Association of Bay Area Governments

Financial Statements
For the Year Ended June 30, 2018

This page intentionally left blank

Association of Bay Area Governments
Financial Statements
For the Year Ended June 30, 2018
Table of Contents

This page intentionally left blank

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, 2018, 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 audits 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 aggregate remaining fund information of the Association of Bay Area Governments as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1. J to the financial statements, in the year ended June 30, 2018 ABAG changed the manner in which it accounts for Postemployment Benefit Plans Other Than Pension Plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis ("MD&A") on pages 3 through 8 and other required supplementary information ("RSI") on pages 38 through 42 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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise ABAG's basic financial statements. The other supplementary schedules identified in the table of contents under Other Supplementary Information and appearing on pages 43 through 49 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.

DRAFT
San Francisco, California
November 16, 2018

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, 2018. 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 wasted 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 when the San Francisco Estuary was designated as *estuary of national significance*. SFEP manages important multi-benefit projects that improve the health of the Estuary by implementing the *Estuary Blueprint*, a comprehensive, collective vision for the Estuary's future. SFEP receives fundings from federal, state and local for regional-scale restoration, water quality improvement, and resilience-building projects. SFEP's host entity is ABAG.

BayRen is a collaboration of the nine counties that make up the San Francisco Bay Area. Led by ABAG, BayREN provides regional-scale energy efficiency programs, services, and resources. BayREN is funded by utility ratepayer funds through the California Public Utilities Commission, as well as other sources, drawing on the expertise, knowledge, and proven track record of Bay Area local governments.

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 benefits (OPEB) liabilities.

The staff consolidation of the two agencies provides ABAG with an expanded financial position to carry out its important work – supporting local governments and the Bay Area. The following are some of the highlights from fiscal year 2018.

<u>Planning Housing and Neighborhoods</u>

- Launched $50 million Bay Area Preservation Pilot revolving loan fund with $10 million MTC investment.
- Issued $8 million Priority Development Areas (PDA) Planning, Technical and Staffing Assistance Call for Projects for local jurisdictions.
- Hosted three Planning Innovations regional forums.
- Invested in electric vehicle infrastructure with the Bay Area Air Quality Management District to

accelerate EV usage in the region.

San Francisco Estuary Partnership (SFEP)

- Held the 2017 State of the Estuary Conference.
- Completed eight Integrated Regional Water Management Program projects.
- Staffed the San Francisco Bay Restoration Authority which approved nearly $18 million in the first round of grants.
- Awarded a grant by EPA to develop a Wetland Regional Monitoring Program.
- Awarded an additional $0.25 million for the Clean Vessel Act Program.
- Received additional funding of $0.085 million from EPA's Climate Ready Estuaries Program.

Bay Area Regional Energy Network (BayREN)

- BayREN received California Public Utilities Commission's (CPUC) approval of its "Business Plan" with funding through 2025.
- 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 $4.1 million in rebates to property owners for installing energy upgrades and improving energy efficiency in multifamily buildings. In addition, the program has issued six loans which total over $1 million. The loans offer the property owners the opportunity to finance up to 50% of a project's cost at zero percent interest.

Post Employment Benefits Other Than Pension

- ABAG adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018, and reported the prior period cumulative effect of applying GASB 75 as a restatement of the opening net position balance. Refer to Note 1J.

B. Overview of the Financial Statements

The ABAG's Financial Statements include *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.

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

The Financial Statements above 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.

C. Financial Analysis

ABAG has negative net position of approximately $4 million for fiscal year 2018 primarily due to the recognition of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* of $1.5 million and $3.2 million respectively. Refer to Note 2 to the financial statements for further information.

Statement of Net Position

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

	2018	2017
Assets		
Current and other assets	$ 17,160,006	$ 23,603,326
Capital assets	5,541,035	5,860,144
Total assets	22,701,041	29,463,470
Deferred outflows	6,508,318	6,613,550
Liabilites		
Other liabilites	10,416,898	16,530,941
Long term liabilites	21,652,802	18,662,892
Total liabilites	32,069,700	35,193,833
Deferred inflows	1,081,028	1,407,157
Net position:		
Net investment in capital assets	5,541,035	5,644,144
Unrestriced (deficit)	(9,482,404)	(6,168,114)
Total net position	$ (3,941,369)	$ (523,970)

Total assets decreased by $6,762,429 or 22.95 percent from fiscal year 2017 to fiscal year 2018. The decrease in total assets was primarily due to a decrease in accounts receivable balance at the end of fiscal year 2018. The decrease in capital assets was mainly due to depreciation.

Total liabilities decreased by $3,124,133 or 8.88 percent from fiscal year 2017 to fiscal year 2018. The decrease was primarily due to a decrease in current liabilities, offset by increases in long term liabilities of pension and OPEB. The decrease in current liabilities was mainly due to decreases in accounts payable and accrued expenses related to grant projects.

Deferred inflows decreased by $326,129 or 23.18 percent from fiscal year 2017 to fiscal year 2018. The decrease was mainly due to a decrease in deferred inflows from pension.

