

Association of Bay Area Governments

**Financial Statements
For the Year Ended June 30, 2019**

Association of Bay Area Governments
Financial Statements
For the Year Ended June 30, 2019
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Report of Independent Auditors

To the Members of the Executive Board of the
Association of Bay Area Governments:

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the Association of Bay Area Governments (“ABAG”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise ABAG’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Association of Bay Area Governments as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis ("MD&A") on pages 3 through 8 and required supplementary information ("RSI") on pages 37 through 40 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ABAG's basic financial statements. The other supplementary schedules appearing on pages 41 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, these supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
November 22, 2019

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

This section presents an overview of the financial activities of the Association of Bay Area Governments (ABAG) and its blended component units for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

ABAG was created by local governments to meet their planning and research needs related to land use, environmental and water resource protection, disaster resilience, energy efficiency and hazardous waste mitigation. In addition to the planning function, ABAG runs two major grant funded programs: San Francisco Estuary Partnership (SFEP) and Bay Area Regional Energy Network (BayREN).

SFEP was established in 1988 by the State of California and the U.S. Environmental Protection Agency under the Clean Water Act's National Estuary Program, after the San Francisco Estuary was designated as an *estuary of national significance*. SFEP manages multiple projects designed to improve the health of the Estuary through the *Estuary Blueprint*, a comprehensive, collective vision for the Estuary's future. SFEP receives funding from federal, state and local agencies for regional-scale restoration, water quality improvement, and resilience-building projects.

BayREN is a collaboration of the nine counties that make up the San Francisco Bay Area. Led by ABAG, BayREN's energy efficiency programs help Bay Area residents and communities become more energy efficient. BayREN is primarily funded through a Public Purpose Program (PPP) Surcharge included on the utility bills of gas and electric ratepayers. The California Public Utilities Commission (CPUC) allocates PPP funding for state-mandated assistance programs for low income customers, energy efficiency programs, and public-interest research and development.

A. Financial Highlights

On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and the Metropolitan Transportation Commission (MTC). On July 1, 2017 all members of the ABAG staff, excluding the ABAG Legal Counsel, who retired on January 5, 2018, were consolidated into MTC as new employees. ABAG retains ownership of all its existing assets and remains responsible for its outstanding liabilities, including unfunded pension and other post employment benefit (OPEB) liabilities.

Fiscal year 2019 was the second year of the staff consolidation. The staff consolidation of the two agencies provides ABAG with expanded depth and capacity to carry out its important work supporting local governments and the Bay Area. The following are some of the highlights from fiscal year 2019.

Integrated Regional Planning

- Launched a new online housing data portal, which provides easy access to data related to local adoption of housing policies and housing permit activity in the region. ABAG's online housing portal has been recognized by California Department of Housing and Community Development (HCD).
- Three divergent futures for the Bay Area were developed. Strategy analysis began in spring 2019.

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- Released Bay Area data on the housing loss estimates associated with 16 earthquake scenarios and three flood scenarios.
- Disseminated findings from the HayWired earthquake scenario report which estimates the impact of a magnitude 7.0 earthquake on the Hayward Fault.

San Francisco Estuary Partnership (SFEP)

- Hosted the annual meeting of the National Estuary Program.
- Completed and implemented a Strategic Communications Plan.
- Completed 10 Integrated Regional Water Management Program (IRWMP) projects.

Bay Area Regional Energy Network (BayREN)

- Awarded a Climate Grant of \$0.4 million from Bay Area Air Quality Management District (BAAQMD) to work with suppliers, wholesalers and distributors to increase the supply of heat pump water heaters.
- BayREN Single Family Home Upgrade program has paid over \$3.8 million in incentives to Bay Area homeowners for improving energy efficiency and reducing energy use in existing single family homes.
- The Bay Area Multifamily Building Enhancements (BAMBE) program, which offers free technical consulting for energy retrofits, has paid over \$5 million in rebates to property owners for installing energy upgrades and improving energy efficiency in multifamily buildings.

ABAG Administration

- ABAG's total net pension and other post employment benefit (OPEB) liabilities went down by \$1.4 million since ABAG had no active employees in fiscal year 2019.

B. Overview of the Financial Statements

The ABAG's Financial Statements include the *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* reports assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference as net position. The *Statement of Revenues, Expenses and Changes in Net Position* consists of operating revenues and expenses and non-operating revenues and expenses. The *Statement of Cash Flows* are presented using the direct method.

The Financial Statements provide information about the financial activities of ABAG's funds. The ABAG fund is presented as a major fund; ABAG Finance Corporation and BALANCE Foundation are presented as non-major funds in an aggregate amount in a separate column.

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Financial Statements for the Year Ended June 30, 2019
Management's Discussion and Analysis (unaudited)

C. Financial Analysis

ABAG has negative net position of approximately \$5.3 million for fiscal year 2019, a decrease of \$1.3 million compared to fiscal year 2018. The primary contributor to the decrease in net position was the on going unfunded pension cost related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Statement of Net Position

The following table is a summary of ABAG's Statement of Net Position as of June 30 for the last two fiscal years:

	2019	2018
Assets		
Current and other assets	\$ 20,605,681	\$ 17,160,006
Capital assets	5,436,015	5,541,035
Total assets	<u>26,041,696</u>	<u>22,701,041</u>
Deferred outflows	<u>5,515,457</u>	<u>6,508,318</u>
Liabilities		
Other liabilities	15,612,325	10,416,898
Long term liabilities	19,302,536	21,652,802
Total liabilities	<u>34,914,861</u>	<u>32,069,700</u>
Deferred inflows	<u>1,931,956</u>	<u>1,081,028</u>
Net position:		
Net investment in capital assets	5,436,015	5,541,035
Unrestricted (deficit)	(10,725,679)	(9,482,404)
Total net position	<u>\$ (5,289,664)</u>	<u>\$ (3,941,369)</u>

Total assets increased by \$3,340,655 or 14.72 percent from fiscal year 2018. The increase in total assets was primarily due to increases in receivables from grants at the end of fiscal year 2019. The decrease in capital assets was mainly due to depreciation, offset by an additional intangible asset of \$190,030.

Deferred outflows decreased by \$992,861 or 15.26 percent from fiscal year 2018. The decrease was mainly due to a decrease in deferred outflows from pension.

Total liabilities increased by \$2,845,161 or 8.87 percent from fiscal year 2018 to fiscal year 2019. The increase was primarily due to increases in accounts payable and accrued expenses related to grant projects, offset by decreases in long term liabilities of pension and OPEB.

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Deferred inflows increased by \$850,928 or 78.71 percent from fiscal year 2018 to fiscal year 2019. The increase was mainly due to an increase in deferred inflows from pension.

Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary of ABAG's Statement of Revenues, Expenses, and Changes in Net Position for the last two fiscal year ended June 30:

	2019	2018
Operating revenues		
Membership dues	\$ 2,723,907	\$ 2,068,486
Conference registration	219,277	313,404
Other operating revenues	86,614	167,503
Total operating revenues	<u>3,029,798</u>	<u>2,549,393</u>
Operating expenses		
Salaries and benefits	2,639,511	3,416,206
Professional fees	446,547	325,840
Other operating expenses	1,168,901	1,102,427
Total operating expenses	<u>4,254,959</u>	<u>4,844,473</u>
Operating loss	<u>(1,225,161)</u>	<u>(2,295,080)</u>
Nonoperating revenues/(expenses)		
Grants	31,474,248	29,055,371
Salaries and benefits	(2,297,865)	(2,132,062)
Professional fees	(28,569,705)	(26,328,868)
Gain on sale of capital assets	-	1,376
Other nonoperating revenues	403,876	176,435
Other nonoperating expenses	(1,133,688)	(400,756)
Total nonoperating revenues (expenses)	<u>(123,134)</u>	<u>371,496</u>
Change in net position	<u>(1,348,295)</u>	<u>(1,923,584)</u>
Net position - beginning	(3,941,369)	(523,970)
Prior period adjustment	-	(1,493,815)
Net position - beginning	<u>(3,941,369)</u>	<u>(2,017,785)</u>
Net position - ending	<u>\$ (5,289,664)</u>	<u>\$ (3,941,369)</u>

Total operating revenues increased by \$480,405 or 18.84 percent in fiscal year 2019 compared to fiscal 2018 year. The increase in total operating revenue was primarily due to increases in ABAG's membership dues.

ABAG's total operating expenses decreased by \$589,514 or 12.17 percent from fiscal year 2018. The decrease in operating expenses was mainly due to a decrease in pension expense of \$658,575 as a result of GASB 68.

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Total nonoperating revenue increased by \$2,644,942 or 9.05 percent in fiscal year 2019 compared to fiscal year 2018. The increase in total nonoperating revenue was mainly due to the increase in grant revenue. ABAG's grant revenue increased by \$2,418,877 or 8.33 percent from fiscal year 2018. Revenue from state grants increased by \$3,070,468 while revenue from federal grants decreased by \$765,741. The increase in BayREN revenue was the primary contributor to the increase in the total state grant revenue. Federal grant revenue decreased largely due to the decline of revenue from Environmental Protection Agency (EPA) grants.

ABAG's total non-operating expenses increased by \$3,139,572 or 10.88 percent from fiscal year 2018. The increase in total non-operating expenses was mainly due to the increase of professional fees of \$2,240,837, contribution to MTC of \$527,010, and the increase of the other nonoperating expenses of \$207,317. BayREN grant projects are the primary contributors to the increases in professional fees and the other nonoperating expenses.

D. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis and the financial statements.

E. Capital Asset Administration

ABAG's capital assets include building facilities, furniture and equipment, and capitalized software. ABAG reports its capital assets on an accrual basis. ABAG's investment in capital assets decreased to \$5,436,015 in fiscal year 2019 from \$5,541,035 in fiscal year 2018 due to depreciation of \$295,050, offset by an additional intangible asset of \$190,030. For additional information on ABAG's capital assets, refer to Note 4.

F. Economic Factors

The San Francisco Bay Area economy continues to expand. In July 2019 the US economy has produced the longest post WWII expansion lasting over 110 months. The Bay Area is not far behind.

- Retail sales went up for 9 straight years.
- The unemployment is now below 3.0 percent for the first time.
- Population is up nearly 9.0 percent since the "Great Recession".
- Another 450,000 of office space opened up in San Francisco.
- Office vacancy rates remain low while rents remain strong.

As strong as the local economy is, there are some issues that are concerning, including housing affordability, scarcity of housing and traffic congestion. These issues are part of regional efforts to improve housing affordability and transportation.

Association of Bay Area Governments
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Requests for information

This financial report is intended to provide citizens, taxpayers, creditors, and stakeholders with a general overview of the ABAG's finances. Questions about this report may be directed to the MTC Finance Department, at 375 Beale Street, Suite 800, San Francisco, California 94105.

Association of Bay Area Governments
Statement of Net Position
June 30, 2019

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
ASSETS			
Current Assets:			
Cash	\$ 4,146,300	\$ 52,939	\$ 4,199,239
Investments	2,284,487	-	2,284,487
Account receivable	8,468	-	8,468
Accrued interest	14,573	-	14,573
Loan receivable	52,416	-	52,416
Receivable from federal	1,044,198	-	1,044,198
Receivable from state	11,054,511	-	11,054,511
Receivable from local	160,699	-	160,699
Due from other government	67	-	67
Prepaid items	63,436	-	63,436
Total current assets	<u>18,829,155</u>	<u>52,939</u>	<u>18,882,094</u>
Non-current Assets			
Loan receivable	1,723,587	-	1,723,587
Capital assets, net of accumulated depreciation/ amortization	5,436,015	-	5,436,015
Total non-current assets	<u>7,159,602</u>	<u>-</u>	<u>7,159,602</u>
TOTAL ASSETS	<u>25,988,757</u>	<u>52,939</u>	<u>26,041,696</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	4,741,793	-	4,741,793
Deferred outflows from OPEB	773,664	-	773,664
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,515,457</u>	<u>-</u>	<u>5,515,457</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	8,679,099	-	8,679,099
Retention payable	2,274,629	-	2,274,629
Unearned revenue	4,221,124	-	4,221,124
Due to other government	437,473	-	437,473
Total current liabilities	<u>15,612,325</u>	<u>-</u>	<u>15,612,325</u>
Non-current Liabilities:			
Unearned revenue	300,317	-	300,317
Advance from PG&E	2,410,000	-	2,410,000
Net pension liability	15,604,366	-	15,604,366
Net OPEB liability	987,853	-	987,853
Total non-current liabilities	<u>19,302,536</u>	<u>-</u>	<u>19,302,536</u>
TOTAL LIABILITIES	<u>34,914,861</u>	<u>-</u>	<u>34,914,861</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	1,759,792	-	1,759,792
Deferred inflows from OPEB	172,164	-	172,164
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,931,956</u>	<u>-</u>	<u>1,931,956</u>
NET POSITION			
Net investment in capital assets	5,436,015	-	5,436,015
Unrestricted	(10,778,618)	52,939	(10,725,679)
TOTAL NET POSITION	<u>\$ (5,342,603)</u>	<u>\$ 52,939</u>	<u>\$ (5,289,664)</u>

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
OPERATING REVENUES:			
Membership dues	\$ 2,723,907	\$ -	\$ 2,723,907
Conference registration	219,277	-	219,277
Other operating revenues	86,559	55	86,614
TOTAL OPERATING REVENUES	3,029,743	55	3,029,798
OPERATING EXPENSES			
Salaries and benefits	2,639,511	-	2,639,511
Professional fees	440,747	5,800	446,547
Conference and meeting costs	231,936	-	231,936
Building assessments	348,817	-	348,817
Committee members' stipend	66,150	-	66,150
Insurance	148,755	-	148,755
Memberships	39,713	-	39,713
Depreciation expense	295,050	-	295,050
Overhead	7,484	-	7,484
Other operating expenses	30,961	35	30,996
TOTAL OPERATING EXPENSES	4,249,124	5,835	4,254,959
OPERATING LOSS	(1,219,381)	(5,780)	(1,225,161)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	2,241,475	-	2,241,475
State grants	28,783,063	-	28,783,063
Local grants	449,710	-	449,710
Salaries and benefits	(2,297,865)	-	(2,297,865)
Professional fees	(28,569,705)	-	(28,569,705)
Interest income	53,876	-	53,876
Contribution from FAN	350,000	-	350,000
Contribution to MTC	(527,010)	-	(527,010)
Other nonoperating expenses	(606,678)	-	(606,678)
TOTAL NONOPERATING REVENUES (EXPENSES)	(123,134)	-	(123,134)
CHANGE IN NET POSITION	(1,342,515)	(5,780)	(1,348,295)
Net Position, beginning of year	(4,000,088)	58,719	(3,941,369)
Net Position, end of year	\$ (5,342,603)	\$ 52,939	\$ (5,289,664)

