowment.

NOTE A, Continued

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.

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.

- 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 Chief Executive Officer has been designated for this purpose by the SACOG Board of Directors.

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 this category of fund balance. These funds are the amounts in the Planning and Administration Fund not classified as nonspendable, restricted, committed, or assigned.

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.

New Accounting Pronouncements Adopted in Current Year

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions— an amendment of GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. This statement did not have a material effect on 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 which is the plan for transportation related projects which is a major portion of the Planning and Administration fund budget, 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, 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 on 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 remaining special revenue funds as they are special purpose funds whose ending fund balance at June 30 becomes the amount available for the next fiscal year.

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

A U T H O R I Z E D I N V E S T M E N T S

The table below identifies the investments types that are authorized by the California Government Code Section 53601, 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 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. 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

NOTE C, Continued

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

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 issues 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:

NOTE C, Continued

	Maturity		Fair Values Balance at June 30, 2012
	No Maturity	0-5 Years	
Petty cash	\$ 300	\$ -	\$ 300
Deposits in banks	23,609	-	23,609
County of Sacramento investment pool	-	55,204,599	55,204,599
County of Yuba investment pool	-	474,237	474,237
County of Sutter investment pool	-	1,088,597	1,088,597
County of Yolo investment pool	-	1,915,571	1,915,571
Total cash and investments	\$23,909	\$58,683,004	\$58,706,912

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.

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 \$23,609 which was fully insured and collateralized.

NOTE D — Receivables

Receivables as of June 30, 2012, for SACOG are as follows:

Fund Name	Accounts Receivable	Due from Other Governments	Interest Receivable	Misc. A/R	Total
Planning and Administration	\$ -	\$ 3,956,784	\$ 23,142	30,839	\$ 4,010,765
SACOG Financing Corporation	-	-	4,277	-	4,277
SECAT	20,697	-	4	-	20,701
PTMISEA	-	-	23,242	-	23,242
State Transit Assistance	-	3,600,686	2,003	-	3,602,689
Sacramento County Local Transportation Fund	-	7,458,500	11,272	-	7,469,772
Yuba County Local Transportation Fund	-	217,059	1,742	-	218,801
Sutter County Local Transportation Fund	-	574,000	6,501	-	580,501
Yolo County Local Transportation Fund	-	1,361,500	-	-	1,361,500
Capitol Valley Regional SAFE	390,422	-	4,149	-	394,571
Glenn County SAFE	5,101	-	130	-	5,231
Total Receivables – Governmental Activities	\$ 416,220	\$ 17,168,529	\$ 76,462	\$ 30,839	\$ 17,692,050

NOTE E — Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	July 1, 2011	Additions	Deletions	June 30, 2012
SACOG				
Computers	\$ 232,937	\$ 36,144	(22,551)	\$ 246,530
Furniture and Equipment	677,230	5,879		683,109
Phones	35,360			35,360
Intangible Assets - Software	139,921			139,921
Total for SACOG	<u>\$ 1,085,448</u>	<u>\$ 42,023</u>	<u>\$ (22,551)</u>	<u>\$ 1,104,921</u>
Capitol Valley SAFE - Equipment	<u>\$ 5,202,240</u>			<u>\$ 5,202,240</u>
Glenn County SAFE - SAFE Equipment	<u>\$ 195,659</u>			<u>\$ 195,659</u>
Total Capital Assets	<u>\$ 6,483,347</u>	<u>\$ 42,023</u>	<u>\$ (22,551)</u>	<u>\$ 6,502,820</u>
Less Accumulated Depreciation/Amortization for:				
SACOG				
Computers	\$ 205,325	\$ 27,445	\$ (22,551)	\$ 210,219
Furniture and Equipment	637,786	10,427		648,213
Phones	35,360			35,360
Intangible Assets - Software	126,591	6,665		133,256
Total for SACOG	<u>\$ 1,005,062</u>	<u>\$ 44,537</u>	<u>\$ (22,551)</u>	<u>\$ 1,027,048</u>
Capitol Valley SAFE - Equipment	<u>\$ 4,534,342</u>	<u>\$ 471,457</u>		<u>\$ 5,005,799</u>
Glenn County SAFE - SAFE Equipment	<u>\$ 174,847</u>	<u>\$ 13,145</u>		<u>\$ 187,992</u>
Total Accumulated Depreciation/Amortization	<u>\$ 5,714,251</u>	<u>\$ 529,139</u>	<u>\$ (22,551)</u>	<u>\$ 6,220,839</u>
Net Book Value of Assets				
SACOG				
Computers	\$ 27,612	\$ 8,699		\$ 36,311
Furniture and Equipment	39,445	(4,548)		34,897
Intangible Assets - Software	13,330	(6,665)		6,665
Total for SACOG	<u>\$ 80,386</u>	<u>\$ (2,514)</u>		<u>\$ 77,873</u>
Capitol Valley SAFE - Equipment	<u>\$ 667,898</u>	<u>\$ (471,457)</u>		<u>\$ 196,441</u>
Glenn County SAFE - SAFE Equipment	<u>\$ 20,812</u>	<u>\$ (13,145)</u>		<u>\$ 7,668</u>
Total Net Book Value of Capital Assets	<u>\$ 769,097</u>	<u>\$ (487,116)</u>	<u>\$ -</u>	<u>\$ 281,982</u>

NOTE E, Continued

Depreciation expense was charged to the governmental activities as follows:

Planning and Administration	\$ 44,537
Capitol Valley Regional SAFE	471,457
Glenn County SAFE	13,145
Total depreciation expense	\$ 529,139

Note F — Payables

Payables as of June 30, 2012, for SACOG are as follows:

Fund Name	Accounts Payable	Accrued Liabilities and Deferred Revenue	Due to Other Governments	Total
Planning and Administration	\$ 1,715,311	\$ 284,274	\$ 116,092	\$ 2,115,677
Sacramento Emergency Clean Air and Transportation Program	-	-	20,747	20,747
PTMISEA	-	-	1,616,845	1,616,845
State Transit Assistance Fund	-	-	4,795,224	4,795,224
Sacramento County Local Transportation Fund	-	-	8,635,053	8,635,053
Sutter County Local Transportation Fund	-	-	1,000,489	1,000,489
Yolo County Local Transportation Fund	-	-	1,085,158	1,085,158
Capitol Valley Regional SAFE	177,611	-	-	177,611
Glenn County SAFE	5,518	-	-	5,518
Total Payables – Governmental Activities	\$1,898,440	\$ 284,274	\$ 17,269,608	\$19,452,322

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, 2012 were \$568,502. Common Area Maintenance (CAM) costs were \$6,734.

As of June 30, 2012, SACOG minimum lease payments required under the lease are as follows:

Year ending June 30	
2013	\$ 591,517
2014	597,373
2015	614,943
2016	620,800
2017	638,369
Remaining	1,472,935
Total	\$ 4,535,937

NOTE H — Compensated Absences

Compensated absences activity for the fiscal year ended June 30, 2012, was as follows:

	July 1, 2011	Additions	Deletions	June 30, 2012	Due within One year
Compensated absences	<u>\$1,007,808</u>	<u>\$ 678,083</u>	<u>\$ (675,686)</u>	<u>\$ 1,010,205</u>	<u>\$ 50,510</u>

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 — 401(a) Money Purchase Plans

The Board of Directors has established three 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.

The Special Pay Plan contains two plan features, one of which 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 contribute 7.5 percent of their gross pay to the plan. Total contributions to this plan were \$5,492 for the year. The other plan feature involves year-end PTO hours and employees who terminate employment and is more fully explained in Note K. Total contributions to this plan were \$111,941 for the year. SACOG maintains two other money purchase plans where contributions are voluntary. Total employee contributions to both plans were \$115,162 for the year.

NOTE J — 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 grantor 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.

Commitments for the Planning and Administration Fund are \$12,211,073, at June 30, 2012. The PTMISEA Fund commitments totaled \$11,442,478 at June 30, 2012.

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 \$12,981 per year, over 10 years. The balance of this liability is \$102,791 at June 30, 2012.

NOTE K — Special Pay Plan

In December 2004, the Board of Directors established a Special Pay Plan (IRS Section 401(a)) allowing the annual transfer of the cash value of accumulated sick leave and separation leave hours under certain conditions to SACOG's Special Pay Plan, subject to IRS limitations. 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 under age 50 that have a leave balance over 592 hours.

Total SACOG contributions to the Plan totaled \$111,941 for the fiscal year ended June 30, 2012.

A separate provision of the Special Pay Plan is that temporary and intermittent employees and student interns contribute 7.5 percent of their gross salary to the Special Pay Plan. These funds are fully vested to the employee. Under this program, neither SACOG nor the employee contributes to Social Security.

NOTE L — 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 and Capitol Valley Regional SAFE Special Revenue Funds. SACOG purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by SACOG from insurance companies.

SACOG's deductibles and maximum coverage are as follows:

Coverage	Deductible	Maximum per Occurrence
General liability, bodily injury and property damage liability	\$ 5,000	\$ 5,000,000
Personal injury	5,000	5,000,000
Non-owned and hired automobile liability	5,000	5,000,000
Owned automobile liability	5,000	5,000,000
Public official errors and omissions	5,000	5,000,000
Fire damage	5,000	1,000,000
Uninsured motorist	5,000	1,000,000
Employment practice liability	10,000	2,000,000
Crime policy	2,500-25,000	1,000,000
Products and Completed Operations	5,000	5,000,000
Policy Property Limit	1,000	350,000
Insured Property Limit	1,000	1,689,746
Maximum per occurrence, for all coverages combined		5,000,000

NOTE L, Continued

SACOG obtains insurance coverage relating to workers' compensation claims through Employers Compensation Insurance Company. SACOG makes one annual payment toward the premium. There is 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 M — Employee Retirement Plan

PLAN DESCRIPTION

SACOG contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

FUNDING POLICY

The contribution requirements of plan members and SACOG are established and may be amended by CalPERS. SACOG's employer rate is based on a CalPERS actuarially-determined rate and was 19.08 percent of covered payroll cost in fiscal year 2011-12. The required member contribution is 8 percent of the employee's annual covered salary for Tier I employees and is determined by state statute. There were no Tier II employees during the year.

Miscellaneous Plan Employer Portion

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Made
6/30/10	\$ 668,449	100%
6/30/11	\$ 720,532	100%
6/30/12	\$ 903,741	100%

NOTE M, Continued

SACOG contributes 6 percent of the employees' contribution on their behalf and for their account; the employee contributes the remaining 2 percent. SACOG's required contribution in dollars and the percentage of that amount contributed for the current year and each of the three preceding years is as follows:

Miscellaneous Plan Employee Portion Paid by SACOG

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Made
6/30/10	\$ 301,933	100%
6/30/11	\$ 306,542	100%
6/30/12	\$ 284,675	100%

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

SACOG POST-RETIREMENT MEDICAL BENEFIT PLAN

(A) Plan Description

SACOG provides 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.

- Tier I employees receive 100 percent of their health premiums up to the maximum amount of the Kaiser Bay Area/Sacramento Family rate, currently \$1,462.99 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 Bay Area/Sacramento Two-Party Basic premium, currently \$1,125.38 per month.