Total net position decreased by $3,417,399 from fiscal year 2017 to fiscal year 2018. The decrease was primarily due to a prior period adjustment as a result of the adoption of GASB 75, as well as due to an operating loss of $2,295,080 in fiscal year 2018.

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:

	2018	2017
Operating revenues		
Membership dues	$ 2,068,486	$ 1,963,769
Charges for services	-	3,416,556
Conference registration	313,404	250,879
Other operating revenues	167,503	214,709
Total operating revenues	2,549,393	5,845,913
Operating expenses		
Salaries and benefits	3,416,206	4,727,003
Professional fees	325,840	1,735,908
Other operating expenses	1,102,427	1,656,140
Total operating expenses	4,844,473	8,119,051
Operating loss	(2,295,080)	(2,273,138)
Nonoperating revenues/(expenses)		
Grants	29,055,371	39,444,969
Salaries and benefits	(2,132,062)	(3,374,672)
Professional fees	(26,328,868)	(31,481,218)
Gain on sale of capital assets	1,376	4,959,746
Other nonoperating revenues	176,435	19,497
Other nonoperating expenses	(400,756)	(306,849)
Total nonoperating revenues (expenses)	371,496	9,261,473
Change in net position	(1,923,584)	6,988,335
Net position - beginning	(523,970)	(7,512,305)
Prior period adjustment	(1,493,815)	-
Net position - beginning (as restated)	(2,017,785) *	(7,512,305)
Net position - ending	$ (3,941,369)	$ (523,970)

* In fiscal year 2018, beginning balance was restated due to the adoption of GASB Statement No. 75. See note 1J for further information.

ABAG's membership dues increased by $104,717 or 5.33 percent in comparison to the prior fiscal year. The membership dues increase was primarily due to an increase in the CPI and population growth.

Charges for services decreased by $3,416,556 or 100% from fiscal year 2017 to fiscal year 2018. Prior to July 1, 2017, ABAG provided administrative support services to its affiliated entities and received reimbursement for those services. Charges for services were reduced to zero in fiscal year 2018 due to MTC providing all support services to ABAG's affiliated entities including ABAG FAN and ABAG POWER.

Conference registration increased by $62,525 or 24.92 percent. The revenue increased mainly as a result of the State of the Estuary Conference that was held successfully in fall 2017 with over eight hundred attendees.

ABAG's total operating expenses decreased by $3,274,579 or 40.33 percent from fiscal year 2017 to fiscal year 2018. The decrease in operating expenses was mainly due to the transfer of administrative support services function to MTC.

Total nonoperating revenues / (expenses) decreased due to the following:

ABAG's grant revenues decreased by $10,389,598 or 26.34 percent from fiscal year 2017 to fiscal year 2018. The operating grant revenue decreased as result of the decline in revenues from federal, state and local grants.

The decrease in the revenue from federal grants is primarily due to a reduction of $2,500,000 in revenues from Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and Surface Transportation Program (STP) funds which MTC is no longer passed through to ABAG after the ABAG/MTC staff consolidation on July 1, 2017.

State grant revenue decreased largely due to a decrease in revenue from Department of Water Resources (DWR) grants. Revenue from DWR grants reduced by $4,438,257 due to construction projects delays related to the Integrated Regional Water Management Programs.

Local grant revenue decreased mainly as result of reductions in Transportation Development Act (TDA) and toll bridge funding from MTC after the ABAG/MTC staff consolidation on July 1, 2017.

ABAG's total non-operating expenses decreased by $6,301,053 or 17.92 percent from fiscal year 2017 to fiscal year 2018. Nonoperating expenses decreased mainly due to regional planning projects that were previously performed by ABAG staff have been transferred to MTC after the ABAG/MTC staff consolidation on July 1, 2017.

Gain on sale of capital assets decreased by $4,958,369 from fiscal year 2017 to fiscal year 2018. The decrease was primarily due to an office building exchange transaction in fiscal year 2017. ABAG sold its office building in Oakland in exchange for its share of the new office building at 375 Beale Street in San Francisco in June 2017. The exchange transaction resulted in a gain of $4,959,745 in fiscal year 2017.

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 $5,541,035 in fiscal year 2018 from $5,860,144 in fiscal year 2017 due to depreciation. Additional information on ABAG's capital assets is disclosed in Note 4.

F. Economic Factors

- The Bay Area economy continues to expand lowering unemployment and raising general revenue.
- The unemployment rate dropped from 3.65 percent in fiscal year 2017 to 3.07 percent in fiscal year 2018 according to the State of California Employment Development Department.
- Regional sales of retail goods measured by regional sales tax receipts increased for the eighth consecutive year, up 4.3 percent and 2.2 percent for fiscal year 2018 and fiscal year 2017, respectively.
- Building permits for housing and commercial development continue to increase.

