



Western Riverside Council of Governments Finance Directors Committee

AGENDA

**Thursday, January 24, 2019
1:00 p.m.**

**Western Riverside Council of Governments
Citrus Tower
3390 University Avenue, Suite 450
Riverside, CA, 92501**

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if special assistance is needed to participate in the Finance Directors Committee meeting, please contact WRCOG at (951) 405-6703. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting. In compliance with Government Code Section 54957.5, agenda materials distributed within 72 hours prior to the meeting which are public records relating to an open session agenda item will be available for inspection by members of the public prior to the meeting at 3390 University Avenue, Suite 450, Riverside, CA, 92501.

The Finance Directors Committee may take any action on any item listed on the agenda, regardless of the Requested Action.

- 1. CALL TO ORDER**
- 2. SELF INTRODUCTIONS**
- 3. PUBLIC COMMENTS**

At this time members of the public can address the Finance Directors Committee regarding any items with the subject matter jurisdiction of the Committee that are not separately listed on this agenda. Members of the public will have an opportunity to speak on agenda items at the time the item is called for discussion. No action may be taken on items not listed on the agenda unless authorized by law. Whenever possible, lengthy testimony should be presented to the Committee in writing and only pertinent points presented orally.

- 4. SELECTION OF FINANCE DIRECTORS COMMITTEE CHAIR, VICE-CHAIR, AND 2ND VICE-CHAIR FOR FISCAL YEAR 2018/2019** **P. 1**

Requested Action:

1. *Select Finance Directors Committee Chair, Vice-Chair, and 2nd Vice-Chair positions for Fiscal Year 2018/2019.*

5. MINUTES

P. 3

- A. Summary Minutes from the October 25, 2018, Finance Directors Committee Meeting are Available for Consideration.

Requested Action: 1. Approve the Summary Minutes from the October 25, 2018, Finance Directors Committee meeting.

6. CONSENT CALENDAR

All items listed under the Consent Calendar are considered to be routine and may be enacted by one motion. Prior to the motion to consider any action by the Committee, any public comments on any of the Consent Items will be heard. There will be no separate action unless members of the Committee request specific items be removed from the Consent Calendar.

- A. Finance Department Activities Update **Andrew Ruiz** **P. 7**

Requested Action: 1. Receive and file.

7. REPORTS / DISCUSSION

- A. 2nd Quarter Draft Budget Amendment for Fiscal Year 2018/2019 **Andrew Ruiz, WRCOG** **P. 13**

Requested Action: 1. Recommend that the Executive Committee approve the 2nd Quarter Draft Budget Amendment for Fiscal Year 2018/2019.

- B. Fiscal Year 2017/2018 Comprehensive Annual Financial Report (CAFR) **Andrew Ruiz, WRCOG** **P. 43**

Requested Action: 1. Receive and file.

- C. TUMF Program Activities Update: TUMF Calculation and Collection Process Update **Daniel Ramirez-Cornejo, WRCOG** **P. 157**

Requested Action: 1. Receive and file.

- D. The Economy and Financial Markets Update **Richard Babbe, PFM** **P. 161**

Requested Action: 1. Receive and file.

- E. Presentation by the Riverside County Auditor-Controller **Paul Angulo, County of Riverside** **P. 163**

Requested Action: 1. Receive and file.

8. REPORT FROM THE INTERIM CHIEF FINANCIAL OFFICER **Andrew Ruiz**

9. ITEMS FOR FUTURE AGENDAS **Members**

Members are invited to suggest additional items to be brought forward for discussion at future Finance Directors Committee meetings.

10. GENERAL ANNOUNCEMENTS

Members

Members are invited to announce items / activities which may be of general interest to the Finance Directors Committee.

- 11. NEXT MEETING:** The next Finance Directors Committee meeting is scheduled for Thursday, April 25, 2019, at 1:00 p.m. at WRCOG's office located at 3390 University Avenue, Suite 450, Riverside, CA, 92501.

12. ADJOURNMENT

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Western Riverside Council of Governments

Finance Directors Committee

Staff Report

Subject: Selection of Finance Directors Committee Chair, Vice-Chair, and 2nd Vice-Chair for Fiscal Year 2018/2019

Contact: Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741

Date: January 24, 2019

The purpose of this item is to select Finance Directors Committee leadership positions for Fiscal Year 2018/2019.

Requested Action:

1. Select Finance Directors Committee Chair, Vice-Chair, and 2nd Vice-Chair positions for Fiscal Year 2018/2019.

WRCOG's Committee leadership positions are selected at the start of each fiscal year. At the 2018 General Assembly, the leadership for the Executive Committee for Fiscal Year 2018/2019 was selected as follows:

Chair: Chuck Washington, County of Riverside
 Vice-Chair: Bonnie Wright, City of Hemet
 2nd Vice-Chair: VACANT

The 2nd Vice-Chair position on the Executive Committee became vacant when Laura Roughton from the City of Jurupa Valley was unsuccessful in her reelection campaign. The Administration & Finance Committee has made a recommendation of Councilmember Kevin Bash, City of Norco, for the Executive Committee's review at its February meeting.

Historically, the Finance Directors Committee positions have coincided with those of the WRCOG Executive Committee, although there are no requirements for this pattern stipulated in WRCOG's JPA or Bylaws.

Since the last Finance Directors Committee meeting, Ivan Chand of the County of Riverside has retired, which leaves the Chair position vacant.

Prior Action:

October 25, 2018: The Finance Directors Committee selected Ivan Chand, County of Riverside, as Chair; Lorena Rocha, City of Hemet, as Vice-Chair; and Alan Kreimeir, City of Jurupa Valley, as 2nd Vice-Chair, for Fiscal Year 2018/2019.

Fiscal Impact:

This item is informational; therefore, there is no fiscal impact.

Attachment:

None.

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1. CALL TO ORDER

The meeting of the Finance Directors Committee was called to order at 1:03 p.m. by Chair Rochelle Clayton at WRCOG's office, Citrus Room.

2. SELF INTRODUCTIONS

Members present:

Rochelle Clayton, City of Banning (Chair)
Melana Taylor, City of Beaumont
Kerry Eden, City of Corona
Ernie Reyna, City of Eastvale
Alan Kreimeir, City of Jurupa Valley
Branden Rafferty, City of Lake Elsinore
Wendy Preece, City of Menifee
Marshall Eyerman, City of Moreno Valley
Thomas Prill, City of San Jacinto (1:19 p.m. arrival)
Matthew Schenk, March Joint Powers Authority

Staff present:

Andrew Ruiz, Interim Chief Financial Officer
Daniel Ramirez-Cornejo, Program Manager
Tyler Masters, Program Manager
Suzy Nelson, Administrative Assistant
Edwin Ramirez, Accounting Technician

Guests present:

Sarah Meacham, Public Financial Management (PFM)
Richard Babbe, PFM
Laura Franke, PFM

3. PUBLIC COMMENTS

There were no public comments.

4. SELECTION OF FINANCE DIRECTORS COMMITTEE CHAIR, VICE-CHAIR, AND 2ND VICE-CHAIR FOR FISCAL YEAR 2018/2019

Action: 1. *Selected Ivan Chand, County of Riverside, as Chair; Lorena Rocha, City of Hemet, as Vice-Chair; and Alan Kreimeir, City of Jurupa Valley, as 2nd Vice-Chair for Fiscal Year 2018/2019.*

(Moreno Valley / Eastvale) 9 yes; 0 no; 0 abstention. Item 4 was approved. The Cities of Calimesa, Canyon Lake, Hemet, Murrieta, Norco, Perris, Riverside, San Jacinto, Temecula, and Wildomar, the County of Riverside, Eastern Municipal Water District, Western Municipal Water District, Morongo Band of Mission Indians, and Riverside County Office of Education were not present.

5. MINUTES – (March JPA / Banning) 9 yes; 0 no; 0 abstention. Item 5.A was approved. The Cities of Calimesa, Canyon Lake, Hemet, Murrieta, Norco, Perris, Riverside, San Jacinto, Temecula, and Wildomar, the County of Riverside, Eastern Municipal Water District, Western Municipal Water District, Morongo Band of Mission Indians, and Riverside County Office of Education were not present.

A. Summary Minutes from the April 26, 2018, Finance Directors Committee Meeting are Available for Consideration.

Action: 1. Approved the Summary Minutes from the April 26, 2018, Finance Directors Committee meeting.

6. CONSENT CALENDAR – (Eastvale / Beaumont) 9 yes; 0 no; 0 abstention. Items 6.A and 6.B were approved. The Cities of Calimesa, Canyon Lake, Hemet, Murrieta, Norco, Perris, Riverside, San Jacinto, Temecula, and Wildomar, the County of Riverside, Eastern Municipal Water District, Western Municipal Water District, Morongo Band of Mission Indians, and Riverside County Office of Education were not present.

A. Finance Department Activities Update

Action: 1. Received and filed.

B. Finance Directors Committee 2019 Meeting Schedule

Action: 1. Approved the Schedule of Finance Directors Committee meetings for 2019.

7. REPORTS / DISCUSSION

A. 1st Quarter Draft Budget Amendment for Fiscal Year 2018/2019

Andrew Ruiz reported on the status of the 1st Quarter Draft Budget Amendment for Fiscal Year (FY) 2018/2019. Mr. Ruiz discussed various expenditure line items that are to be amended for each department.

For all line items which increased, except for the Energy Department, there would be a corresponding decrease in another expenditure and, overall, there would be a no net increase to the budget. The single largest amendment was to the Environmental Department due to costs associated with a new online waste and recycling communication platform, ReCollect.

Overall there was a net increase of \$9,262 in the Energy Department expenditure, related to legal costs associated with PACE provider SAMAS Capital, which is expected to be paid back to WRCOG.

Action: 1. Recommended that the Executive Committee approve the 1st Quarter Draft Agency Budget Amendment for Fiscal Year 2018/2019.

(Moreno Valley / Banning) 9 yes; 0 no; 0 abstention. Item 7.A was approved. The Cities of Calimesa, Canyon Lake, Hemet, Murrieta, Norco, Perris, Riverside, San Jacinto, Temecula, and Wildomar, the County of Riverside, Eastern Municipal Water District, Western Municipal Water District, Morongo Band of Mission Indians, and Riverside County Office of Education were not present.

B. Regional Streetlight Program Activities Update

Tyler Masters introduced Laura Franke to present on the Regional Streetlight Program Activities Update.

Ms. Franke reported that most cities have completed its financing piece or are self-funding. In total, approximately \$48M will be borrowed and benefit over 20 years of approximately \$67M.

Interest rates have gone up significantly over the past year, but even despite the increase, all jurisdictions are net positive in their savings over 20 years. Prepayments are allowed of up to 5% of the originally borrowed amount.

Mr. Masters reported that WRCOG receives regular transition timelines and updates from Southern California Edison (SCE) indicating the estimated timing that SCE will initiate and analyze each streetlight pole as part of the acquisition process, known as the SCE Inventory and Inspection Process (or inventory true-up process). At the end of the Process, each jurisdiction will be provided with its own streetlight report containing important information from the amount of sellable streetlight systems, streetlight location, pole material, etc. To date, the Cities of Eastvale, Hemet, and Murrieta, as well as the Jurupa Community Services District, have completed the Process and received their streetlight data for review.

On September 27, 2018, the City of Murrieta reached a large milestone in the Program after completing the SCE Streetlight transition process and acquiring over 6,400 streetlights within the City limits. Murrieta became the first city within Western Riverside County to acquire its lights from SCE, with the remaining 10 jurisdictions following late 2018 / early 2019.

Action: 1. *Received and filed.*

C. TUMF Program Activities Update: Fiscal Year 2017/2018 TUMF Revenue Update; TUMF Calculation and Collection Process Update

Daniel Ramirez-Cornejo presented on the Fiscal Year (FY) 2017/2018 TUMF Revenue Update. A total of \$53M was collected in FY 2017/2018. Of the total of TUMF Collections, 45.7% is returned to the Zone from which it was collected, 45.7% is allocated to the Riverside County Transportation Commission for regional arterial projects, and the remaining portions are allocated to the Riverside Transit Agency for public transportation improvements, the Western Riverside County Regional Conservation Authority for habitat acquisitions to mitigate impacts from regional transportation projects, and to WRCOG for administration of TUMF Program. By land use, single-family residential TUMF collections were \$31M for the fiscal year, followed by the industrial land use, for which TUMF Collections were \$10M for the fiscal year.

Mr. Ramirez-Cornejo provided an update on the Calculation and Collection Process of TUMF fees. At its October 1, 2018, meeting, the Executive Committee approved the option that would have WRCOG calculate and collect TUMF for all member agencies. At this time the Executive Committee directed staff to consult with each member agency to formally determine those that wish to enroll in the this process; to work with legislative bodies with each agency wishing to enroll in this process to adopt an update to their TUMF Ordinance; to allow those agencies that wish to not participate at this time to continue calculating and collecting TUMF; and to contact all member agencies on an annual basis to verify enrollment status.

All initial member agency responses are due by November 3, 2018. For opt-in agencies, staff aims to have all TUMF Ordinance Amendments adopted and in effect by spring 2019. Mr. Ramirez-Cornejo assured members that this process is a voluntary opportunity.

Committee member Alan Kreimeir asked why is this being offered and what are the drawbacks?

Mr. Ramirez-Cornejo responded that staff's belief is that the option to delegate the TUMF calculation and collection to WRCOG provides benefits, including a reduction in local agency staff time required to calculate and collect the TUMF, elimination of the need for extensive end

of the year audits, and a shift of the responsibility for errors to WRCOG for agencies that elect to adopt the new TUMF calculation process, as well as to lower miscalculations and/or misinterpretation of the TUMF Fee Calculation Handbook.

Action: 1. *Received and filed.*

D. The Economy and Financial Markets Update

Richard Babbe spoke on the economy, and the general consensus is that it has strengthened over the past year; unemployment is at a 49-year low, and interest rates have risen sharply with no expectation for them to go down. Trade concerns, higher interest rates, and geo-political events could impact longer-term economic growth.

Action: 1. *Received and filed.*

7. REPORT FROM THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer had no report to provide.

8. ITEMS FOR FUTURE AGENDAS

Committee members expressed an interest in hearing a presentation from the Auditor-Controller.

9. GENERAL ANNOUNCEMENTS

Committee member Ernie Reyna reminded the Committee to make sure they cast their votes in the upcoming CSFMO election.

10. NEXT MEETING

The next Finance Directors Committee meeting is scheduled for Thursday, January 24, 2019, at 1:00 p.m., at WRCOG's office located at 3390 University Avenue, Suite 450, Riverside, CA, 92501.

11. ADJOURNMENT

The meeting of the Finance Directors Committee meeting adjourned at 1:53 p.m.



Western Riverside Council of Governments

Finance Directors Committee

Staff Report

Subject: Finance Department Activities Update

Contact: Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741

Date: January 24, 2019

The purpose of this item is to provide an update on the Fiscal Year (FY) 2017/2018 Agency Audit, Annual TUMF review, and the Agency Financial Report summary through November 2018.

Requested Action:

1. Receive and File.

FY 2017/2018 Agency Audit

FY 2017/2018 ended on June 30, 2018. WRCOG's annual Agency Interim Audit was completed on May 31, 2018. WRCOG utilizes the services of the audit firm Rogers, Anderson, Malody, and Scott (RAMS) to conduct its financial audit. The first visit is known as the "interim" audit, which involves preliminary audit work that is conducted prior to fiscal year end. The interim audit tasks are conducted in order to compress the period needed to complete the final audit after fiscal year end. In late September, RAMS returned to finish its second round, which is known as "fieldwork."

The final Comprehensive Annual Financial Report (CAFR) was issued the week of November 26, 2018. Staff has transmitted the CAFR to the Finance Directors Committee members to solicit comments and is being presented to the Finance Directors Committee on January 24, 2019, prior to bringing the Report to the Administration & Finance and Technical Advisory Committees in February 2019, with the Executive Committee expected to receive the Report no later than at its March 2019 meeting.

Annual TUMF Review of Participating Agencies

Each year, WRCOG meets with participating members to review TUMF Program fee collections and disbursements to ensure compliance with Program requirements. The FY 2017/2018 reviews began in November; final reports will be issued to the respective jurisdictions and agencies by January 2019.

Financial Report Summary through November 2018

The Agency Financial Report summary through November 2018, a monthly overview of WRCOG's financial statements in the form of combined Agency revenues and costs, is provided as Attachment 1.

Prior Actions:

- January 17, 2019: The Technical Advisory Committee received and filed.
- January 9, 2019: The Administration & Finance Committee received and filed.

Fiscal Impact:

This item is for informational purposes only; therefore, there is no fiscal impact.