In addition, employees hired prior to July 1, 2006, may "opt out" of any retiree health benefits in exchange for monthly cash 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, 2011, 31 retirees and their spouses met the Tier I eligibility requirements; there are no Tier II or Tier III retirees.

NOTE N, Continued

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, 2012, the amount available in the fund is \$3,862,548. 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 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, 2012, was 8.29 percent of annual covered payroll.

(C) Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2012, SACOG's annual OPEB cost (expense) was \$394,029; however, only \$254,990 was actually contributed based on the pay-as-you go method, leaving an estimated Net cumulative OPEB Obligation at June 30, 2012, of \$258,904. This is the second year that SACOG has had a Net OPEB Obligation.

NOTE N, Continued

Description	Amount
Annual Required Contribution (ARC)	\$392,676
Interest on Net OPEB Obligation	9,122
Adjustment to Annual Required Contribution	(7,769)
Annual OPEB Cost	<u>\$394,029</u>
Contributions made (Actual in FY 11-12)	254,990
Increase in Net OPEB	<u>\$139,039</u>
Net OPEB Obligation at beginning of year	119,865
Net OPEB Obligation at end of year	<u><u>\$258,904</u></u>

SACOG's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2012, 2011, and 2010, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$405,800	100%	-
2011	\$375,806	68%	\$119,865
2012	\$394,029	65%	\$258,904

(D) Funded Status & Funding Progress

SACOG is required to prepare an OPEB actuarial every two years. As of June 30, 2011, the most recent actuarial valuation date, the plan was 47 percent funded. The actuarial accrued liability for benefits was \$5,494,630, and the actuarial value of assets was \$2,578,675, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,915,955. The covered payroll (annual payroll of active employees covered by the plan) for June 30, 2012, was \$4,736,588, and the ratio of the UAAL to the covered payroll was 62 percent.

(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.

NOTE N, Continued

In the June 1, 2011, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.61 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.3 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after six years. Both rates include a 3.25 percent inflation assumption. 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 three-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 June 30, 2012, was twenty-six years.

SACOG participates in the California Employers Retiree Benefit Trust (CERBT) and the SACOG Board of Directors in October 2011 approved using Asset Strategy #1. The long-term investment goal of Strategy No. 1 is a 7.61 percent annual rate of return and as a result the valuation is based on a 7.61 discount rate.

The health care cost trend rate is projected to increase an average of 6.6 percent per year, for the next six years. The health care cost rate recognizes the following influences on health care: pure medical inflation, utilization changes, technological changes, regulatory requirements, and Medicare cost shifting. The actuarial assumptions also included demographic assumptions, estimates for retirement and withdrawal dates, and baseline premium health cost increases by SACOG.

Annual Health Care Cost Trend Rate Assumption

January 1, 2013	7.3%
January 1, 2014	7.0%
January 1, 2015	6.7%
January 1, 2016	6.4%
January 1, 2017	6.1%
January 1, 2018	5.8%

NOTE O — 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, 2011, and 2012 are as follows:

	PTMISEA
Cash Balance at June 30, 2010	\$ 15,499,333
Receipts: Interest	102,385
Receipts: PTMISEA Funding	800,000
Expenses: Capital Service Enhancements	(371,012)
Expenses: Commuter Bus Fleet Replacements	(378,371)
Expenses: Universal Fare Care Implementation	(84,338)
Expenses: Vehicles for Agriculture Worker Transportation	(100,000)
Expenses: ADA Transition Improvements	(110,572)
Expenses: Ahern 12st Street Improvements	(38,744)
Expenses: Light Rail Crossing Enhancement Program	(298,492)
Expenses: CNG Fueling Facility	(655,897)
Expenses: Transit Operations Expansion	(148,642)
Cash Balance at June 30, 2011	<u>\$14,215,650</u>
Receipts: Interest	54,249
Receipts: PTMISEA Funding	13,695,246
Expenses: Automated Fare box Improvements	(752,527)
Expenses: Bus Destination Signs	(63,253)
Expenses: Connect Card Implementation	(140,855)
Expenses: Fleet Maintenance Equipment	(21,714)
Expenses: Bus Engine	(74,795)
Expenses: Ahern 12st Street Improvements	(81,346)
Expenses: Transit Facilities Improvements	(1,160,826)
Expenses: Three Wheelchair Bus Lift	(29,550)
Expenses: Transit Operations Expansion	(2,517,806)
Cash Balance at June 30, 2012	<u>\$23,122,473</u>

NOTE P — New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new standards:

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Governmental Accounting Standards Board (GASB) issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. Statement 60 addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements for Statement 60 are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 61, The Financial Reporting Entity: Omnibus—An amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.” This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 66 Technical Corrections—2012—An Amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 67. Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25. Issued June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This GASB revises existing standards of financial reporting for most pension plans and establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

GASB Statement No. 68. Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Issue June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement.

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer’s share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

Defined Benefit Pensions. This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total pension liability and related measures set forth by this Statement are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. Projections of benefit payments are required to be based on the benefit terms and legal agreements existing at the measurement date and to incorporate the effects of projected salary changes (if the pension formula incorporates future compensation levels) and service credits (if the pension formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments (COLAs). Projections also are required to include the effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic.

Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

The actuarial present value of projected benefit payments is required to be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.

Single and Agent Employers. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period.

The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that are required to be recognized by an employer primarily result from changes in the components of the net pension liability—that is, changes in the total pension liability and in the pension plan's fiduciary net position. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. For example, changes in the total pension liability resulting from current-period service cost, interest on the total pension liability, and changes of benefit terms are required to be included in pension expense immediately. Projected earnings on the pension plan's investments also are required to be included in the determination of pension expense immediately.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting. In governmental fund financial statements, a net pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

Notes to Financial Statements. The Statement requires that notes to financial statements of single and agent employers include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit terms. Single and agent employers also should disclose the following information:

NOTE P, Continued

For the current year, sources of changes in the net pension liability:

- Significant assumptions and other inputs used to calculate the total pension liability, including those about inflation, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies
- The date of the actuarial valuation used to determine the total pension liability, information about changes of assumptions or other inputs and benefit terms, the basis for determining employer contributions to the pension plan, and information about the purchase of allocated insurance contracts, if any.

Required Supplementary Information. This Statement requires single and agent employers to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:

Sources of Changes in the Net Pension Liability. The components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll. If the contributions of a single or agent employer are actuarially determined, the employer should present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the pension plan, and related ratios. If the contributions of a single or agent employer are not actuarially determined but are established in statute or by contract, the employer should present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the pension plan, and related ratios. Significant methods and assumptions used in calculating the actuarially determined contributions, if applicable, should be presented as notes to required supplementary information. In addition, the employer should explain factors that significantly affect trends in the amounts reported in the schedules, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

Cost-Sharing Employers. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the

NOTE P, Continued

total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees). The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plans through which the pensions are provided. Cost-sharing employers should identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also should disclose information about how their contributions to the pension plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.

Defined Contribution Pensions. An employer whose employees are provided with defined contribution pensions is required to recognize pension expense for the amount of contributions to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts. A change in the pension liability is required to be recognized for the difference between amounts recognized in expense and amounts paid by the employer to a defined contribution pension plan. In governmental fund financial statements, pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to a pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. A pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Notes to financial statements of an employer with a defined contribution plan should include descriptive information about the pension plan and benefit terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period.

Special Funding Situations. In this Statement, special funding situations are defined as circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to pensions or (2) the nonemployer is the only entity with a legal obligation to make contributions directly to a pension plan.

This Statement requires an employer that has a special funding situation for defined benefit pensions to recognize a pension liability and deferred outflows of resources and deferred inflows of resources related to pensions with adjustments for the involvement of nonemployer contributing entities. The employer is required to recognize its proportionate share of the collective pension expense, as well as additional pension expense and revenue for the pension support of the nonemployer contributing entities. This Statement requires the employer to disclose in notes to financial statements information about the amount of support provided by nonemployer contributing entities and to present similar information about the involvement of those entities in 10-year schedules of required supplementary information.

The approach required by this Statement for measurement and recognition of liabilities, deferred outflows of resources and deferred inflows of resources, and expense by a governmental nonemployer contributing entity in a special funding situation for defined benefit pensions is similar to the approach required for cost-sharing employers.

The information that should be disclosed in notes to financial statements and presented in required supplementary information of a governmental nonemployer contributing entity in a special funding situation depends on the proportion of the collective net pension liability that it recognizes. If the governmental nonemployer contributing entity recognizes a substantial proportion of the collective net pension liability, it should disclose in notes to financial statements a description of the pensions, including the types of benefits provided and the employees covered, and the discount rate and assumptions made in the measurement of the net pension liability. The governmental nonemployer contributing entity also should present schedules of required supplementary information similar to those required of a cost-sharing employer. Reduced note disclosures and required supplementary information are required for governmental nonemployer contributing entities that recognize a less-than-substantial portion of the collective net pension liability. This Statement also establishes requirements related to special funding situations for defined contribution pensions.

How the Changes in this Statement Will Improve Financial Reporting. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

NOTE P, Continued

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of pension measurements.
- Explanations of how and why the net pension liability changed from year to year will improve transparency. The summary net pension liability information, including ratios, will offer an indication of the extent to which the total pension liability is covered by resources held by the pension plan. The contribution schedules will provide measures to evaluate decisions related to the assessment of contribution rates—in comparison to actuarially, statutorily, or contractually determined rates, when such rates are determined. It also will provide information about whether employers and nonemployer contributing entities, if applicable, are keeping pace with those contribution rates. The consistency and transparency of the information reported by employers and governmental nonemployer contributing entities about pension transactions will be improved by requiring:

The use of a discount rate that considers the availability of the pension plan's fiduciary net position associated with the pensions of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return. Including a single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations. Immediate recognition in pension expense, rather than a choice of recognition periods, of the effects of changes of benefit terms and the effects of projected pension plan investment earnings. Recognition of pension expense that incorporates deferred outflows of resources and deferred inflows of resources related to pensions over a defined, closed period, rather than a choice between an open or closed period. The comparability of reported pension information also will be improved by the changes related to the attribution method used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions.

Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

Sacramento Area Council of Governments
Required Supplementary Information –
Schedule of Funding Progress
 For the Fiscal Year Ended June 30, 2012

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 Payroll
1/1/2008	\$1,844,000	\$5,051,163	\$3,207,163	37%	\$4,503,505	71%
7/1/2010	\$2,066,438	\$5,342,380	\$3,275,942	39%	\$4,344,807	75%
6/30/2011	\$2,578,675	\$5,494,630	\$2,915,955	47%	\$4,499,386	65 %

Sacramento Area Council of Governments
Schedule of Revenues and Expenditures by Activity

BUDGET AND ACTUAL –
PLANNING AND ADMINISTRATION FUND
 For the Fiscal Year Ended June 30, 2012

Actual - Funding Sources									
Work Element #	Final Budget	FHWA - PL Grant	FTA 5303	FTA 5304	FTA Discretionary Jarc/ New Freedom Grants	State Planning & Research Partnership/ Sp Studies	HUD Grant/ Dept of Energy	CMAQ	STIP RIP PPM / RSTP
Revenues:									
Intergovernmental:									
Federal	\$ 38,097,977	\$ 2,569,032	\$ 774,150	696,865	\$ 1,047,226	\$ 734,960	\$ 774,588	\$ 2,077,938	\$ -
State	11,747,254	-	-	-	-	-	-	-	1,067,075
Local	857,421	-	-	-	-	-	-	-	-
Charges for Services	294,727	-	-	-	-	-	-	-	-
Member Assessments	284,270	-	-	-	-	-	-	-	-
Investment Earnings	20,000	-	-	-	-	-	-	-	-
In-kind	1,685,127	-	-	-	-	-	-	-	-
Other	210,019	-	-	-	-	-	-	-	-
Total revenues	53,196,795	2,569,032	774,150	696,865	1,047,226	734,960	774,588	2,077,938	1,067,075
Expenditures:									
Current:									
Government Relations, Public Affairs & Administration	12-001	1,066,505	440,987	160,000	-	-	-	129,130	-
Long-Range Transportation Planning	12-002	1,843,646	307,736	64,085	40,062	-	640,767	-	-
Short-Range Transportation Planning & Studies	12-003	1,146,041	7,500	27,000	277,584	13,805	-	-	2,291
Continuing Transportation Implementation	12-004	14,267,176	241,061	205,150	-	54,305	-	-	511,555
Land Use & Housing Planning	12-005	1,792,345	321,218	87,000	-	-	-	-	-
Public Services	12-006	3,386,255	866,547	120,915	-	-	729,373	-	-
Member & Agency Services	12-007	17,129,469	383,983	110,000	-	-	45,215	1,434,962	673,425
Pass-Through to Other Agencies	12-008	1,309,306	-	-	379,219	-	94,193	-	-
Miscellaneous Other Funding	12-009	9,040,994	-	-	-	-	-	-	-
FTA New Freedom & Jobs Access	12-012	4,464,120	-	-	-	979,116	-	-	-
Services to Other Agencies	12-015	94,627	-	-	-	-	-	-	-
SAC County GIS	12-016	-	-	-	-	-	-	-	-
Capital Assets	12-021	70,000	-	-	-	-	-	-	-
Board of Director and Advocacy	12-023	342,246	-	-	-	-	-	-	-
Non-cash Expenditures (remaining)		-	-	-	-	-	-	-	-
Non-cash Expenditures		-	-	-	-	-	-	-	-
Indirect Cost Computation		191,499	-	-	-	-	-	-	-
Total expenditures	56,144,229	2,569,032	774,150	696,865	1,047,226	734,960	774,588	2,077,938	1,067,075
Excess (deficiency) of revenues over (under) expenditures	(2,947,434)	-	-	-	-	-	-	-	-
Other Financing Sources (Uses):									
Transfers in	2,547,275	-	-	-	-	-	-	-	-
	2,547,275	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (400,159)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Sacramento Area Council of Governments
Schedule of Revenues and Expenditures by Activity

BUDGET AND ACTUAL –
PLANNING AND ADMINISTRATION FUND
 For the Fiscal Year Ended June 30, 2012

SAFE Routes to School	State/ Caltrans/ PTM ISEA/ Prop 84 Grants/ PTA Acct	TDA Administration & Planning	Capitol Valley Regional SAFE and Glen County SAFE	Placer County Transportaiton Planning Agency & El Dorado Transportaiton Commission	Other Governmental Agencies	GIS Recipients	SACOG Managed Fund	Board and Advocacy	SACOG	Other/In-kind	Total
\$ 3,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,678,720
-	1,569,844	-	-	-	16,802	-	-	-	-	23,083	2,676,804
-	-	-	132,309	334,237	87,006	-	-	-	-	-	553,552
-	-	-	102,823	-	94,887	-	-	-	-	-	197,710
-	-	-	-	-	-	-	-	284,270	-	-	284,270
-	-	-	-	-	-	-	39,504	10,545	-	(2)	50,047
-	-	-	-	-	-	-	-	-	-	293,612	293,612
-	-	-	-	-	-	27,500	-	4,004	34,791	-	66,295
3,961	1,569,844	-	235,132	334,237	198,695	27,500	39,504	298,819	34,791	316,693	12,801,010
-	-	81,079	-	334,237	-	-	-	-	600	-	1,146,033
-	447,641	266,837	-	-	31,342	-	-	-	-	28,484	1,826,954
3,961	-	95,487	-	-	-	-	-	-	-	4,588	432,216
-	1,010,311	289,212	-	-	24,195	-	-	-	-	18	2,729,457
-	81,156	216,584	-	-	95,973	-	-	-	4,850	3,000	809,781
-	-	1,046,207	-	-	-	-	-	-	-	-	2,763,042
-	-	522,624	132,309	-	18,115	-	517,451	-	190,785	197,430	4,226,299
-	30,736	7,947	-	-	29,070	-	-	-	-	83,173	624,338
-	-	21,089	-	-	-	-	-	-	-	-	21,089
-	-	-	-	-	-	-	-	-	-	(50)	979,066
-	-	-	102,823	-	-	-	-	-	-	-	102,823
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	197,236	-	-	42,023
-	-	-	-	-	-	-	-	-	-	-	42,023
-	-	-	-	-	-	-	-	-	-	-	197,236
-	-	-	-	-	-	-	-	-	-	-	(37,245)
-	-	-	-	-	-	-	-	-	-	-	(37,245)
-	-	-	-	-	-	-	-	-	-	-	214,684
-	-	-	-	-	-	-	-	-	-	-	214,684
-	-	-	-	-	-	-	-	-	-	-	339,503
3,961	1,569,844	2,547,066	235,132	334,237	198,695	-	517,451	197,236	755,150	316,693	16,417,299
-	-	(2,547,066)	-	-	-	27,500	(477,947)	101,583	(720,359)	-	(3,616,289)
-	-	2,547,066	-	-	-	-	-	-	-	-	2,547,066
-	-	2,547,066	-	-	-	-	-	-	-	-	2,547,066
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,500	\$ (477,947)	\$ 101,583	\$ (720,359)	\$ -	\$ (1,069,223)

Sacramento Area Council of Governments
 Schedule of Revenues and Expenditures
 Board of Directors and Advocacy

BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Member assessments	\$ 284,270	\$ 284,270	\$ 284,270	\$ -
Investment earnings	20,000	20,000	10,545	(9,455)
Funds from Board and Advocacy Reserve	37,976	37,976		(37,976)
Other		-	4,004	4,004
	<u>342,246</u>	<u>342,246</u>	<u>298,819</u>	<u>(43,427)</u>
Total revenues				
Expenditures:				
Current:				
Meetings	79,000	79,000	42,155	36,845
Directors Fees	65,000	65,000	51,361	13,639
Consultant	70,000	70,000	33,012	36,988
Other	6,659	6,659	3,944	2,715
Memberships	39,850	39,850	30,806	9,044
Vehicle parking reimbursement	1,000	1,000	-	1,000
Awards	500	500	-	500
Salaries and Benefits	80,237	80,237	35,958	44,279
	<u>342,246</u>	<u>342,246</u>	<u>197,236</u>	<u>145,010</u>
Total expenditures				
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,583</u>	<u>\$ 101,583</u>

Sacramento Area Council of Governments
Schedule of Indirect Service Costs
For the Fiscal Year Ended June 30, 2012

DIRECT COSTS:

Salaries and benefits	\$ 5,691,914
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INDIRECT COSTS:

Allocated Indirect Costs (40.18%):

Service costs	2,322,871
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Actual Indirect Costs:

Building expenses	575,236
Career Development Program	50,103
Consultants	45,455
Depreciation	44,537
Insurance	67,924
Legal	40,782
Office Equipment	12,499
Office Equipment Maintenance	3,439
Meetings	8,678
Memberships	11,663
Miscellaneous	5,242
Mileage	13,717
Parking	10,650
Postage	8,219
Publications/Periodicals	1,497
Salaries and benefits	1,600,335
Computer Software and Maintenance	66,675
Supplies	45,136
Accounting Services	10,189
Telecommunications	45,640
Unemployment costs	1,281
Temporary labor services	1,623
Printing costs	(8,146)

Total indirect costs	2,662,374
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Over-absorbed indirect costs	\$ (339,503)
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Sacramento Area Council of Governments

Statistical Section

For the Fiscal Year Ended June 30, 2012

The Statistical section contains comprehensive statistical data which relates to physical, economic, social and political characteristics of SACOG’s ongoing operations and impact within the six-county region in which 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.

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Sacramento Area Council of Governments
Net Assets by Component
For the Eight Years Ended June 30, 2012

	2005	2006	2007	2008
GOVERNMENTAL ACTIVITIES:				
Invested in capital assets, net of related debt	\$ 2,484,597	\$ 2,005,015	\$ 1,508,043	\$ 2,624,670
Restricted for Transportation Claimants	11,247,159	12,214,496	5,197,396	7,119,396
Unrestricted	<u>9,274,954</u>	<u>9,812,898</u>	<u>11,573,273</u>	<u>13,203,519</u>
Total governmental activities net assets	<u>\$ 23,006,710</u>	<u>\$ 24,032,409</u>	<u>\$ 18,278,712</u>	<u>\$ 22,947,585</u>

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

2001-2003 information was not available at the time the report was prepared.

Sacramento Area Council of Governments
Net Assets by Component
 For the Eight Years Ended June 30, 2012

2009*	2010	2011	2012
\$ 2,062,372	\$ 1,282,726	\$ 769,096	\$ 281,982
11,681,253	13,895,556	34,088,672	38,980,228
27,759,660	35,583,893	17,851,804	16,669,133
\$ 41,503,285	\$ 50,762,175	\$ 52,709,572	\$ 55,931,343

Sacramento Area Council of Governments
Statement of Activities & Changes in Net Assets
For the Eight Years Ended June 30, 2012

	2005	2006	2007	2008
EXPENSES				
Transportation Claimants	\$ 62,623,327	\$ 72,411,224	\$ 92,928,882	\$ 71,889,819
Planning and Administration	9,882,280	11,794,482	14,015,459	11,103,987
Sacramento Emergency Clean Air & Transportation Program	2,345,417	5,889,595	12,250,196	5,926,133
SACOG Managed Fund	N/A			
PTMISEA	N/A			
Capitol Valley SAFE	2,665,920	2,125,367	2,274,985	5,431,978
Glenn County SAFE	39,111	21,705	35,230	101,897
Total Expenses	\$ 77,556,055	\$ 92,242,373	\$ 121,504,752	\$ 94,453,814
PROGRAM REVENUES				
Operating Grants and Contributions:				
Planning and Administration	\$ 6,371,323	\$ 7,499,794	\$ 10,313,252	\$ 12,260,257
Sacramento Emergency Clean Air & Transportation Program	\$ 2,345,417	\$ 5,889,595	\$ 12,250,196	\$ 5,926,133
PTMISEA				
Charges for Services:				
Planning and Administration	479,474	1,088,718	1,156,341	1,237,811
SACOG Managed Fund				
PTMISEA				
Capitol Valley SAFE	2,166,838	2,194,802	2,215,115	2,208,656
Glenn County SAFE	28,977	30,086	30,515	30,876
Total Program Revenues	11,392,029	16,702,995	25,965,419	21,663,733
Net Expense	\$ (66,164,026)	\$ (75,539,378)	\$ (95,539,333)	\$ (72,790,081)
General Revenues and Other Changes in Net Assets				
State Shared Revenue - Sales and Use Taxes	\$ 67,078,282	\$ 75,218,223	\$ 87,759,141	\$ 75,580,640
Investment Earnings	44,1575	911,839	1,640,450	1,168,227
In-Kind Revenue	-	-	-	-
Other	192,557	435,015	489,765	710,086
Special Item - Sale of Meridian Plaza	1,112,296	-	-	-
Loss on Disposal of Capital Assets	-	-	(103,720)	-
Total General Revenues	\$ 68,824,710	\$ 76,565,077	\$ 89,785,636	\$ 77,458,953
Change in Net Assets	2,660,684	1,025,699	(5,753,697)	4,668,872
Net Assets - Beginning	20,346,026	23,006,710	24,032,409	18,278,712
Net Assets - Ending	\$ 23,006,710	\$ 24,032,409	\$ 18,278,712	\$ 22,947,584