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, 2018

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
ASSETS			
Current Assets:			
Cash	$ 5,510,125	$ 58,719	$ 5,568,844
Investments	2,225,822	-	2,225,822
Account receivable	8,950	-	8,950
Accrued interest	10,581	-	10,581
Loan receivable	131,942	-	131,942
Receivable from federal	483,227	-	483,227
Receivable from state	6,820,290	-	6,820,290
Receivable from local	68,552	-	68,552
Due from other government	645	-	645
Prepaid items	63,733	-	63,733
Total current assets	15,323,867	58,719	15,382,586
Non-current Assets			
Loan receivable	1,777,420	-	1,777,420
Capital assets, net of accumulated depreciation/ amortization	5,541,035	-	5,541,035
Total non-current assets	7,318,455	-	7,318,455
TOTAL ASSETS	22,642,322	58,719	22,701,041
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	5,741,819	-	5,741,819
Deferred outflows from OPEB	766,499	-	766,499
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,508,318	-	6,508,318
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	4,835,140	-	4,835,140
Retention payable	2,311,569	-	2,311,569
Unearned revenue	2,751,972	-	2,751,972
Due to other government	518,217	-	518,217
Total current liabilities	10,416,898	-	10,416,898
Non-current Liabilities:			
Unearned revenue	893,623	-	893,623
Advance from PG&E	2,760,000	-	2,760,000
Net pension liability	16,288,587	-	16,288,587
Net OPEB liability	1,710,592	-	1,710,592
Total non-current liabilities	21,652,802	-	21,652,802
TOTAL LIABILITIES	32,069,700	-	32,069,700
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	914,254	-	914,254
Deferred inflows from OPEB	166,774	-	166,774
TOTAL DEFERRED INFLOWS OF RESOURCES	1,081,028	-	1,081,028
NET POSITION			
Net investment in capital assets	5,541,035	-	5,541,035
Unrestricted	(9,541,123)	58,719	(9,482,404)
TOTAL NET POSITION	$ (4,000,088)	$ 58,719	$ (3,941,369)

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, 2018

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
OPERATING REVENUES:			
Membership dues	$ 2,068,486	$ -	$ 2,068,486
Conference registration	313,404	-	313,404
Other operating revenues	122,617	44,886	167,503
TOTAL OPERATING REVENUES	2,504,507	44,886	2,549,393
OPERATING EXPENSES			
Salaries and benefits	3,416,206	-	3,416,206
Professional fees	255,188	70,652	325,840
Conference and meeting costs	117,734	-	117,734
Building assessments	325,000	-	325,000
Committee members' stipend	62,775	-	62,775
Insurance	99,170	-	99,170
Memberships	110,390	-	110,390
Deprecitation expense	312,987	-	312,987
Overhead	16,666	-	16,666
Other operating expenses	52,500	5,205	57,705
TOTAL OPERATING EXPENSES	4,768,616	75,857	4,844,473
OPERATING LOSS	(2,264,109)	(30,971)	(2,295,080)
NONOPERATING REVENUES AND (EXPENSES)			
Federal grants	3,007,216	-	3,007,216
State grants	25,712,595	-	25,712,595
Local grants	335,560	-	335,560
Salaries and benefits	(2,132,062)	-	(2,132,062)
Professional fees	(26,328,868)	-	(26,328,868)
Interest income	7,453	531	7,984
Interest expenses	(1,395)	-	(1,395)
Gain on sale of capital assets	1,376	-	1,376
Contribution from ABAG Finance Authority	168,451	-	168,451
Other nonoperating expenses	(376,688)	(22,673)	(399,361)
TOTAL NONOPERATING REVENUES (EXPENSES)	393,638	(22,142)	371,496
CHANGE IN NET POSITION	(1,870,471)	(53,113)	(1,923,584)
Net Position, beginning of year	(635,802)	111,832	(523,970)
Prior period adjustment	(1,493,815)	-	(1,493,815)
Net Position, beginning of year (as restated)	(2,129,617)	111,832	(2,017,785)
Net Position, end of year	$ (4,000,088)	$ 58,719	$ (3,941,369)

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows
For the Year Ended June 30, 2018

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
Cash flows from operating activities			
Cash receipts from users and others	$ 3,055,904	$ 44,886	$ 3,100,790
Cash payments to suppliers and employees for services	(3,372,006)	(76,857)	(3,448,863)
Net cash used in operating activities	(316,102)	(31,971)	(348,073)
Cash flows from non-capital financing activities			
Federal grants	4,052,146	-	4,052,146
State grants	31,895,415	-	31,895,415
Local grants	486,106	-	486,106
Salaries and benefits	(1,859,855)	-	(1,859,855)
Professional fees	(32,019,178)	-	(32,019,178)
Interest expenses	(1,395)	-	(1,395)
Other nonoperating expenses	(376,688)	(22,673)	(399,361)
Net cash provided by/(used in) non-capital financing activites	2,176,551	(22,673)	2,153,878
Cash flows from capital and related financing activities			
Principal repayment of loan payable	(47,549)	-	(47,549)
Sale of capital asset	7,498	-	7,498
Net cash used in capital and related financing activities	(40,051)	-	(40,051)
Cash flows from investing activities			
Proceeds/transfer from maturity of investments	-	57,485	57,485
Return interest earnings to grantor	(21,992)	-	(21,992)
Interest and dividends received	2,071	1,060	3,131
Net cash provided by/(used in) investing activities	(19,921)	58,545	38,624
Net increase in cash	1,800,477	3,901	1,804,378
Balances - beginning of year	3,709,648	54,818	3,764,466
Balances - end of year	$ 5,510,125	$ 58,719	$ 5,568,844