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows
For the Year Ended June 30, 2019

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
Cash flows from operating activities			
Cash receipts from users and others	\$ 4,014,486	\$ 55	\$ 4,014,541
Cash payments to suppliers and employees for services	<u>(4,744,169)</u>	<u>(5,835)</u>	<u>(4,750,004)</u>
Net cash used in operating activities	<u>(729,683)</u>	<u>(5,780)</u>	<u>(735,463)</u>
Cash flows from non-capital financing activities			
Federal grants	1,680,463	-	1,680,463
State grants	25,422,971	-	25,422,971
Local grants	359,926	-	359,926
Salaries and benefits	(2,344,491)	-	(2,344,491)
Professional fees	(24,783,298)	-	(24,783,298)
Other nonoperating expenses	(602,673)	-	(602,673)
Contribution from FAN	350,000	-	350,000
Contribution to MTC	<u>(527,010)</u>	<u>-</u>	<u>(527,010)</u>
Net cash used in non-capital financing activities	<u>(444,112)</u>	<u>-</u>	<u>(444,112)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(190,030)</u>	<u>-</u>	<u>(190,030)</u>
Net cash used in capital and related financing activities	<u>(190,030)</u>	<u>-</u>	<u>(190,030)</u>
Net increase in cash	<u>(1,363,825)</u>	<u>(5,780)</u>	<u>(1,369,605)</u>
Balances - beginning of year	<u>5,510,125</u>	<u>58,719</u>	<u>5,568,844</u>
Balances - end of year	<u>\$ 4,146,300</u>	<u>\$ 52,939</u>	<u>\$ 4,199,239</u>

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2019

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
Reconciliation of operating income to net cash used in operating activities			
Operating loss	\$ (1,219,381)	\$ (5,780)	\$ (1,225,161)
Adjustments to reconcile operating net cash used in operating activities:			
Depreciation and amortization	295,050	-	295,050
Net effect of changes in:			
Due from other government	(26)	-	(26)
Due to other government	16,117	-	16,117
Deferred outflows from pension	1,000,026	-	1,000,026
Deferred outflows from OPEB	(7,165)	-	(7,165)
Accounts receivable	482	-	482
Prepaid items	(2,276)	-	(2,276)
Net pension liability	(684,221)	-	(684,221)
Net OPEB liability	(722,739)	-	(722,739)
Loan receivable	133,359	-	133,359
Deferred inflows from pension	845,538	-	845,538
Deferred inflows from OPEB	5,390	-	5,390
Advance from PG&E	(350,000)	-	(350,000)
Accounts payable and accrued expenses	(39,837)	-	(39,837)
Net cash used in operating activities	<u>\$ (729,683)</u>	<u>\$ (5,780)</u>	<u>\$ (735,463)</u>

See accompanying notes to financial statements

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Association of Bay Area Governments (ABAG) was established in 1961 pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500, et seq by agreement among its member counties and cities of the San Francisco Bay Area. ABAG's purpose is to serve as a permanent forum to study and discuss matters of mutual interest and concern to member jurisdictions, develop policies and action plans, and provide services and undertake actions addressing such matters.

ABAG is governed by a General Assembly comprised of elected officials from member cities and counties. The General Assembly appoints an Executive Board to carry out policy decisions, and approve the annual budget.

On April 20, 2017, The ABAG Executive Board approved a Contract for Services between ABAG and the Metropolitan Transportation Commission (MTC). As of July 1, 2017, MTC's Executive Director and the staff of the two agencies perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP). ABAG remains a separate legal entity, governed by its Board of Directors, and retains its mission along with all of its statutory roles and responsibilities as the region's Council of Governments.

ABAG is a membership organization that provides a variety of planning and other service programs for its members. ABAG's principal sources of revenue include membership dues, contributions and grants. The accompanying financial statements present the ABAG operation which is the primary activity, along with the financial activities of its component units, which are entities for which ABAG is financially accountable. Although they are separate legal entities, they are presented in the financial statements as a blended component unit.

Blended Component Units

Blended component units are in substance part of ABAG's operations and are reported as an integral part of the financial statements. The following blended component units are described below:

i) ABAG Finance Corporation (Corporation)

ABAG Finance Corporation is a non-profit public benefit corporation created on June 24, 1985 to aid members in obtaining financing by acting as a credit pooling conduit. Participating members issue debt, leases or certificates of participation (COPs) that are pooled as a single issue by the Corporation. Members' payments are pooled to repay the debt and the leased assets become the property of the member when the obligation is retired. The Corporation does not take on any new debt issuances after staff consolidation on July 1, 2017.

The Corporation is governed by a sub-committee of the ABAG Executive Board, which establishes financing policies and approves each credit pooling arrangement.

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Notes to Financial Statements

ii) BALANCE Foundation (BALANCE)

Balance Foundation is a non-profit, tax-exempt corporation created on September 22, 1987 to assist bay area governments in obtaining funds to study, analyze and resolve regional issues. BALANCE is governed by a Board of Directors whose appointment is controlled by ABAG.

B. Basis of Presentation

ABAG's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

ABAG presents its financial statements as enterprise funds and reports the following funds:

Major funds

Association of Bay Area Governments Fund - this fund accounts for revenues and expenses of the Association of Bay Area Governments.

Non-major funds

ABAG Finance Corporation Fund - this fund accounts for revenues and expenses of the ABAG Finance Corporation.

BALANCE Foundation Fund - this fund accounts for revenues and expenses of the Bay Area Leaders Addressing the Challenge of the Economy and Environment Foundation.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

ABAG's enterprise fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses requirements regarding the retirement of certain tangible assets for all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. This standard did not have any impact on ABAG's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect of this standard on ABAG's financial statements.

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GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of this standard on ABAG's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, provides additional essential information related to the debt disclosure in notes to financial statements related to debt, direct borrowings and direct placements. This Statement clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This standard did not have any impact on ABAG's financial statements.

GASB Statement No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of this standard on ABAG's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improve the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirments of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect of this standard on ABAG's fianancial statements.

GASB Statement No. 91, *Conduit Debt Obligatons*, provides single method of reporting conduit debt obligations. This statement achives those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commiments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the effect of this standard on ABAG's financial statements.

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D. Net Position

Net position, presented in the financial statements, represents the residual interest in assets plus deferred outflows after liabilities and deferred inflows are deducted. ABAG's net position consists of three sections: Net investment in capital assets, restricted and unrestricted. Net position is reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation. There is no amount reported in restricted net position at year-end.