*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

Source: Individual internal fund statements

Sacramento Area Council of Governments
Statement of Activities & Changes in Net Assets
For the Eight Years Ended June 30, 2012

2009	2010	2011**	2012
\$ 62,570,554	\$ 62,176,903	\$ 51,508,069	\$ 73,899,504
14,959,542	17,283,003	20,668,754	16,548,264
8,984,793	2,494,831	1,313	58,172
1,941,314	1,068,276	n/a	n/a
68,584	4,742,226	1,579,144	6,385,003
2,302,480	2,431,941	2,293,278	2,247,338
30,311	33,236	16,061	15,851
\$ 90,857,578	\$ 90,230,416	\$ 76,066,619	\$ 99,154,132
16,900,076	14,153,990	17,371,115	11,909,077
11,437,452		0	0
4,060,255	15,319,020	800,000	13,695,246
1,190,472	430,347	581,041	481,980
3,051,000			
2,195,851	2,145,307	2,081,247	2,261,157
30,243	29,386	28,722	30,763
38,865,349	32,078,050	20,862,125	28,378,223
\$ (51,992,229)	\$ (58,152,366)	\$ (55,204,494)	\$ (70,775,909)
\$ 63,210,973	\$ 66,132,449	\$ 55,894,683	\$ 73,300,929
766,571	529,002	261,290	249,031
-	627,948	649,531	293,611
653,710	121,857	346,387	154,109
-	-	-	-
\$ 64,631,254	\$ 67,411,256	\$ 57,151,891	\$ 73,997,680
12,639,025	9,258,890	1,947,397	3,221,771
28,864,260	41,503,285	50,762,175	52,709,572
\$ 41,503,285	\$ 50,762,175	\$ 52,709,572	\$ 55,931,343

Sacramento Area Council of Governments
Planning and Administration Fund
Changes in Fund Balance
For the Eight Years Ended June 30, 2012

	2010	2011**	2012
\$	12,157,504	\$ 13,637,674	\$ 8,678,720
	1,204,156	3,088,223	2,676,805
	743,493	645,220	553,552
	146,077	296,771	197,710
	284,270	284,270	284,270
	12,696	56,532	50,047
	625,448	649,531	293,611
	86,467	288,978	66,295
	<u>15,260,111</u>	<u>18,947,199</u>	<u>12,801,010</u>
	16,981,392	20,022,388	15,857,825
		390,310	-
			517,451
	42,278	16,816	42,023
	<u>17,023,670</u>	<u>20,429,514</u>	<u>16,417,299</u>
	<u>(1,763,559)</u>	<u>(1,482,315)</u>	<u>(3,616,289)</u>
	2,033,399	2,124,575	2,547,066
	269,840	642,260	(1,069,223)
	<u>3,203,555</u>	<u>14,603,324</u>	<u>15,245,584</u>
	<u>\$ 3,473,395</u>	<u>\$ 15,245,584</u>	<u>\$ 14,176,361</u>
\$	68,505	-	-
	-	-	-
	700,000	-	-
	-	-	-
	1,500,000	-	-
	151,573	58,725	72,497
		-	-
		109,539	211,122
		1,412,071	1,820,244
		500,000	500,000
		200,000	200,000
	194,065	194,065	193,182
	75,451	62,397	89,897
	783,801	12,708,787	11,089,419
	<u>\$ 3,473,395</u>	<u>\$ 15,245,584</u>	<u>\$ 14,176,361</u>

Sacramento Area Council of Governments
Planning and Administration Fund
Changes in Fund Balance
For the Eight Years Ended June 30, 2012

2009*	2010	2011**	2012
\$ 7,463,171	\$ 12,157,504	\$ 13,637,674	\$ 8,678,720
1,406,497	1,204,156	3,088,223	2,676,805
1,012,580	743,493	645,220	553,552
840,987	146,077	296,771	197,710
349,485	284,270	284,270	284,270
80,243	12,696	56,532	50,047
	625,448	649,531	293,611
622,954	86,467	288,978	66,295
<u>11,775,917</u>	<u>15,260,111</u>	<u>18,947,199</u>	<u>12,801,010</u>
13,155,044	16,981,392	20,022,388	15,857,825
		390,310	-
1,188,305			517,451
48,806	42,278	16,816	42,023
<u>14,392,155</u>	<u>17,023,670</u>	<u>20,429,514</u>	<u>16,417,299</u>
<u>(2,616,238)</u>	<u>(1,763,559)</u>	<u>(1,482,315)</u>	<u>(3,616,289)</u>
2,301,584	2,033,399	2,124,575	2,547,066
<u>(314,654)</u>	<u>269,840</u>	<u>642,260</u>	<u>(1,069,223)</u>
<u>3,518,209</u>	<u>3,203,555</u>	<u>14,603,324</u>	<u>15,245,584</u>
<u>\$ 3,203,555</u>	<u>\$ 3,473,395</u>	<u>\$ 15,245,584</u>	<u>\$ 14,176,361</u>
\$ 118,876	\$ 68,505		
-	-	-	-
700,000	700,000	-	-
-	-	-	-
1,500,000	1,500,000	-	-
212,056	151,573	58,725	72,497
		-	-
		109,539	211,122
		1,412,071	1,820,244
		500,000	500,000
		200,000	200,000
	194,065	194,065	193,182
	75,451	62,397	89,897
672,623	783,801	12,708,787	11,089,419
<u>\$ 3,203,555</u>	<u>\$ 3,473,395</u>	<u>\$ 15,245,584</u>	<u>\$ 14,176,361</u>

Sacramento Area Council of Governments
Fund Balances – Governmental Funds
For the Eight Years Ended June 30, 2012

	2005	2006	2007	2008
REVENUES				
Sales and Use Taxes	\$ 67,078,282	\$ 75,218,223	\$ 87,759,141	\$ 75,580,640
Vehicle registration fees and traffic fines	2,195,815	2,224,888	2,245,630	2,239,532
Intergovernmental:				
Federal	4,207,117	4,839,847	7,552,527	6,240,742
State	2,782,976	7,052,123	12,387,935	6,768,648
Local	1,726,647	1,497,419	2,622,986	5,410,000
Charges for services	227,724	793,758	841,255	922,725
Member assessments	251,750	294,960	315,086	315,086
Investment earnings	441,575	911,839	1,640,450	1,168,227
In-Kind				
Other	192,557	435,015	489,765	710,086
Total Revenues	79,104,443	93,268,072	115,854,775	99,355,686
EXPENDITURES				
City of Elk Grove	3,831,141	4,632,607	6,083,245	4,961,671
City of Citrus Heights	3,360,116	3,687,554	4,355,157	3,261,077
City of Davis	2,292,909	3,019,992	4,031,515	3,060,636
City of Folsom	2,466,249	2,793,722	3,417,484	2,611,488
City of Galt	847,737	938,840	1,141,920	863,102
City of Isleton	32,348	35,204	40,834	31,365
City of Live Oak	273,466	230,696	306,102	364,421
City of Marysville	-	-	8,856	48,781
City of Sacramento	327,543	358,463	384,147	517,112
City of West Sacramento	1,277,508	1,731,037	2,381,012	1,970,250
City of Rancho Cordova	54,242	60,604	46,767	38,710
City of Wheatland	42,386	72,235	113,644	109,987
City of Winters	230,686	313,194	413,239	313,752
City of Woodland	1,782,559	2,391,065	3,161,298	2,416,275
City of Yuba City	1,372,310	756,991	1,116,305	1,634,398
County of Sacramento	1,500,333	1,608,953	1,489,561	974,665
County of Sutter	885,085	610,546	729,615	906,757
County of Yolo	803,658	1,033,415	1,353,669	1,041,769
County of Yuba	299,254	405,905	699,670	895,991
Sacramento Regional Transit District	37,375,999	43,195,816	56,002,015	41,280,919
Yolo County Transportation District	28,997	61,544	171,433	95,753
Yuba-Sutter Transit Authority	1,669,312	2,435,831	3,338,658	2,764,093
Paratransit, Inc	1,866,539	2,037,010	2,142,736	1,726,847
SAFE services	964,254	837,072	408,988	368,075
Freeway service patrol	645,000	635,000	665,000	697,525
Equipment and maintenance	657,208	654,137	726,099	517,207
Insurance and DMV fees	62,641	20,513	20,567	19,719
Planning and Administration (includes planning grants)	9,894,343	11,185,228	13,923,774	13,605,568
SACOG Managed Fund				
Public Transportation Modernization Improvement & Service Enhancement	-	-	-	-
Community Design Grants				
SECAT grants or refunds	2,345,417	5,889,595	12,250,196	5,926,133
Capital outlay	55,671	47,506	45,758	2,500,319
Total Expenditures	77,244,911	91,680,275	120,969,264	95,524,365
Excess of Revenues over Expenditures	1,859,532	1,587,797	(5,114,489)	3,831,321
OTHER FINANCING USES				
Transfers in	2,150,443	2,372,141	2,918,782	2,497,150
Transfers out	(2,150,443)	(2,372,141)	(2,918,782)	(2,497,150)
Total other financing uses	-	-	-	-
Special Item	3,112,296	-	-	-
Net Change in Fund Balances	4,971,828	1,587,797	(5,114,489)	3,831,321
Fund Balance - Beginning	15,915,178	20,887,006	22,474,803	17,360,315
Fund Balance - Ending	\$23,999,302	\$ 22,474,803	\$ 17,360,314	\$ 21,191,636

*2009 was restated.

