FY 2018 Comprehensive Annual Financial Report

and Single Audit Reports
Fiscal Year Ended June 30, 2018

MARICOPA ASSOCIATION OF GOVERNMENTS
302 North 1st Avenue, Suite 300, Phoenix, Arizona 85003 • (602) 254-6300

MARICOPA ASSOCIATION of GOVERNMENTS

MARICOPA ASSOCIATION OF GOVERNMENTS PHOENIX, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT AND SINGLE AUDIT REPORTS

FISCAL YEAR ENDED JUNE 30, 2018

MARICOPA ASSOCIATION of GOVERNMENTS

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Executive Director and Secretary

Eric Anderson

Prepared By

Fiscal Services Staff

Veronica Martinez, Chief Financial Officer

MARICOPA ASSOCIATION OF GOVERNMENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND UNIFORM GUIDANCE REPORTS
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INTRODUCTORY SECTION

MARICOPA ASSOCIATION of GOVERNMENTS

MARICOPA ASSOCIATION of GOVERNMENTS
302 North 1st Avenue, Suite 300 ▲ Phoenix, Arizona 85003
Phone (602) 254-6300 ▲ FAX (602) 254-6490
E-mail: mag@azmag.gov ▲ Web site: www.azmag.gov

January 29, 2019

Regional Council
Maricopa Association of Governments
Phoenix, Arizona

We are pleased to submit to you the Maricopa Association of Governments ("MAG") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2018. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of MAG. To provide a reasonable basis for making these representations, MAG has established a comprehensive internal control framework that is designed to both protect the assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the MAG financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the MAG comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the data as presented are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of MAG. All disclosures necessary to enable the reader to gain an understanding of MAG's financial activities have been included.

The CAFR is presented in four main sections:

The **Introductory Section** includes the table of contents, this transmittal letter, a list of the member agencies and their respective representatives, an organizational chart, and the Government Finance Officers Association ("GFOA") Certificate of Achievement in Financial Reporting.

The **Financial Section** includes the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements including the notes to the financial statements, required supplementary information and the notes to the required supplementary information, the combining statements, and other supplementary information.

The **Statistical Section** includes select financial information about MAG and demographic information about the region served, generally presented on a multi-year basis.

The **Single Audit Section** includes the schedule of federal expenditures and notes thereto, schedule of findings and questioned costs, and the auditors' reports on compliance and internal controls. MAG is required to undergo an annual single audit in conformity with the Single Audit Act and the 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

MAG's financial statements have been audited by Heinfeld Meech & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of MAG for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that MAG's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of MAG was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The Independent Auditors’ Report on the basic financial statements is included in the financial section of this report. The Independent Auditors’ Reports related specifically to the Single Audit are included in the last section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. MAG’s MD&A can be found immediately following the Independent Auditors’ Report.

THE REPORTING ENTITY AND ITS SERVICES

MAG was incorporated as a Council of Governments (COG) in 1967 under Section 501(c)(4) of the Internal Revenue Code as a nonprofit corporation. MAG was established as a voluntary coalition of governments to coordinate the activities of the separate member governments within Maricopa County (the County) with respect to issues affecting its member governments. The member governments include 27 incorporated cities and towns within Maricopa County and the contiguous urbanized area, the Gila River Indian Community, the Salt River Pima Maricopa Indian Community, Fort McDowell Yavapai Nation, Maricopa and Pinal Counties. The Arizona Department of Transportation (ADOT) serves as ex- officio members of the Regional Council (the Council) and vote on transportation issues.

On December 14, 1973, the Governor of Arizona designated MAG as the Metropolitan Planning Organization (MPO) for the Maricopa County region. The designation was to comply with the requirements of the Federal Transportation Act, which required each urbanized area over 50,000 in population to establish an MPO. Under the Intermodal Surface Transportation Efficiency Act of 1991, MAG is considered a Transportation Management Area (TMA), due to the population exceeding 200,000. The Governor designated MAG to serve as the region's principal planning agency for air quality, water quality and solid waste management. On May 9, 2013, Governor Brewer approved the new metropolitan planning area (MPA) boundary for the Maricopa Association of Governments (MAG). The MAG MPA boundary was extended in the southeastern part of the state to include parts of Pinal County. This change was due to the expanded urbanized area boundary, as defined by the U.S. Census Bureau, following the 2010 Census. In addition, through an Executive Order from the Governor, MAG is responsible for the region's population estimates and projections.