E. Cash and Investments

Under the Contract for Services, MTC invests ABAG's available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs." This policy affords ABAG a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. ABAG's Administrative Committee adopted MTC's investment policy on June 9, 2017. Investments allowed under MTC's investment policy include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bond
- Mutual funds – Rated "AAA"
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

ABAG applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools, as amended* (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position. During the fiscal year ended June 30, 2019, ABAG holds investments in Local Agency Investment Fund (LAIF).

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ABAG considers all balances in demand deposit accounts to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investments that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

G. Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, and software, are reported in the Statement of Net Position. Capital asset acquisitions are recorded at historical cost. ABAG's intangible assets consist of purchased and licensed commercially available computer software and internally developed software.

Capital assets are defined by ABAG as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. However, capital assets that do not meet the threshold on an individual basis but are material collectively are capitalized. ABAG follows the guidance in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion & Analysis - for State and Local Governments* and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets for recording capital assets*.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset service lives are not capitalized. Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Facilities and improvements	5 – 30
Automobiles	5
Furniture and equipment	3 - 10
Capitalized software	3 - 6

Depreciation and amortization ceases when the use of capital assets is discontinued or a decision has been made to sell assets and the assets are not continuing to be used. Such assets are also evaluated for impairment.

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H. Due to/from Other Government

The due to other government consists of the amount due to MTC. The due from other government consists of the amount due from MTC.

I. Retirement Plans

ABAG provides a defined benefit pension plan, which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (Plan) in the California Public Employees' Retirement System (CalPERS).

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

GASB 68 allows use of a measurement date up to 12 months before the employer's fiscal year end. Accordingly, for financial reporting purposes, the ABAG total pension liability was determined by CalPERS using a valuation date of June 30, 2017. CalPERS then rolled forward the total pension liability to June 30, 2018, and this is the basis for measuring ABAG's net pension liability at June 30, 2019.

Following the staff consolidation on July 1, 2017 and the retirement of the last ABAG employee, there will be no more employees added to the ABAG Pension Plan. Future pension liabilities for employees transferred to MTC will be covered by MTC. ABAG remains responsible for its unfunded pension liabilities.

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

For additional information on the Plan, refer to Note 6.

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J. Other Post Employment Healthcare Benefits (OPEB)

ABAG provides post employments medical coverage for eligible retired employees and their eligible dependents through the Public Employees' Medical & Hospital Care Act (PEMHCA) governed by CalPERS. Eligible employees are the employees who were hired prior to July 1, 2009. ABAG established a Section 115 benefit trust fund with the California Employers' Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post retirement healthcare trust fund administered by CalPERS. The benefit trust fund is not recorded as a fiduciary fund by ABAG as the underlying assets are not managed by ABAG.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of ABAG's OPEB Plan and additions to / deletions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 75 requires that reported results must pertain to liability and assets information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	July 1, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

GASB Statement No. 75 allows the use of a measurement date up to twelve months before the employer's fiscal year end. Accordingly, for financial reporting purposes, ABAG net OPEB liability at June 30, 2019 was determined using the actuarial valuation of June 30, 2018 measurement date.

Following the ABAG/MTC staff consolidation at July 1, 2017 and subsequent retirement of the last ABAG employee in January 2018, there will be no employees added to the ABAG OPEB Plan. Liabilities for consolidated employees now rests with MTC as of July 1, 2017. ABAG remains responsible for its unfunded OPEB liabilities related to ABAG retirees.

For additional information about the Plan, refer to Note 7.

K. Unearned Revenue

The unearned revenue consists of the funds advanced by Caltrans for San Pablo Spine Project, CPUC grant (passing through PG&E) for BayRen Incentive and Multifamily Capital Loan Implementation Programs, Delta Stewards Council for Delta Science Program, Santa Clara Valley Water District for professional staff support, and State Coastal Conservancy for Bay Trail projects.

L. Advance from PG&E

PG&E advanced funds from CPUC grant (passing through PG&E) for the BayRen Multifamily Loan Program.

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M. Deferred Outflows/Inflows on Pensions and Other Post-Employment Benefits (OPEB)

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension and OPEB liability arising from differences between expected and actual experience with regard to economic or demographic factors. *
- The effects of changes of assumptions about future economic or demographic factors or of other inputs. *
- Difference between projected and actual investment earnings on defined benefit pension and OPEB plan investments. **
- Net differences between the ABAG actual contributions and ABAG's proportionate share of the total contributions from employers included in the collective net pension liability. *
- Change in ABAG's proportion of collective net pension liability. *

* The balance on these accounts are recognized in pension and OPEB expenses using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

** The difference between projected and actual earnings amount is recognized in pension and OPEB expenses using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report ABAG's contribution to CalPERS subsequent to the measurement date of the net pension and OPEB liability and before the end of the reporting period.

Refer to Note 6 and 7 for additional information.

N. 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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Operating and Nonoperating Revenues and Expenses

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities.

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2. NET POSITION

ABAG has a negative net position of \$5,289,664 for fiscal year 2019. The negative position is mainly due to the remaining GASB 68 net pension liability. ABAG believes that membership fees will be adequate in the future to reduce and eliminate the negative net position over time. Since staff have transitioned from ABAG to MTC employment, ABAG will no longer have any growth in its pension or OPEB liabilities. After the last employee retired in January 2018, payments to CalPERS go toward reducing the unfunded liability. The OPEB liability is nearly fully funded and should be fully retired in the fiscal year 2020 allowing ABAG to draw annual retiree medical costs of nearly \$500,000 from the existing trust, the California Employers' Retiree Benefit Trust (CERBT). In addition, with no additional employees adding to costs or liability the pension liability should be reduced annually based on the current CalPERS amortization schedule. With these changes ABAG believes the membership dues should restore the net position in the future.

3. CASH AND INVESTMENTS

A. A summary of Cash and Investments as shown on the Statement of Net Position at June 30, 2019 is as follows:

Cash	\$	4,199,239
Investments		<u>2,284,487</u>
Total Cash and Investments	\$	<u><u>6,483,726</u></u>

B. The composition of cash and investments at June 30, 2019 is as follows:

Cash

Cash at banks	\$	<u>4,199,239</u>
Total cash		<u><u>4,199,239</u></u>

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Investments

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2019:

Local Agency Investment Fund: The position in the California State Local Agency Investment Fund is determined by the fair value of the pool's underlying portfolio.

The following tables set forth by level, within the fair value hierarchy, the ABAG's investments at fair value.

Investment by fair value level at June 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Pool Investments:				
Local Agency Investment Fund *	\$ -	\$ 2,284,487	\$ -	\$ 2,284,487
Total investments measured at fair value	<u>\$ -</u>	<u>\$ 2,284,487</u>	<u>\$ -</u>	<u>\$ 2,284,487</u>

* Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. LAIF funds are available for immediate withdrawal.

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C. Deposit and Investment Risk Factors

There are many factors that can affect the value of investments such as credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

i.) Credit Risk

Generally, credit risk is the risk that an issuer of an investment fails to 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. LAIF is unrated.

ii.) Custodial Credit Risk

Custodial credit risk is the risk that securities held by the custodian and in the custodian's name may be lost and not be recovered.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, ABAG may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to a limit of \$250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent and having a fair value of 110% to 150% of the ABAG's cash on deposit.

iii.) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. LAIF is the only investment made by ABAG and LAIF consists of pool investment securities.

iv.) Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on 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. The weighted average maturity of the investments in the LAIF investment pool at June 30, 2019 is 0.47 years.