Source: Individual internal fund statements

Sacramento Area Council of Governments
Fund Balances – Governmental Funds
For the Eight Years Ended June 30, 2012

	2009*	2010	2011	2012
\$	63,210,973	\$ 66,132,449	\$ 56,694,683	\$ 86,996,175
	2,226,094	2,174,693	2,109,969	2,291,919
	7,463,171	12,157,504	13,637,674	8,678,720
	20,445,532	16,523,176	3,088,223	2,676,805
	7,540,080	792,331	645,220	553,552
	840,987	146,077	296,771	197,710
	349,485	284,270	284,270	284,270
	766,571	529,002	261,290	249,031
	524,413	627,948	649,531	293,611
	129,297	121,857	346,387	154,109
	103,496,603	99,489,307	78,014,018	102,375,902
	4,816,070	4,453,961	3,855,576	5,708,010
	3,030,674	2,718,195	2,387,142	3,376,119
	2,742,094	2,875,410	2,054,718	3,074,492
	2,469,833	2,342,024	1,936,048	2,788,369
	817,643	745,182	657,899	929,674
	29,461	25,426	22,299	31,494
	128,846	236,516	464,676	333,610
	39,846	67,049	-	-
	314,308	253,973	270,420	331,851
	1,850,226	1,952,997	1,487,468	2,132,866
	39,750	32,551	34,747	42,932
	57,047	73,562	45,266	62,663
	283,631	292,099	219,278	312,839
	2,226,637	2,317,034	1,755,475	2,523,464
	135,202	508,249	2,787,330	1,345,087
	1,145,801	1,109,664	1,051,691	1,365,862
	232,880	538,880	1,232,138	715,189
	953,893	969,937	735,302	1,042,866
	311,142	549,293	374,072	352,238
	37,381,148	36,298,222	27,382,646	43,151,709
	67,986	143,020	-	201,715
	1,765,555	2,268,254	1,264,700	2,251,612
	1,730,882	1,405,405	1,489,178	1,824,843
	348,682	403,004	384,153	360,441
	791,631	814,681	834,494	851,210
	573,455	443,720	450,983	459,685
	19,666	17,365	21,255	19,780
	14,912,347	17,118,422	20,156,239	15,945,296
	1,941,314	1,068,276	-	517,451
	68,584	4,742,226	1,579,144	6,385,003
			390,310	-
	8,984,793	2,494,831	1,313	58,172
	48,806	42,278	16,816	42,023
	90,259,833	89,321,706	75,342,776	98,538,565
	13,236,770	10,167,601	2,671,242	3,837,337
	2,301,584	2,033,399	2,124,575	2,547,066
	(2,301,584)	(2,033,399)	(2,124,575)	(2,547,066)
	-	-	-	-
	-	-	-	-
	13,236,770	10,167,601	2,671,242	3,837,337
	27,108,311	40,345,081	50,512,682	53,183,924
	\$ 40,345,081	\$ 50,512,682	\$ 53,183,924	\$ 57,021,261

Sacramento Area Council of Governments
Changes in Fund Balances
For the Eight Years Ended June 30, 2012

	2005	2006	2007	2008
MAJOR FUNDS - Pre GASB 54				
Reserved	\$ 79,663	\$ 76,893	\$ 71,523	\$ 73,143
Unreserved, designated for:				
Contingencies	700,000	760,000	760,000	760,000
Operating Cash Reserve	-	-	-	-
Encumbrances	-	1,187,915	1,553,754	1,513,569
Glenn County SAFE				
Board and Advocacy	-	129,903	129,903	168,856
Project Specific Carryover Funds				
Community Design Grantees				
Reserved for GIS recipients				
Post Retirement Health Benefits	-	-	3,543,559	3,699,737
Total unreserved, designated	<u>700,000</u>	<u>2,077,818</u>	<u>5,987,216</u>	<u>6,142,162</u>
Unreserved, undesignated	<u>20,107,343</u>	<u>20,320,092</u>	<u>11,301,575</u>	<u>14,976,331</u>
Fund Balance Categories under GASB 54				
Reserved for prepaid items				
Restricted:				
SECAT Program				
PTMISEA Funds				
State Transit Assistance Funds				
Local Transportation Funds - Sacramento County				
Local Transportation Funds - Yuba County				
Local Transportation Funds - Sutter County				
Local Transportation Funds - Yolo County				
Capitol Valley Regional SAFE				
Glenn County SAFE				
Committed:				
Board and Advocacy				
Community Design Grantees				
Assigned:				
Legal Defense				
Self Insurance				
Project Specific Carryover Funds				
GIS Recipients				
Post Employment Benefits (OPEB)				
Planning and Administration Fund				
Assigned:				
Unassigned Fund Balance				
Total Fund Balance	<u><u>\$ 20,887,006</u></u>	<u><u>\$ 22,474,803</u></u>	<u><u>\$ 17,360,314</u></u>	<u><u>\$ 21,191,636</u></u>

Unassigned Fund Balance

* 2009 was restated.

Format conforms with GASB 54 guidelines.

Source: Agency Annual Reports

Sacramento Area Council of Governments
Changes in Fund Balances
 For the Eight Years Ended June 30, 2012

2009*	2010	2011	2012
\$ 121,026	\$ 70,656		
760,000	700,000		
1,500,000	2,542,000		
212,056	151,573		
	194,065		
	1,660,260		
	75,451		
3,789,940	2,785,847		
6,261,996	8,109,196	-	-
33,999,177	42,332,830		
		60,877	74,621
		11,959	-
		14,151,893	21,528,870
		113,418	255,441
		13,017,462	9,397,543
		389,688	693,038
		573,654	668,609
		2,154,733	2,191,913
		3,571,169	4,127,375
		104,696	117,439
		109,539	211,122
		1,412,071	1,820,244
		500,000	500,000
		200,000	200,000
		194,065	193,182
		62,397	89,897
		2,805,516	3,862,548
		1,042,000	
		12,708,787	11,089,419
\$ 40,382,199	\$ 50,512,682	\$ 53,183,924	\$ 57,021,261

Sacramento Area Council of Governments
Total Population by Jurisdiction
For Years 2003 to 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SACOG Region	2,084,252	2,131,322	2,170,077	2,203,775	2,236,491	2,266,234	2,290,482	2,312,406	2,327,914	2,341,006
El Dorado County	166,195	168,984	171,739	174,218	176,226	177,897	179,150	180,682	180,483	180,712
Placerville	10,238	10,259	10,210	10,164	10,204	10,275	10,324	10,365	10,306	10,369
South Lake Tahoe	23,184	22,888	22,520	22,094	21,888	21,737	21,517	21,407	21,328	21,343
Unincorporated	132,773	135,837	139,009	141,960	144,134	145,885	147,309	148,910	148,849	149,000
Placer County	283,703	296,712	307,710	317,437	325,985	333,805	340,995	347,133	351,463	355,328
Auburn	12,517	12,726	12,809	12,863	12,993	13,079	13,232	13,307	13,378	13,468
Colfax	1,774	1,789	1,813	1,805	1,815	1,822	1,843	1,946	1,966	1,977
Lincoln	20,387	24,011	28,083	34,342	38,360	40,726	41,787	42,589	43,144	43,572
Loomis	6,256	6,203	6,166	6,318	6,345	6,385	6,416	6,427	6,460	6,500
Rocklin	46,227	49,962	51,206	51,521	52,718	54,561	55,566	56,720	57,767	58,295
Roseville	94,099	99,371	104,105	106,451	108,503	111,259	114,869	118,180	120,307	122,060
Unincorporated	102,443	102,650	103,528	104,137	105,251	105,973	107,282	107,964	108,441	109,456
Sacramento County	1,307,189	1,331,910	1,350,523	1,365,214	1,380,172	1,394,510	1,406,168	1,417,259	1,427,961	1,435,153
Citrus Heights	86,458	85,940	85,153	84,112	83,552	83,347	83,317	83,382	83,583	83,881
Elk Grove	88,954	113,391	125,703	135,996	142,003	146,083	149,302	152,652	154,440	155,937
Folsom	62,433	64,396	66,362	67,936	69,257	71,064	71,625	72,139	72,393	72,725
Galt	21,843	21,952	22,485	22,628	22,996	23,371	23,584	23,654	23,757	24,076
Isleton	838	831	811	802	800	800	802	805	808	810
Rancho Cordova	0	54,979	55,476	56,866	59,502	61,526	62,724	64,024	65,475	66,093
Sacramento	429,918	436,799	442,662	445,774	452,711	458,965	463,633	466,740	469,477	470,956
Unincorporated	616,745	553,622	551,871	551,100	549,351	549,354	551,181	553,863	558,028	560,675
Sutter County	83,018	85,097	87,097	89,364	91,563	92,983	93,918	94,765	94,620	95,065
Live Oak	6,380	6,473	6,603	7,266	7,890	8,255	8,355	8,422	8,446	8,247
Yuba City	48,505	51,034	57,975	60,197	61,835	62,974	64,042	64,818	64,792	65,300
Unincorporated	28,133	27,590	22,519	21,901	21,838	21,754	21,521	21,525	21,382	21,518
Yolo County	180,798	184,015	186,530	189,078	192,826	196,219	198,642	200,484	201,071	202,133
Davis	63,609	64,241	63,889	64,043	64,412	64,712	65,143	65,558	65,421	65,052
West Sacramento	36,579	38,191	40,289	43,331	45,179	46,979	47,962	48,582	49,048	49,292
Winters	6,446	6,707	6,753	6,602	6,584	6,648	6,638	6,630	6,609	6,839
Woodland	51,150	51,934	52,474	51,919	52,917	54,118	54,750	55,400	55,345	55,646
Unincorporated	23,014	22,942	23,125	23,183	23,734	23,762	24,149	24,314	24,648	25,304
Yuba County	63,349	64,604	66,478	68,464	69,719	70,820	71,609	72,083	72,316	72,615
Marysville	12,704	12,807	12,567	12,446	12,312	12,285	12,310	12,304	12,098	12,104
Wheatland	2,754	3,219	3,474	3,499	3,489	3,488	3,506	3,519	3,459	3,469
Unincorporated	47,891	48,578	50,437	52,519	53,918	55,047	55,793	56,260	56,759	57,042

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 January 1 of each year.

Sacramento Area Council of Governments
Total Households by County
 For Years 2003 to 2012

	2003		2004		2005	
	Total Units	Vacant	Total Units	Vacant	Total Units	Vacant
SACOG Region	825,586	43,756	848,411	44,966	863,254	57,137
El Dorado County	76,617	4,061	78,351	4,153	79,448	13,486
Placer County	127,634	6,765	132,672	7,032	134,896	14,867
Sacramento County	503,175	26,668	516,104	27,354	524,648	22,505
Sutter County	29,566	1,567	30,496	1,616	31,175	1,403
Yolo County	65,412	3,467	67,039	3,553	68,537	2,510
Yuba County	23,182	1,229	23,749	1,259	24,550	2,366

	2006		2007		2008	
	Total Units	Vacant	Total Units	Vacant	Total Units	Vacant
SACOG Region	887,241	58,463	903,731	60,424	916,203	60,780
El Dorado County	81,478	13,757	82,695	13,992	83,275	14,024
Placer County	140,330	15,220	144,207	15,603	147,408	15,701
Sacramento County	535,788	22,916	545,287	23,720	551,219	23,627
Sutter County	32,472	1,459	33,069	1,485	33,491	1,503
Yolo County	70,542	2,454	71,755	2,533	73,138	2,563
Yuba County	26,631	2,657	26,718	3,091	27,672	3,362

	2009		2010		2011	
	Total Units	Vacant	Total Units	Vacant	Total Units	Vacant
SACOG Region	922,560	63,442	932,323	90,378	935,759	90,071
El Dorado County	83,871	14,107	88,121	17,926	88,272	17,957
Placer County	149,265	16,061	152,422	20,003	153,730	20,107
Sacramento County	553,916	23,874	555,335	41,944	556,973	42,060
Sutter County	33,681	1,506	33,846	2,421	33,920	2,426
Yolo County	73,811	4,347	74,984	4,178	75,326	4,192
Yuba County	28,016	3,547	27,615	3,906	27,538	3,329

	2012	
	Total Units	Vacant
SACOG Region	937,035	90,173
El Dorado County	88,300	17,965
Placer County	154,525	20,188
Sacramento County	558,209	42,143
Sutter County	33,935	2,427
Yolo County	74,379	4,171
Yuba County	27,687	3,279

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.