Attachment:

1. Financial Report summary – November 2018.

Item 6.A

Finance Department Activities Update

Attachment 1

Financial Report summary – November 2018

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**Western Riverside Council of Governments
Monthly Budget to Actuals
For the Month Ending November 30, 2018**

Total Agency			
	Approved Budget 6/30/2019	Thru Actual 11/30/2018	Remaining Budget 6/30/2019
Revenues			
Member Dues	311,410	311,410	-
PACE Residential Revenue	560,000	144,709	415,291
WRELP Phase 2 Revenue	86,750	715	86,035
Statewide HERO Revenue	2,400,000	477,125	1,922,875
Gas Co. Prtnrshp Revenue	86,676	10,065	76,611
PACE Commercial Revenue	25,000	24,075	925
WRCOG HERO-Recording Revenue	122,500	66,852	55,648
PACE Commercial Recording Revenue	2,500	445	2,055
Statewide Recording Revenue	600,000	308,190	291,810
Regional Streetlights Revenue	300,000	261,500	38,500
Solid Waste	107,313	107,313	-
NW Clean Cities - Air Quality	132,500	132,500	-
LTF Revenue	675,000	775,500	(100,500)
Commerical/Service	110,645	25,166	85,479
Retail	130,094	54,062	76,032
Industrial	272,663	206,450	66,213
Residential/Multi/Single	1,144,551	516,143	628,408
Multi-Family	142,045	60,835	81,210
PACE SB2 Recording Revenue	-	268,385	(268,385)
Interest Revenue - Other	-	34,199	(34,199)
HERO - Other Revenue	-	18,062	(18,062)
Commercial/Service - Non-Admin Portion	2,655,491	629,150	2,026,341
Retail - Non-Admin Portion	3,122,265	1,351,550	1,770,715
Industrial - Non-Admin Portion	6,543,923	5,161,250	1,382,673
Residential/Multi/Single - Non-Admin Portion	27,469,233	12,903,575	14,565,658
Multi-Family - Non-Admin Portion	3,409,088	1,520,875	1,888,213
FY 17/18 Carryover Funds Transfer in	945,845	945,845	-
Carryover Funds Transfer in	4,268,757	4,268,757	-
Overhead Transfer in	2,084,260	868,441	1,215,819
Total Revenues and Carryover Funds	58,937,742	31,465,644	27,481,911
Expenditures			
Wages and Benefits			
Salaries & Wages	2,987,699	1,038,763	1,948,936
Fringe Benefits	929,898	359,062	570,836
Overhead Allocation	2,084,260	868,441	1,215,819
Total Wages, Benefits and Overhead	6,001,857	2,266,266	3,735,591
General Legal Services	615,000	266,722	348,278
PERS Unfunded Liability	198,823	152,327	46,496
Audit Svcs - Professional Fees	27,500	24,380	3,120
Bank Fees	19,000	14,709	4,291
Commissioners Per Diem	62,500	29,700	32,800

Office Lease	400,000	133,926	266,074
WRCOG Auto Fuels Expenses	1,250	395	855
WRCOG Auto Maintenance Expense	84	84	-
Parking Validations	27,550	5,137	22,413
Staff Recognition	800	34	766
Coffee and Supplies	3,000	202	2,798
Event Support	129,926	109,165	20,761
Program/Office Supplies	24,150	8,690	15,460
Computer Equipment/Supplies	8,000	51	7,949
Computer Software	30,000	450	29,550
Rent/Lease Equipment	30,000	6,748	23,252
Membership Dues	33,000	18,167	14,833
Meeting Support Services	9,681	1,072	8,609
Postage	6,015	2,233	3,782
Other Household Exp	750	218	532
COG HERO Share Expenses	15,000	1,672	13,328
Storage	16,000	2,395	13,605
Printing Services	4,607	1,670	2,937
Computer Hardware	14,100	1,636	12,464
Communications - Regular Phone	15,000	7,143	7,857
Communications - Cellular Phones	21,000	3,920	17,080
Communications - Computer Services	57,500	15,635	41,865
Communications - Web Site	8,000	6,742	1,258
Equipment Maintenance - General	10,000	4,450	5,550
Equipment Maintenance - Comp/Software	21,000	17,776	3,224
Insurance - Gen/Busi Liab/Auto	79,850	101,062	(21,212)
PACE Residential Recording	727,500	144,431	583,069
Seminars/Conferences	13,150	1,224	11,926
General Assembly Expenses	300,000	20,854	279,146
Travel - Mileage Reimbursement	23,600	5,068	18,532
Travel - Ground Transportation	4,800	560	4,240
Travel - Airfare	11,500	1,098	10,402
Lodging	8,750	1,337	7,413
Meals	8,150	808	7,342
Other Incidentals	9,950	4,133	5,817
Training	9,250	149	9,101
Supplies/Materials	34,168	3,541	30,627
Advertisement Radio & TV Ads	49,500	13,870	35,630
Consulting Labor	3,102,373	869,656	2,232,717
TUMF Project Reimbursement	38,000,000	18,516,934	19,483,066
BEYOND Program REIMB	2,799,015	235,608	2,563,407
Computer Equipment/Software	3,500	1,880	1,620
Misc Equipment Purchased	3,000	2,735	265
Total General Operations	47,676,204	20,762,397	26,941,448
 Total Expenditures and Overhead	 53,678,061	 23,028,663	 30,677,039



Western Riverside Council of Governments

Finance Directors Committee

Staff Report

Subject: 2nd Quarter Draft Budget Amendment for Fiscal Year 2018/2019

Contact: Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741

Date: January 24, 2019

The purpose of this item is to request approval of WRCOG's 2nd Quarter Draft Budget Amendment for Fiscal Year (FY) 2018/2019. The staff report includes a summary of increases and/or decreases to both revenues and expenditures by department.

Requested Action:

1. Recommend that the Executive Committee approve the 2nd Quarter Draft Budget Amendment for Fiscal Year 2018/2019.

Administration Department

Administration Program expenditures exceeded the budgeted amount by \$7,040, primarily due to costs associated with a workers' compensation audit. These expenditures will be offset by a decrease in expenditures in event support. Administration Program revenues exceeded the budgeted amount by \$31,496. WRCOG now has its reserves in CAMP, where it is generating interest revenue.

Net Revenue increase to the Administration Department: \$31,496

Transportation & Planning Department

Transportation & Planning Department expenditures exceeded the budgeted amount by \$50,798, primarily due to costs associated with the Active Transportation Plan (ATP) and RIVTAM Programs. The ATP Program incurred its final expenses related to the Active Transportation Plan through CalTrans. These costs will be reimbursed by CalTrans. Additionally, expenses were incurred with the RIVTAM update and will be reimbursed back to the Agency.

Net Expenditure increase to Transportation & Planning Department: \$50,798

Energy Department

Energy Department expenditures exceeded the budgeted amount by \$28,438, primarily due to costs associated with PACE provider SAMAS Capital, in the amount of \$12,576. Additionally, costs associated with the WREP Holiday Light exchange in the amount of \$5,000 were incurred but was approved for reimbursement by the WREP partnership. Also, loan origination fees related to the loans issued to the jurisdictions for the Streetlight Program were incurred in the amount of \$1,665.

Energy Department revenues are being reduced by \$675K. The HERO Program has continued to experience a decline in revenues and volumes in FY 2018/2019 due to market saturation, increased consumer protections, and other PACE providers entering the market. WRCOG anticipates a continued decrease in both HERO Program volumes and currently has budgeted \$3.6M in revenues, and will reduce WRCOG HERO revenues by \$100k and CA HERO (statewide) revenues by \$750k. WRCOG has also received additional revenues through the CA HERO Program, primarily due to the selling of delinquencies, and is now processing refunds in-house for additional revenue streams. The HERO Program revenues have corresponding expenditures based on the volumes, and WRCOG was able to balance the HERO Program's budget by a reduction of expenditures corresponding to the decreased revenues. Additionally, PACE providers PACE Funding and Greenworks exceeded their budgeted revenue amounts by \$20k and \$4k respectively.

Net Revenue increase to the Energy Department: \$238

Environmental Department

Environmental Department expenditures exceeded the budgeted amount by \$9,838, primarily due costs associated with the Used Oil Program in the amount of \$8,475. WRCOG switched advertising to a local firm and was able to realize cost savings in advertising, which allowed for the Program to purchase more supplies to be able to do more events. These expenditures will be offset by a decrease in advertising expenditures.

Net Expenditure increase to the Environment Department: \$0

Prior Action:

None.

Fiscal Impact:

For the 2nd Quarter of Fiscal Year 2018/2019, there will a net total agency increase in expenditures of \$19,064 related to the Active Transportation Plan and RIVTAM update, which will be paid back to WRCOG.

Attachment:

1. Fiscal Year 2018/2019 2nd Quarter Draft Budget amendment.

Item 7.A

2nd Quarter Draft Budget
Amendment for Fiscal Year
2018/2019

Attachment 1

Fiscal Year 2018/2019 2nd
Quarter Draft Budget amendment

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**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: General Fund



Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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Revenues

Interest Revenue	31,496	0	31,496
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Expenditures

Insurance - Gen/Business Liab/Auto	77040	70000	(7,040)
Event Support	29110	65000	7,040

Total net (increase)/decrease			31,496
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**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Planning



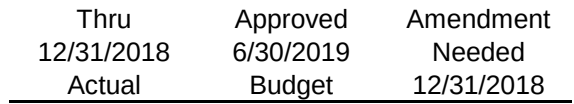
Thru 9/30/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 9/30/2018
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Expenditures

Salaries & Wages	120,738	542,280	1,120
General Legal Services	5,035	4,083	(952)
Parking Validations	560	220	(340)

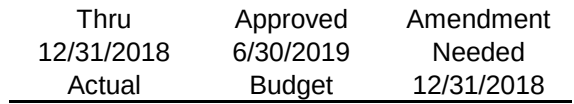
Total net (increase)/decrease (172)

Department: Government Relations (BEYOND - 4600)



BEYOND Salaries & Wages	2,373	1,510	(863)
General Legal Services	1,202	5,000	878
Parking Validations	15	-	(15)
Total net (increase)/decrease			-

Department: Government Relations (Fellowship - 4700)



Salaries & Wages	114,077	538,483	3,984
General Legal Services	5,035	4,083	(952)
Parking Validations	560	220	(340)
General Supplies	588	500	(88)
Postage	4	-	(4)
Consulting Labor	2,600	-	(2,600)

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**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Planning (Experience - 4900)



Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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Expenditures

Salaries and Wages	4,288	2,287	(2,001)
Parking Validations	943	-	(943)
Meeting Support Services	243	-	(243)

Total net (increase)/decrease	(3,187)
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**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Transportation



Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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Expenditures

Computer Software	1,124	13	(1,111)
Postage	24	3	(21)
Printing Services	1,670	1,500	(170)
Other Incidentals	675	500	175
Meals	473	2,500	1,045
Parking Validations	30	1,000	500
Seminars/Conferences	350	-	(350)
Travel - Ground Transportation	53	-	(53)
Lodging	640	-	(640)
Supplies/Materials	-	1,000	625
Salaries	10,906	-	(10,906)
Fringe Benefits	4,838	-	(4,838)
Consulting Expense	35,054	-	(35,054)

Total net (increase)/decrease (50,798)

**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Transportation (Transportation Planning)



Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
------------------------------	---------------------------------	-----------------------------------

Expenditures

Parking Validations	30	1,000	500
Postage	7	-	(7)
Seminars/Conferences	350		(350)
Travel - Ground Transportation	53	-	(53)
Lodging	640	-	(640)
Meals	75	-	(75)
Supplies/Materials	-	1,000	625

Total net (increase)/decrease		-
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**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Transportation (TUMF - 1148)



Thru 12/31/2018	Approved 6/30/2019	Amendment Needed 12/31/2018
Actual	Budget	

Expenditures

Computer Software	1,124	13	(1,111)
Postage	17	3	(14)
Printing Services	1,670	1,500	(170)
Other Incidentals	675	500	175
Meals	398	2,500	1,120

Total net (increase)/decrease -

**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Transportation (ATP - 2030)



Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
------------------------------	---------------------------------	-----------------------------------

Expenditures

Salaries	10,906	-	(10,906)
Fringe Benefits	4,838	-	(4,838)
Consulting Expense	3,354	-	(3,354)

Total net (increase)/decrease			(19,098)
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**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Transportation (RivTam - 2039)



Expenditures

Consulting Labor

Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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31,700

-

(31,700)

Total net (increase)/decrease

(31,700)

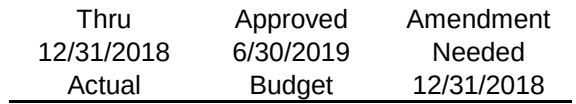
**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Energy



	Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
Revenues			
WRCOG HERO Sponsor Revenue	116,160	500,000	(100,000)
Pace Funding Sponsor Revenue	30,573	10,000	20,573
Greenworks Sponsor Revenue	24,078	20,000	4,078
CA HERO Other Revenue	149,833	-	149,833
CA HERO Sponsor Revenue	648,204	2,400,000	(750,000)
Expenditures			
Salaries & Wages	202,000	642,897	122,000
Fringe Benefits	107,870	256,221	31,000
PACE Residential Recording	162,192	710,000	247,000
Consulting Expense	163,045	1,071,464	293,332
Event Support	12,831	7,665	(5,166)
General Supplies	-	250	133
Parking Validations	15	-	(15)
Meeting Support Services	396	782	(66)
Bank Fees	3,378	1,713	(1,665)
Postage	157	85	(72)
Seminars/Conferences	87	-	(87)
Meals	26	6	(20)
General Legal	21,838	14,262	(10,621)
Total net (increase)/decrease			238

Department: Energy (WRCOG HERO - 2006)



WRCOG HERO Sponsor Revenue	116,160	500,000	(100,000)
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Salaries & Wages	27,380	93,743	22,000
Fringe Benefits	14,464	36,415	6,000
PACE Residential Recording	23,242	110,000	22,000
Consulting Expense	26,791	178,827	50,000

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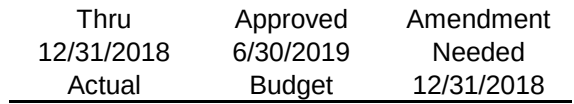
**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Energy (WREP - 2010)



	Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
Event Support	5,133		(5,133)
General Supplies	-	250	133
Total net (increase)/decrease			(5,000)

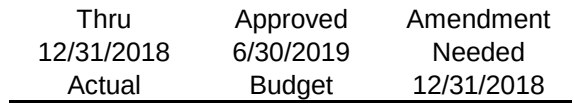
Department: Energy (Gas Co. Partnership - 2020)



Parking Validations	15	-	(15)
Event Support	7,698	7,665	(33)
Meeting Support Services	-	500	48

30

Department: Energy (Streetlights - 2026)



Bank Fees	3,378	1,713	(1,665)
Postage	157	85	(72)
Seminars/Conferences	87	-	(87)
Meals	26	6	(20)
Consulting Labor	1,863	98,197	1,843
Total net (increase)/decrease			-

**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Energy (Spruce - 2102)



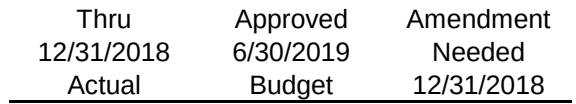
Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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Expenditures

Consulting Labor	875	-	(875)
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Total net (increase)/decrease (875)

Department: Energy (California First - 2103)



General Legal	-	5,000	1,955
Consulting Labor	1,955	-	(1,955)
Total net (increase)/decrease			-

**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Energy (PACE Funding - 2104)



Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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Revenues

Pace Funding Sponsor Revenue	30,573	10,000	20,573
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Expenditures

Parking Validations	45	-	(45)
Meeting Support Services	396	282	(114)
Consulting Labor	5,848	-	(5,848)

Total net (increase)/decrease			14,610
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**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Energy (Greenworks - 2105)



Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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Revenues

Greenworks Sponsor Revenue	24,078	20,000	4,078
Total net (increase)/decrease			4,078

**Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2019**

Department: Energy (SAMAS - 2106)

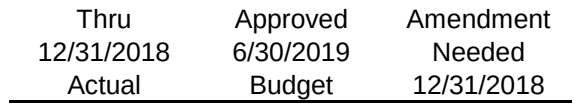


Thru 12/31/2018 Actual	Approved 6/30/2019 Budget	Amendment Needed 12/31/2018
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Revenues

General Legal Services	21,838	9,262	(12,576)
Total net (increase)/decrease			(12,576)

Department: Energy (California HERO - 5000)

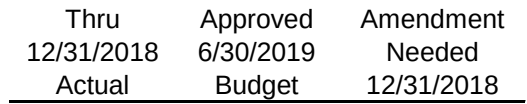


CA HERO Other Revenue	149,833	-	149,833
CA HERO Sponsor Revenue	648,204	2,400,000	(750,000)

Salaries & Wages	174,620	549,153	100,000
Fringe Benefits	93,406	219,807	25,000
PACE Residential Recording	138,950	600,000	225,000
Consulting Expense	125,714	794,440	250,167

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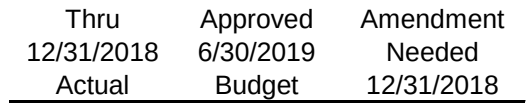
Department: Environmental



Meeting Support Services	174	100	(74)
Travel - Ground Transportation	95	-	(95)
Meals	180	-	(180)
Supplies/Materials	1,750	3,942	523
Salaries & Wages	10,370	41,144	840
Parking Validations	225	53	(172)
Event Support	31,752	23,072	(8,680)
Subscriptions/Publications	324	-	(324)
Other Expenses	286	61	(225)
Advertisement - Radio & TV	12,120	45,000	8,475
Travel - Mileage Reimbursement	188	100	(88)

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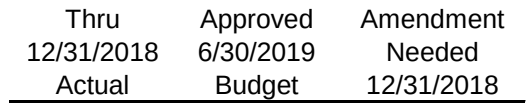
Department: Environmental (Clean Cities - 1010)



Meeting Support Services	174	100	(74)
Travel - Ground Transportation	95		(95)
Meals	180		(180)
Supplies/Materials	-	1,000	349

39

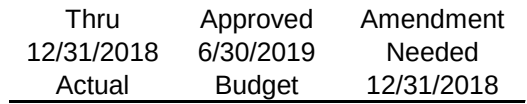
Department: Environmental (Solid Waste - 1038)
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Salaries & Wages	10,370	41,144	840
Parking Validations	225	53	(172)
Event Support	133	14	(119)
Subscriptions/Publications	324		(324)
Other Expenses	286	61	(225)

40

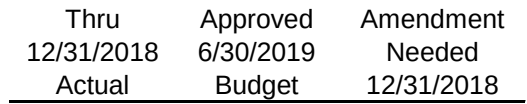
Department: Environmental (Statewide UO - 2051)



Event Support	28,475	20,000	(8,475)
Advertisement - Radio & TV	12,120	45,000	8,475

41

Department: Environmental (Riverside UO - 2052)



Event Support	3,144	3,058	(86)
Travel - Mileage Reimbursement	188	100	(88)
Supplies/Materials	1,750	2,942	174

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Western Riverside Council of Governments

Finance Directors Committee

Staff Report

Subject: Fiscal Year 2017/2018 Comprehensive Annual Financial Report (CAFR)

Contact: Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741

Date: January 24, 2019

The purpose of this item is to provide the Committee with a presentation on WRCOG's Fiscal Year 2017/2018 financial audit and Comprehensive Annual Financial Report (CAFR).

Requested Action:

1. Receive and file.

WRCOG engaged Rogers, Anderson, Malody & Scott (RAMS) to conduct WRCOG's annual financial audit. The contract with RAMS is for three years with an option for two, one-year extensions. RAMS will be assisting WRCOG with the creation of Agency financial statements and the CAFR that meet all standards of the Governmental Accounting Standards Board.

WRCOG received the distinguished "Certificate of Achievement for Excellence in Financial Report" from the Government Finance Officers Association for four consecutive years and all signs indicate that the Fiscal Year (FY) 2017/2018 Report will also produce this distinguished award. The award recognizes that the Agency is transparent, has provided full disclosure of the financial statements, and that the users of the CAFR have all the information needed to draw a financial conclusion of the Agency.

WRCOG's auditors are providing an unmodified opinion on the FY 2017/2018 CAFR. An unmodified opinion is the highest form of assurance an auditing firm can provide to its client and means that the audit and associated Agency financials are both in good form and the accounting practices are solid.

WRCOG's total net position increased by 609%, or \$26.4 million, during FY 2017/2018 compared to the prior year's decrease of \$31.6 million. The increase in net position was mostly due to an increase in cash due to the TUMF revenue collections. Total liabilities decreased 14%, or \$11.2 million, during FY 2017/2018 compared to the prior year, mostly due to the increase in TUMF revenues over what was anticipated. TUMF project liabilities are programmed according to the anticipated revenue on the Transportation Improvement Program (TIP). As such, the TIP assumed less projects to be programmed in the current fiscal year.

Current assets increased from \$83.6 million in FY 2016/2017 to \$99.4 million, or 19%. This increase in current assets is attributable to the difference in TUMF revenues received over projects completed and paid out.