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
Reconciliation of operating income to net cash used in operating activities			
Operating loss	$ (2,264,109)	$ (30,971)	$ (2,295,080)
Adjustments to reconcile operating net cash used in operating activities:			
Depreciation and amortization	312,987	-	312,987
Net effect of changes in:			
Due from other government	501,375	(1,000)	500,375
Due to other government	(36,855)	-	(36,855)
Deferred outflows from pension	871,731	-	871,731
Deferred outflows from OPEB	8,495	-	8,495
Accounts receivable	136,268	-	136,268
Perpaid expenses	109,833	-	109,833
Net pension liability	1,538,737	-	1,538,737
Net OPEB liability	(828,575)	-	(828,575)
Loan receivable	(966,246)	-	(966,246)
Deferred inflows from pension	(492,903)	-	(492,903)
Deferred inflows from OPEB	166,774	-	166,774
Advance from PG&E	880,000	-	880,000
Accounts payable and accrued expenses	(253,614)	-	(253,614)
Net cash used in operating activities	$ (316,102)	$ (31,971)	$ (348,073)
Noncash transactions			
Waiver of loan payable	$ 168,451	$ -	$ 168,451

See accompanying 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 is a separate entity from its members and its purpose is to serve as a permanent forum to discuss and study 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, ABAG Executive Board approved a Contract for Services between ABAG and the Metropolitan Transportation Commission (MTC). As of July 1, 2017, MTC Executive Director and the consolidated 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 grant funded programs on a cost-reimbursement basis. 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 is governed by a sub-committee of the ABAG Executive Board, which establishes financing policies and approves each credit pooling arrangement.

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 as well as the Alameda County Green Business Program (ACGP), which ABAG served as a fiscal agent. The fiscal agent function for ACGP was terminated, and the program fund balance was transferred to ACGP's new fiscal agent in April 2018.

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

The 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This standard establishes new accounting and financial reporting requirements for those governments whose employees are provided with other post employment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2017. The implementation of this Statement resulted in a restatement and decreased beginning net position of ABAG by $1,493,815. See Note 1J, 1M and 7.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this statement are effective for reporting periods beginning after December 15, 2016. This standard did not have any impact on ABAG's financial statements.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information (RSI), (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This Statement was adopted early by ABAG for fiscal year ended June 30, 2017. The adoption of this Statement changed the presentation of payroll-related measures from covered-employee payroll to covered payroll in the required supplementary information (RSI).

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. Management is currently evaluating the effect of this Statement 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 Statement on ABAG's financial statements.

GASB Statement No. 85, *Omnibus 2017*, addresses various practice issues including related blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The requirements of this statement are effective for reporting periods beginning after June 15, 2017. This Statement did not have any impact on ABAG's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. This Statement did not have any impact on ABAG's financial statements.

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 Statement 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. Management is currently evaluating the effect of this Statement 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 Statement on ABAG's financial statements.

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 in the 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 Statements of Revenues, Expenses and Changes in Net Position. During the fiscal year ended June 30, 2018, ABAG holds investments in Local Agency Investment Fund (LAIF).

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:

	Years
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.

H. Due to/from Other Government

The due to other government consists of the amount due to MTC for services provided in fiscal year 2018. 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

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, 2016. CalPERS then rolled forward the total pension liability to June 30, 2017, and this is the basis for measuring ABAG's net pension liability at June 30, 2018.

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 liabilites.

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.

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 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.

In fiscal year 2018, ABAG adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Prior to the adoption of GASB 75, ABAG reported a cumulative OPEB liability of $270,357 under the actuarially required contributions, consistent with prior accounting standard. This amount was removed from the OPEB liability with corresponding addition to the net position. Under GASB 75, ABAG has a liability which is required to be recognized and reported as an obligation in the financial statements. The prior periods' OPEB liability cumulative amount of $2,539,167 was recognized in fiscal year 2018 with the corresponding reduction to beginning net position balance of $1,764,173, and an addition to the deferred outflows of $774,994.

The impact of adoption GASB 75 on the net position at July 1, 2017 is summarized as follows:

	Association of Bay Area Governments
Net Position at July 1, 2017 as previously reported	$ (635,802)
Impact of adoption GASB 75	(1,493,815)
Net position at July 1, 2017 as restated	$ (2,129,617)

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 (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 recoqnized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 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, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

GASB 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, 2018 was determined using the actuarial valuation of June 30, 2017 measurement date.

Following the ABAG/MTC staff consolidation at July 1, 2017 and subsequent retirement of the last ABAG empolyee in January 2018, there will be no employees added to the ABAG Medical 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 and CPUC grant (passing through PG&E) for BayRen Incentive Program.

L. Advance from PG&E

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

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 systemmatic 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.