Sacramento Area Council of Governments
Labor Force & Unemployment by County
 For Years 2002 to 2011

	2002				2003			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,027,500	967,900	59,600	5.8	1,054,400	991,200	63,200	6.0
El Dorado County	85,800	81,400	4,400	5.2	87,800	83,000	4,800	5.5
Placer County	145,500	138,600	6,900	4.8	152,700	145,300	7,400	4.8
Sacramento County	641,200	605,100	36,100	5.6	656,300	618,200	38,100	5.8
Sutter County	39,200	34,900	4,300	11	39,800	35,400	4,400	11.1
Yolo County	90,600	85,200	5,400	6	92,400	86,600	5,800	6.3
Yuba County	25,200	22,700	2,500	9.8	25,400	22,700	2,700	10.8

	2004				2005			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,069,100	1,008,600	60,500	5.7	1,090,700	1,034,300	56,400	5.2
El Dorado County	89,100	84,500	4,600	5.1	92,100	87,700	4,400	4.8
Placer County	155,000	147,900	7,100	4.6	166,300	159,100	7,200	4.3
Sacramento County	665,600	629,000	36,600	5.5	672,300	639,000	33,300	5.0
Sutter County	40,200	36,000	4,200	10.5	40,500	36,600	3,900	9.7
Yolo County	93,600	88,100	5,500	5.9	93,500	88,300	5,200	5.6
Yuba County	25,600	23,100	2,500	9.7	26,000	23,600	2,400	9.1

	2006				2007			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,107,500	1,052,900	54,600	4.9	1,126,700	1,063,100	63,600	6.0
El Dorado County	93,600	89,300	4,300	4.6	94,500	89,600	4,900	5.2
Placer County	169,000	161,900	7,100	4.2	174,400	165,900	8,500	4.9
Sacramento County	682,600	650,300	32,300	4.7	690,900	653,100	37,800	5.5
Sutter County	41,100	37,400	3,700	8.9	42,400	38,300	4,100	9.6
Yolo County	94,700	89,800	4,900	5.2	96,700	91,000	5,700	5.9
Yuba County	26,500	24,200	2,300	8.8	27,800	25,200	2,600	9.3

Sacramento Area Council of Governments
Labor Force & Unemployment by County
 For Years 2002 to 2011
 (Continued)

	2008				2009			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,128,600	1,045,200	83,400	7.4	1,128,400	997,800	130,600	11.6
El Dorado County	92,400	85,900	6,400	6.9	91,800	81,500	10,300	11.3
Placer County	176,200	164,700	11,500	6.5	179,000	160,100	18,900	10.6
Sacramento County	690,400	640,800	49,600	7.2	687,600	609,600	78,000	11.3
Sutter County	42,000	36,900	5,200	12.3	42,100	34,900	7,200	17.0
Yolo County	99,500	92,200	7,300	7.4	99,200	88,000	11,200	11.3
Yuba County	28,100	24,700	3,400	12.0	28,700	23,700	5,000	17.3

	2010				2011			
	Labor Force	Employment	Unemployment	Rate	Labor Force	Employment	Unemployment	Rate
SACOG Region	1,111,000	966,700	144,500	13.0	1,110,800	974,400	136,500	12.3
El Dorado County	90,800	79,400	11,500	12.6	91,000	80,300	10,700	11.8
Placer County	177,100	156,800	20,300	11.5	175,100	156,200	18,900	10.8
Sacramento County	674,900	588,600	86,300	12.8	675,600	594,100	81,500	12.1
Sutter County	42,100	33,800	8,300	19.8	43,300	35,200	8,200	18.8
Yolo County	98,000	85,300	12,700	13.0	97,800	85,700	12,100	12.4
Yuba County	28,100	22,800	5,400	19.1	28,000	22,900	5,100	18.2

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/>). 2012 data is not currently available.

Sacramento Area Council of Governments
Largest Employment Centers by County*
For Fiscal Year Ended June 30, 2012

El Dorado County

2011*			2012		
Employer	# of Employees	%	Employer	# of Employees	%
El Dorado County	1,583	3.4%	Blue Shield of California	1,744	3.8%
Red Hawk Casino	Data N/A		EL Dorado County	1,735	3.8%
Blue Shield of California	1,719	3.7%	Red Hawk Casino	1,400	3.0%
DST Output	850	1.8%	Marshall Medical Center	1,350	2.9%
Marshall Medical Center	1,145	2.5%	DST Output	820	1.8%
Barton Healthcare System	495	1.1%	Sierra-at-Tahoe Inc.	750	1.6%
State of California	685	1.5%	State of California	657	1.4%
Sierra at Home Inc	752	1.6%	El Dorado County Office of Educatic	600	1.3%
El Dorado County Office of Education	Data N/A		El Dorado Union High School Distric	583	1.3%
Camp Richardson Resort	400	0.9%	Raley's Inc	516	1.1%
Roebbelen Contracting, Inc.	263	0.6%	Camp Richardson	400	0.9%
Raleys Family of Fine Stores	540	1.2%	Lake Tahoe Unified School District	400	0.9%
El Dorado Irrigation District	Data N/A		Roebbelen Contracting Inc.	285	0.6%
County Employment Estimate	46,600	100.0%	County Employment Estimate	46,100	100.0%

Placer County

2011*			2012		
Employer	# of Employees	%	Employer	# of Employees	%
Kaiser Permanente	3,147	2.5%	Kaiser Permanente	3,702	2.9%
Placer County	2,400	1.9%	Hewlett-Packard Inc	3,200	2.5%
Sutter Health	2,144	1.7%	Placer County	2,240	1.8%
Hewlett-Packard Inc	3,500	2.8%	Sutter Health	2,205	1.7%
Union Pacific Railroad	2,000	1.6%	Thunder Valley Casino	2,000	1.6%
Thunder Valley Casino	2,025	1.6%	Union Pacific Railroad Co Inc	2,000	1.6%
PRIDE Industries Inc	Data N/A		Northstar-At-Tahoe Resort	1,950	1.5%
Northstar at Tahoe	1,950	1.6%	City of Roseville	1,690	1.3%
City of Roseville	1,205	1.0%	Pride Industries	1,021	0.8%
Placer County Office of Education	1,004	0.8%	Raley's Family of fine stores	967	0.8%
Raleys Family of Fine Stores	1,000	0.8%	Rocklin Unified School District	904	0.7%
Dry Creek Joint Elementary School Distri	Data N/A		Placer County Office of Education	899	0.7%
County Employment Estimate	124,500	100.0%	County Employment Estimate	126,500	100.0%

*2011/12 information. The list of large employers for El Dorado, Placer, Sacramento and Yolo Counties is based on Sacramento Business Journal lists throughout 2011/12. The list of the major employers for Sutter and Yuba Counties is taken from the EDD website showing large employers but only has employment spans available (ex 100-249 employees, 250-499 employees, etc.). SACOG has used some other data to bolster the specific employment numbers in those two counties, so they are likely reasonable assumptions of employment, but may not be representative of the specific number of employees. The total employment number for each county is the EDD 2010/11 Annual Average employment.

Sacramento Area Council of Governments
Largest Employment Centers by County*

For Fiscal Year Ended June 30, 2012

(Continued)

Sacramento County

2011*			2012		
Employer	# of Employees	%	Employer	# of Employees	%
State of California	70,937	13.0%	State of California	70,918	13.0%
Sacramento County	11,300	2.1%	Sacramento County	11,450	2.1%
UC Davis Health System	8,580	1.6%	UC Davis Health System	7,725	1.4%
Kaiser Permanente	6,367	1.2%	Dignity Health	7,069	1.3%
Sutter Health Sacramento Sierra Region	6,958	1.3%	Intel Corp	6,633	1.2%
Sacramento City Unified School District	4,500	0.8%	Kaiser Permanente	6,360	1.2%
Elk Grove Unified School District	5,619	1.0%	Sutter Health Sacramento Sierra Re	5,765	1.1%
Intel Corp	6,515	1.2%	Elk Grove Unified School District	6,984	1.3%
Mercy/Catholic Healthcare West	6,942	1.3%	Sacramento City Unified School Dis	5,200	1.0%
San Juan Unified School District	4,600	0.8%	San Juan Unified School District	4,700	0.9%
			City of Sacramento	5,178	1.0%
County Employment Estimate	547,500	100.0%	County Employment Estimate	543,800	100.0%

Sutter County

2011*			2012		
Employer	# of Employees	%	Employer	# of Employees	%
Oceanspray/Sunsweet Growers	Data N/A		Fremont Medical Center	1,600	6.0%
Fremont Medical Center	1,850	8.0%	Yuba City Unified School District	1,185	4.4%
Sysco Food Service	Data N/A		Sutter County	870	3.3%
Environmental Pro Assoc	Data N/A		Oceanspray/Sunsweet Growers	600	2.2%
Wal-Mart	525	2.3%	Sutter North Surgery Center	500	1.9%
Sunset Moulding Co	Data N/A		Sysco Food Service	460	1.7%
Home Depot	Data N/A		Trees Inc	460	1.7%
Alta California Regional Center	Data N/A		Walmart	400	1.5%
Sutter North Surgery Center	575	2.5%	Sunset Moulding Co	380	1.4%
Yuba City Unified School District	1,316	5.7%	Home Depot	300	1.1%
Sutter County	970	4.2%	Yuba City	300	1.1%
Sunsweet Growers	670	2.9%			
City of Yuba City	325	1.4%			
Sam's Club	198	0.9%			
Raley's Family of Fine Stores	185	0.8%			
Winco Foods	150	0.6%			
Landstar Ranger Inc	Data N/A				
County Employment Estimate	23,200	100.0%	County Employment Estimate	26,700	100.0%

Sacramento Area Council of Governments
Largest Employment Centers by County*

For Fiscal Year Ended June 30, 2012

(Continued)

Yolo County

2011*			2012		
Employer	# of Employees	%	Employer	# of Employees	%
University of California, Davis	11,704	13.1%	University of California, Davis	21,586	23.0%
Cache Creek Casino Resort	Data N/A		State of California	2,486	2.6%
State of California	2,214	2.5%	Cache Creek Casino Resort	2,200	2.3%
Yolo County	1,245	1.4%	Yolo County	1,252	1.3%
Raley's Family of Fine Stores	831	0.9%	Woodland Joint Unified School District	1,000	1.1%
Woodland Healthcare	994	1.1%	Woodland Healthcare	991	1.1%
Nugget Market Inc	500	0.6%	Raley's Inc	833	0.9%
Pacific Gas & Electric Co	623	0.7%	Davis Joint Unified School District	790	0.8%
City of Davis	Data N/A		City of Davis	700	0.7%
Coventry Health Care	Data N/A		Pacific Gas & Electric Co	671	0.7%
US Postal Service	1,794	2.0%	Sutter Davis Hospital	511	0.5%
Davis Joint Unified School District	792	0.9%	Nugget Market Inc	380	0.4%
Target Corporation	782	0.9%	City of West Sacramento	331	0.4%
County Employment Estimate	89,300	100.0%	County Employment Estimate	93,900	100.0%