With input from federal, state and local governments, citizens and the private sector, MAG provides the community with a "regional perspective" on issues and programs. MAG provides a forum for public discussions on various issues related to the metropolitan area. Some key program areas of discussion include environmental (air quality, water quality and solid waste management), public works support, transportation, human services, 911 emergency services, information and technology, and regional development.

Funding for the above noted programs comes primarily from grants originating from the Federal Highway Administration and the Federal Transit Administration under the U.S. Department of Transportation. Another primary source of funding is the State Sales Tax. The funds flow through ADOT to MAG as a sub-recipient of the federal funds. Additional funding for MAG programs comes directly from the Arizona State agencies and member dues and assessments.

The Regional Council is the governing and policymaking body for the organization and is composed of elected officials appointed by each member agency. For the majority of members, the city or town Mayor serves as the Regional Council member. The Chairs of the Board of Supervisors usually represents Maricopa County and Pinal County on the Council. The two State Transportation Board members for Maricopa County represent ADOT and vote on transportation-related issues. Currently, the Governor of the Gila River Indian Community, the President of the Salt River Pima-Maricopa Indian Community, and the President of the Fort McDowell Yavapai Nation serve on the Council. The 34 member Council meets monthly to set the policies that govern MAG and to address regional planning issues. MAG's Executive Director serves as Secretary for the MAG organization. The Executive Committee is comprised of a subset of the Council and in 2002 was expanded from five to seven members. Two at-large positions were added to allow for additional participation by the member agencies. Annually, the Council elects seven of their members to serve on the Executive Committee. The Executive Committee is required to include the Chair, Vice Chair and Treasurer of the Council as ex-officio members. The MAG By-Laws indicate that business arising between meetings of the Council can be conducted by the Executive Committee. The Executive Committee also serves as the Finance Committee. The Executive Committee members meet on a monthly basis to discuss issues and make decisions that may arise between Regional Council meetings. The Council must ratify the decisions regarding annual goals and the Executive Director position that are acted on by the Executive Committee. The Council and the Executive Committee are supported in their policy making role by a wide range of committees and subcommittees, including the Management Committee. The Management Committee is composed of the city, county, town and Indian community managers from the member governments. The directors of ADOT and the Regional Public Transportation Authority (RPTA) also serve on the Management Committee.

The day-to-day activities of MAG are conducted under the guidance of MAG's Executive Director. A professional staff with various disciplines, including public administration, economics, urban and regional planning, air quality and transportation and related modeling, human services, information technology, and financial management, supports the Executive Director.

Included within the reporting entity as blended component units are the following entities:

Maricopa Association of Governments Information Center (MAGIC)—During fiscal year 2000, MAG incorporated MAGIC as a 501(c)(3) non-profit organization, to provide certain services and technical assistance both to MAG member agencies and to non-members with regional issues. The value-added services rendered by MAGIC typically relate to, or build, on MAG's grant funded projects; however, the services are beyond the scope of eligibility for MAG's grant funding. The intent of MAGIC is to break even; therefore, it provides services at cost. MAGIC is governed by the seven-member MAG Executive Committee. MAGIC is presented as a blended component unit and is accountable to MAG.

Regional Community Partners (RCP)—During fiscal year 2000, MAG incorporated RCP, as a 501 (c)(3) non-profit organization, for the purpose of conducting regional activities and facilitating valley wide collaboration on projects and/or initiatives that improve the quality of life and economic well-being of residents of the Maricopa County region. RCP recorded its first activity during fiscal year 2003. This activity was mostly due to donations. In FY 2018, funding in the form of grants awarded from the U.S. Department of Justice through the Governor's Office and other local sources facilitated expenditures related to fulfilling the RCP purpose. These grants include the Governor's STOP Grant as well as the Virginia G. Piper Literacy Grant. The intent of RCP is to break even; therefore, it provides services at cost. RCP is governed by the seven-member MAG Executive Committee. RCP is presented as a blended component unit and is accountable to MAG.

REGIONAL OVERVIEW

The MAG MPA is 10,647 square miles in area and consists of 27 incorporated cities and towns, three American Indian communities, Maricopa County and portions of Pinal County. An additional 130 square miles in Yavapai County, which is outside the MPA, are part of the planning areas for the cities of Peoria and Wickenburg. The region is located in the Sonoran Desert with elevations generally ranging from 500 to 2,500 feet above sea level.

In 2017, Maricopa County contained 61.4 percent of the population of Arizona as well as nine of the ten cities in Arizona with a population greater than 100,000. The region is a transportation and distribution hub for the state. Interstate 10 spans the region from east to west and Interstate 17 extends from Phoenix to Flagstaff, Arizona. Phoenix Sky Harbor International Airport, at the center of the region, is the eleventh busiest airport in the nation and among the top 50 busiest in the world with more than 430,000 takeoffs and landings and 43 million passengers served in 2017.