2. NET POSITION

ABAG has a negative net position of $4,000,088 for fiscal year 2018. The negative position is mainly the result of recognition of GASB 75 and GASB 68 of $1,546,009 and $3,211,247 respectively. In addition ABAG had onetime costs as a result of the staff consolidation under the ABAG/MTC Contract for Services. ABAG believes that circumstances have changed such 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. As such any future payments to CalPERS will go toward reducing the unfunded liability. The OPEB liability is nearly fully funded and should be fully retired in the near future 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 membrship 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, 2018 is as follows:

Cash	$	5,568,844
Investments		2,225,822
Total Cash and Investments	$	7,794,666

B. The composition of cash and investments at June 30, 2018 is as follows:

Cash

Cash at banks	$ 5,568,844
Total cash	5,568,844

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, 2018:

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, 2018	Level 1	Level 2	Level 3	Total
Government Pool Investments:				
Local Agency Investment Fund *	$ -	$ 2,225,822	$ -	$ 2,225,822
Total investments measured at fair market value	$ -	$ 2,225,822	$ -	$ 2,225,822

* 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.

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 limit of $250,000.

Under California Government Code Section 53651, 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, 2018 is 0.53 years.

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Capital assets being depreciated**:**				
Facilities and improvements	$ 5,488,962	$ -	$ -	$ 5,488,962
Furniture and equipment	730,395	-	(333,411)	396,984
Vehicles	57,652	-	(57,652)	-
Capitalized software	225,103	-	(99,791)	125,312
Total capital assets being depreciated	6,502,112	-	(490,854)	6,011,258
Less accumulated depreciation for**:**				
Facilities and improvements	-	219,559	-	219,559
Furniture and equipment	361,030	91,611	(327,289)	125,352
Vehicles	57,652	-	(57,652)	-
Capitalized software	223,286	1,817	(99,791)	125,312
Total accumulated depreciation	641,968	312,987	(484,732)	470,223
Total capital assets, being depreciated, net	$ 5,860,144	$ (312,987)	$ (6,122)	$ 5,541,035

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, 2018 is as follows:

	Ending Balance June 30, 2018
California Redevelopment Bonds	$ 11,985,000
California Capital Projects Bonds	5,700,000
Water Pool Bonds	58,820,000
Total	$ 76,505,000

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.

A summary of the outstanding balances of the Corporation's Conduit Financing Programs as of June 30, 2018 is as follows:

	Ending Balance June 30, 2018
ABAG 41 Certificate of Participation (1)	$ 225,000
Total	$ 225,000

(1) Evidencing direct, undivided fractional interests of the owners thereof in lease payments to be made by the City of Concord (Contra Costa County) to the ABAG Finance Corporation (California).

6. PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the ABAG Miscellaneous Employee Pension Rate Plan. 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.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan	
	Tier I	Tier II
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	9.539%	6.533%

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. All of ABAG's pension liability is related to this legacy period as any benefits earned for these employees going forward becomes the responsibility of MTC.

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 as noted in the rates above 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 $1,286,561 in fiscal year 2018.

For the year ended June 30, 2018, the contributions to the Plan was $1,293,682.

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

As of June 30, 2018, ABAG reported a net pension liability for its proportionate share of the net pension liability as $16,288,587.

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 as follows:

	Miscellaneous Plan
Proportion - June 30, 2016	0.4246 %
Proportion - June 30, 2017	0.4132 %
Change - Increase (Decrease)	(0.0114)%

For the year ended June 30, 2018, ABAG recognized pension expense of $3,211,247. At June 30, 2018, ABAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	$ 1,293,682	$ -
Difference between actual and expected experience	16,938	(242,665)
Changes in assumption	2,101,582	(160,248)
Net difference in actual and proprotionate contribution	1,133,906	(289,871)
Net difference between projected and actual earnings on investments	475,291	-
Adjsutments due to differences in proportion	720,420	(221,470)
Total	$ 5,741,819	$ (914,254)

The $1,293,682 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, 2019. 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:

Year Ended June 30	Annual Amortization
2019	$ 1,167,354
2020	1,514,008
2021	1,134,710
2022	(282,189)
Thereafter	$ -

Actuarial Assumptions

For the measurement period ended June 30, 2017, the total pension liability was determined using the annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions**:**	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS's Memership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchase Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(l) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website: www.calpers.ca.gov

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increases, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website: www.calpers.ca.gov

Change of Assumptions

In fiscal 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website: www.calpers.ca.gov

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2016. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47 %	4.90 %	5.38 %
Global Fixed Income	19 %	0.80 %	2.27 %
Inflation Sensitive	6 %	0.60 %	1.39 %
Private Equity	12 %	6.60 %	6.63 %
Real Estate	11 %	2.80 %	5.21 %
Infrastructure and Forestland	3 %	3.90 %	5.36 %
Liquidity	2 %	(0.40)%	(0.90)%
Total	100 %		

(a) An expected inflation of 2.5% is used this period.
(b) An expected inflation of 3.0% is used 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	$23,216,003	$16,288,587	$10,551,176

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

7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

ABAG has contracted with 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 benefit (OPEB). CERBT Fund is a Section 115 trust fund and 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 receiving 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 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 MARA account during employment, and ABAG pays any PEMHCA minimum required by PEMHCA law. ABAG has no further obligation toward retiree health benefits or premiums.