Net investment in Capital Assets represents 1.3%, or \$413,000 of WRCOG's total net position for FY 2017/2018 compared to 2.2%, or \$94,000, for FY 2016/2017. The increase is attributable to the purchase of new capitalized items, including the office move construction, computers, and other equipment.

Restricted net position accounts for 72.2%, or \$22.2 million, of WRCOG's total net position for FY 2017/2018 compared to 0.3%, or \$11,700 for FY 2016/2017. This component of net position represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and

restrictions imposed by law through constitutional provisions or enabling legislation. All of the restricted net position applies to TUMF, as the Program's Administration Plan requires that WRCOG hold the funds until a Zone has an opportunity to claim use of the funds through the Transportation Improvement Program (TIP). The jurisdiction located within that particular zone must demonstrate it has expended its own funds, is requesting reimbursement, and has provided the appropriate supporting documentation.

Unrestricted net position accounts for 26.4%, or \$8.1 million, of WRCOG's total net position for FY 2017/2018 compared to 97.6% or \$4.2 million for FY 2016/2017. This component of WRCOG's total net position may be used to meet WRCOG's ongoing obligations to creditors.

For any questions related to the audit, Terry Shea, Auditing Partner, RAMS, can be reached at (909) 889-0871 or terry@ramscpa.net.

Prior Action:

None.

Fiscal Impact:

This item is informational only; therefore, there is no fiscal impact.

Attachments:

1. FY 2017/2018 Comprehensive Annual Financial Report.
2. FY 2017/2018 Statement on Auditing Standards 114 Report.
3. FY 2017/2018 Internal Standards Report.

Item 7.B

Fiscal Year 2017/2018
Comprehensive Annual Financial
Report (CAFR)

Attachment 1

FY 2017/2018 Comprehensive
Annual Financial Report

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Fiscal Year 2017 / 2018

Comprehensive Annual Financial Report

Submitted by:
Fiscal Department
Western Riverside Council of Governments

WESTERN RIVERSIDE COUNTY | CALIFORNIA



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018

Submitted by:
Fiscal Department
Western Riverside Council of Governments

WESTERN RIVERSIDE COUNTY | CALIFORNIA

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

Submitted by:
Fiscal Department
Western Riverside Council of Governments

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**JUNE 30, 2018
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**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**JUNE 30, 2018
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Introductory Section

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Western Riverside Council of Governments

County of Riverside • City of Banning • City of Beaumont • City of Calimesa • City of Canyon Lake • City of Corona • City of Eastvale • City of Hemet
City of Jurupa Valley • City of Lake Elsinore • City of Menifee • City of Moreno Valley • City of Murrieta • City of Norco • City of Perris • City of Riverside
City of San Jacinto • City of Temecula • City of Wildomar • Eastern Municipal Water District • Western Municipal Water District • Morongo Band of Mission
Indians • Riverside County Superintendent of Schools



INLAND NEWS GROUP

November 5, 2018

To the Western Riverside Council of Governments and Citizens of Western Riverside County:

Letter of Transmittal

The Comprehensive Annual Financial Report for the Western Riverside Council of Governments (WRCOG) for the fiscal year ended June 30, 2018 is hereby submitted in accordance with the provision of Section 6505 of the Government Code of the State of California (the State). The report contains financial statements that have prepared in conformity with generally accepted accounting principles (GAAP) in the United States prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Western Riverside Council of Governments (WRCOG). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds of WRCOG. All disclosure necessary to enable the reader to gain an understanding of WRCOG's financial activities have been included. Because the cost of an internal control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of material misstatements.

Rogers, Anderson, Malody & Scott, LLP has issued an unmodified opinion on WRCOG's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

The management's discussion and analysis (MD&A) immediately follows the independent auditors report and provides a narrative, overview, and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to WRCOG for its CAFR for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

Profile of the Government

WRCOG was formed in November 1989 as a California Joint Powers Authority under the Government Code Section 6500 et. seq. of the State of California. WRCOG strives to unify Western Riverside County so that it can speak with a collective voice on important issues that affect its members. Representatives from 17 cities, the County of Riverside, the Eastern and Western Municipal Water Districts, the Riverside County Superintendent of Schools and the Morongo Band of Mission Indians have seats on WRCOG Executive Committee, the group that

sets policy for the Agency. WRCOG's many areas of activity cover such programs as transportation, energy, community growth and development, and environment.

Major Initiatives

Transportation Uniform Mitigation Fee (TUMF) Program: WRCOG developed and administers the TUMF Program, a multi-jurisdictional fee program that ensures that new development in the subregion does not create additional congestion on regional highways. Fees paid by new residential and non-residential development will contribute to the construction of nearly \$3 billion in transportation and transit improvements in Western Riverside County. The TUMF Program will improve more than 3,000 lane miles, improve 47 interchanges, construct 39 bridges and 10 railroad grade separations, provide more than \$43 million for regional transit improvements, and nearly \$92 million for acquisition of sensitive habitat.

To date, WRCOG has received more than \$780 million in TUMF revenue since program inception in 2003. 98 TUMF-funded projects have been completed; 58 projects are currently underway and are receiving TUMF funding, including 4 bridges, 5 grade separations, 14 interchanges, 24 roadway improvements, and 11 transit projects. The TUMF Program has funded and delivered more than \$320 million in transportation projects since it began in 2003.

Property Assessed Clean Energy (PACE) Program: In 2011, WRCOG launched the PACE Program, a regional effort that provides financing to residential and commercial property owners to install energy-efficient, renewable energy, and water conservation improvements to homes and businesses in the subregion. The Program is the largest of its kind in the U.S.; for the fiscal year 2017/2018, more than \$1.2 billion in applications was approved and over 13,500 residential projects, representing nearly \$318 million in funding, were completed. Over the lifetime of the products, these projects are estimated to save over 2 billion kwh of electricity, more than 1 billion gallons of water, and remove an estimated 554,000 tons of greenhouse gas (GHG) emissions. Since implementation of the program, more than \$9 billion in applications was approved and over 86,000 residential projects, representing nearly \$1.8 billion in funding, were completed. Over the lifetime of the products, these projects are estimated to save over 12 billion kwh of electricity, more than 7 billion gallons of water, and remove an estimated 3.2 million tons of greenhouse gas (GHG) emissions.

Program participants simply complete an application, select a contractor, and make the improvements. Repayment occurs through the owner's annual property tax bill, and in most cases, the assessment stays with the property, to be assumed by the next owner upon sale of the property. The Program is a win-win at numerous levels. For property owners, energy and water conservation improvements will yield reduced utility bills and can improve property values. For Western Riverside County, the Program will create energy savings for the fast-growing region, reduce GHG emissions associated with energy use, and bring and retain needed jobs for area contractors.

The PACE Program has been so successful that it has now expanded statewide; over 380 jurisdictions throughout California have joined the Program as of the end of the fiscal year.

Used Oil and Filter Collection Program: WRCOG's Regional Used Oil Program helps protect groundwater and the environment from the hazards of improperly disposed motor oil. WRCOG's Used Oil and Oil Filter Exchange events have been an effective tool in educating and facilitating the proper recycling of used motor oil and used oil filters in various WRCOG

jurisdictions. The primary objective of hosting the events is to educate individuals who change their own oil, the Do-It-Yourselfer (DIYer), promoting the recycling of used oil and oil filters; therefore, an auto parts store is a great venue for educating the DIYer. In addition to promoting used oil / oil filter recycling, WRCOG staff informs the DIYer about the County-wide HHW Collection Program where residents can drop-off other automotive and household hazardous products for free.

Western Riverside Energy Partnership (WREP): This Partnership originally consisted of WRCOG, Southern California Edison, and 12 member jurisdictions. In 2013, Southern California Gas Company joined the Partnership. The Partnership is designed to optimize opportunities for participating jurisdictions to achieve both short- and long-term sustainable energy savings, reduce utility bills, and enhance the level of comfort by retrofitting municipal buildings and facilities. A public outreach program encouraging residents in Western Riverside County to conserve energy is also part of the Partnership.

Clean Cities Coalition (Coalition): WRCOG's Clean Cities Coalition is nationally-recognized for its efforts to promote clean air by encouraging the use of alternative fuel vehicles and development of alternative fuel infrastructure, technologies and education. The Coalition hosts a number of educational forums and conferences, including an annual Environmental Youth Conference which brings together more than 200 middle school students to discuss and learn about sustainable lifestyles.

Solid Waste Cooperative: Under the leadership of the California Department of Resources Recycling and Recovery (CalRecycle), the state is nearly two-thirds of the way towards achieving ambitious waste diversion goals set forth by the Legislature. Since 1990, the partnership of the State, local governments, the waste industry, businesses, environmental groups, and millions of committed Californians has diverted more than 100 million tons of materials from landfills, and nearly 60 cities and counties have already met or exceeded the mandate to cut their trash in half.

Streetlight Program: At the direction of the Executive Committee, WRCOG developed a Regional Streetlight Program that will allow jurisdictions (and Community Service Districts) to purchase streetlights within their boundaries that are currently owned and operated by SCE. Once the streetlights are owned by the member jurisdiction, the lamps will be retrofitted to Light Emitting Diode (LED) technology to provide more economical operations (i.e., lower maintenance costs, reduced energy use, and improvements in public safety). Local control of the streetlight system provides jurisdictions with opportunities for future revenue generation such as digital-ready networks, and telecommunications and information technology strategies.

The Program seeks to provide cost-efficiencies for local jurisdictions through the purchase, retrofit, and maintenance of streetlights within jurisdictional boundaries, without the need of additional jurisdictional resources. As a regional Program, WRCOG is working with participating jurisdictions to move through the acquisition process, develop financing recommendations, develop and update regional and community-specific streetlight standards, and implement a regional operations & maintenance (O&M) agreement that will enhance the level of service currently provided by SCE.

Sustainability Framework: WRCOG's Sustainability Framework provides the foundation for a healthy communities planning movement in Western Riverside County. Implementation of ideas in the Framework can yield positive co-benefits in health and move the region towards a better quality of life. For example, recently, twelve cities in Western Riverside County joined together to develop a Subregional Climate Action Plan (CAP). The CAP goals include promoting

economic development and job growth, energy and cost savings for residents and business owners, water efficiency and conservation, reduction in solid waste, improved air quality, and the promotion of active and healthy communities. The CAP strategies can be uniformly applied, or tailored as needed, for adoption by individual jurisdictions.

Beyond Program: At the end of Fiscal Year 2014/2015, WRCOG created a new program titled, “Beyond.” For Fiscal Year 2016/2017, WRCOG allocated \$2.3 million for use by WRCOG member agencies through its “BEYOND” initiative. BEYOND is an economic development and sustainability local assistance funding program intended to help member agencies develop and implement projects that can improve the quality of life in Western Riverside County by addressing critical growth components such as economy, water, education, environment, health, and transportation.

The cornerstone of BEYOND is WRCOG's Economic Development and Sustainability Framework. The Framework was approved by WRCOG's Executive Committee in 2012, and can be accessed on WRCOG's website at <http://www.wrcog.ca.us/community/sustainability>. It serves, as the title implies, as a framework or guide that members can draw from in developing approaches to improve their communities. The premise of the Framework is that economic development, at its core, is tied to quality of life. While defining “quality of life” may be difficult, there is little debate that major contributing factors include critical components such as education, water, health, transportation, energy, and environment. When attention is given to each of these components, undoubtedly the subregion's quality of life improves, and as such economic desirability improves as well.

Fellowship Program: In February 2016, the Executive Committee approved the creation of a one-year pilot Public Service Fellowship Program, to be administered by WRCOG in Western Riverside County, in partnership with the University of California, Riverside (UCR), and California Baptist University (CBU). The goal of this Program is to retain local students to fulfill the subregion's need for a robust public sector workforce and to combat the often-mentioned “brain drain” that Riverside County experiences when local students graduate but then leave the region to seek full-time employment elsewhere. The Fellowship Program is geared towards students graduating from UCR and CBU to engage them in career opportunities with local governments and agencies in a way that is mutually beneficial to both the Fellows and the agency.

WRCOG is responsible for general Program administration and oversight, maintaining employment of the Fellows, soliciting interest from local government agencies, serving as the liaison between member agencies and the universities, providing Program funding, and coordinating payment of Fellowship stipends. UCR and CBU are responsible for soliciting interest from students, reviewing applications and conducting interviews, recommending local government agency placements, and communicating regularly with Fellows. WRCOG, UCR, and CBU also provide ongoing training to Fellows on career readiness and other theoretical topics during regular Networking Sessions to support their hands-on work experience. A representative from each University serves as an “advisor” to answer questions from the Fellows or host agencies, monitor the Fellows' performance, handle HR-related issues or complaints in collaboration with WRCOG, and provide needed support to ensure that the Fellowship placement is successful.

Financial Planning

A successful fiscal year always starts during the creation of the budget process. Management staff will begin to gather data and discuss planning of the budget around January of every year.

Management will describe their needs in terms of increased line items and justify that with any increases they foresee in revenues for the upcoming fiscal year.

The first time the draft budget is presented publicly at WRCOG's sub-committee level. The Administration & Finance Committee, which is comprised of 11 of WRCOG's Executive Committee members, will review and discuss the budget, usually at its March or April meeting and make any recommendations and have it forwarded on to the Technical Advisory Committee (TAC), which is comprised of the City Managers and Agency Directors of WRCOG's member agencies. This meeting of the TAC usually occurs within the same month as the Administration & Finance Committee. After it is recommended for approval, the budget's next stop is at WRCOG's Executive Committee meeting (usually in June). Once approved by the Executive Committee, the budget is approved by the General Assembly. The General Assembly is usually held at an off-site location and generally on the fourth Thursday of every June. The General Assembly is comprised of a majority of all City Councils, County Board of Supervisors, and other Board Members that represent WRCOG.

The budget itself is presented at the function level. It is displayed as follows: general government, transportation, energy, and environment. With the exception of the general government, each function is self-sufficient and able to fund its own expenditures through revenue generated. The general government; however, does not bring in enough revenue to cover all of the expenditures such as rent, legal, consulting, and payroll, and because of this, must charge overhead to offset the difference. The overhead is calculated during the budget process and allocated to each function in the most equitable method possible. This is usually based on the amount of revenue generated as a percentage of the total agency revenue.

The creation of the budget entries is part of the internal control process. One member of the Fiscal staff is to enter the journal, while another member approves. WRCOG's IT consulting firm is the only member of WRCOG that is allowed to assign functions within the accounting system. The goal of creating internal controls is to ensure that one person cannot create, approve, and issue a check, wire, or any other sensitive piece of information. WRCOG follows the policy that at least two, if not three, signatures are required to approve any check requests and the amount must be verified against the approved budget to ensure there are sufficient funds available to expend.

The Executive Committee of WRCOG has provided outstanding leadership and has provided staff with excellent resources, which are reflected in the programs delivered to the various members. WRCOG continues to be counted on to provide regional perspective while respecting local control.

WRCOG's Executive Committee approves all financial policies relevant to every aspect of the agency's accounting and as such, none of the policies approved during the year, or in year's past, had a significant impact on the current period's financial statements.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Western Riverside Council of Governments for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual

financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Sincerely,

A handwritten signature in blue ink, appearing to read 'AR', with a stylized flourish extending from the end.

Andrew Ruiz
Interim Chief Financial Officer



Western Riverside Council of Governments Organizational Chart 2018



Western Riverside Council of Governments

List of Principal Officials As of June 30, 2018

Executive Committee Members

Name and Position	Title	Agency
Chuck Washington	Chair	County of Riverside, District 3
Bonnie Wright	Vice Chair	City of Hemet
Laura Roughton	2 nd Vice Chair	City of Jurupa Valley
Debbie Franklin	Member	City of Banning
Jeff Hewitt	Member	City of Calimesa
Jordan Ehrenkranz	Member	City of Canyon Lake
Eugene Montanez	Member	City of Corona
Adam Rush	Member	City of Eastvale
Brian Tisdale	Member	City of Lake Elsinore
John Denver	Member	City of Menifee
Yxstian Gutierrez	Member	City of Moreno Valley
Kelly Seyarto	Member	City of Murrieta
Kevin Bash	Member	City of Norco
Rita Rogers	Member	City of Perris
Rusty Bailey	Member	City of Riverside
Crystal Ruiz	Member	City of San Jacinto
Maryann Edwards	Member	City of Temecula
Ben Benoit	Member	City of Wildomar
Kevin Jeffries	Member	County of Riverside, District 1
John Tavaglione	Member	County of Riverside, District 2
Marion Ashley	Member	County of Riverside, District 5
Brenda Dennstedt	Member	Western Municipal Water Dist.
David Slawson	Member	Eastern Municipal Water Dist.
Judy White	Member	Riverside County Superintendent of Schools
Robert Martin	Member	Morongo Band of Mission Indians

Management Staff

Rick Bishop, Executive Director
Casey Dailey, Director of Energy and Environmental Programs
Chris Gray, Director of Transportation
Andrew Ruiz, Interim Chief Financial Officer
Barbara Spoonhour, Director of Community Choice Aggregation Development



Government Finance Officers Association

**Certificate of
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in Financial
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**Western Riverside Council
of Governments, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



Financial Section

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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INDEPENDENT AUDITOR'S REPORT

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradford A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA

Executive Committee
Western Riverside Council of Governments
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Riverside Council of Governments (WRCOG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise WRCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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Audit Quality Center

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Certified Public Accountants

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of WRCOG as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the Western Riverside Council of Governments adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Our opinion is not modified with respect to this matter.

The cumulative effects of applying the provisions of GASB Statement No. 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance – budget and actual general fund, schedule of WRCOG's proportionate share of the net pension liability and related ratios as of the measurement date, schedule of plan contributions, schedule of changes in the net OPEB liability and related ratios, and schedule of other postemployment benefits plan contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WRCOG's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2018, on our consideration of WRCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering WRCOG's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 5, 2018

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WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)

Management's Discussion and Analysis
For the Year Ended June 30, 2018

This section of the Western Riverside Council of Governments (WRCOG) Comprehensive Annual Financial Report presents a narrative overview and analysis of WRCOG's financial activities for the fiscal year ended June 30, 2018. Management encourages readers to consider the information presented here in conjunction with the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to WRCOG's basic financial statements. WRCOG's basic financial statements include three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

The following required supplemental information has been included in this report:

- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- Schedule of WRCOG's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
- Schedule of Plan Contributions
- Schedule of Changes in the Net OPEB Liability and Related Ratios
- Schedule of Other Postemployment Benefits Plan Contributions

The following supplemental information has been included in this report:

- Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds
- Statistical Section

Government-Wide Financial Statements are designed to provide readers with a broad overview of WRCOG finances in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of WRCOG's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of WRCOG is improving or declining.

The *Statement of Activities* presents information showing how WRCOG's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as revenues pertaining to uncollected TUMF fees or expenses pertaining to earned but unused vacation and sick leave).