Yuba County

2011*			2012		
Employer	# of Employees	%	Employer	# of Employees	%
Rideout Memorial Hospital	Data N/A		Rideout Memorial Hospital	2,050	13.7%
Beale AFB	5,721	43.7%	Marysville Joint Unified School District	913	6.1%
Yuba Community College	700	5.3%	Yuba Community College	700	4.7%
Wal-Mart	300	2.3%	Yuba County	615	4.1%
Baldwin Contracting Co	Data N/A		Walmart	450	3.0%
Yuba County	805	6.1%	Sierra Kiwi Inc	300	2.0%
Sierra Kiwi Inc	250	1.9%	Bishop's Pumpkin Farm	300	2.0%
Bishop's Pumpkin Farm	250	1.9%			
Frank Booth Inc	Data N/A				
Marysville Joint Unified School District	1,000	7.6%			
California Transportation Department	650	5.0%			
Appeal Democrat	150	1.1%			
Elite Universal Security	150	1.1%			
County Employment Estimate	13,100	100.0%	County Employment Estimate	15,000	100.0%

Sacramento Area Council of Governments
Public School Enrollment by County
For the 2001-02 to 2010-11 School Years

	2002	2003	2004	2005	2006
SACOG Region	374,927	382,981	387,142	392,314	394,681
El Dorado	29,104	29,147	29,072	29,368	29,332
Placer	58,228	60,716	61,718	62,666	63,742
Sacramento	228,122	232,612	235,269	238,385	239,026
Sutter	16,233	16,528	16,976	17,435	17,771
Yolo	29,099	29,466	29,321	29,429	29,460
Yuba	14,141	14,512	14,786	15,031	15,350

	2007	2008	2009	2010	2011
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

Source: County Reports (Annual), California Department of Education. 2012 data is not currently available.

Sacramento Area Council of Governments

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

Sacramento Area Council of Governments
Average Annual Wages by County
 For Years 2003 – 2012

	2003		2004		2005		2006	
	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	\$696	\$36,187	\$718	\$37,358	\$751	\$39,041	\$782	\$40,638
El Dorado County	\$598	\$31,114	\$617	\$32,092	\$658	\$34,200	\$693	\$36,049
Placer County	\$704	\$36,618	\$740	\$38,477	\$764	\$39,717	\$797	\$41,431
Sacramento County	\$730	\$37,953	\$749	\$38,961	\$784	\$40,786	\$816	\$42,418
Sutter County	\$507	\$26,357	\$531	\$27,612	\$545	\$28,319	\$580	\$30,183
Yolo County	\$640	\$33,285	\$674	\$35,063	\$699	\$36,326	\$719	\$37,396
Yuba County	\$582	\$30,268	\$572	\$29,741	\$616	\$32,008	\$627	\$32,627

	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*	
	Average Weekly Wages	Average Annual Wages ¹	Average Weekly Wages	Average Annual Wages ¹
SACOG Region	\$861	\$44,772	\$861	\$44,772
El Dorado County	\$975	\$50,684	\$1,005	\$52,261
Placer County	\$975	\$50,684	\$1,005	\$52,261
Sacramento County	\$975	\$50,684	\$1,005	\$52,261
Sutter County	\$802	\$41,689	\$820	\$42,633
Yolo County	\$975	\$50,684	\$1,005	\$52,261
Yuba County	\$802	\$41,689	\$820	\$42,633

* Data for 2011 and 2012 were only available at the Metropolitan Statistical Area (MSA) level, individual county level data was not available.
 Source: California Employment Development Department, Labor Market Information Division

¹Average Annual Wages based upon Average Weekly Wages

Sacramento Area Council of Governments
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

Sacramento Area Council of Governments
Summary of Full-Time Equivalent Employees

BY FUNCTION & PROGRAM
 For Eight Fiscal Years Ended June 30, 2005 - 2012

FUNCTION	2005	2006	2007	2008	2009	2010	2011	2012
Chief Executive Officer*	1	1	1	1	1	1	1	1
Administration	8	6	6	6	9	8	9	9
Finance	6	5	5	5	5	4	4	4
Research Analysts*	6	8	11	13	9	10	12	12
Information Technology	2	2	1	2	2	2	2	1
Planning	19	21	20	18	19	19	19	19
Public Affairs and Communications	4	4	5	5	5	5	5	5
Interns	3	1	1	1	1	2	2	2
Total Approved Full-Time Positions	49	48	50	51	51	51	54	53

*Formerly called Executive Director

** Formerly called Geographic Information Systems

Sacramento Area Council of Governments
Summary of Full-Time Equivalent Employees

BY PROJECT

For Eight Fiscal Years Ended June 30, 2005 - 2012

	2005	2006	2007	2008
Direct Projects				
Interagency Relations and Program Management	0.9	1.2	1.4	n/a
Project Delivery and Programming	3.4	3.7	3.0	n/a
Multimodal Transportation Planning and Coordination	2.9	6.1	6.1	n/a
Air Quality Planning, Analysis and Coordination	0.7	0.8	2.0	n/a
Transit Planning and Coordination	4.2	4.0	4.0	n/a
Housing and Land Use	3.8	3.3	0.6	n/a
Regional Monitoring and Forecasting	6.8	10.5	5.7	n/a
Geographic Information Systems	5.1	n/a	n/a	n/a
Public Information/Outreach and Advocacy Services	5.6	4.0	3.8	n/a
Special Projects and Local Technical Assistance/NEPA Linkages	2.8	1.2	1.5	n/a
Regional Blueprint Programming	0.1	0.7	1.0	n/a
Metropolitan Transportation Plan	n/a	0.6	n/a	n/a
Services to Other Agencies (pass-through)	n/a	n/a	9.1	n/a
Misc Other Funding	n/a	0.6	0.8	n/a
Government Relations, Public Affairs & Administration	n/a	n/a	n/a	4.9
Long-Range Transportation Planning	n/a	n/a	n/a	10.1
Short-Range Transportation Planning & Studies	n/a	n/a	n/a	1.4
Continuing Transportation Implementation	n/a	n/a	n/a	5.7
Land Use & Housing Planning	n/a	n/a	n/a	8.7
Public Services	n/a	n/a	n/a	2.8
Member & Agency Services	n/a	n/a	n/a	4.9
Services to Other Agencies	n/a	n/a	n/a	0.9
Board and Advocacy	n/a	0.3	0.5	0.2
Subtotal - Direct Projects	36.3	37.0	39.5	39.6
Indirect	12.3	11.8	11.1	12.2
Total FTEs Based on Total Hours	48.6	48.8	50.6	51.8

Sacramento Area Council of Governments
Summary of Full-Time Equivalent Employees

BY PROJECT

For Eight Fiscal Years Ended June 30, 2005 - 2012

2009	2010	2011	2012
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	12.0	10.8
n/a	n/a	0.2	0.3
n/a	n/a	n/a	0.2
5.1	4.5	4.7	4.0
3.5	6.0	3.7	3.5
0.4	1.1	2.8	1.3
11.0	8.9	6.8	7.8
11.1	10.2	4.4	3.5
2.8	2.7	n/a	n/a
4.7	3.7	7.0	8.6
0.5	0.5	0.5	0.4
0.3	0.2	0.2	0.2
39.4	37.8	42.3	40.7
12.4	12.8	11.7	12.3
51.8	50.6	54.0	53.0

Sacramento Area Council of Governments
Planning & Administration Fund

INDIRECT SERVICE COST COMPARISON
 For Eight Fiscal Years Ended June 30, 2005 – 2012

	2005	2006	2007	2008
INDIRECT COSTS				
Building Costs	\$ 573,947	\$ 573,947	\$ 641,863	\$ 638,875
Career Development Program	-	-	49,690	52,408
Consultants	80,810	57,038	39,071	116,034
Depreciation	168,452	156,390	136,081	133,337
Insurance	15,828	68,658	67,478	69,959
Legal	88,481	178,649	257,799	320,942
Maintenance	15,579	44,048	6,176	13,295
Meetings	40,664	19,059	12,099	5,300
Memberships	21,219	42,139	42,794	25,377
Miscellaneous	3,157	12,265	676	2,530
Mileage	17,120	13,862	11,408	14,093
Office Equipment	-	-	16,825	19,591
Parking	5,950	6,525	7,400	7,550
Postage	30,458	24,197	22,605	21,367
Printing	-	-	16,671	1,762
Publications	5,013	3,425	4,227	4,869
Salaries and Benefits	1,130,960	1,186,651	1,164,671	1,337,701
Software & Maintenance	58,531	41,206	36,601	49,921
Supplies	72,979	75,394	38,499	45,429
Accounting Services	-	7,723	8,169	17,065
Unemployment Costs	-	8,469	-	-
Telephone/Telcommunications	29,356	28,693	32,906	34,114
Temporary services	6,673	580	2,119	409
Printing Cost offset	-	(71,048)	-	-
OPEB ARC				
Total Indirect Costs	\$ 2,365,177	\$ 2,477,870	\$ 2,615,828	\$ 2,931,928

Sacramento Area Council of Governments
Planning & Administration Fund

INDIRECT SERVICE COST COMPARISON
 For Eight Fiscal Years Ended June 30, 2005 – 2012

	2009	2010	2011	2012
\$	677,089	\$ 601,854	\$ 582,991	\$ 575,236
	89,195	42,699	46,247	50,103
	269,661	100,131	45,655	45,455
	86,257	82,426	45,844	44,537
	68,903	68,251	68,376	67,924
	259,557	242,566	245,404	40,782
	11,580	14,590	6,762	3,439
	12,187	7,269	8,737	8,678
	25,511	17,246	28,795	11,663
	3,719	4,664	4,660	5,242
	12,915	14,171	13,749	13,717
	11,044	2,823	4,520	12,499
	9,450	10,376	10,200	10,650
	9,014	17,998	10,462	8,219
	9,081	(1,931)	(18,297)	(8,146)
	3,567	2,264	2,686	1,497
	1,423,539	1,496,208	1,475,280	1,600,335
	51,418	62,364	86,315	66,675
	53,275	70,105	56,512	45,136
	9,420	9,844	12,943	10,189
	-	-	4,279	1,281
	39,244	37,349	40,350	45,640
	132	384	403	1,623
	-			
		405,800	-	-
\$	3,135,758	\$ 3,309,451	\$ 2,782,873	\$ 2,662,374

Sacramento Area Council of Governments
Capital Assets – by Fund*
For Eight Fiscal Years Ended June 30, 2005 – 2012