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 July 1, 2017, the date of the latest actuarial valuation:

Active employees	1
Inactive employees or beneficiaries currently receiving benefit payments	43
Inactive employees entitled to but not yet receiving benefit payments	15
Total	59

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, 2018, the ABAG contribution rate was 608.06 percent of covered-employee payroll.

B. Net OPEB Liability

The ABAG net OPEB liability was measured as of June 30, 2017 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, 2017; 6.75% at June 30, 2016
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 4.0% in 2076
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-17
Municipal Bond Rate	N/A
Participation at Retirement	100%. Applicable to 1 remaining active

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

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 current active and 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, 2017 (6/30/16 measurement date)	$ 7,637,694	$ 5,098,527	$ 2,539,167
Changes for the year			
Service cost	6,314	-	6,314
Interest on the total OPEB liability	499,585	-	499,585
Contributions - employer	-	774,994	(774,994)
Net investment income	-	562,294	(562,294)
Benefit payments	(485,483)	(485,483)	-
Administrative expenses	-	(2,814)	2,814
Net changes	20,416	848,991	(828,575)
Balance at June 30, 2018 (6/30/17 measurement date)	$ 7,658,110	$ 5,947,518	$ 1,710,592

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 discunt rate:

	Discount Rate		
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	$ 2,630,555	$ 1,710,592	$ 951,908

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	$ 965,662	$ 1,710,592	$ 2,598,727

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

For the year ended June 30, 2018, ABAG recognized an OPEB expense of $113,193. At June 30, 2018, 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 *	$ -	$ 166,774
Employer contributions made subsequent to the measurement date **	766,499	-
Total	$ 766,499	$ 166,774

* Combine Deferred Inflows and Outflows for footnote disclosure.

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

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	
2019	$	(41,693)
2020		(41,693)
2021		(41,693)
2022		(41,695)
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.

The 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 and shared services assessment fees were $174,567 and $150,433 respectively for fiscal year 2018.

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.

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 the consolidated staff will perform all of the duties and programmatic work for ABAG and its LCP that were previously performed by ABAG staff. 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 $2,396,301 for administrative support services during fiscal year 2018.

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 adminstrative 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. Pursuant to the Contract for Services, MTC is fulfilling the staff obligations assigned to ABAG as set forth in the JPA, amended on November 3, 2017. The staff obligations include providing program and fiscal agent/treasurer services.

Starting fiscal year 2018, SFBRA is no longer considered by management to be a discretely presented component unit of ABAG.

11. SUBSEQUENT EVENTS

ABAG has evaluated subsequent events for the period from June 30, 2018 through November 16, 2018, the date the financial statements were available to be issued, and no material subsequent events have been identified.

This page intentionally left blank

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, 2018
Last Ten Years*

	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Tier I & II	Tier I & II	Tier I & II	Tier I & II
Measurement Date	2014	2015	2016	2017
Plan's Proportion of the Net Pension Liability/Asset	0.4744 %	0.4738 %	0.4246 %	0.4132 %
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 11,357,673	$ 12,998,297	$ 14,749,850	$ 16,288,587
Plan's Covered Payroll	$ 6,847,411	$ 6,198,473	$ 6,036,594	$ 5,832,772
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 %
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 %

* Fiscal year 2015 was the 1st year of implementation, therefore only four 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, 2018
Last Ten Years *

	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Tier I & II	Tier I & II	Tier I & II	Tier I & II
Fiscal Year Date	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018
Actuarially determined contribution	$ 1,305,738	$ 491,374	$ 2,744,108	$ 1,293,682
Contributions in relation to the actuarially determined contributions	$ (1,305,738)	$ (491,374)	$ (2,744,108)	$ (1,293,682)
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 %

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/15	6/30/2016
Methods and assumptions used to determine contribution rates:				
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.15%, net of pension plan investment and administrative expenses, including inflation
Retirement age	55yrs. Misc., 62 yrs. Tier 2	55yrs. Misc., 62 yrs. Tier 2	55yrs. Misc., 62 yrs. Tier 2	55yrs. Misc., 62 yrs. Tier 2
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20years of mortality improvements using the Society of Actuaries Scale BB.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20years of mortality improvements using the Society of Actuaries Scale AA.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

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

Association of Bay Area Governments
Schedule of Changes in Net OPEB Liability and Related Ratios (unaudited)
For the Year Ended June 30, 2018
Last Ten Years *

Measurement Period	2016-17 *
Total OPEB liability	
Service cost	$ 6,314
Interest on the total OPEB liability	499,585
Benefit payments	(485,483)
Net change in total OPEB liability	20,416
Total OPEB liability - beginning	7,637,694
Total OPEB liability - ending (a)	$ 7,658,110
OPEB fiduciary net position	
Benefit payments	$ (485,483)
Contribution from employer	774,994
Net investment income	562,294
Administrative expenses	(2,814)
Net change in plan fiduciary net position	848,991
Plan fiduciary net position - beginning	5,098,527
Plan fiduciary net position - ending (b)	$ 5,947,518
Plan net OPEB liability - ending (a) - (b)	$ 1,710,592
Plan fiduciary net position as a percentage of the total OPEB liability	77.66%
Covered-employee payroll	$ 6,655,535
Plan net OPEB liability of as a percentage of covered-employee payroll	25.70%

* Historical information is required only for measurement periods for which GASB 75 is applicable.