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)

Management's Discussion and Analysis
For the Year Ended June 30, 2018

Fund Financial Statements only utilizes governmental funds. The focus of governmental fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth by the Governmental Accounting Standards Board (GASB). Like other state and local governments, WRCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements often have a budgetary orientation, are prepared on the modified accrual basis of accounting, and focus primarily on the sources, uses, and balances of current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds' balance sheet and statement of revenues, expenditures, and changes in fund balances are accompanied by reconciliation to the government-wide financial statements in order to facilitate comparison between governmental funds and governmental activities.

WRCOG maintains two major governmental funds organized to their type (general and special revenue). The governmental fund statements present the financial information of each major fund in separate columns.

Notes to the Basic Financial Statements provide additional information other than that displayed on the face of the financial statements and are essential for the fair presentation of the financial information in the government-wide and fund financial statements.

Required Supplementary Information, in addition to this MD&A, presents schedules of the proportionate share of net pension liability, schedule of plan contributions, schedule of changes in net OPEB liability, schedule of OPEB contributions, plus budget and actual information.

FINANCIAL HIGHLIGHTS

- Total net position of WRCOG was \$30.7 million and consisted of net investment in capital assets of \$413 thousand, restricted net position of \$22.2 million, and unrestricted net position of \$8.1 million.
- At June 30, 2018, WRCOG's assets of \$99.4 million plus deferred outflows of resources of \$1.4 million exceeded its liability of \$69.1 million and deferred inflows of resources of \$1 million resulting in a net position of \$30.7 million.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position – Net Position may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, WRCOG reported positive net position, with total assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$30.7 million.

Net pension liability is the amount needed to fully fund WRCOG's defined benefit plan. The net pension liability at June 30, 2017 was \$2.3 million and increased to \$2.7 million at June 30, 2018.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. WRCOG reports deferred outflows related to pensions and OPEB.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. WRCOG reports deferred inflows also related to pensions and OPEB.

The table below provides summarized data from the Statement of Net Position for WRCOG as of June 30, 2018, as compared to the prior year:

**Statement of Net Position
As of June 30**

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 99,035,034	\$ 83,485,828
Capital assets being depreciated	<u>413,343</u>	<u>93,875</u>
Total Assets	<u>99,448,377</u>	<u>83,579,703</u>
Deferred Outflows of Resources	<u>1,428,977</u>	<u>1,197,115</u>
Current and other liabilities	49,598,809	60,958,537
Long-term obligations	<u>19,506,926</u>	<u>19,370,537</u>
Total Liabilities	<u>69,105,735</u>	<u>80,329,074</u>
Total Deferred Inflows or Resources	<u>1,015,899</u>	<u>109,364</u>
Net Position:		
Net investment in capital assets	413,343	93,875
Restricted	22,211,582	11,702
Unrestricted	<u>8,130,795</u>	<u>4,232,803</u>
Total Net Position	<u>\$ 30,755,720</u>	<u>\$ 4,338,380</u>

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

WRCOG's total net position increased by 609%, or \$26.4 million, during fiscal year 2017-2018 compared to the prior year's decrease of \$31.6 million. The increase in net position was mostly due to an increase in cash due to the TUMF revenue collections. Total liabilities decreased 14%, or \$11.2 million, during fiscal year 2017-2018 compared to the prior year, mostly due to the increase in TUMF revenues over what was anticipated. TUMF project liabilities are programmed according to the anticipated revenue on the Transportation Improvement Plan (TIP). As such, the TIP assumed less projects to be programmed in the current fiscal year. Current assets increased from \$83.6 million in FY 2016/2017 to \$99.4 million, or 19%. This increase in current assets is attributable to the difference in TUMF revenues received over projects completed and paid out. Below are the three components of net position and their respective fiscal year-end balances:

- **Net Investment in Capital Assets** represents 1.3%, or \$413 thousand of WRCOG's total net position for fiscal year 2017-2018 compared to 2.2%, or \$94 thousand, for fiscal year 2016-2017. The decrease is attributable to the depreciation of existing capital assets.
- **Restricted net position** accounts for 72.2%, or \$22.2 million, of WRCOG's total net position for fiscal year 2017-2018 compared to 0.3%, or \$11.7 thousand, for fiscal year 2016-2017. This component of net position represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. All of the restricted net position applies to TUMF as the administration plan requires that WRCOG hold the funds until a Zone has an opportunity to claim use of the funds through the Transportation Improvement Process (TIP). The jurisdiction located within that particular zone must demonstrate it has expended its own funds and is requesting reimbursement and has provided the appropriate supporting documentation.
- **Unrestricted net position** accounts for 26.4%, or \$8.1 million, of WRCOG's total net position for fiscal year 2017-2018 compared to 97.6% or \$4.2 million for fiscal year 2016-2017. This component of WRCOG's total net position may be used to meet WRCOG's ongoing obligations to creditors.

Governmental Activities

Revenues: WRCOG's governmental activities rely on the following sources of revenue to finance ongoing operations:

- General revenue related to governmental activities primarily consists of fees, other revenues, and investment earnings. Investment earnings increased from \$(13) thousand to \$274 thousand due to an improving economy and increased interest rate yields.
- Charges for services are revenues received related to the sponsorship of the PACE Program. WRCOG receives 1.463% of the amount financed for its participation in the program. In addition, the PACE Program recording fees are included in the revenue balance.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

- Operating grants and contributions increased by \$24.8 million, or 56.6%, from \$43.7 million in fiscal year 2016-2017 to \$68.6 million in the current fiscal year. This increase was due to more TUMF revenues collected during the Fiscal Year. Total expenses decreased from \$84.7 million to \$47.3 million due to a decreased amount of PACE expenses and TUMF project reimbursements paid out.
- Operating Grants and Contributions are revenues received from parties outside of WRCOG, such as state agencies, and are generally restricted to one or more specific programs. TUMF revenue is the largest governmental activities program revenue with \$51.3 million recognized during the year, as compared to \$42.2 million for fiscal year 2016-2017, which represents an increase of 21% or \$9 million.

Expenses: Total program expenses for governmental activities were \$47.3 million for the current fiscal year, a decrease of 44.2%, or \$37.4 million compared to prior fiscal year of \$84.7 million. The decrease in expenses is mostly attributable to a lesser amount of TUMF Projects that were reimbursed during the fiscal year, as well as a decrease in PACE related expenses.

The following table provides information from the Statement of Activities for WRCOG for the fiscal year 2017-2018, as compared to the prior year:

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30**

	2018	Percent of Total	2017	Increase (Decrease) From 2017	Percent Increase (Decrease)
Revenues					
Program revenues:					
Charges for services	\$ 6,003,534	8.0%	\$ 9,316,452	\$ (3,312,918)	-35.6%
Operating grants and contributions	68,566,122	91.6%	43,773,262	24,792,860	56.6%
General revenues:					
Other revenues	-	0.0%	-	-	0.0%
Investment earnings	273,559	0.4%	(12,645)	286,204	-2263.4%
Total revenues	<u>74,843,215</u>	<u>100.0%</u>	<u>53,077,069</u>	<u>21,766,146</u>	41.0%
Expenses					
General government	5,416,418	11.5%	4,028,482	\$ 1,387,936	34.5%
Transportation	34,971,790	73.9%	74,542,061	(39,570,271)	-53.1%
Energy	6,333,946	13.4%	5,622,980	710,966	12.6%
Environmental	570,687	1.2%	513,137	57,550	11.2%
Total expenses	<u>47,292,841</u>	<u>100.0%</u>	<u>84,706,660</u>	<u>(37,413,819)</u>	-44.2%
Change in Net Position	27,550,374		(31,629,591)	59,179,965	
Net Position, Beginning of Year	<u>3,205,346</u>		<u>35,967,971</u>	<u>(32,762,625)</u>	
Net Position, End of Year	<u>\$ 30,755,720</u>		<u>\$ 4,338,380</u>	<u>\$ 26,417,340</u>	608.9%

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

FINANCIAL ANALYSIS OF FUND STATEMENTS

As previously noted, WRCOG uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of WRCOG's governmental funds is to provide information on the sources, uses, and balances of spendable resources. Such information is useful in assessing WRCOG's short-term financial requirements. In particular, the total fund balance less the non-spendable amount may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by WRCOG include the General and Special Revenue Funds.

The General Fund is the chief operating fund for WRCOG. At the end of the current fiscal year, the General fund's total fund balance was \$11.3 million, as compared to \$12.6 million for the prior fiscal year. The decrease of \$1.3 million, or (10%), was mostly a result of the decreased revenues in the PACE programs. The PACE Programs have experienced a decline in revenues and volumes in FY 2017/2018 due to market saturation and other PACE providers entering the market. WRCOG is also funding its Streetlight Program and CCA Program out of its General Fund, which is expected to be paid back once the programs become self-sustaining. As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. The non-spendable portion of fund balance was \$44 thousand; the assigned portion was \$3,048,598, which included the BEYOND Program of \$2,533,866 and the Fellowship Program of \$514,732, and the unassigned portion at \$8.2 million. The current year's unassigned fund balance is 72% of the total general fund expenditures of \$11.4 million, as compared to 89% of the total general fund expenditures for fiscal year 2016-2017. The total fund balance of the General fund for the current year is 101% of the total general fund expenditures as compared to 125% for the prior year.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

GENERAL FUND FINANCIAL ANALYSIS

Revenues for the General Fund, including comparative amounts from the preceding year are shown in the following tabulation:

	2018	Percent of Total	2017	Increase (Decrease) From 2017	Percent Increase (Decrease)
Revenues					
Intergovernmental	\$ 931,500	9.2%	\$ 1,145,570	\$ (214,070)	-18.7%
TUMF mitigation fees	2,056,285	20.3%	1,689,574	366,711	21.7%
PACE fees	5,684,817	56.0%	9,028,003	(3,343,186)	-37.0%
Other revenues	1,448,287	14.3%	894,488	553,799	61.9%
Investment income	22,819	0.2%	261	22,558	8642.9%
Total revenues	<u>\$ 10,143,708</u>	<u>100%</u>	<u>\$ 12,757,896</u>	<u>\$ (2,614,188)</u>	<u>-20.5%</u>

The decrease in intergovernmental revenue was mainly due to a decrease in funds received from WRCOG's Used Oil Program. TUMF mitigation fees were higher because more permits were issued during the fiscal year resulting in an increased amount of revenue from the TUMF program. PACE fees decreased significantly due to market saturation and other PACE providers entering the market. Lastly, investment income increased in the general fund due to an improving economy and increased interest rate return.

Expenditures for the General fund, including comparative amounts from the preceding year, are shown in the following tabulation:

	2018	Percent of Total	2017	Increase (Decrease) From 2017	Percent Increase (Decrease)
Expenditures					
General government	\$ 4,493,570	39.4%	\$ 3,965,880	\$ 527,690	13.3%
Energy	6,336,292	55.6%	5,632,488	703,804	12.5%
Environmental	570,687	5.0%	513,137	57,550	11.2%
Total expenditures	<u>\$ 11,400,549</u>	<u>100.0%</u>	<u>\$ 10,111,505</u>	<u>\$ 1,289,044</u>	<u>12.7%</u>

The increase in expenditures in the General Government was due to the increase in payroll related costs such as benefits to both current and retired employees and the rising cost of pensions. Expenditures in Energy increased primarily due to increased funding of projects such as the Streetlight Program and Community Choice Aggregation (CCA) Program. In addition, the PACE program expenditures increased since the program has gone statewide, but have since dropped during the fiscal year due to market saturation. Lastly, The Environmental Program experienced an increase in expenditures mostly due to an increase in employees for this department.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences exist between final budgeted amounts versus actual mostly due to the timing in which the fourth quarter budget amendments are taken to WRCOG's Administration & Finance Committee. To be finalized for year end, the fourth quarter amendments are presented at the July Administration & Finance Committee and approved at the August Executive Committee meeting.

Because of this timing, each category of the budget for revenue has some variation with the largest occurring with the intergovernmental revenues. When the final budget was presented to the Executive Committee, it was anticipated revenues in the General Fund would be \$9.9 million; however, the actual amount was only \$10.1 million, leaving a variance of \$238 thousand.

On the expenditure side for the General Fund, it was anticipated expenditures would be \$18.1 million; however, actual expenditures were only \$11.4 million, leaving a variance of \$6.7 million. This was mostly due to the WRCOG BEYOND Program grant, which does not match up with WRCOG's Fiscal Year. The grant year causes expenditures to be carried forward into the next Fiscal Year.

CAPITAL ASSETS AND LONG TERM OBLIGATIONS

As of June 30, 2018, WRCOG had capital assets of \$413,343, net of accumulated depreciation, invested in mostly office items such as furniture, computers, office improvements, and vehicles.

Additional information to WRCOG's capital assets can be found on Note 4 to the financial statements.

Long-term liabilities have increased from \$20 million in FY 2016/2017, to \$19.5 million in FY 2017/2018, or an increase of 0.66%. The increase in long-term liabilities can mostly be attributed to an increase in pension liabilities.

Additional information to WRCOG's long-term liabilities can be found on Note 5 to the financial statements

ECONOMIC FACTORS AND OTHER FACTORS

On June 22, 2018 WRCOG adopted the fiscal year 2018/2019 budget. The budget is presented by function, which includes: Administration, Transportation, Energy, and Environmental. Expenditures have shifted in that now the majority of budgeted expenditures are now in the Energy category because of the need for consulting services, payroll, and recording fees. The TUMF program, saw an increase in revenues of 21.7% in Fiscal Year 2017/2018. Leading economic indicators suggest that the housing market has stabilized, which has helped balance the WRCOG budget.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

CONTACTING WRCOG'S MANAGEMENT

This financial report is designed to provide a general overview of WRCOG's finances for all those with an interest in the government's finances and to show WRCOG's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Interim Chief Financial Officer, Finance Department at Western Riverside Council of Governments, 3390 University Avenue, Suite 450, Riverside, California 92501.

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)

Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 92,386,043
Receivables:	
Grants	880,095
Interest	4,707
Mitigation fees receivable	5,718,550
Due from other governments	1,780
Prepaid items	43,859
Capital assets, net of accumulated depreciation	413,343
Total Assets	<u>99,448,377</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	1,192,341
Deferred amounts related to OPEB	236,636
Total Deferred Outflows of Resources	<u>1,428,977</u>
LIABILITIES	
Accounts payable	2,954,909
Due to other governments	46,333,735
Accrued wages and benefits	89,286
Unearned revenue	220,879
Non-current liabilities:	
Due within one year	25,240
Due in more than one year:	
Compensated absences	227,162
TUMF liabilities	15,898,755
Net pension liability	2,689,185
Net OPEB liability	666,584
Total Liabilities	<u>69,105,735</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	83,799
Deferred amounts related to OPEB	932,100
Total Deferred Inflows of Resources	<u>1,015,899</u>
NET POSITION	
Net investment in capital assets	413,343
Restricted for:	
Transportation Uniform Mitigation Fee Program	22,199,849
Foundation	11,733
Unrestricted	<u>8,130,795</u>
Total Net Position	<u><u>\$ 30,755,720</u></u>

The accompanying notes are an integral part of these financial statements

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Statement of Activities
For the Fiscal Year Ended June 30, 2018**

				Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental activities:				
General government	\$ 5,416,418	\$ -	\$ 567,640	\$ (4,848,778)
Transportation	34,971,790	-	67,483,341	32,511,551
Energy	6,333,946	6,003,534	-	(330,412)
Environmental	570,687	-	515,141	(55,546)
Total Governmental Activities	<u>\$ 47,292,841</u>	<u>\$ 6,003,534</u>	<u>\$ 68,566,122</u>	<u>\$ 27,276,815</u>
General Revenues:				
	Investment income			<u>273,559</u>
	Total General Revenues			<u>273,559</u>
Change in Net Position				27,550,374
Net Position, Beginning of Year, as restated (Note 16)				<u>3,205,346</u>
Net Position, End of Year				<u>\$ 30,755,720</u>

The accompanying notes are an integral part of these financial statements

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Balance Sheet – Governmental Funds
June 30, 2018**

	Major Funds		Non Major Fund WRCOG Foundation	Total Governmental Funds
	General Fund	Special Revenue TUMF		
ASSETS				
Cash and investments	\$ 12,695,327	\$ 79,678,983	\$ 11,733	\$ 92,386,043
Receivables:				
Grants	880,095	-	-	880,095
Interest	9	4,698	-	4,707
Mitigation fees receivable	-	5,718,550	-	5,718,550
Due from other governments	1,780	-	-	1,780
Prepaid items	43,859	-	-	43,859
Advances to other funds	-	777,687	-	777,687
Total Assets	<u>\$ 13,621,070</u>	<u>\$ 86,179,918</u>	<u>\$ 11,733</u>	<u>\$ 99,812,721</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,207,330	\$ 1,747,579	\$ -	\$ 2,954,909
Due to other governments	-	46,333,735	-	46,333,735
Accrued wages and benefits	89,286	-	-	89,286
Unearned revenue	220,879	-	-	220,879
Advances from other funds	777,687	-	-	777,687
Total Liabilities	<u>2,295,182</u>	<u>48,081,314</u>	<u>-</u>	<u>50,376,496</u>
Fund Balances				
Nonspendable:				
Prepaid items	43,859	-	-	43,859
Restricted:				
Transportation projects	-	38,098,604	-	38,098,604
Foundation	-	-	11,733	11,733
Assigned:				
BEYOND Program	2,533,866	-	-	2,533,866
Fellowship Program	514,732	-	-	514,732
Unassigned	8,233,431	-	-	8,233,431
Total Fund Balances	<u>11,325,888</u>	<u>38,098,604</u>	<u>11,733</u>	<u>49,436,225</u>
Total Liabilities and Fund Balances	<u>\$ 13,621,070</u>	<u>\$ 86,179,918</u>	<u>\$ 11,733</u>	<u>\$ 99,812,721</u>

The accompanying notes are an integral part of these financial statements

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2018**

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

Total fund balances - Governmental Funds	\$ 49,436,225
Capital assets, net of accumulated depreciation used in governmental activities, are not current financial resources and therefore are not reported in the funds.	413,343
Non-current liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(252,402)
TUMF liabilities	(15,898,755)
Net pension liability	(2,689,185)
Net OPEB liability	(666,584)
Deferred outflows and inflows of resources are not reported in the governmental funds:	
Deferred amounts related to pensions	1,108,542
Deferred amounts related to OPEB	<u>(695,464)</u>
Net Position of Governmental Activities	<u><u>\$ 30,755,720</u></u>

The accompanying notes are an integral part of these financial statements

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Major Funds		Non Major Fund WRCOG Foundation	Total Governmental Funds
	General Fund	Special Revenue TUMF		
REVENUES				
Intergovernmental	\$ 931,500	\$ -	\$ -	\$ 931,500
TUMF mitigation fees	2,056,285	49,248,746	-	51,305,031
PACE fees	5,684,817	-	-	5,684,817
Other revenues	1,448,287	15,200,000	20	16,648,307
Investment income (loss)	22,819	250,730	11	273,560
Total Revenues	<u>10,143,708</u>	<u>64,699,476</u>	<u>31</u>	<u>74,843,215</u>
EXPENDITURES				
Current:				
General government	4,493,570	-	-	4,493,570
Transportation	-	35,974,673	-	35,974,673
Energy	6,336,292	-	-	6,336,292
Environmental	570,687	-	-	570,687
Total Expenditures	<u>11,400,549</u>	<u>35,974,673</u>	<u>-</u>	<u>47,375,222</u>
Net Change in Fund Balances	(1,256,841)	28,724,803	31	27,467,993
Fund Balances, Beginning of Year	<u>12,582,729</u>	<u>9,373,801</u>	<u>11,702</u>	<u>21,968,232</u>
Fund Balances, End of Year	<u>\$ 11,325,888</u>	<u>\$ 38,098,604</u>	<u>\$ 11,733</u>	<u>\$ 49,436,225</u>

The accompanying notes are an integral part of these financial statements

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 27,467,993
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This activity is reconciled as follows:

Cost of assets capitalized, at net book value	406,618
Depreciation expense	(87,150)

The payment of amounts pursuant to long-term TUMF agreements is recorded as an expenditure in the governmental funds. This transaction does not have an effect on the net position in the government-wide financial statements.	1,000,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net change in compensated absences	(77,668)
Increase in net OPEB liability	(788,073)
Pension expense net adjustment	<u>(371,346)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 27,550,374</u></u>
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The accompanying notes are an integral part of these financial statements

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Statement of Fiduciary Net Position
June 30, 2018**

	<u>Agency Fund</u>
ASSETS	
Cash and investments	<u>\$ 1,833,961</u>
LIABILITIES	
Deposits payable	<u>\$ 1,833,961</u>

The accompanying notes are an integral part of these financial statements

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**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Western Riverside Council of Governments (WRCOG) was formed in 1989 under the California Government Code Section 6500 et. seq. WRCOG is a special district governed by twenty-four Executive Committee Members consisting of seventeen members from the cities in Western Riverside County (excluding the City of Beaumont), four Riverside County Supervisors, two members, each from the Eastern and Western Municipal Water Districts, and one member from the Riverside County Superintendent of Schools.