	2005	2006	2007	2008
Planning and Administration Fund:				
Furniture/equipment/computers	\$ 579,541	\$ 470,401	\$ 379,209	\$ 313,598
Capital Valley Regional SAFE:				
Call boxes	1,857,102	1,505,224	1,118,006	2,250,826
Glenn County SAFE:				
Call boxes	<u>47,954</u>	<u>29,390</u>	<u>10,828</u>	<u>60,245</u>
Total	<u><u>\$ 2,484,597</u></u>	<u><u>\$ 2,005,015</u></u>	<u><u>\$ 1,508,043</u></u>	<u><u>\$ 2,624,669</u></u>

Source: Individual internal fund statements

*Net of accumulated depreciation

Sacramento Area Council of Governments
Capital Assets – by Fund
 For Eight Fiscal Years Ended June 30, 2005 – 2012

2009	2010	2011	2012
\$ 235,902	\$ 109,415	\$ 80,386	\$ 77,873
1,779,369	1,139,355	667,898	196,441
<u>47,101</u>	<u>33,956</u>	<u>20,812</u>	<u>7,668</u>
<u><u>\$ 2,062,372</u></u>	<u><u>\$ 1,282,726</u></u>	<u><u>\$ 769,096</u></u>	<u><u>\$ 281,982</u></u>

*Net of accumulated depreciation

Sacramento Area Council of Governments

Miscellaneous Statistics

For Fiscal Year Ended June 30, 2012

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 & Air Quality; 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 Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grant Award Number	Expenditures
<u>U.S. Department of Transportation</u>			
Highway Planning & Construction Cluster:			
Passed through the State of California, Department of Transportation			
Planning	20.205		\$ 2,569,032
CMAQ - Pedestrian and Bicycle Planning	20.205		2,292
CMAQ - Connect Card Implementation	20.205		511,555
CMAQ - Transportation Demand Management	20.205		1,020,259
CMAQ - SECAT Program	20.205		539,307
CMAQ - 511 Trip Planning	20.205		4,525
FHWA Partnership Planning	20.205		174,192
SAFE Routes to School	20.205		3,961
Subtotal - Highway Planning and Construction Cluster ¹		03-6085R 74A0135	\$ 4,825,123
Direct Metropolitan Planning Program - FTA	20.505		1,471,015
Direct Federal Transit Administration - - State Planning and Research	20.515		560,768
Direct Transit Services Programs Cluster:			
Federal Transit Administration - JARC Funds ¹	20.516		645,789
Federal Transit Administration - New Freedom ¹	20.521		401,437
Subtotal: Transit Services Programs Cluster:			1,047,226
<u>U.S. Department of Housing and Urban Development</u>			
Direct:			
Sustainable Communities Regional Planning Grant Program	14.703		729,373
<u>U.S. Department of Energy</u>			
Direct:			
Conervation Research and Development	81.086		45,215
Total Expenditures of Federal Awards			\$ 8,678,720

¹Denotes major program

Notes to the Schedule of Expenditures of Federal Awards

For Fiscal Year Ended June 30, 2012

NOTE A - GENERAL

The accompanying schedule of expenditures of federal awards for the year ended June 30, 2012, presents the activity of all federal award programs of the Sacramento Area Council of Governments. Federal awards received directly from federal agencies, as well as federal awards passed through to other governmental agencies, are included in the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which recognizes revenue in the accounting period in which it becomes measurable and available to finance expenditures of the current accounting period. Expenditures are recognized in the period in which the liability is incurred (when goods are received or services rendered).

NOTE C - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

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

NOTE D - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, SACOG provided federal awards to subrecipient as follows:

Federal Program	Federal CFDA Number	Amount Provided to Subrecipients
Highway Planning and Construction	20.205	\$ 699,009
Federal Transit Administration – JARC Funds	20.516	577,629
Federal Transit Administration – New Freedom Funds	20.521	<u>401,437</u>
Total		<u>\$ 1,678,075</u>



**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
GOVERNMENT AUDITING STANDARDS**

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

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, 2012, which collectively comprise SACOG's basic financial statements and have issued our report thereon dated January 17, 2013. 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. Other auditors 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 for the year ended June 30, 2012, 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

Management of SACOG is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered SACOG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SACOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SACOG's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the SACOG in a separate letter dated January 17, 2013.

This report is intended solely for the information and use of the Board of Directors and management of SACOG, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinik, Trine, Day & Co. LLP

Sacramento, California
January 17, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Sacramento Area Council of Government's (SACOG) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SACOG's major Federal programs for the year ended June 30, 2012. SACOG's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the SACOG's management. Our responsibility is to express an opinion on SACOG's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of SACOG's compliance with those requirements.

In our opinion SACOG complied, in all material respects, with the requirements referred to previously that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 through 2012-03.

Internal Control Over Compliance

Management of SACOG is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered SACOG's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

For the Fiscal Year Ended June 30, 2012

C-5

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined previously.

SACOG's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit SACOG's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management of SACOG, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California

January 17, 2013

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>Yes</u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>
<u>20.516 and 20.521</u>	<u>Transit Services Program Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

II. FINANCIAL STATEMENT FINDINGS

None reported.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2012-01

Program: Highway Planning and Construction Cluster
CFDA No.: 20.205
Federal Grantor: U.S. Department of Transportation
Passed-through: California Department of Transportation
Award Year: FY 2011-2012
Compliance Requirement: Subrecipient Monitoring

Criteria:

The June 2012 OMB Circular A-133 *Compliance Supplement* requires Federal agencies to require recipients to identify to each subrecipient, and document at the time of subaward, CFDA title and number; award name and number; if the award is research and development; and the name of the Federal awarding agency and applicable compliance requirements.

Condition Found:

Instance of Noncompliance - As a result of our audit of subrecipient contracts we noted for one of the three subrecipient contracts tested, SACOG did not communicate the CFDA title and number to the subrecipient.

Questioned Costs:

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

Context:

The contracts made with subrecipients do not specifically identify all of the required elements as required by OMB Circular A-133. SACOG is required to identify to each subrecipient and document at the time of the subaward, the CFDA title and number; award name and number; if the award is research and development; and the name of the Federal awarding agency and applicable compliance requirements.

Effect:

Not properly disclosing the Federal award number and CFDA title and number at the time of subaward to subrecipients could increase the risk of the subrecipients not knowing the Federal nature of their funding and other related compliance requirements such as performing the Single Audit.

Cause:

SACOG did not maintain procedures to ensure that the Federal award number and CFDA title and number were communicated to the subrecipients at the time of award.

Recommendation:

We recommend SACOG to implement policies and procedures to ensure that the necessary information required by OMB Circular A-133 is disclosed to the subrecipients at the time of award of funds.
For the Fiscal Year Ended June 30, 2012

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

View of Responsible Official and Planned Corrective Actions:

SACOG concurs with the auditor recommendation. This condition was first noted in the fiscal year 2011 Single Audit. In response, SACOG took immediate action to implement the recommendation of the auditors. In February 2012, SACOG implemented a process to add the federal award number and CFDA title and number to all JARC/New Freedom and TDM subrecipients going forward from that date. The agreement which is the subject of this finding was executed in October 2011, prior to the 2011 audit finding. SACOG did not go back and revise this preexisting contract, because it has since been closed out.

FINDING 2012-02

Program: Highway Planning and Construction Cluster
CFDA No.: 20.205
Federal Grantor: U.S. Department of Transportation
Passed-through: California Department of Transportation
Award Year: FY 2011-2012
Compliance Requirement: Allowable Costs and Activities

Criteria:

OMB circular A-133, Sub-par C, Section 300, Part b, states that the auditee is responsible for "maintaining internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that have a material effect on each of its Federal programs."

Condition Found:

Instance of Noncompliance - Based on the testing over SACOG's compliance over payroll expenses charged to Federal programs, we noted SACOG's internal controls require supervisor approval of employee's hours prior to processing the monthly accounting close. As a result of our audit, we noted one out of sixty timesheets selected for testing did not have evidence of supervisor approval. However, we also noted that each employee sampled for compliance with activities allowed and allowable costs/cost principles charged their time correctly to each project, and as a result, no questioned costs were identified in our tests of compliance with this requirement.

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 over the approval of staff costs charged to the Federal program.

Effect:

Not properly reviewing staff timesheets could result in inaccurate time being charged to the Federal program.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

SACOG did not maintain procedures to ensure that staff time is reviewed by a manager.

Recommendation:

We recommend SACOG strengthen timesheet review procedures to ensure that all staff time is properly approved by a manager.

View of Responsible Official and Planned Corrective Actions:

SACOG concurs with the audit finding and recommendation. SACOG believes that this finding is the result of an inadvertent error, and not a systemic problem, as SACOG does have procedures in place to ensure that staff time is reviewed by a manager. However, SACOG will review its current process for improvement.

FINDING 2012-03

Program: Transit Services Programs Cluster

CFDA No.: 20.516 and 20.521

Federal Grantor: U.S. Department of Transportation

Award Year: FY 2011-2012

Compliance Requirement: Subrecipient Monitoring

Criteria:

The June 2012 OMB Circular A-133 *Compliance Supplement* requires Federal agencies to require recipients to identify to each subrecipient, and document at the time of subaward, CFDA title and number; award name and number; if the award is research and development; and the name of the Federal awarding agency and applicable compliance requirements.

Condition Found:

Instance of Noncompliance - As a result of our audit of subrecipient contracts we noted for one of the three subrecipient contracts tested, SACOG did not communicate the CFDA title and number to the subrecipient.

Questioned Costs:

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

Context:

The contracts made with subrecipients do not specifically identify all of the required elements as required by OMB Circular A-133. The Council must identify to each subrecipient and document at the time of the subaward, CFDA title and number; award name and number; if the award is research and development; and the name of the Federal awarding agency and applicable compliance requirements.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect:

Not properly disclosing the Federal award number and CFDA title and number at the time of subaward to subrecipients could increase the risk of the subrecipients not knowing the Federal nature of their funding; and other related compliance requirements such as performing the Single Audit.

Cause:

SACOG did not maintain procedures to ensure that the Federal award number and CFDA title and number, to the subrecipients at the time of award.

Recommendation:

We recommend SACOG to implement policies and procedures to ensure that the necessary information required by OMB Circular A-133 is disclosed to the subrecipients at the time of award of funds.

View of Responsible Official and Planned Corrective Actions:

SACOG concurs with the auditor recommendation. This condition was first noted in the fiscal year 2011 Single Audit. In response, SACOG took immediate action to implement the recommendation of the auditors. In February 2012, SACOG implemented a process to add the federal award number and CFDA title and number to all JARC/New Freedom and TDM subrecipients going forward from that date. The agreement which is the subject of this finding was executed in August 2011, prior to the 2011 audit finding. SACOG did not go back and revise this preexisting contract but has advised the subrecipient of the federal funding and compliance requirements.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of findings and questioned costs.

Finding Number	Program	CFDA No.	Compliance Requirement	Status
2011-01	Highway Planning and Construction	20.205	Subrecipient Monitoring	Not Implemented – See Finding 2012-01
2011-02	Transit Services Programs Cluster	20.516, 20.521	Subrecipient Monitoring	Not Implemented – See Finding 2012-03
2011-03	Transit Services Programs Cluster	20.516, 20.521	Reporting	Implemented
2011-04	Sustainable Communities Regional Planning Grant Program	14.703	Subrecipient Monitoring	Implemented
2011-05	Sustainable Communities Regional Planning Grant Program	14.703	Reporting	Implemented

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.

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