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4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	<u>June 30, 2018</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>June 30, 2019</u>
Capital assets being depreciated:				
Facilities and improvements	\$ 5,488,962	\$ -	\$ -	\$ 5,488,962
Furniture and equipment	396,984	-	-	396,984
Capitalized software	125,312	190,030	-	315,342
Total capital assets being depreciated	<u>6,011,258</u>	<u>190,030</u>	<u>-</u>	<u>6,201,288</u>
Less accumulated depreciation for:				
Facilities and improvements	219,559	219,558	-	439,117
Furniture and equipment	125,352	75,492	-	200,844
Capitalized software	125,312	-	-	125,312
Total accumulated depreciation	<u>470,223</u>	<u>295,050</u>	<u>-</u>	<u>765,273</u>
Total capital assets, being depreciated, net	<u>\$ 5,541,035</u>	<u>\$ (105,020)</u>	<u>\$ -</u>	<u>\$ 5,436,015</u>

5. CONDUIT FINANCING PROGRAMS FOR MEMBERS

ABAG assists members and other borrowers in obtaining financing through the issuance of revenue bonds, special assessment debt, certificates of participation in lease revenues and in straight leasing arrangements.

The underlying liability for the repayment of each of these issues rests with the borrower participating in that issue, and not with ABAG which acts only as a conduit in pooling each issue. For that reason, ABAG has not recorded a liability for these issues.

A summary of the outstanding balances of the ABAG's Conduit Financing Programs as of June 30, 2019 is as follows:

	Ending Balance <u>June 30, 2019</u>
California Redevelopment Bonds	\$ 7,180,000
California Capital Projects Bonds	4,800,000
Water Pool Bonds	<u>56,640,000</u>
Total	<u>\$ 68,620,000</u>

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The Corporation assists members and other borrowers in obtaining financing through the issuance of revenue bonds, special assessment debt, certificates of participation in lease revenue and in straight leasing arrangements.

The underlying liability for the repayment of each of these issues rests with the borrower participating in that issue, and not with the Corporation, which acts only as a conduit in pooling each issue. For that reason, the Corporation has not recorded a liability for these issues.

The Corporation had only one outstanding issue (ABAG 41 Certificate of Participation) in the beginning of fiscal year 2019, and the bond issue matured on August 1, 2018.

6. PENSION PLAN

A. General Information about the Pension Plan

Plan Description

The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the state of California. The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pools. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous risk pools. Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website: www.calpers.ca.gov

Benefits Provided

The ABAG's defined benefit pension plan, the Miscellaneous Plan of Association of Bay Area Governments ("the Plan"), provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members (hired before January 1, 2013) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. New members (hired after January 1, 2013) with five years of total service are eligible to retire at age 52 with statutorily reduced benefits.

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The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Plan	
	Tier I	Tier II
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 Years service	5 Years service
Benefit payments	monthly for life	monthly for life
Retirement age	50- 55	52-62
Monthly benefits, as a percentage of eligible compensation	2.0%-2.5%	1.0%-2%

On July 1, 2017 all ABAG employees except for one, transferred to MTC. The last employee retired in January 2018. There will be no more employees added to the ABAG retirement Plan. ABAG remains responsible for its unfunded pension liabilities related to the legacy employees.

Contributions

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded liability and side fund. The ABAG required contribution for the unfunded liability and side fund was \$1,391,147 in fiscal year 2019. ABAG did not make contributions for the normal cost portion in fiscal year 2019 because ABAG did not have active employees during fiscal year 2019.

For the year ended June 30, 2019, the contributions to the Plan was \$1,391,147.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, ABAG reported a net pension liability for its proportionate share of the net pension liability as \$15,604,366.

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ABAG's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. ABAG's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. ABAG's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2017	0.4132 %
Proportion - June 30, 2018	<u>0.4141 %</u>
Change - Increase (Decrease)	0.0009 %

For the year ended June 30, 2019, ABAG recognized pension expense of \$2,552,490. At June 30, 2019, ABAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contribution made after the measurement date	\$ 1,391,147	\$ -
Difference between actual and expected experience	598,712	(203,738)
Changes in assumption	1,778,944	(435,985)
Net difference in actual and proportionate contribution	689,124	(124,569)
Net difference between projected and actual earnings on investments	77,144	-
Adjustments due to differences in proportion	<u>206,722</u>	<u>(995,500)</u>
Total	<u>\$ 4,741,793</u>	<u>\$ (1,759,792)</u>

The \$1,391,147 in the preceding table is reported as deferred outflows of resources related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2020	\$ 1,495,548
2021	960,949
2022	(725,291)
2023	(140,352)
Thereafter	\$ -

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Actuarial Assumptions

For the measurement period ended June 30, 2018, the total pension liability was determined using the annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.5%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table *	Derived using CalPERS's Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchase Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website: www.calpers.ca.gov

Change of Assumptions

In fiscal 2018, demographic assumptions and the inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017, which can be found on the CalPERS website: www.calpers.ca.gov. The inflation rate was reduced from 2.75 percent to 2.5 percent. There were no changes to the discount rate.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50 %	4.80 %	5.98 %
Fixed Income	28 %	1.00 %	2.62 %
Inflation Assets	- %	0.77 %	1.81 %
Private Equity	8 %	6.30 %	7.23 %
Real Assets	13 %	3.75 %	4.93 %
Liquidity	1 %	- %	(0.92)%
Total	100 %		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% is used for this period.

(c) An expected inflation of 2.92% is used for this period.

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

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

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability	\$22,334,498	\$15,604,366	\$10,048,752

C. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports that can be found on the CalPERS website: www.calpers.ca.gov

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
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7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

ABAG has contracted with the California Public Employees' Retirement System (CalPERS) for the purpose of providing medical insurance benefits for eligible retired employees and eligible survivors of retired employees. The Public Employees' Medical & Hospital Care Act (PEMHCA) governs the CalPERS Health Program. ABAG pays PEMHCA an administration fee. Once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

ABAG participates in the California Employers' Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post-retirement healthcare trust established to fund its other post-employment benefits (OPEB). CERBT Fund is a Section 115 trust fund administered by CalPERS, and is managed by an appointed board not under the control of the ABAG Board. This Trust is not considered a component unit by ABAG and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709, or from CalPERS website: www.calpers.ca.gov

Benefits provided:

Tier 1 (Hired before July 1, 2009)

- Eligible retirees retired before September 1, 1994: ABAG pays 100% of Kaiser single basic premium for the retirees; and ABAG reimburses retirees for the Medicare Part B deductible upon submission of receipt or proof of payment.
- Eligible retirees retired after September 1, 1994: ABAG pays 100% of Kaiser 2-party basic premium for eligible retired employees; reimbursement for the Medicare Part B deductible will be made to the retirees and spouses upon submission of receipt or proof of payment.
- Same benefit continues to surviving spouse if retiree elects CalPERS survivor annuity.

If retirees enroll in more expensive health plans than the Kaiser basic plan, retirees are responsible to pay for the portion exceeding the premium amount that ABAG pays.