MAG Regional Planning Area

In 2013, with the expansion of the MPA boundary, two incorporated jurisdictions in Pinal County became part of the MAG region – the Town of Florence and the City of Maricopa. This added almost 104 square miles of incorporated area to the MAG region.

To reflect the future corporate limits of the jurisdictions within Maricopa County, MAG has defined 32 municipal planning areas, which correspond to the 27 cities and towns, three American Indian communities, and the remaining unincorporated portions of Maricopa and Pinal counties.

The increase in the incorporated area within the region and its percentage of the total MAG planning area are identified in *Table 1*. The expansion in 2013 added 433 square miles of unincorporated area within Pinal County with an estimated population just over 125,000. In 2015, Phoenix, with 519 square miles, exceeded Los Angeles in area, while six other cities within the county had an area of more than 100 square miles, as noted in *Table 2.*

Table 1: Incorporated Area (in Square Miles) 1970-2018 in the MAG Region

Year	Incorporated Area* (Square Miles)	Percent of MAG Area	Percent of Population in Incorporated Area
1970	421	5	90
1980	685	7	88
1990	1,258	14	92
2000	1,683	17	93
2010	2,206	24	94
2018	2,368	22	95**

Source: *MAG and MAG Member Agencies*

**The incorporated area includes areas in Yavapai County which are covered by incorporated areas of MAG member agencies.*

***2017 Population estimates from the Arizona Department of Administration used as an estimate for the percent of population within the incorporated area in 2017.*

Table 2: Largest Jurisdictions in the County by Area in Square Miles

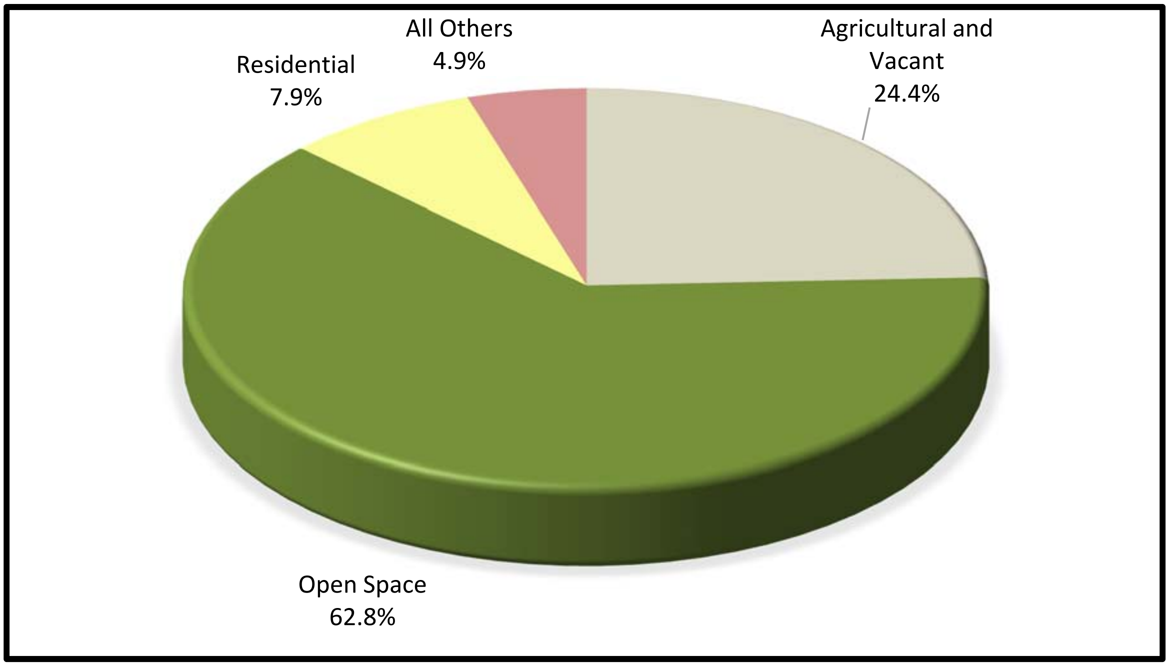
Jurisdiction	**Area (Sq.mi.)**
Phoenix	519
Buckeye	392
Goodyear	191
Scottsdale	185
Peoria	179
Mesa	139
Surprise	108

Source: *MAG and MAG Member Agencies (as of July 2018)*

Current Land Use

The region can be disaggregated into the categories of land use shown in *Figure 1*. The predominant current land use type is open space at 62.8 percent, followed by agricultural and vacant land at 24.4 percent. Open spaces include parks, mountains, river beds, washes, and other public areas. The next highest land use type is 7.9 percent for residential areas. Land developed for retail, office, and industrial uses, as well as public and other types of employment, comprises the balance of the development in the metro area, with approximately 4.9 percent of the developed land dedicated to those various uses.