Accounting principles generally accepted in the United States of America require that these financial statements present the accounts of WRCOG and any of its component units. Component units are legally separate entities for which WRCOG is considered to be financially accountable or otherwise has a relationship, which is such that the exclusion of the entity would cause the financial statements to be misleading. Blended component units are considered, in substance, part of WRCOG's operations so the accounts of these entities are to be combined with the data of WRCOG. Component units, which do not meet these requirements, are reported in the financial statements as discrete units to emphasize their separate legal status.

Blended Component Unit

WRCOG Supporting Foundation (the Foundation). WRCOG has created a foundation to support its mission and objectives under IRC 509(a)(3) as an organization that is supervised and controlled in connection with a publicly supported organization. All contributions to the Foundation are exempt under section 501(c)(3) of the Internal Revenue Code. WRCOG executive committee members are the governing board of the Foundation, and management of WRCOG has operational responsibility for the component unit. The Foundation is reported as a separate nonmajor fund in these financial statements.

B. Basis of Presentation

WRCOG's basic 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 United States of America.

These statements require that the financial statements described below be presented.

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities report information on all activities of WRCOG. All fiduciary activities are reported only in the fund financial statements.

The effect of interfund activity has been removed from the government-wide financial statements. Governmental activities are supported by fees, taxes, and intergovernmental revenues.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. Basis of Presentation, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General assembly revenues and other items that do not meet the definition of program revenues are reported instead as general revenues.

Fund Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. WRCOG considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year end, except for cost reimbursement based grants where due to the nature of these grants 180 days after year end is used. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

D. Fund Classifications

WRCOG reports the following major governmental funds:

General Fund. The general fund is WRCOG's primary operating fund. It accounts for all financial resources of WRCOG, except those required to be accounted for in another fund.

Transportation Uniform Mitigation Fees (TUMF) Special Revenue Fund. This fund is used to account for the proceeds of Transportation Uniform Mitigation Fees which are legally restricted to expenditures for specified purposes.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D. Fund Classifications, Continued

Additionally, WRCOG reports the following fiduciary fund:

Agency Fund. WRCOG's agency fund is used to account for deposits relating to the payoff of Property Assessed Clean Energy (PACE) program loans. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of revenues and expenses.

E. Financial Statement Elements

(1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for non-negotiable certificates of deposit and investment contracts that are reported at cost. These investments are not transferrable, and they have terms that are not affected by changes in market interest rate. Investment income includes interest earnings and the net increase (decrease) in fair value of investments. WRCOG categorized the fair value measurements for its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

(2) Interfund Balances and Transfers

Activities between funds that are representative of lending and borrowing arrangements outstanding at year end are referred to as advances to/from other funds.

(3) Capital Assets

Capital assets, which include furniture and computers, are reported in the government-wide financial statements. WRCOG defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the estimated useful lives varying from five to ten years.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. Financial Statement Elements, Continued

(4) Compensated Absences

A total of 10 days of vacation per year may be accumulated by each employee with three years of service, 15 days with four years of service, and 20 days with ten or more years of service. However, employees are not paid for their accumulated sick leave upon retirement until they have been employed for five years, at which time 50% of accumulated sick leave hours in excess of 240 hours is paid out. WRCOG accrued a liability for compensated absences, which meets the following criteria:

- WRCOG's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered,
- The obligation relates to rights that vest or accumulate,
- Payment of the compensation is probable,
- The amount can be reasonably estimated.

Compensated absences not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

(5) Fund Balance – Governmental Funds

The following fund balance classifications describe the relative strength of the spending constraints on WRCOG's fund balances:

- Nonspendable fund balance – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, contributors, or laws or regulations of other governments).
- Committed fund balance – amounts constrained to specific purposes by WRCOG itself, using its highest level of decision-making authority (i.e., Executive Committee ordinance). To be reported as committed, amounts cannot be used for any other purpose unless WRCOG takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts WRCOG intends to use for a specific purpose. Intent is expressed by the Executive Committee.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts can only be reported in the general fund.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. Financial Statement Elements, Continued

(5) Fund Balance – Governmental Funds, Continued

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, WRCOG considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, WRCOG considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Executive Committee or management has provided otherwise in its commitment or assignment actions.

(6) Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts and the disclosures. Actual results could differ from those estimates.

(7) Pensions

Information about the fiduciary net position of WRCOG's California Public Employees Retirement System (CalPERS) Plan and additions to/deductions in the Plan's fiduciary net position have been determined on the same basis as reported by CalPERS. This includes the measurement of pension expense and the net pension liability and deferred outflows/inflows of resources related to pensions. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(8) Other Post-Employment Benefit (OPEB)

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 the fiduciary net position of the WRCOG'S plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date: June 30, 2017

Measurement Date: June 30, 2017

Measurement Period: June 30, 2016 to June 30, 2017

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. Financial Statement Elements, Continued

(9) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The government only has one item that qualifies for reporting in this category: deferred amounts related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The government has only one type of item of this: deferred amounts related to pensions. For the fund level statements, deferred inflows of resources represent unavailable resources.

(10) Implementation of New Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses.

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018, are classified in the accompanying financial statements as follows:

Cash and investments as of June 30, 2018, consist of the following:

Deposits and petty cash	\$ 17,879,443
Investments	76,340,561
Total Cash and Investments	<u>\$ 94,220,004</u>

A. Authorized Investments

The following investments are authorized under California Government Code and, where more restrictive, WRCOG's Investment Policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities	5 years	100%	None
State of California Obligations	5 years	15%	None
Local Agency Obligations	5 years	15%	None
Repurchase Agreements	7 days	25%	20%
Commercial Paper	270 days	25%	10%
Banker's Acceptances	180 days	40%	30%
Medium Term Notes	5 years	30%	None
Time Certificates of Deposit	5 years	2%	None
Negotiable Certificates of Deposit	5 years	25%	None
Money Market Mutual Funds	N/A	20%	10%
Riverside County Treasurer's Pooled Investment	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million **

** Limit set by LAIF governing Board, not California Government Code

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of the year end, the weighted average maturity of the investments contained in the Local Agency Investment Fund (LAIF) pool was approximately 200 days. WRCOG's investment policy recognizes the interest rate risk and therefore places maximum maturity limits (up to five years) on various types of allowable investments.

Investment Type	Total	Remaining Maturity		
		12 months or less	13 to 24 months	25 to 36 months
LAIF	\$ 801,348	\$ 801,348	\$ -	\$ -
Supranational	2,159,417	-	421,452	1,737,965
Local Agency Obligations	531,464	531,464	-	-
Medium Term Notes	9,816,924	502,129	5,310,035	4,004,760
U.S. Treasury Obligations	240,421	-	-	240,421
U.S. Agency Securities	15,134,450	492,666	4,415,936	10,225,848
Negotiable CDs	5,054,095	190,083	3,252,250	1,611,762
Commercial Paper	2,679,193	2,679,193	-	-
CAMP	39,801,653	39,801,653	-	-
Money Market Account	121,596	121,596	-	-
Total	<u>\$ 76,340,561</u>	<u>\$ 45,120,132</u>	<u>\$ 13,399,673</u>	<u>\$ 17,820,756</u>

C. Fair Value Classifications

Fair value measurements are categorized based on the valuation inputs used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments categorized as Level 2 are valued using market approach using quoted market prices.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

C. Fair Value Classifications, Continued

Fair value measurements for investments are as follows as of June 30, 2018:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Obligations	\$ 240,421	\$ -	\$ 240,421	\$ -
U.S. Agency Securities	15,134,450	-	15,134,450	-
Local Agency Obligations	531,464	-	531,464	-
Supranational	2,159,417		2,159,417	
Negotiable CDs	5,054,095		5,054,095	
Commercial Paper	2,679,193	-	2,679,193	-
Medium Term Notes	9,816,924	-	9,816,924	-
Total Leveled Investments	35,615,964	\$ -	\$ 35,615,964	\$ -

Investments not Subject to Hierarchy:

LAIF	801,348
CAMP	39,801,653
Money Market Account	121,596
	<u>\$ 76,340,561</u>

Deposits and withdrawals to/from LAIF are made on the basis of \$1 and not fair value. As such, the measurement of fair value is uncategorized and not defined as a Level 1, Level 2 or Level 3 input. The balance of the money market account is considered a cash equivalent.

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally-recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the WRCOG's investment policy, or debt agreements, and the actual Standard and Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	AAA	AA+	AA	AA-	A+	A	A-	A-1	Not Rated
LAIF	\$ 801,348	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 801,348
Supranational	2,159,416	N/A	2,159,416	-	-	-	-	-	-	-	-
Local Agency Obligations	531,464	N/A	-	-	531,464	-	-	-	-	-	-
U.S. Treasury Obligations	240,421	N/A	-	240,421	-	-	-	-	-	-	-
U.S. Agency Securities	15,134,451	N/A	5,472,435	9,662,016	-	-	-	-	-	-	-
Negotiable CDs	5,054,095	N/A	-	-	-	1,969,863	1,817,364	1,076,785	-	190,083	-
Commercial Paper	2,679,193	N/A	-	-	-	-	-	-	-	2,679,193	-
Medium Term Notes	9,816,924	A	-	689,150	352,705	1,072,286	3,058,995	3,502,932	1,140,856	-	-
CAMP	39,801,653	N/A	-	-	-	-	-	-	-	-	39,801,653
Money Market Account	121,596	N/A	-	-	-	-	-	-	-	-	121,596
	<u>\$ 76,340,561</u>		<u>\$ 7,631,851</u>	<u>\$ 10,591,587</u>	<u>\$ 884,169</u>	<u>\$ 3,042,149</u>	<u>\$ 4,876,359</u>	<u>\$ 4,579,717</u>	<u>\$ 1,140,856</u>	<u>\$ 2,869,276</u>	<u>\$ 40,724,597</u>

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

E. Concentration of Credit Risk

At June 30, 2018 there were no investments in any one issuer that represented five percent or more of the total WRCOG investments (other than external investment pools).

F. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the WRCOG's policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure WRCOG deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Of WRCOG's deposits with financial institutions, \$18,471,985 was in excess of federal depository insurance limits. The uninsured deposits were held by financial institutions, which are legally required by the California Government Code to collateralize the WRCOG's deposits as noted above.

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**Notes to the Financial Statements
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NOTE 2 – CASH AND INVESTMENTS, (Continued)

G. Investment in State Investment Pool

WRCOG is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The fair value of WRCOG's investment in this pool is reported in the accompanying financial statements at amounts based upon WRCOG's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

H. Investment in JPA Pool/CAMP

WRCOG is a voluntary participant in the CAMP Trust (Trust), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the Trust specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. The fair value of WRCOG's investment in this pool is reported in the accompanying financial statements at amounts based upon WRCOG's pro-rata share of the fair value provided by CAMP

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Advances to Other Funds

WRCOG's interfund receivables and payables represent amounts advanced from the TUMF Fund to the General Fund for OPEB costs. The advance is anticipated to be repaid over a ten year period which began in fiscal year 2014-15 with equal annual payments.

The composition of interfund balance as of June 30, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
TUMF	General	\$ 777,687

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018, is shown below:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Capital assets, being depreciated:				
Furniture and Computer Equipment	\$ 422,785	\$ 406,618	-	\$ 829,403
Other Capital Assets	33,037	-	-	33,037
Total Depreciable Capital Assets	<u>455,822</u>	<u>406,618</u>	<u>-</u>	<u>862,440</u>
Less Accumulated Depreciation for:				
Furniture and Computer Equipment	(355,340)	(87,150)		(442,490)
Other Capital Assets	(6,607)	-	-	(6,607)
Total Accumulated Depreciation	<u>(361,947)</u>	<u>(87,150)</u>	<u>-</u>	<u>(449,097)</u>
Capital Assets net of Accumulated Depreciation	<u>\$ 93,875</u>	<u>\$ 319,468</u>	<u>\$ -</u>	<u>\$ 413,343</u>

Depreciation expense of \$87,150 was charged to the general government function of the governmental activities.

NOTE 5 – LONG-TERM LIABILITIES

A schedule of changes in the long-term liabilities for the year ended June 30, 2018, is shown below:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 174,734	\$ 159,960	\$ (82,292)	\$ 252,402	\$ 25,240
Refund Liability	8,745,255	-	-	8,745,255	-
City of Moreno Valley Agreement	6,493,500	-	(1,000,000)	5,493,500	-
City of Riverside Agreement	1,660,000	-	-	1,660,000	-
Net Pension Liability	2,297,048	715,337	(323,200)	2,689,185	-
OPEB Obligation	659,580	7,004	-	666,584	-
Total Long-term Liabilities	<u>\$ 20,030,117</u>	<u>\$ 882,301</u>	<u>\$ (1,405,492)</u>	<u>\$ 19,506,926</u>	<u>\$ 25,240</u>

Compensated absences will be liquidated primarily from the General Fund.

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

A. Refund Liability

WRCOG maintains a listing of developers who are owed a refund for various reasons including expired permits, duplicate payments, and credit agreements entered into with the developer. Some of the refunds are included on the Transportation Improvement Plan (TIP) and some are not but are generally not paid out until the zone has enough money to repay the refund. Each zone within the TIP maintains its own refund amounts and as funds become available, the refunds are paid out. No interest is calculated on refunds granted back to the developer. The refunds will be liquidated from the TUMF Fund.

B. City of Moreno Valley Agreement

In 2011, WRCOG entered into an agreement with the City of Moreno Valley to fund a portion of the Nason/SR-60 Interchange Project. Pursuant to the agreement, the City incurred project-related costs which will be reimbursed through TUMF as funds become available through the annual TUMF allocation process. The total authorized by the agreement was \$11,128,000. As of June 30, 2018, the remaining amount to be reimbursed to the City is \$5,493,500. The liability will be liquidated from the TUMF Fund.

C. City of Riverside Agreement

In 2007, WRCOG entered into an agreement with the City of Riverside to fund the Magnolia Avenue/Union Pacific Grade Separation project. Pursuant to the agreement, the City incurred project related costs which will be reimbursed through TUMF as funds become available through the annual TUMF allocation process. The total authorized by the agreement was \$15,660,000. As of June 30, 2018, the remaining amount to be reimbursed to the City is \$1,660,000. The liability will be liquidated from the TUMF Fund.

NOTE 6 – TRANSPORTATION UNIFORM MITIGATION FEES

WRCOG developed an ordinance and an administrative plan effective June 1, 2003, to implement the Transportation Uniform Mitigation Fee (TUMF). This ordinance and the administrative plan allows for the collection of mitigation fees over 25 years related to the planning and construction of a regional transportation system throughout the western region of Riverside County. The municipalities located within the western region of Riverside County (grouped by zones) and the County of Riverside collect these fees and remit them to WRCOG on a monthly basis. WRCOG is responsible for the administration of these fees, subject to certain restrictions, and approves plans that meet the goals (nexus) of the legislation.

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 6 – TRANSPORTATION UNIFORM MITIGATION FEES, (Continued)

WRCOG is entitled to an administration fee of up to 4% annually of TUMF revenues collected, with a maximum of 1% that can be used to offset salaries and benefits related to TUMF administration. In 2018, the total administration fee collected was 4%. Riverside Conservation Agency (RCA) also receives a percentage of the TUMF revenues collected of 1.47%, which is included as an expense in the TUMF Fund.

The fees allocated among the zones, Riverside County Transportation Commission (RCTC), and Riverside Transit Authority (RTA) are 45.7%, 45.7% and 3.13%, respectively. These allocations are remitted monthly to RCTC and quarterly to RTA; however the zones must submit project plans for approval to WRCOG before funds can be released. RCA must submit potential sites designated for conservation for approval before funds are released.