Tier 2 (Hired on or after July 1, 2009)

ABAG contributes \$200/mo for management and \$100/mo for non-management to an individual medical after retirement account (MARA) during employment, and ABAG pays any PEMHCA minimum required by PEMHCA law. ABAG has no further obligation toward retiree health benefits or premiums.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
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Eligibility

Employees become eligible to retire directly from ABAG under CalPERS and receive healthcare benefits upon reaching the age of 50 with 5 years of service. Benefits are paid for the lifetime of the retiree or eligible survivor.

Employees covered by benefit terms:

The number of participants eligible to receive benefits at June 30, 2018, the measurement date:

Active employees	-
Inactive employees or beneficiaries currently receiving benefit payments	48
Inactive employees entitled to but not yet receiving benefit payments	12
Total	<u>60</u>

Contribution

ABAG annually contributes to the Trust fund based on an actuarially determined contribution (ADC) amount for the reporting period determined based on the funding policy and the most recent measurement available. For the fiscal year ended June 30, 2019, total ABAG contributions were \$773,664. There was no covered-employee payroll in fiscal year 2019 because of no active employees in fiscal year 2019.

B. Net OPEB Liability

ABAG's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	July 1, 2017
Contribution Policy	Pre-funded through CERBT with the Strategy 1 Asset allocation
Discount Rate	6.75% at June 30, 2018; 6.75% at June 30, 2017
General Inflation	2.75%
Expected Long-Term Rate of Return on Investment	Same as discount rate. Plan assets projected to sufficient to pay all benefit from trust.
Medical Trend Rate	Non-Medicare 7.5% for 2019, decreasing to an ultimate rate of 4% in 2076; Medicare 6.5% for 2019, decreasing to an ultimate rate of 4% in 2076.
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study.
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-17.
PEMHCA Minimum Increase	4.25% annually
Municipal Bond Rate	N/A
Participation at Retirement	100%.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
Notes to Financial Statements

Expected Long-Term Rate of Return:

Asset Class Component	Target Allocation* CERBT-Strategy 1	Expected Real Rate of Return
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.75%

The expected long term real rates of returns are presented as geometric means.

*Policy target effective October 13, 2014 through September 30, 2018. Changes to the target investment allocation effective October 1, 2018 are not expected to have a significant impact on the expected long-term rate of return.

Discount Rate - The discount rate used to measure the total OPEB liability was 6.75 percent, decreased from the prior valuation discount rate 7.25 percent. The projection of cash flows used to determine the discount rate assumed that ABAG's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued CERBT financial report that can be found on the CalPERS website: www.calpers.ca.gov

D. Changes in Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2018 (6/30/17 measurement date)	\$ 7,658,110	\$ 5,947,518	\$ 1,710,592
Changes for the year			
Service cost	-	-	-
Interest on the total OPEB liability	500,228	-	500,228
Contributions - employer	-	766,499	(766,499)
Net investment income	-	469,061	(469,061)
Benefit payments	(494,650)	(494,650)	-
Administrative expenses	-	(12,593)	12,593
Net changes	5,578	728,317	(722,739)
Balance at June 30, 2019 (6/30/18 measurement date)	\$ 7,663,688	\$ 6,675,835	\$ 987,853

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
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Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate

The following presents what ABAG's net OPEB liability (NOL) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	Discount Rate		
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 1,886,605	\$ 987,853	\$ 244,477

Sensitivity of the Net OPEB Liability to the Changes in the Healthcare Cost Trend Rate

The following presents what ABAG's net OPEB liability (NOL) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 192,641	\$ 987,853	\$ 1,935,938

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, ABAG recognized an OPEB expense of \$49,150. At June 30, 2019, ABAG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments *	\$ -	\$ 172,164
Employer contributions made subsequent to the measurement date **	773,664	-
Total	<u>\$ 773,664</u>	<u>\$ 172,164</u>

* Combine Deferred Inflows and Outflows for footnote disclosure.

** Include contributions to trust, cash benefit payments, and implied subsidy benefit payments by ABAG.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
Notes to Financial Statements

Amounts currently reported as deferred outflows of resources and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2020	\$ (53,464)
2021	(53,464)
2022	(53,464)
2023	(11,770)
Thereafter	\$ -

8. CONTINGENCIES

ABAG's grant funded projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantors' audits are completed and final rulings by the grantors' administrative departments are obtained. Disallowed expenditures, if any, must be absorbed by ABAG.

9. RISK MANAGEMENT

ABAG is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. ABAG purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by ABAG from insurance companies. To date, there have been no significant reductions in any of ABAG's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

10. RELATED PARTY TRANSACTIONS

The 375 Beale Condominium Corporation (the "375 Beale Condo") was incorporated in June 2017 in the state of California under the Non-profit Mutual Benefit Corporation Law. The 375 Beale Condo was formed to provide for the management of the association for the three condominium owners: Bay Area Headquarters Authority (BAHA), Bay Area Air Quality Management District (BAAQMD), and the Association of Bay Area Governments (ABAG), in the property known as 375 Beale Street, San Francisco, California.

375 Beale Condo exercised a custodial responsibility on behalf of the owner occupants and assessed sufficient amounts to meet all required expenditures of the common area and joint used space. The 375 Beale Condo collects two types of assessment fees: common area and shared services. Assessment fees are predetermined yearly by the budget approved by the board. The assessment fees billed to ABAG for common area assessments, shared services assessment fees, and special assessment fees were \$149,135, \$185,865, and \$13,817 respectively for fiscal year 2019.

Cushman and Wakefield of California, Inc. (C&W) was contracted to provide day-to-day property management services on behalf of the three condominium unit owners.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2019
Notes to Financial Statements

On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and MTC which states that the MTC Executive Director and MTC staff will perform all of the duties and programmatic work for ABAG. On July 1, 2017 all members of ABAG staff, excluding ABAG Legal Counsel, who retired on January 5, 2018, were merged into the staff of MTC as new employees of MTC. ABAG paid MTC \$2,777,466 for administrative support services during fiscal year 2019.

On November 14, 2018, MTC board approved an operational advance to ABAG in the amount not to exceed \$10 million to assist ABAG in its cash flows needs. The advance will be drawn by ABAG as needed and is available to ABAG until December 31, 2019, unless reauthorized in advance by MTC and ABAG. ABAG will be charged 1% fee on any drawn amounts. ABAG did not utilize the operational advance during fiscal year 2019.

ABAG Finance Authority for Non-Profit Corporations (FAN) assists non-profit corporations and local governments in obtaining financing. Prior to July 1, 2017, ABAG contracted with FAN to provide administrative support. As of July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement between ABAG and MTC.

ABAG Publicly Owned Energy Resources (POWER) provides gas energy aggregation services to participating members. Prior to July 1, 2017, ABAG contracted with POWER to provide administrative support. As of July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement.

The San Francisco Bay Restoration Authority (SFBRA) is a regional entity established by the San Francisco Bay Restoration Authority Act, Government Code section 66700 et seq. that is charged with raising and allocating local resources for the protection and enhancement of tidal wetlands and other wildlife habitat in and surrounding the San Francisco Bay. SFBRA successfully placed the San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration Measure (“Measure AA”), a regional special tax measure, on the June 2016 ballot to raise such funds.