Association of Bay Area Governments
Schedule of Employer Contributions - OPEB (unaudited)
For the Year Ended June 30, 2018
Last 10 Years *

	Fiscal Year 2017-2018
Actuarially determined contribution **	$ 752,000
Contributions in relation to the actuarially determined contribution	(766,499)
Contribution deficiency (excess)	$ (14,499)
Covered-employee payroll	$ 126,057
Contribution as a percentage of covered-employee payroll	608.06%

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only one year is shown

** The June 30, 2015 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/17 and 6/30/18; 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

Valuation date:

Actuarial determined contribution rates are calculated as of June 30, 2015, two years prior to the end of fiscal year in which contributions are reported.

Methods and assumptions for 2017-2018 actuarially determined contribution:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	20-year fixed period for 2017/18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	7.25%
General Inflation	3%
Medical Trend	Non-Medicare - 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years; Medicare - 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	Mortality projected fully generational with modified Scale MP-14, converges to ultimate rate in 2022

This page intentionally left blank

Other Supplementary Information

Association of Bay Area Governments
Statement of Net Position - ABAG
June 30, 2018

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Assets					
Current assets:					
Cash	$ 1,795,817	$ 835,708	$ 2,529,455	$ 349,145	$ 5,510,125
Investments	596,593	1,629,229	-	-	2,225,822
Account receivable	8,950	-	-	-	8,950
Due from/(to) other program	127,755	-	-	(127,755)	-
Due from other government	-	-	-	645	645
Loan receivable	-	-	131,942	-	131,942
Accrued interest	10,581	-	-	-	10,581
Receivable from federal	-	330,942	102,628	49,657	483,227
Receivable from state	-	5,022,856	1,447,174	350,260	6,820,290
Receivable from local	-	65,702	-	2,850	68,552
Prepaid items	47,180	13,980	2,573	-	63,733
Total current assets	2,586,876	7,898,417	4,213,772	624,802	15,323,867
Non-curreent assets:					
Loan receivable	-	-	1,777,420	-	1,777,420
Capital assets, net of accumulated depreciation/ amortization	5,541,035	-	-	-	5,541,035
Total non-current assets	5,541,035	-	1,777,420	-	7,318,455
Total assets	$ 8,127,911	$ 7,898,417	$ 5,991,192	$ 624,802	$ 22,642,322
Deferred Outflows of Resources					
Deferred outflows from pension	5,741,819	-	-	-	5,741,819
Deferred outflows from OPEB	766,499	-	-	-	766,499
Total deferred outflows of resources	6,508,318	-	-	-	6,508,318
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	68,354	3,322,850	1,443,511	425	4,835,140
Retention payable	-	2,270,729	-	40,840	2,311,569
Unearned revenue	-	848,262	1,673,710	230,000	2,751,972
Due to other government	3,867	175,426	96,782	242,142	518,217
Total Current liabilities	72,221	6,617,267	3,214,003	513,407	10,416,898
Non-current liabilities:					
Unearned revenue	-	782,228	-	111,395	893,623
Advance from PG&E	-	-	2,760,000	-	2,760,000
Net pension liability	16,288,587	-	-	-	16,288,587
Net OPEB liability	1,710,592	-	-	-	1,710,592
Total non-current liabilities	17,999,179	782,228	2,760,000	111,395	21,652,802
Total liabilities	18,071,400	7,399,495	5,974,003	624,802	32,069,700
Deferred Inflows of Resources					
Deferred inflows from pension	914,254	-	-	-	914,254
Deferred inflows from OPEB	166,774	-	-	-	166,774
Total deferred inflows of resources	1,081,028	-	-	-	1,081,028
Net Position					
Net investment in capital assets	5,541,035	-	-	-	5,541,035
Unrestricted	(10,057,234)	498,922	17,189	-	(9,541,123)
Total net position	$ (4,516,199)	$ 498,922	$ 17,189	$ -	$ (4,000,088)

Association of Bay Area Governments
Statement of Revenues, Expenditures and Changes in Net Position - ABAG
For the Year Ended June 30, 2018