NOTE 7 – EMPLOYEE BENEFITS

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 7 – EMPLOYEE BENEFITS, (Continued)

California Public Employees' Retirement System (CalPERS), Continued

Benefits Provided, Continued

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

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

	Miscellaneous	
	Classic	New Members
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	2.70%	2.00%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	12.81%	7.36%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer contributions to the Plan for the fiscal year ended June 30, 2018, were \$345,428. The actual employer payments of \$323,200 made to CalPERS by the WRCOG during the measurement period ended June 30, 2017, differed from the WRCOG's proportionate share of the employer's contributions of \$294,580 by \$28,620, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 7 – EMPLOYEE BENEFITS, (Continued)

California Public Employees' Retirement System (CalPERS), Continued

Net Pension Liability

WRCOG's net pension liability for the cost-sharing plan covered by miscellaneous risk pools is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post Retirement Rate Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) 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 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Change in Assumptions

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 7 – EMPLOYEE BENEFITS, (Continued)

California Public Employees’ Retirement System (CalPERS), Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website, at www.calpers.ca.gov.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	80.00%	2.27%
Inflation Sensitive	6%	60.00%	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%	-40%	-90%
Total	100%		

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

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

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 – EMPLOYEE BENEFITS, (Continued)

California Public Employees' Retirement System (CalPERS), Continued

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Proportionate Share of Net Pension Liability

The following table shows the Plans' proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2016 (VD)	\$ 8,945,076	\$ 6,648,028	\$ 2,297,048
Balance at: 6/30/2017 (MD)	\$ 10,474,822	\$ 7,785,637	\$ 2,689,185
Net changes during 2016-2017	\$ 1,529,746	\$ 1,137,609	\$ 392,137

Valuation Date (VD), Measurement Date (MD)

WRCOG's net pension liability for the Plan is measured as the proportionate share of the net pension liability. 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. WRCOG's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 7 – EMPLOYEE BENEFITS, (Continued)

California Public Employees' Retirement System (CalPERS), Continued

Proportionate Share of Net Pension Liability, Continued

WRCOG's proportionate share of the net pension liability for the Plan as of the June 30, 2016 and 2017 measurement dates was as follows:

Proportion - June 30, 2016	0.0265%
Proportion - June 30, 2017	0.0271%
Change - Increase	<u>0.0006%</u>

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

The following presents WRCOG's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 4,129,964	\$ 2,689,185	\$ 1,495,905

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
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**Notes to the Financial Statements
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NOTE 7 – EMPLOYEE BENEFITS, (Continued)

California Public Employees' Retirement System (CalPERS), Continued

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2016-17 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to -0-. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2016), WRCOG's net pension liability was \$2,297,048. For the measurement period ending June 30, 2017 (the measurement date), WRCOG incurred a pension expense of \$716,086.

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 7 – EMPLOYEE BENEFITS, (Continued)

California Public Employees' Retirement System (CalPERS), Continued

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, Continued

At June 30, 2018, WRCOG reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,523	\$ 50,470
Changes in assumptions	437,092	33,329
Differences between projected and actual investment	98,852	-
Differences between employer's contributions and proportionate share of contributions	64,378	-
Change in employers proportion	243,068	-
Pension contributions subsequent to the measurement date	345,428	-
	<u>\$ 1,192,341</u>	<u>\$ 83,799</u>

The amount of \$345,428 reported as deferred outflows of resources resulting from WRCOG's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$ 304,072
2020	320,902
2022	196,830
2023	(58,690)
	<u>\$ 763,114</u>

Payable to the Pension Plan

At June 30, 2018, WRCOG reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

WRCOG provides post-retirement health care benefits for retired employees and their dependents. Benefits are as follows:

<u>Tier</u>	<u>Date of Hire</u>	<u>Benefit</u>
1	< 1/1/98	100% of premium (EE + dep.)
2	1/1/98 - 6/30/01	Cost of Kaiser coverage (EE + dep.)
3	7/1/01 - 9/1/04	Up to employee + 1 Kaiser premium
4	> 9/1/04	50% of weighted average of 4 top plans + 40% of weighted average for 1 dep. for 4 top plans. Vesting is 50% of premium at 10 years graded to 100% at 20 years.

In April 2012 WRCOG joined the Public Agencies Post-Retirement Health Care Plan, a multiple-employer trust administered by the Public Agency Retirement Services.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	37
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u><u>40</u></u>

Contributions

Benefit provisions are established and may be amended by the Executive Committee. WRCOG contributes 100% of the cost of health insurance premiums for retirees.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), (Continued)

Net OPEB Liability

WRCOG'S 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 using the Alternative Measurement Method dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2017 Measurement Date
Actuarial Valuation Date	June 30, 2017
Contribution Policy	WRCOG contributes full ADC
Discount Rate	6.25%
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	RP2000 Group Annuity Mortality Table with Scale AA for future mortality improvement to 2004. Blended tables for males and females (50% / 50%).
Salary increases	3.00%
Medical Trend	4.0% for 2018, decreasing to an ultimate rate of 5.0% in 2022 and later years

Discount Rate

A discount rate of 6.25% was used in the valuation. This discount rate assumes the WRCOG continues to fully fund for its retiree health benefits

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), (Continued)

Changes in the OPEB Liability (Asset)

The changes in the net OPEB liability (asset) for the Plan are as follows:

	(a)	(b)	(a) - (b) = (c)
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (6/30/16 measurement date)	\$ 2,443,082	\$ 1,783,502	\$ 659,580
Changes recognized for the measurement period:			
Service cost	108,879	-	108,879
Interest	159,498	-	159,498
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – employer	-	-	-
Net investment income	-	104,450	(104,450)
Benefit payments	(113,278)	(85,605)	(27,673)
Administrative expense	-	(7,361)	7,361
Transfers	-	(20,311)	20,311
Actuarial Losses for 2017/18	(156,922)	-	(156,922)
Net changes	(1,823)	(8,827)	7,004
Balance at June 30, 2018 (6/30/17 measurement date)	\$ 2,441,259	\$ 1,774,675	\$ 666,584

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the WRCOG if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability	\$ 813,300	\$ 666,584	\$ 546,600

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), (Continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability (asset) of the WRCOG if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 566,600	\$ 666,584	\$ 793,200

OPEB Plan Fiduciary Net Position

PARS issues a publicly available financial report that may be obtained from the Public Agency Retirement Services, 4350 Von Karman Ave, Newport Beach, CA 92660.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the WRCOG recognized OPEB expense of \$345,292. As of fiscal year ended June 30, 2018, the WRCOG reported deferred outflows 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 OPEB plan investments	\$ 51,561	\$ 932,100
Contributions to OPEB plan subsequent to the measurement date	185,075	-
Total	<u>\$ 236,636</u>	<u>\$ 932,100</u>

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, Continued

The \$185,075 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability (asset) during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ (62,807)
2020	(62,807)
2021	(62,807)
2022	(62,807)
2023	(62,807)
Thereafter	<u>(566,504)</u>
	<u><u>\$ (880,539)</u></u>

Other Benefits

WRCOG also provides a deferred compensation plan under Section 457 of the Internal Revenue Code. As a result of changes in tax law, these benefits have been placed in a trust for the exclusive benefit of the employees requesting such deferrals.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

WRCOG has participated in various federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantor or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes that any liability for reimbursement, which may arise as a result of these audits, is not material.

NOTE 10 – RELATED PARTY TRANSACTIONS

WRCOG purchased services during the current year from the County of Riverside, which is also a member of WRCOG, rent, communication and IT, which amounted to \$135,409 and are included as expenditures in the General Fund.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 11 – PROPERTY ASSESSED CLEAN ENERGY PROGRAM

In 2011, WRCOG launched the Property Assessed Clean Energy (PACE) Program, a regional effort that provides financing to residential and commercial property owners to install energy-efficient, renewable energy, and water conservation improvements to homes and businesses in the subregion.

Program participants complete an application, select a contractor, and make the improvements. Repayment occurs through the owner's annual property tax bill, and in most cases, the assessment stays with the property, to be assumed by the next owner upon sale of the property. For property owners, energy and water conservation improvements will yield reduced utility bills. For Western Riverside County, the Program will create energy savings for the fast-growing region, reduce greenhouse gas emissions associated with energy use, and bring and retain jobs for area contractors.

The PACE Program has expanded statewide; nearly 150 municipalities throughout California have joined the Program. What makes the PACE Program particularly unique is that the financing is provided entirely by private investment funds to implement the Program.

Under the PACE Program, a contractual assessment is entered into by the property owner. The amount of the contractual assessment is equal to the cost to pay for the eligible improvements, the issuance of the bonds that will finance the program, and the costs to administer the program. The assessments are billed and collected on the County property tax bill. Repayments made by the property owners flow through the County to the trustee to fund the debt service. WRCOG does not receive the special assessments. As the sponsor of the PACE program, WRCOG receives a percentage of the amount financed for its participation in the program.

During the year, WRCOG received 1.463% of the amount financed, for each assessment, in the residential program. A program management fee of \$55 per assessment is collected at the initiation of the assessment to pay for recordation. Also collected is a \$40 annual administrative fee, per assessment, used to levy on county tax rolls.

For the commercial program, WRCOG received 1.15% of the amount financed, for each assessment, in the program. A program management fee of \$95 per assessment is collected at the initiation of the assessment to pay for recordation. Also collected is a \$390 annual administrative fee, per assessment, used to levy on county tax rolls.

PACE revenues are broken out by two types: Program and Recording. For FY 17/18, Program revenue totaled \$4,666,279, while Recording revenue totaled \$1,108,745. Recording revenues are recouped from each bond assessment and charged to recover the amount paid to each County for recording, essentially offsetting the fees paid.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 12 – BEYOND PROGRAM

In June 2015, WRCOG launched the BEYOND Framework Fund Program (BEYOND), to provide local assistance funding to help its member agencies develop and implement plans and programs that can help improve the quality of life in Western Riverside County. BEYOND projects address critical growth components such as economic development, water, education, environment, energy, health, and transportation.

The BEYOND Program is funded by net PACE program revenues. Funds are required to be expended pursuant to program guidelines. Funds are provided to member agencies on a reimbursement basis. During the year, reimbursements to various member agencies for projects approved by WRCOG totaled \$593,223 from BEYOND Round I funding, and \$186,330 for Round II were reimbursed. The remaining \$2,533,866 is assigned within the General Fund for the BEYOND program.

NOTE 13 – FELLOWSHIP PROGRAM

In November 2015, WRCOG launched the Fellowship Program. The Fellowship Program is administered in partnership with the University of California, Riverside and California Baptist University. The purpose of the program is to encourage students to seek careers in public policy and local government. Based on available funding and member agency's needs, each member agency is provided with a student intern who is employed by WRCOG, to be used to support local government departments.

The Fellowship Program is funded by net PACE program revenues. In the fiscal year ending June 30, 2018, a total of \$1.1 million was allocated to the Fellowship Program. During the year, reimbursements to various member agencies for hired interns approved by WRCOG totaled \$585,268. The remaining \$514,732 is assigned within the General Fund for the Fellowship Program.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 14 – RISK MANAGEMENT

WRCOG is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and natural disasters which are covered through the purchase of insurance policies.

At June 30, 2018, WRCOG's insurance policies are as follows:

- Errors & Omission/ Employment Practices Liability: WRCOG is insured up to \$5,000,000 per occurrence and \$25,000 deductible per occurrence.
- Office Equipment: WRCOG is insured up to \$1,000,000 per occurrence and \$100,000 personal property.
- Workers Compensation: WRCOG is insured up to \$1,000,000 per occurrence.
- Employee Dishonest Bond: WRCOG is insured up to \$25,000 bond limit.
- Business Auto Policy: WRCOG is insured up to \$1,000,000 liability limit.

In each of the past three fiscal years, WRCOG had no settlements that exceeded insurance coverage.

NOTE 15 – SUBSEQUENT EVENTS

WRCOG has collected approximately \$15 million related to Settlement between WRCOG and the City of Beaumont. WRCOG anticipates that they may collect additional funds within the next three to five years. The amount of any additional collections is unknown at this time.

WRCOG will be dispersing these funds to its member agencies and partner agencies, based on direction from the Executive Committee. The Settlement Agreement also allows WRCOG to use funds recovered via this process to reimburse itself for legal costs related to their collection. As such, WRCOG will be seeking reimbursement from these funds for legal costs associated with their collection.

NOTE 16 – PRIOR PERIOD RESTATEMENT

Change in Accounting Principle

As discussed in Note 1, WRCOG implemented GASB Statement No. 75 (GASB 75) effective July 1, 2017. GASB 75, among other provisions, amended prior guidance with respect to the reporting of postemployment benefits other than pensions (OPEB). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses. WRCOG's net OPEB liability was not previously recorded on the statement of net position. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 16 – PRIOR PERIOD RESTATEMENT, (Continued)

The cumulative effects of applying the provisions of GASB 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement as follows:

Government-Wide Statements

Statement of Activities - Governmental Activities

Net position, beginning of year, prior to restatement	\$ 4,338,380
Elimination of OPEB asset as calculated under GASB 45	(559,059)
Recording of initial OPEB liability as calculated under GASB 75	(659,580)
Recording of initial OPEB related deferred amounts as calculated under GASB 75	85,605
Restatement due to change in accounting principle	<u>(1,133,034)</u>
Net position, beginning of year, as restated	<u><u>\$ 3,205,346</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	\$ 886,600	\$ 886,600	\$ 931,500	\$ 44,900
TUMF mitigation fees	1,644,663	1,644,663	2,056,285	411,622
PACE fees	10,524,077	5,712,131	5,684,817	(27,314)
Other revenues	1,708,145	1,662,463	1,448,287	(214,176)
Investment income	-	-	22,819	22,819
Total revenues	<u>14,763,485</u>	<u>9,905,857</u>	<u>10,143,708</u>	<u>237,851</u>
Expenditures:				
Current:				
General government	10,878,209	10,906,529	4,493,570	6,412,959
Energy	7,570,120	6,563,317	6,336,292	227,025
Environmental	635,262	632,284	570,687	61,597
Total Expenditures	<u>19,083,591</u>	<u>18,102,130</u>	<u>11,400,549</u>	<u>6,701,581</u>
Net change in fund balance	<u>\$ (4,320,106)</u>	<u>\$ (8,196,273)</u>	<u>(1,256,841)</u>	<u>\$ 6,939,432</u>
Fund balance:				
Balance, beginning of year,			12,582,729	
Balance, end of year			<u>\$ 11,325,888</u>	

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Schedule of the WRCOG's Proportionate Share
of the Net Pension Liability and Related Ratios as of the Measurement Date
Last Ten Years*
As of the Year Ended June 30, 2018**

<u>Measurement Date</u>	<u>Employer's Proportion of the Collective Net Pension Liability¹</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll</u>	<u>Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/2014	0.0229%	\$ 1,421,911	\$ 1,422,424	99.96%	79.82%
6/30/2015	0.0263%	1,808,565	1,616,828	111.86%	78.40%
6/30/2016	0.0265%	2,297,048	1,760,643	130.47%	78.40%
6/30/2017	0.0271%	2,689,185	2,062,647	130.38%	74.33%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

* Historical information is required only for measurement period for which GASB 68 & 71 were applicable. Future years' information will be displayed up to 10 years as information becomes available.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Schedule of Plan Contributions
Last Ten Years*
As of the Year Ended June 30, 2018**

<u>Fiscal Year</u>	<u>Contractually Determined Contributions</u>	<u>Contributions in Relation to the Contractually Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2014-15	\$ 294,471	\$ (294,471)	\$ -	\$ 1,616,828	18.21%
2015-16	305,212	(305,212)	-	1,760,643	17.34%
2016-17	323,200	(323,200)	-	2,062,647	15.67%
2017-18	345,428	(345,428)	-	2,413,255	14.31%

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: For measurement date 6/30/2017, the discount rate was changed from 7.65 percent (net of administrative expenses) to 7.15 percent. For measurement date 6/30/2015, the discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent.

* Historical information is required only for measurement period for which GASB 68 & 71 were applicable. Future years' information will be displayed up to 10 years as information becomes available.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018**

Fiscal Year Measurement Period	<u>2017-18</u> <u>2016-17</u>
Total OPEB Liability	
Service cost	\$ 108,879
Interest	159,498
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(113,278)
Actuarial Losses for 2017/18	(156,922)
Net change in total OPEB liability	(1,823)
Total OPEB liability - beginning	2,443,082
Total OPEB liability - ending (a)	<u>2,441,259</u>
Plan Fiduciary Net Position	
Contributions – employer	-
Net investment income	104,450
Benefit payments	(85,605)
Transfers	(20,311)
Administrative expense	(7,361)
Net change in plan fiduciary net position	(8,827)
Plan fiduciary net position - beginning	1,783,502
Plan fiduciary net position - ending (b)	<u>1,774,675</u>
 Net OPEB liability - ending (a) - (b)	 <u><u>\$ 666,584</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 72.7%
 Covered-employee payroll	 \$ 2,211,299
 Net OPEB liability as a percentage of covered payroll	 30.1%

Notes to Schedule:

Changes in assumptions: none

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Fiscal Year 2017-18 was the first year of implementation.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Schedule of OPEB Plan Contributions – Last Ten Years*
For the Year Ended June 30, 2018**

Fiscal Year	<u>2017-18</u>
Contractually Determined Contribution (CDC)	\$ 185,075
Contributions in relation to the CDC	<u>(185,075)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 2,211,299
Contributions as a percentage of covered-employee payroll	8.4%

Methods and Assumptions for 2017-18 Actuarially Determined Contribution	
Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal.
Amortization Methodology	Level percentage of payroll, open
Asset Valuation Method	Market value
Discount Rate	6.25%
General Inflation	2.75%
Medical Trend	4.0% for 2018, decreasing to an ultimate rate of 5.0% in 2022 and later years
Mortality	RP2000 Group Annuity Mortality Table with Scale AA for future mortality improvement to 2004. Blended tables for males and females (50% / 50%).

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Notes to the Required Supplementary Information
For the Year Ended June 30, 2018**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

By state law, WRCOG's Governing Board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. WRCOG's Governing Board satisfied these requirements. A budget is adopted for all expenditures by financial responsibility for the General Fund. All budgets are adopted on a basis consistent with generally accepted accounting principles.

WRCOG is entitled to an administration fee of up to 4% annually of TUMF revenues collected, with a maximum of 1% that can be used to offset salaries and benefits related to TUMF administration. In 2018, the total administration fee collected was 4%. Riverside Conservation Agency (RCA) also receives a percentage of the TUMF revenues collected of 1.47%, which is included as an expense in the TUMF Fund.

The fees allocated among the zones, Riverside County Transportation Commission (RCTC), and Riverside Transit Authority (RTA) are 45.7%, 45.7% and 3.13%, respectively. These allocations are remitted monthly to RCTC and quarterly to RTA; however the zones must submit project plans for approval to WRCOG before funds can be released. RCA must submit potential sites designated for conservation for approval before funds are released.

The TUMF Fund does not have an adopted budget that is approved by the WRCOG General Assembly, therefore, the TUMF Fund does not present a budget to actual comparison.

SUPPLEMENTARY INFORMATION

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**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2018**

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments	\$ 506,005	\$ 32,098,819	\$ 30,770,863	\$ 1,833,961
Total assets	<u>\$ 506,005</u>	<u>\$ 32,098,819</u>	<u>\$ 30,770,863</u>	<u>\$ 1,833,961</u>
Liabilities				
Deposits	\$ 506,005	\$ 32,507,905	\$ 31,179,949	\$ 1,833,961
Total liabilities	<u>\$ 506,005</u>	<u>\$ 32,507,905</u>	<u>\$ 31,179,949</u>	<u>\$ 1,833,961</u>

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Statistical Section

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**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Statistical Section Overview
For the Fiscal Year Ended June 30, 2018**

This section of the Western Riverside Council of Government's Comprehensive Annual Financial Report presents additional detail, historical perspective, and context to assist annual financial report users in understanding the financial statements, note disclosures, required supplementary information, and assessing WRCOG's financial condition.

Financial Trends: These schedules contain trend information to assist readers in understanding and assessing how WRCOG's financial position has changed over time.