On October 24, 2016, the State Coastal Conservancy (SCC), ABAG and SFBRA entered into a joint powers agreement that provides for SCC and ABAG to perform staff functions for SFBRA (“JPA”). Subsequent to the execution of the JPA, on May 30, 2017 ABAG and MTC entered into the Contract for Services under which MTC assumed staff functions for ABAG, commencing July 1, 2017.

11. SUBSEQUENT EVENTS

ABAG has evaluated subsequent events for the period from June 30, 2019 through November 22, 2019, the date the financial statements were available to be issued. On April 4, 2019, FAN Executive Committee approved a contribution up to \$1 million to ABAG to retire its remaining OPEB costs. On July 5, 2019, FAN made a contribution of \$987,853 to ABAG to pay off its fiscal year 2019 net OPEB liability.

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Required Supplementary Information

**Association of Bay Area Governments,
 Cost-Sharing Defined Pension Plan
 Schedule of Changes in the Net Pension Liability and Related Ratios (unaudited)
 As of fiscal year ending June 30, 2019
 Last Ten Years***

	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Tier I & II				
Measurement Date	2014	2015	2016	2017	2018
Plan's Proportion of the Net Pension Liability/Asset	0.4744 %	0.4738 %	0.4246 %	0.4132 %	0.4141 %
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 11,357,673	\$ 12,998,297	\$ 14,749,850	\$ 16,288,587	\$ 15,604,366
Plan's Covered Payroll	\$ 6,847,411	\$ 6,198,473	\$ 6,036,594	\$ 5,832,772	\$ 74,655
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	165.87 %	209.70 %	244.34 %	279.26 %	20,901.97 %
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Proportionate Share of the Total Pension Liability	65.65 %	69.23 %	67.14 %	67.66 %	68.64 %

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

Association of Bay Area Governments
Cost-Sharing Defined Pension Plan
Schedule of Employer Contributions - Pension (unaudited)
As of fiscal year ending June 30, 2019
Last Ten Years *

	Miscellaneous Plan				
	Tier I & II				
Fiscal Year Date	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018	Fiscal Year 2018-2019
Actuarially determined contribution	\$ 1,305,738	\$ 491,374	\$ 2,744,108	\$ 1,293,682	\$ 1,391,147
Contributions in relation to the actuarially determined contributions	\$ (1,305,738)	\$ (491,374)	\$ (2,744,108)	\$ (1,293,682)	\$ (1,391,147)
Covered payroll	\$ 6,198,473	\$ 6,036,594	\$ 5,832,772	\$ 74,655	\$ -
Contributions as a percentage of covered payroll	21.07 %	8.14%	47.05 %	1,732.88 %	- %

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were derived from the June 30, 2015 funding valuation report.

Actuarial cost method	Entry age normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report.
Asset valuation method	Market value of assets. For details, see June 30, 2015 Funding Valuation Report.
Inflation	2.75%
Salary increase	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Association of Bay Area Governments
Schedule of Changes in Net OPEB Liability and Related Ratios (unaudited)
For the Year Ended June 30, 2019
Last Ten Years *

Measurement Period	2016-17	2017-18
Changes in Total OPEB liability		
Service cost	\$ 6,314	\$ -
Interest on the total OPEB liability	499,585	500,228
Benefit payments	<u>(485,483)</u>	<u>(494,650)</u>
Net change in total OPEB liability	20,416	5,578
Total OPEB liability - beginning	<u>7,637,694</u>	<u>7,658,110</u>
Total OPEB liability - ending (a)	<u>\$ 7,658,110</u>	<u>\$ 7,663,688</u>
Changes in OPEB fiduciary net position		
Benefit payments	\$ (485,483)	\$ (494,650)
Contribution from employer	774,994	766,499
Net investment income	562,294	469,061
Administrative expenses	<u>(2,814)</u>	<u>(12,593)</u>
Net change in plan fiduciary net position	848,991	728,317
Plan fiduciary net position - beginning	<u>5,098,527</u>	<u>5,947,518</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,947,518</u>	<u>\$ 6,675,835</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 1,710,592</u>	<u>\$ 987,853</u>
Plan fiduciary net position as a percentage of the total OPEB liability	77.66%	87.11%
Covered-employee payroll	\$ 6,655,535	\$ 126,057
Plan net OPEB liability of as a percentage of covered-employee payroll	25.70%	783.66%

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only two years are shown..

Association of Bay Area Governments
Schedule of Employer Contributions - OPEB (unaudited)
For the Year Ended June 30, 2019
Last 10 Years *

	Fiscal Year 2017-2018	Fiscal Year 2018-2019
Actuarially determined contribution **	\$ 752,000	\$ 93,000
Contributions in relation to the actuarially determined contribution	<u>(766,499)</u>	<u>(773,664)</u>
Contribution deficiency (excess)	<u>\$ (14,499)</u>	<u>\$ (680,664)</u>
Covered-employee payroll	\$ 126,057	\$ -
Contribution as a percentage of covered- employee payroll	608.06%	N/A

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only two years are shown.

** The July 1, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/19 and 6/30/20.

Notes to Schedule

Actuarial determined contribution rates are calculated as of July 1, 2017 two years prior to the end of fiscal year in which contributions are reported.

Methods and assumptions for 2018-2019 actuarially determined contribution:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	19-year fixed period for 2018/19
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years; Medicare - 6.5% for 2019, decreasing to an ultimate rate of 5.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with modified Scale MP-2017.

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Other Supplementary Information

Association of Bay Area Governments
Statement of Net Position - ABAG
June 30, 2019

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Assets					
Current assets:					
Cash	\$ 991,719	\$ (398,933)	\$ 3,265,121	\$ 288,393	\$ 4,146,300
Investments	723,813	1,560,674	-	-	2,284,487
Account receivable	8,468	-	-	-	8,468
Due from/(to) other program	127,755	-	-	(127,755)	-
Accrued interest	14,573	-	-	-	14,573
Loan receivable	-	-	52,416	-	52,416
Receivable from federal	-	816,202	49,169	178,827	1,044,198
Receivable from state	-	8,715,341	2,087,150	252,020	11,054,511
Receivable from local	-	126,955	33,744	-	160,699
Due from other government	26	41	-	-	67
Prepaid items	59,436	-	4,000	-	63,436
Total current assets	1,925,790	10,820,280	5,491,600	591,485	18,829,155
Non-current assets:					
Loan receivable	-	-	1,723,587	-	1,723,587
Capital assets, net of accumulated depreciation/ amortization	5,436,015	-	-	-	5,436,015
Total non-current assets	5,436,015	-	1,723,587	-	7,159,602
Total assets	\$ 7,361,805	\$ 10,820,280	\$ 7,215,187	\$ 591,485	\$ 25,988,757
Deferred Outflows of Resources					
Deferred outflows from pension	4,741,793	-	-	-	4,741,793
Deferred outflows from OPEB	773,664	-	-	-	773,664
Total deferred outflows of resources	5,515,457	-	-	-	5,515,457
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	37,567	6,495,706	2,141,765	4,061	8,679,099
Retention payable	-	2,219,075	-	55,554	2,274,629
Unearned revenue	-	1,594,400	2,418,716	208,008	4,221,124
Due to other government	19,985	156,584	70,429	190,475	437,473
Total Current liabilities	57,552	10,465,765	4,630,910	458,098	15,612,325
Non-current liabilities:					
Unearned revenue	-	-	166,930	133,387	300,317
Advance from PG&E	-	-	2,410,000	-	2,410,000
Net pension liability	15,604,366	-	-	-	15,604,366
Net OPEB liability	987,853	-	-	-	987,853
Total non-current liabilities	16,592,219	-	2,576,930	133,387	19,302,536
Total liabilities	16,649,771	10,465,765	7,207,840	591,485	34,914,861
Deferred Inflows of Resources					
Deferred inflows from pension	1,759,792	-	-	-	1,759,792
Deferred inflows from OPEB	172,164	-	-	-	172,164
Total deferred inflows of resources	1,931,956	-	-	-	1,931,956
Net Position					
Net investment in capital assets	5,436,015	-	-	-	5,436,015
Unrestricted	(11,140,480)	354,515	7,347	-	(10,778,618)
Total net position	\$ (5,704,465)	\$ 354,515	\$ 7,347	\$ -	\$ (5,342,603)