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Operating Revenues					
Membership dues	$ 2,068,486	$ -	$ -	$ -	$ 2,068,486
Conference registration	3,604	309,800	-	-	313,404
Other operating revenues	28,533	94,084	-	-	122,617
Total operating revenues	2,100,623	403,884	-	-	2,504,507
Operating Expenses					
Salaries and benefits	3,379,629 *	31,058	5,519	-	3,416,206
Professional fees	147,869	107,319	-	-	255,188
Conference and meeting costs	16,691	100,994	49	-	117,734
Building assessments	325,000	-	-	-	325,000
Committee members' stipend	62,775	-	-	-	62,775
Insurance	99,170	-	-	-	99,170
Memberships	95,890	4,500	10,000	-	110,390
Deprecitation expense	312,987	-	-	-	312,987
Overhead	5,664	8,337	2,665	-	16,666
Other operating expenses	37,445	13,832	1,223	-	52,500
Total operating expenses	4,483,120	266,040	19,456	-	4,768,616
Operating Income / (Loss)	(2,382,497)	137,844	(19,456)	-	(2,264,109)
Nonoperating Revenues and Expenses					
Federal grants	-	2,445,241	152,080	409,895	3,007,216
State grants	-	9,448,737	15,448,266	815,592	25,712,595
Local grants	-	309,010	-	26,550	335,560
Salaries and benefits	-	(1,692,201)	(439,861)	-	(2,132,062)
Professional fees	-	(10,172,504)	(14,904,327)	(1,252,037)	(26,328,868)
Other nonoperating expenses	-	(118,282)	(258,406)	-	(376,688)
Interest income	5,659	-	1,794	-	7,453
Interest expenses	(1,395)	-	-	-	(1,395)
Gain on sale of capital assets	1,376	-	-	-	1,376
Contribution from ABAG Finance Authority	168,451	-	-	-	168,451
Total nonoperating revenues and expenses	174,091	220,001	(454)	-	393,638
Income / (loss) before transfer	(2,208,406)	357,845	(19,910)	-	(1,870,471)
Transfers					
Transfer between programs	(178,176)	141,077	37,099	-	-
Total transfers	(178,176)	141,077	37,099	-	-
Change in Net Position	(2,386,582)	498,922	17,189	-	(1,870,471)
Net position, beginning of year	(635,802)	-	-	-	(635,802)
Prior period adjustment	(1,493,815)	-	-	-	(1,493,815)
Net position, beginning of year as restated	(2,129,617)	-	-	-	(2,129,617)
Net position, end of year	$ (4,516,199)	$ 498,922	$ 17,189	$ -	$ (4,000,088)

* include: contributions to pension plan $1,293,682; pay-as-go OPEB costs $435,142; a last active ABAG employee's salaries and benefits $114,289; temporary agency services $1,900; recognition of GASB 68 (pension) and GASB 75 (OPEB) expenses of $1,534,617.

Association of Bay Area Governments
Statement of Net Position
Non-Major Enterprise Funds
June 30, 2018

	Balance Foundation	ABAG Finance Corporation	Total Non-Major Enterprise Funds
Assets			
Cash	$ 33,328	$ 25,391	$ 58,719
Total assets	$ 33,328	$ 25,391	$ 58,719
Net Position			
Unrestricted	33,327	25,391	58,718
Total net position	$ 33,327	$ 25,391	$ 58,718

Association of Bay Area Governments
Statement of Revenues, Expenditures and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2018

	Balance Foundation	ABAG Finance Corporation	Total Non-Major Enterprise Funds
Operating Revenues:			
Other operating revenues	$ 44,800	$ 86	$ 44,886
Total operating revenues	44,800	86	44,886
Operating Expenses:			
Professional fees	70,022	630	70,652
Other operating expenses	5,185	20	5,205
Total operating expenses	75,207	650	75,857
Operating Loss	(30,407)	(564)	(30,971)
Nonoperating Revenues and Expenses			
Interest income	530	1	531
Other nonoperating expenses	(22,673)	-	(22,673)
Total nonoperating revenues and expenses	(22,143)	1	(22,142)
Loss before operating transfers	(52,550)	(563)	(53,113)
Change in Net Position	(52,550)	(563)	(53,113)
Net position, beginning of year	85,878	25,954	111,832
Net position, end of year	$ 33,328	$ 25,391	$ 58,719

Association of Bay Area Governments
Schedule of ABAG Conduit Financing Pool (unaudited)
For the Year Ended June 30, 2018

Borrowers	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2018
ABAG 1994 Tax Allocation Revenue Bonds, Series A and 1994 Subordinated Tax Allocation Revenue Bonds, Series B (California Redevelopement Agency Pool)	6/29/1944	12/15/2024	$ 43,695,000	$ 2,055,000
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	3/29/2006	9/1/2025	9,605,000	4,405,000
ABAG Lease Revenue Bonds, 2001-2 (California Capital Projects)	12/20/2001	12/1/2025	14,355,000	915,000
ABAG Lease Revenue Bonds, 2001 Series A (California Capital Projects)	7/31/2001	7/1/2031	15,110,000	895,000
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	7/18/2002	7/1/2032	13,370,000	3,890,000
ABAG 2004 Tax Allocation Revenue Bonds, Series A (California Redevelopment Agency Pool) Series A	12/1/2004	9/1/2035	34,080,000	2,020,000
ABAG 2006 Water and Wastewater Revenue Bonds, Series A (City of Ukiah)	3/2/2006	3/1/2036	75,060,000	58,820,000
ABAG 2007 Revenue Bonds, Series A and Taxable Series B (California Tax Allocation Bonds)	11/27/2007	9/1/2036	55,425,000	3,505,000
				$ 76,505,000

Association of Bay Area Governments
Schedule of ABAG Finance Corporation Conduit Financing Pool (unaudited)
For the Year Ended June 30, 2018

	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2018
ABAG 41 Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments	7/1/1998	8/1/2018	$ 3,560,000	$ 225,000
				$ 225,000