*Net Position by Component
Changes in Net Position
Fund Balances of Governmental Funds
Changes in Fund Balances in Governmental Funds*

Revenue Capacity: These schedules contain information to help the reader assess WRCOG's most significant local revenue source, Member Dues and Mitigation Fees.

WRCOG Revenues

Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.

*Demographic and Economic Statistics for Riverside County
Principal Employers of Riverside County*

Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

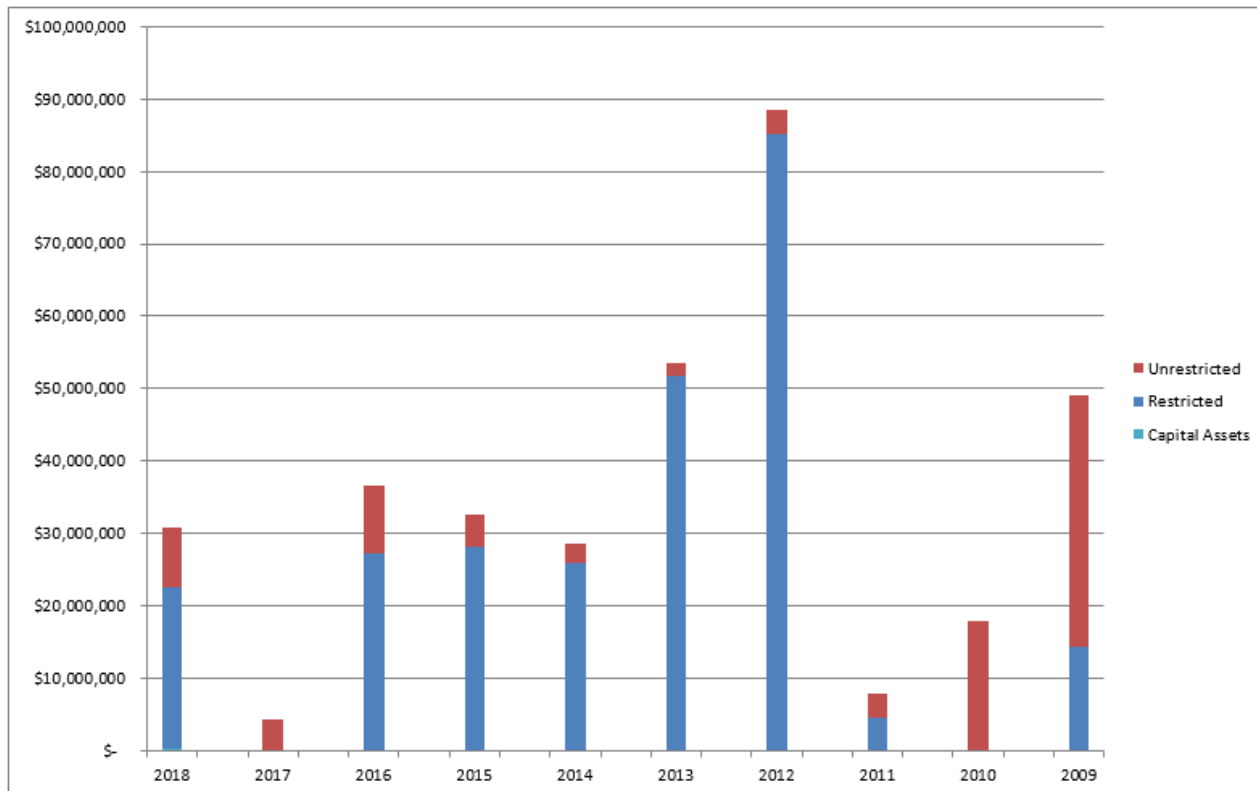
Full-time Equivalent Employees by Function/Program

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Net Position by Component
Last Ten Fiscal Years
(Accrual Basis)**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in										
Capital Assets	\$ 413,343	\$ 93,875	\$ 100,296	\$ 54,038	\$ 30,021	\$ 20,735	\$ 32,918	\$ 47,304	\$ 60,690	\$ 62,883
Restricted	22,211,582	11,702	27,079,334	28,033,173	25,869,263	51,733,864	85,054,212	4,632,048	-	14,389,308
Unrestricted	8,130,795	4,232,803	9,385,943	4,556,290	2,632,813	1,880,401	3,361,861	3,279,968	17,953,134	34,711,008
Total governmental activities net position	<u>\$ 30,755,720</u>	<u>\$ 4,338,380</u>	<u>\$ 36,565,573</u>	<u>\$ 32,643,501</u>	<u>\$ 28,532,097</u>	<u>\$ 53,635,000</u>	<u>\$ 88,448,991</u>	<u>\$ 7,959,320</u>	<u>\$ 18,013,824</u>	<u>\$ 49,163,199</u>

Source: Finance Department



**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis)**

	Fiscal Year Ended June 30,									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses										
Governmental activities:										
General government	\$ 5,416,418	\$ 4,028,482	\$ 2,520,688	\$ 2,031,313	\$ 2,245,634	\$ 2,401,116	\$ 3,392,955	\$ 1,974,339	\$ 1,987,220	\$ 2,021,169
Transportation	34,971,790	74,542,061	41,631,788	33,114,224	54,779,449	50,187,717	21,194,918	18,983,962	43,206,326	35,250,572
Energy	6,333,946	5,622,980	5,629,560	4,926,278	2,445,533	1,608,694	476,844	20,033	22,812	25,522
Environmental	570,687	513,137	423,667	531,945	647,781	576,600	520,748	-	-	-
Total primary government expenses	<u>47,292,841</u>	<u>84,706,660</u>	<u>50,205,703</u>	<u>40,603,760</u>	<u>60,118,397</u>	<u>54,774,127</u>	<u>25,585,465</u>	<u>20,978,334</u>	<u>45,216,358</u>	<u>37,297,263</u>
Program Revenues										
Governmental activities:										
General government	567,640	512,876	513,188	349,268	420,810	528,756	63,102	1,515,581	1,495,290	1,256,051
Transportation	67,483,341	42,731,611	43,508,888	37,430,113	24,905,073	25,966,400	14,122,996	8,121,757	10,832,988	13,145,887
Energy	6,003,534	9,316,452	9,779,134	7,473,816	3,198,814	1,482,940	190,142	-	-	-
Environmental	515,141	528,775	464,885	620,836	618,415	619,388	712,040	-	-	-
Total primary government program revenues	<u>74,569,656</u>	<u>53,089,714</u>	<u>54,266,095</u>	<u>45,874,033</u>	<u>29,143,112</u>	<u>28,597,484</u>	<u>15,088,280</u>	<u>9,637,338</u>	<u>12,328,278</u>	<u>14,401,938</u>
Net (Expense)/Revenue										
Total primary government net expense	<u>27,276,815</u>	<u>(31,616,946)</u>	<u>4,060,392</u>	<u>5,270,273</u>	<u>(30,975,285)</u>	<u>(26,176,643)</u>	<u>(10,497,185)</u>	<u>(11,340,996)</u>	<u>(32,888,080)</u>	<u>(22,895,325)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Other revenues	-	-	36,112	241,763	259,349	308,294	852,752	647,701	428,092	516,688
Investment income	273,559	(12,645)	509,228	552,021	706,876	(285,642)	806,546	638,791	1,310,611	4,798,161
Special Item	-	-	-	-	-	-	-	-	-	73,713,976
Total primary government	<u>273,559</u>	<u>(12,645)</u>	<u>545,340</u>	<u>793,784</u>	<u>966,225</u>	<u>22,652</u>	<u>1,659,298</u>	<u>1,286,492</u>	<u>1,738,703</u>	<u>79,028,825</u>
Changes in Net Position										
Total primary government	<u>\$ 27,550,374</u>	<u>\$ (31,629,591)</u>	<u>\$ 4,605,732</u>	<u>\$ 6,064,057</u>	<u>\$ (30,009,060)</u>	<u>\$ (26,153,991)</u>	<u>\$ (8,837,887)</u>	<u>\$ (10,054,504)</u>	<u>\$ (31,149,377)</u>	<u>\$ 56,133,500</u>

Source: Finance Department

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis)**

		Fiscal Year									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>GENERAL FUND</u>											
General fund:											
	Nonspendable										
	Prepaid Expenses	\$ 43,859	\$ 167,212	\$ 90,762	\$ 82,987	\$ 70,111	\$ 67,357	\$ 36,386	\$ 52,047		
	Restricted										
	LTF	-	-	-	-	581,358	578,909	591,273	650,397		
	Assigned	-	11,702	-	-	-	-	-	-		
	BEYOND Program	2,533,866	3,305,419	1,556,763	-	-	-	-	-		
	Fellowship Program	514,732	121,272	400,000	-	-	-	-	-		
	Unassigned	8,233,431	8,988,826	7,888,825	5,415,947	1,275,895	456,939	392,965	76,440		
Total general fund		<u>\$ 11,325,888</u>	<u>\$ 12,594,431</u>	<u>\$ 9,936,350</u>	<u>\$ 5,498,934</u>	<u>\$ 1,927,364</u>	<u>\$ 1,103,205</u>	<u>\$ 1,020,624</u>	<u>\$ 778,884</u>		
General fund:											
	Reserved									\$ -	\$ -
	Designated									3,077,075	3,882,403
	Undesignated									1,042,934	1,390,576
										<u>\$ 4,120,009</u>	<u>\$ 5,272,979</u>
<u>ALL OTHER GOVERNMENTAL FUNDS</u>											
All other governmental funds:											
	Committed										
	TUMF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,530,712		
	Restricted										
	Transportation	38,098,604	9,373,801	51,540,293	53,379,614	49,094,887	65,104,205	95,670,753	-		
	Foundation	11,733	-	11,690	11,695	11,604	20,550	11,370	48,346		
	Assigned										
	TUMF	-	-	-	-	-	-	-	31,175,659		
Total all other governmental funds		<u>\$ 38,110,337</u>	<u>\$ 9,373,801</u>	<u>\$ 51,551,983</u>	<u>\$ 53,391,309</u>	<u>\$ 49,106,491</u>	<u>\$ 65,124,755</u>	<u>\$ 95,682,123</u>	<u>\$ 103,754,717</u>		
All other governmental funds:											
	Reserved									\$ 92,968,382	\$ 126,416,225
	Undesignated									30,555,061	29,287,019
Total all other governmental funds										<u>\$ 123,523,443</u>	<u>\$ 155,703,244</u>

Source: Finance Department

In FY 2011 WRCOG implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Prior year amounts in this presentation have not been revised to reflect this change.

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis)**

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues										
Intergovernmental, net	\$ 931,500	\$ 1,145,570	\$ 1,058,265	\$ 1,461,999	\$ 1,350,596	\$ 1,830,454	\$ 1,216,550	\$ 1,515,581	\$ 1,495,290	\$ 1,256,051
TUMF Mitigation fees	51,305,031	42,239,340	42,615,158	36,507,739	24,306,973	25,361,053	13,871,730	8,165,385	10,708,454	12,787,664
HERO fees	5,684,817	9,028,003	9,562,139	7,159,144	2,197,585	-	-	-	-	-
Other revenues	16,648,307	894,488	848,957	986,914	1,547,307	1,714,271	852,752	647,701	428,092	516,688
Investment income (loss)	273,560	(12,645)	509,229	552,021	420,526	(285,642)	806,546	638,791	1,310,611	4,798,161
Total revenues	<u>74,843,215</u>	<u>53,294,756</u>	<u>54,593,748</u>	<u>46,667,817</u>	<u>29,822,987</u>	<u>28,620,136</u>	<u>16,747,578</u>	<u>10,967,458</u>	<u>13,942,447</u>	<u>19,358,564</u>
Expenditures										
Current:										
General Government	4,493,570	3,965,880	2,681,489	2,070,885	2,191,112	2,321,713	3,969,631	3,650,185	3,832,989	3,638,627
Programs:										
Transportation	35,974,673	82,703,352	44,125,019	30,998,608	44,901,088	52,612,593	23,624,407	28,039,139	43,421,151	33,605,661
Energy	6,336,292	5,632,488	5,647,563	4,929,398	2,431,687	1,589,887	675,950	-	-	-
Environmental	570,687	513,137	435,670	534,027	638,549	564,061	653,485	-	-	-
Debt service	-	-	-	-	-	1,500,000	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	6,647	20,617	6,893
Total expenditures	<u>47,375,222</u>	<u>92,814,857</u>	<u>52,889,741</u>	<u>38,532,918</u>	<u>50,162,436</u>	<u>58,588,254</u>	<u>28,923,473</u>	<u>31,695,971</u>	<u>47,274,757</u>	<u>37,251,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,467,993</u>	<u>(39,520,101)</u>	<u>1,704,007</u>	<u>8,134,899</u>	<u>(20,339,449)</u>	<u>(29,968,118)</u>	<u>(12,175,895)</u>	<u>(20,728,513)</u>	<u>(33,332,310)</u>	<u>(17,892,617)</u>
Other financing sources (uses):										
Loan proceeds	-	-	-	-	-	1,500,000	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	1,500,000	-	-	-	-
Net change in fund balances	<u>\$ 27,467,993</u>	<u>\$ (39,520,101)</u>	<u>\$ 1,704,007</u>	<u>\$ 8,134,899</u>	<u>\$ (20,339,449)</u>	<u>\$ (28,468,118)</u>	<u>\$ (12,175,895)</u>	<u>\$ (20,728,513)</u>	<u>\$ (33,332,310)</u>	<u>\$ (17,892,617)</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>									

Source: Finance Department

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Revenue by Funds
Last Ten Fiscal Years
(Accrual Basis)**

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GENERAL FUND:										
Member dues:										
Banning	\$ 3,941	\$ 3,941	\$ 3,941	\$ 3,957	\$ 3,957	\$ 3,957	\$ 3,957	\$ 3,957	\$ 3,957	\$ 5,361
Beaumont	-	-	-	5,255	5,255	5,255	5,255	5,255	5,255	2,486
Calimesa	1,049	1,049	1,049	1,102	1,102	1,102	1,102	1,102	1,102	1,739
Canyon Lake	1,406	1,406	1,406	2,256	2,256	2,256	2,256	2,256	2,256	3,410
Corona	20,290	20,290	20,290	25,886	25,886	25,886	25,886	25,886	25,886	35,226
Eastvale	7,171	7,171	7,171	-	-	-	-	-	-	-
Hemet	9,797	9,797	9,797	10,386	10,386	10,386	10,386	10,386	10,386	13,158
Jurupa Valley	12,710	12,710	12,710	-	-	-	-	-	-	-
Lake Elsinore	6,933	6,933	6,933	7,904	7,904	7,904	7,904	7,904	7,904	7,160
Menifee	10,491	10,491	10,491	10,147	10,147	10,147	10,147	10,147	10,147	-
Moreno Valley	25,780	25,780	25,780	25,413	25,413	25,413	25,413	25,413	25,413	30,749
Murrieta	13,794	13,794	13,794	17,954	17,954	17,954	17,954	17,954	17,954	12,880
Norco	3,573	3,573	3,573	4,482	4,482	4,482	4,482	4,482	4,482	6,058
Perris	9,215	9,215	9,215	8,173	8,173	8,173	8,173	8,173	8,173	7,624
Riverside	40,512	40,512	40,512	42,894	42,894	42,894	42,894	42,894	42,894	62,876
San Jacinto	5,889	5,889	5,889	5,504	5,504	5,504	5,504	5,504	5,504	5,111
Temecula	13,424	13,424	13,424	18,714	18,714	18,714	18,714	18,714	18,714	17,854
Wildomar	4,298	4,298	4,298	4,863	4,863	4,863	4,863	4,863	4,863	-
County of Riverside	48,136	48,136	48,136	43,520	43,520	43,520	43,520	43,520	43,520	68,788
County of Riverside - Office of Superintendent	17,000	17,000	17,000	17,000	17,000	17,000	17,000	-	-	-
Eastern Municipal Water District	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	20,000
Western Municipal Water District	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	20,000
Morongo Band of Mission Indians	17,000	17,000	9,500	10,000	10,000	-	-	-	-	-
Total Member dues	\$ 306,410	\$ 306,410	\$ 298,910	\$ 299,410	\$ 299,410	\$ 289,410	\$ 289,410	\$ 272,410	\$ 272,410	\$ 320,480
ALL OTHER GOVERNMENTAL FUNDS										
Transportation Uniform Mitigation Fee (TUMF):										
Banning	\$ 16,040	\$ 40,930	\$ 6,326	\$ 54,738	\$ 4,116	\$ -	\$ 89,603	\$ 2,057	\$ 36,319	\$ 12,606
Beaumont	514,351	-	-	-	-	-	-	-	-	-
Calimesa	4,055	103,835	10,359	133,217	65,387	1,310	1,144	22,963	154,051	-
Canyon Lake	38,832	18,525	20,583	27,055	22,642	4,117	1,028	6,169	2,259	2,313
Corona	140,921	1,153,262	2,743,488	1,989,728	114,644	104,773	1,272,328	215,876	109,292	422,457
Eastvale	1,735,201	1,249,621	1,705,338	1,241,685	1,438,152	1,478,348	665,522	434,531	-	-
Hemet	217,626	52,392	351,010	545,597	736,612	531,470	194,078	145,284	1,026,097	536,448
Jurupa Valley	995,072	2,400,109	2,302,649	1,738,387	242,216	112,044	32,901	-	-	-
Lake Elsinore	56,629	800,725	969,533	898,098	868,004	646,241	259,098	263,885	115,607	392,960
March JPA	1,668,406	765,627	222,482	239,874	-	227,695	-	-	156	-
Menifee	1,944,365	1,374,603	1,203,549	909,230	1,665,304	821,673	628,138	1,108,611	1,136,869	4,430,855
Moreno Valley	300,521	883,562	1,356,327	2,343,895	1,138,394	693,588	29,612	425,411	413,086	641,423
Murrieta	2,585,547	884,391	1,452,155	1,496,315	70,944	81,192	64,386	702,612	360,959	152,991
Norco	1,867,070	304,411	100,355	101,444	11,288	8,232	-	65,000	5,764	83,055
Perris	918,236	1,235,325	1,167,113	1,069,887	1,498,823	320,608	124,896	187,814	107,272	412,229
Riverside	1,484,544	3,113,205	1,852,839	1,461,429	594,363	1,365,025	955,549	837,989	299,033	1,000,099
San Jacinto	3,212,024	843,818	698,893	259,021	200,630	70,674	90,480	123,462	235,158	355,874
Temecula	1,448,548	810,938	809,664	679,386	227,028	1,772,534	944,090	1,288,039	940,530	1,746,599
Wildomar	87,114	826,659	384,865	83,178	219,722	1,032,017	16,451	30,063	310,670	4,625
County - Northwest	272,790	569,203	414,258	216,343	183,616	189,161	248,635	685,058	1,545,271	2,352,587
County - Southwest	1,643,915	863,473	636,493	1,529,926	1,288,379	1,622,276	598,885	367,429	639,407	2,575,582
County - Central	1,125,077	911,716	1,040,489	593,671	46,173	434,159	37,570	127,594	144,747	833,937
County - Pass	815,242	12,349	20,581	16,502	4,116	431,198	2,181	3,347	23,962	31,344
County - Hemet/San Jacinto	538,808	376,151	299,821	91,090	82,324	30,103	15,701	6,316	33,120	169,059
Regional Transit Authority	1,203,022	692,725	698,889	314,621	367,630	423,339	194,423	185,257	341,681	563,184
Riverside County Transportation Commission	23,630,935	19,594,830	19,769,172	17,480,991	10,899,357	11,978,440	5,494,327	5,438,916	6,603,169	10,548,866
WRCOG	2,056,290	1,689,574	1,704,607	2,076,008	974,049	1,027,871	505,866	544,408	663,267	2,453,241
MSHCP	783,850	667,382	673,319	602,662	369,011	407,929	191,743	194,668	223,217	358,564
Total TUMF	\$ 51,305,031	\$ 42,239,340	\$ 42,615,159	\$ 38,193,977	\$ 23,332,924	\$ 25,816,019	\$ 12,658,634	\$ 13,412,759	\$ 15,470,963	\$ 30,080,898