Association of Bay Area Governments
Statement of Revenues, Expenditures and Changes in Net Position - ABAG
For the Year Ended June 30, 2019

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Operating Revenues					
Membership dues	\$ 2,723,907	\$ -	\$ -	\$ -	\$ 2,723,907
Conference registration	3,482	215,795	-	-	219,277
Other operating revenues	23,153	63,406	-	-	86,559
Total operating revenues	2,750,542	279,201	-	-	3,029,743
Operating Expenses					
Salaries and benefits	2,537,937 *	100,429	1,145	-	2,639,511
Professional fees	340,341	100,406	-	-	440,747
Conference and meeting costs	19,790	212,146	-	-	231,936
Building assessments	348,817	-	-	-	348,817
Committee members' stipend	66,150	-	-	-	66,150
Insurance	148,755	-	-	-	148,755
Memberships	27,213	4,500	8,000	-	39,713
Deprecitation expense	295,050	-	-	-	295,050
Overhead	2,037	4,843	604	-	7,484
Other operating expenses	15,564	15,304	93	-	30,961
Total operating expenses	3,801,654	437,628	9,842	-	4,249,124
Operating Loss	(1,051,112)	(158,427)	(9,842)	-	(1,219,381)
Nonoperating Revenues (Expenses)					
Federal grants	-	1,817,790	61,182	362,503	2,241,475
State grants	-	9,563,329	19,052,595	167,139	28,783,063
Local grants	-	316,627	124,994	8,089	449,710
Salaries and benefits	-	(1,641,046)	(656,819)	-	(2,297,865)
Professional fees	-	(9,938,775)	(18,093,199)	(537,731)	(28,569,705)
Interest income	53,876	-	-	-	53,876
Contribution from FAN	350,000	-	-	-	350,000
Contribution to MTC	(527,010)	-	-	-	(527,010)
Other nonoperating expenses	-	(117,925)	(488,753)	-	(606,678)
Total nonoperating revenues (expenses)	(123,134)	-	-	-	(123,134)
Loss before transfer	(1,174,246)	(158,427)	(9,842)	-	(1,342,515)
Transfers					
Transfer between programs	(14,020)	14,020	-	-	-
Total transfers	(14,020)	14,020	-	-	-
Change in Net Position	(1,188,266)	(144,407)	(9,842)	-	(1,342,515)
Net position, beginning of year	(4,516,199)	498,922	17,189	-	(4,000,088)
Net position, end of year	\$ (5,704,465)	\$ 354,515	\$ 7,347	\$ -	\$ (5,342,603)

* includes: contributions to pension plan \$1,391,147; pay-as-go OPEB costs \$453,806; contributions to OPEB Trust \$255,858; recognition of GASB 68 (pension) and GASB 75 (OPEB) expenses of \$436,829; other miscellaneous \$297.

Association of Bay Area Governments
Statement of Net Position
Non-Major Enterprise Funds
June 30, 2019

	Balance Foundation	ABAG Finance Corporation	Total Non- Major Enterprise Funds
Assets			
Cash	\$ 30,403	\$ 22,536	\$ 52,939
Total assets	<u>\$ 30,403</u>	<u>\$ 22,536</u>	<u>\$ 52,939</u>
Net Position			
Unrestricted	<u>30,403</u>	<u>22,536</u>	<u>52,939</u>
Total net position	<u><u>\$ 30,403</u></u>	<u><u>\$ 22,536</u></u>	<u><u>\$ 52,939</u></u>

Association of Bay Area Governments
Statement of Revenues, Expenditures and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2019

	Balance Foundation	ABAG Finance Corporation	Total Non- Major Enterprise Funds
Operating Revenues:			
Other operating revenues	\$ -	\$ 55	\$ 55
Total operating revenues	<u>-</u>	<u>55</u>	<u>55</u>
Operating Expenses:			
Professional fees	2,900	2,900	5,800
Other operating expenses	25	10	35
Total operating expenses	<u>2,925</u>	<u>2,910</u>	<u>5,835</u>
Operating Loss	<u>(2,925)</u>	<u>(2,855)</u>	<u>(5,780)</u>
Change in Net Position	(2,925)	(2,855)	(5,780)
Net position, beginning of year	<u>33,328</u>	<u>25,391</u>	<u>58,719</u>
Net position, end of year	<u>\$ 30,403</u>	<u>\$ 22,536</u>	<u>\$ 52,939</u>

Association of Bay Area Governments
Schedule of ABAG Conduit Financing Pool (unaudited)
For the Year Ended June 30, 2019

Transactions	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2019
ABAG 1994 Tax Allocation Revenue Bonds, Series A and 1994 Subordinated Tax Allocation Revenue Bonds, Series B (California Redevelopment Agency Pool)	06/29/1994	12/15/2024	\$ 43,695,000	\$ 1,800,000
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	04/11/2006	09/01/2026	9,605,000	4,090,000
ABAG Lease Revenue Bonds, 2001-2 (California Capital Projects)	01/10/2002	12/01/2025	14,355,000	770,000
ABAG Lease Revenue Bonds, 2001 Series A (California Capital Projects)	07/31/2001	07/01/2031	15,110,000	320,000
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	07/18/2002	07/01/2032	13,370,000	3,710,000
ABAG 2004 Tax Allocation Revenue Bonds, Series A (California Redevelopment Agency Pool) Series A	12/15/2004	09/01/2035	34,080,000	1,290,000
ABAG 2006 Water and Wastewater Revenue Bonds, Series A (City of Ukiah)	03/02/2006	03/01/2036	75,060,000	56,640,000
ABAG 2007 Revenue Bonds, Series A and Taxable Series B (California Tax Allocation Bonds) *	12/11/2007	09/01/2036	55,425,000	-
Total 8 transactions				\$ 68,620,000

* The Tax Allocation Bonds 2007 Series A was fully redeemed on 9/1/2017 and the 2007 Series B was fully redeemed on 9/1/2018.

Association of Bay Area Governments
Schedule of ABAG Finance Corporation Conduit Financing Pool (unaudited)
For the Year Ended June 30, 2019

	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2019
ABAG 41 Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments *	7/1/1998	8/1/2018	\$ 3,560,000	\$ -
Total 1 transaction				<u>\$ -</u>

* This bond issue matured on 8/1/2018.