Source: Fiscal Department

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Demographic and Economic Statistics for the County of Riverside
Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u> <u>(thousands)</u>	<u>Per Capita Personal</u> <u>Income</u>	<u>Unemployment Rate</u>
2018	2,415,955	\$ 87,827,068	\$ 36,782	4.70%
2017	2,390,702	88,000,000	35,883	5.80%
2016	2,317,924	89,500,000	31,762	6.90%
2015	2,329,271	83,500,000	31,344	8.40%
2014	2,292,507	76,289,477	30,815	9.80%
2013	2,227,577	70,376,019	29,986	11.50%
2012	2,239,620	67,024,780	29,927	13.20%
2011	2,189,641	63,900,000	29,035	14.70%
2010	2,125,440	63,228,086	29,748	13.40%
2009	2,077,183	64,503,728	31,053	8.50%

Sources: California State Department of Finance as of January 1
U.S. Department of Commerce Bureau of Economic Analysis
Riverside County Economic Development Agency

Represents most recent data available
Data not available solely for Western Riverside County

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Employment Statistics by Industry for Riverside County
Calendar Years 2017 and Nine Calendar Years**

Industry Type	2017	% of Total Employment	2008	% of Total Employment
Agricultural service, forestry, fishing and other	133,200	18.0%	115,100	19.4%
Mining	400	0.1%	500	0.1%
Construction	64,400	8.7%	47,800	8.1%
Manufacturing	42,700	5.8%	44,200	7.5%
Transportation, warehousing, and public utilities	45,800	6.2%	20,900	3.5%
Wholesale trade	24,700	3.3%	19,800	3.3%
Retail trade	98,300	13.3%	87,200	14.7%
Professional & business services	69,700	9.4%	56,400	9.5%
Education & health services	109,500	14.8%	70,900	12.0%
Other services	23,000	3.1%	17,800	3.0%
Federal government, civilian	7,200	1.0%	6,800	1.1%
State government	19,300	2.6%	16,000	2.7%
Local government	101,600	13.7%	88,400	14.9%
Total	739,800	100.0%	591,800	100.0%

Source: State of California Economic Development Department

Represents most recent data available

Data not available solely for Western Riverside County

<http://www.labormarketinfo.edd.ca.gov/county/river.html>

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
(A Joint Powers Authority)**

**Full-time Equivalent Employees by Function/Program
Last Ten Fiscal Years**

Function/Program	As of June 30									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Management services and administration	7.0	9.0	7.8	7.2	5.5	5.9	6.0	6.5	7.3	5.1
Transportation	4.0	3.5	5.5	4.9	4.9	5.8	5.0	6.3	6.5	7.7
Energy	14.0	15.3	8.3	7.2	4.6	3.1	2.2	3.2	3.2	3.2
Environmental	4.5	2.3	1.3	3.4	3.0	3.0	2.0	3.0	3.0	3.0
Total full time equivalents	29.5	30.1	22.8	22.7	18.0	17.8	15.2	19.0	20.0	19.0

Source: Fiscal Department

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Item 7.B

Fiscal Year 2017/2018
Comprehensive Annual Financial
Report (CAFR)

Attachment 2

FY 2017/2018 Statement on Auditing
Standards 114 Report

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

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Independent Auditor's Report

To the Executive Committee
Western Riverside Council of Governments
Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Western Riverside Council of Governments (WRCOG) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise WRCOG's basic financial statements, and have issued our report thereon dated November 05, 2018.

Internal Control over Financial Reporting

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

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



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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Rogers, Anderson, Malachy & Scott, LLP.

San Bernardino, California
November 05, 2018

Item 7.B

Fiscal Year 2017/2018
Comprehensive Annual Financial
Report (CAFR)

Attachment 3

FY 2017/2018 Internal Standards
Report

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To the Executive Committee
Western Riverside Council of Governments

We have audited the financial statements of Western Riverside Council of Governments (WRCOG) as of and for the year ended June 30, 2018, and have issued our report thereon dated November 05, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 9, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of WRCOG's solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by WRCOG is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, WRCOG changed its method of accounting for Other Postemployment Benefits (OPEB) by adopting Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair value of investments is based on observable market inputs and information from WRCOG's safekeeping custodian banks. We evaluated the key factors and assumptions used to develop the fair value of investments and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension liability/net OPEB liability and related deferred inflows and deferred outflows is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting WRCOG's financial statements relate to:

The disclosure of fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuations.

The disclosure of net pension liability in Note 7 to the financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.

The disclosure of the net OPEB liability and related deferred inflows and deferred outflows in Note 8 to the financial statements is based on actuarial assumptions. Actual future liabilities/assets may vary from disclosed estimates.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to WRCOG's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 05, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with WRCOG, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Western Riverside Council of Government's auditors.

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of net pension liability, the schedule of plan contributions, the schedule of changes in the net OPEB liability, schedule of OPEB plan contributions and the General Fund budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were not engaged to report on the introductory section or the statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Executive Committee, and management of WRCOG and is not intended to be and should not be used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 05, 2018



Western Riverside Council of Governments

County of Riverside • City of Bonning • City of Beaumont • City of Colimeso • City of Canyon Lake • City of Corona • City of Eastvale • City of Hemet
City of Jurupa Valley • City of Lake Elsinore • City of Menifee • City of Moreno Valley • City of Murrieta • City of Norco • City of Perris • City of Riverside
City of San Jacinto • City of Temecula • City of Wildomar • Eastern Municipal Water District • Western Municipal Water District • Morongo Bond of Mission
Indians • Riverside County Superintendent of Schools

November 05, 2018



INLAND NEWS GROUP

Rogers, Anderson, Malody and Scott, LLP
735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408

This representation letter is provided in connection with your audit of the financial statements of Western Riverside Council of Governments (WRCOG) as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of WRCOG in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 05, 2018.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 9, 2018 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.

- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.

- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.

- We have no knowledge of allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We *are* not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- WRCOG has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
- WRCOG has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

With respect to the Schedule of the WRCOG's Schedule of Revenues, Expenditures, and Changes in Fund Balance, Schedule of Changes in the Net Other Post-Employment Benefits Liability, Schedule of Other Post-Employment Benefit Plan Contributions, Proportionate Share of Plans' Net Pension Liability and the Schedule of Plan Contributions accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the RSI in accordance with U.S. GAAP.
- We believe the RSI, including its form and content, is measured and fairly presented in accordance with the applicable criteria.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe the significant assumptions or interpretations underlying the measurement or presentation of the RSI, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Rick Bishop
Executive Director



Andrew Ruiz
Interim Chief Financial Officer

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Western Riverside Council of Governments

Finance Directors Committee

Staff Report

Subject: TUMF Program Activities Update: TUMF Calculation and Collection Process Update

Contact: Daniel Ramirez-Cornejo, Program Manager, dramirez-cornejo@wrcog.us, (951) 405-6712

Date: January 24, 2019

The purpose of this item is to provide an update on TUMF revenue, the TUMF collection policy revision approved in fall 2018, and Transportation Implementation Program (TIP) documents.

Requested Action:

1. Receive and file.

WRCOG's Transportation Uniform Mitigation Fee (TUMF) Program is a regional fee program designed to provide transportation and transit infrastructure that mitigates the impact of new growth in Western Riverside County. Each of WRCOG's member jurisdictions and the March JPA participates in the Program through an adopted ordinance, collects fees from new development, and remits the fees to WRCOG. WRCOG, as administrator of the TUMF Program, allocates TUMF to the Riverside County Transportation Commission (RCTC), groupings of jurisdictions – referred to as TUMF Zones – based on the amounts of fees collected in these groups, the Western Riverside County Regional Conservation Authority (RCA), and the Riverside Transit Agency (RTA).

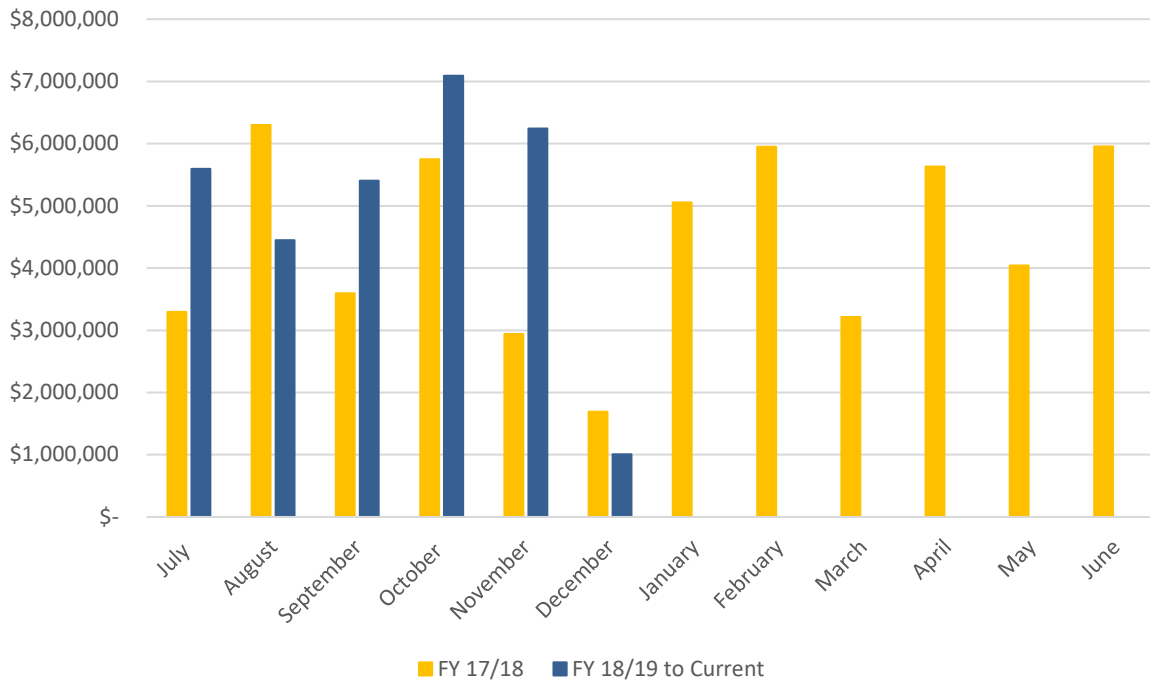
TUMF Zone Revenue

For the first five months of TUMF collections for Fiscal Year (FY) 2018/2019 total revenue has been approximately \$29M. Except for August 2018, collections each month of FY 2018/2019 have been higher than the corresponding month in FY 2017/2018, as shown in the graph below, and collections during this period are approximately \$7M higher than collections during the first five months of FY 2017/2018. Six agencies have collected more money in the first five months of FY 2018/2019 than in the entirety of FY 2017/2018.

The Northwest and Central Zones have collected approximately 70% of the total revenue during FY 2018/2019 to date. By land use, single-family residential collections have been the most significant, followed by industrial collections.

Each TUMF dollar collected is split between RCTC, RTA, and RCA from the Zone in which it was collected. As outlined in the TUMF Nexus Study, 45.7% of each TUMF dollar collected is returned directly to the Zone from which it was generated. It is important to note that the total collections discussed above and shown in the below graph reflect total collections prior to the TUMF zone dollar split.

TUMF Revenue - All Zones



TUMF Calculation and Collection Policy Revision

In October 2018, the Executive Committee approved an update to the TUMF calculation and collection process to allow an option for member agencies to shift the responsibility for TUMF calculation and collection to WRCOG. The option to delegate TUMF calculation and collection to WRCOG will only become effective for a member jurisdiction with action by the elected body of that jurisdiction to approve the TUMF Ordinance Amendment. Fourteen member jurisdictions, representing approximately 70% of all TUMF collections, have indicated to WRCOG their intention to shift responsibility for fee calculation and collection to WRCOG and have presented or are planning to present the amended TUMF Ordinance for approval. The Cities of Lake Elsinore and Perris and the County of Riverside have indicated that they will not be opting-in to the process at this time. Member jurisdictions that have not officially communicated their preference to WRCOG are encouraged to do so as soon as possible. For the jurisdictions that have not provided a formal response, the current TUMF collection process will be maintained. The following table provides an update for each TUMF Program participating agency:

Agency	Opt Out / In	1st Ordinance Reading	Estimated Effective Date
County of Riverside	Out	N/A	N/A
Northwest Zone			
Corona	In	12/10/2018	3/1/2019
Eastvale	In	11/14/2018	2/1/2019
Jurupa Valley	In	Early 2019	Spring / Summer 2019
March JPA	In	Early 2019	Spring / Summer 2019
Norco	In	12/19/2018	3/1/2019
Riverside	In	Early 2019	Spring / Summer 2019
Southwest Zone			
Canyon Lake	No official correspondence		

Agency	Opt Out / In	1st Ordinance Reading	Estimated Effective Date
Lake Elsinore	Out	N/A	N/A
Murrieta	In	12/18/2018	3/1/2019
Temecula	In	1/8/2019	4/1/2019
Wildomar	In	Early 2019	Spring / Summer 2019
Central Zone			
Menifee	In	Early 2019	Spring / Summer 2019
Moreno Valley	In	Early 2019	Spring / Summer 2019
Perris	Out	N/A	N/A
Pass Zone			
Banning	<i>No official correspondence</i>		
Beaumont	<i>No official correspondence</i>		
Calimesa	In	1/22/2019	Spring / Summer 2019
Hemet / San Jacinto Zone			
Hemet	In	Early 2019	Spring / Summer 2019
San Jacinto	In	Early 2019	Spring / Summer 2019

For member jurisdictions that have delegated fee calculation and collection to WRCOG, and have approved the TUMF Ordinance Amendment, the fee assessments will be provided electronically, and collection will occur remotely via wire transfer or in-person by check at the WRCOG offices. Once payment has been completed, WRCOG staff will forward a receipt of payment to the appropriate member agency staff and the developer.

Annual reporting requirements for member agencies that delegate fee calculation and collection responsibility to WRCOG will be significantly reduced and will only entail submitting a list of building permits issued for the year to ensure that calculation worksheets have been submitted for each project. There will be no fiscal component to the annual review. Additionally, the refund process will be simplified for these agencies, as WRCOG will be able to issue refunds directly to developers, if needed. Developers will also be able to bring fee disputes directly to WRCOG, reducing member agency staff time.

TUMF Calculation and Collection Process Next Steps

WRCOG staff are meeting with staff from each member agency that has elected to have WRCOG take responsibility for TUMF fee calculation and collection prior to taking this responsibility to explain in further detail the new process and address any questions member agency staff may have. Staff are also available to attend City Council meetings or answer questions as the member agency approves the amended TUMF Ordinance. WRCOG calculation and collection of TUMF for these member agencies will commence on the first of the month after TUMF Ordinance Amendment becomes effective. These member agencies are required to continue with the current TUMF reporting processes until this effective date.

For member agencies that have elected to maintain the status quo, WRCOG staff will be reaching out with a refresher on the requirements of the TUMF remittance reporting process. WRCOG staff will be requesting building permits, or other similar documentation, for all non-residential permits and requiring that all projects are reported, even for projects that are exempt or receive credit and do not pay any TUMF. Staff are available to meet with member agency staff to answer questions and ensure that member agency staff understand all requirements.

Transportation Implementation Program (TIP) Updates

WRCOG regularly convenes Zone Committee meetings to develop TIPs, which allocate funding to specific projects in the subregion based on projected revenue for each Zone. Projected revenue is calculated for each TIP based on the average collections from the Zone for the past three fiscal years and adjusted to account for the TUMF dollar split described above. Once a project is on the TIP, funding is provided to member agencies on a reimbursement basis as the project progresses.

The 2019 Northwest Zone TIP was recently approved and staff will be reaching out to member agency staff to ensure that agreements are in place to allow for reimbursement of funds allocated on the TIP. The Central and Pass Zone TIPs have been approved by each Zone's respective Technical Advisory Committee and need to be approved by the elected officials from these Zones prior to going to WRCOG's Executive Committee for approval. Staff is in the process of convening the elected officials from the Central and Pass Zones to review their respective Zone TIPs. Staff is working with member agency staff from the Hemet / San Jacinto and Southwest Zones to identify project funding requests.

WRCOG has processed approximately \$21M in reimbursement payments to member agencies during the first six months of FY 2018/2019. Staff encourages member agencies to submit reimbursement requests as projects progress, generally in increments of no less than approximately \$10,000.

Prior Actions:

January 17, 2019: The Technical Advisory Committee received and filed.

January 7, 2019: The Executive Committee approved the proposed revisions to the TUMF Administrative Plan.

Fiscal Impact:

This item is informational; therefore, there is no fiscal impact.

Attachment:

None.



Western Riverside Council of Governments

Finance Directors Committee

Staff Report

Subject: The Economy and Financial Markets Update

Contact: Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741

Date: January 24, 2019

The purpose of this item is to provide an overview of the Economic prospects of 2018 and 2019 as well as fiscal policy changes to watch for in the future. In addition, the presentation will cover an interest rate overlook, quantitative tapering and what it means, as well as where equity markets are headed.

Requested Action:

1. Receive and file.

The item is reserved for a presentation from Richard Babbe of Public Financial Management (PFM).

Prior Action:

None.

Fiscal Impact:

This item is informational only; therefore, there is no fiscal impact.

Attachment:

None.

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Western Riverside Council of Governments Finance Directors Committee

Staff Report

Subject: Presentation by the Riverside County Auditor-Controller

Contact: Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741

Date: January 24, 2019

The purpose of this item is to provide an overview of the role of the Riverside County Auditor-Controller.

Requested Action:

1. Receive and file.

The item is reserved for a presentation from Paul Angulo, Riverside County Auditor-Controller.

Prior Action:

None.

Fiscal Impact:

This item is informational only; therefore, there is no fiscal impact.

Attachment:

None.

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