Figure 1: Current Land Use in the MAG Region

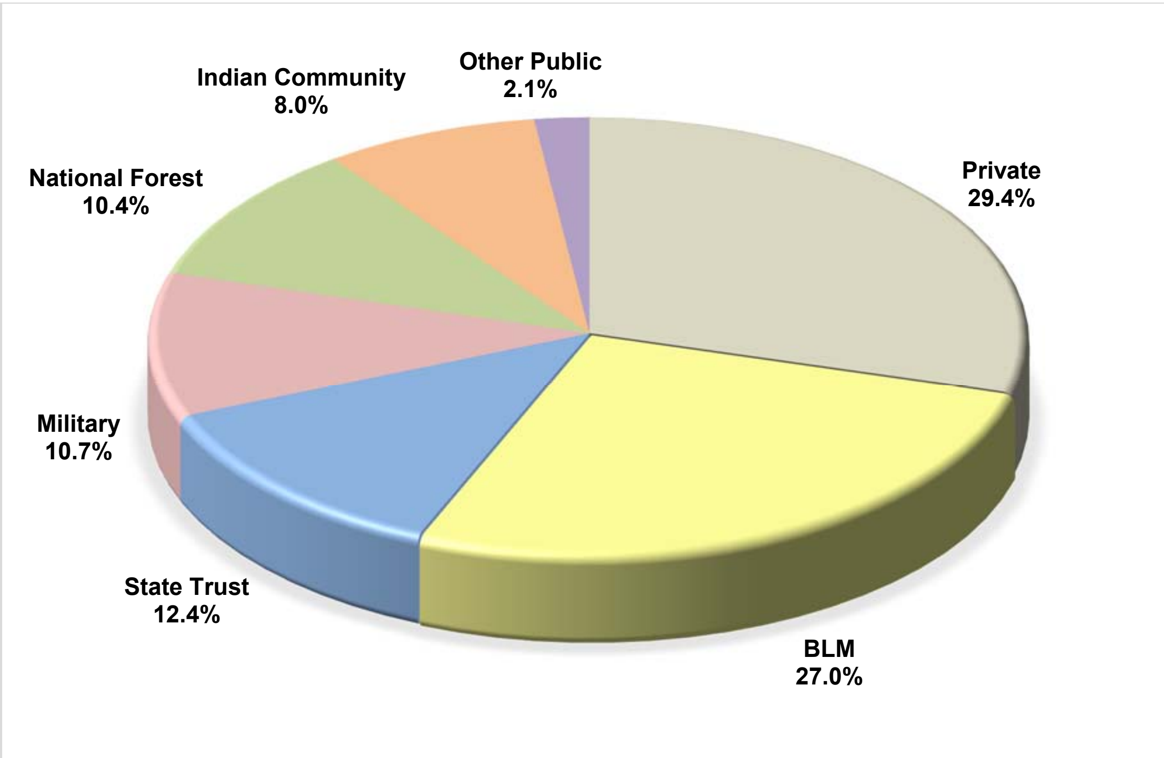


Source: *MAG Existing Land Use Database, 2017*

Land Ownership

The pattern of land ownership influences the distribution of growth in the MAG region. As shown in *Figure 2,* just slightly more than 29 percent of the region is in private ownership. The remaining 71 percent are public entity or Indian Community lands.

Figure 2: Land Ownership in the MAG Region



Source: *Arizona State Land Department, March 2018*

Population Growth

The MAG region covers all of the population in Maricopa County and 63.5 percent of population in Pinal County. Historic and projected population data, as well as employment data, are not available at the new planning area boundary level but they are available for the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (hereafter referred to as Phoenix MSA), which is geographically defined by the U.S. Census Bureau as Maricopa and Pinal counties. Historic population growth in the Phoenix MSA between 1960 and 2010 is shown below in *Table 3*, with average annual increases peaking in 1980 at 4.4 percent. The April 1, 2010, population count in the Phoenix MSA was just under 4.2 million people, based on the 2010 United States Decennial Census.

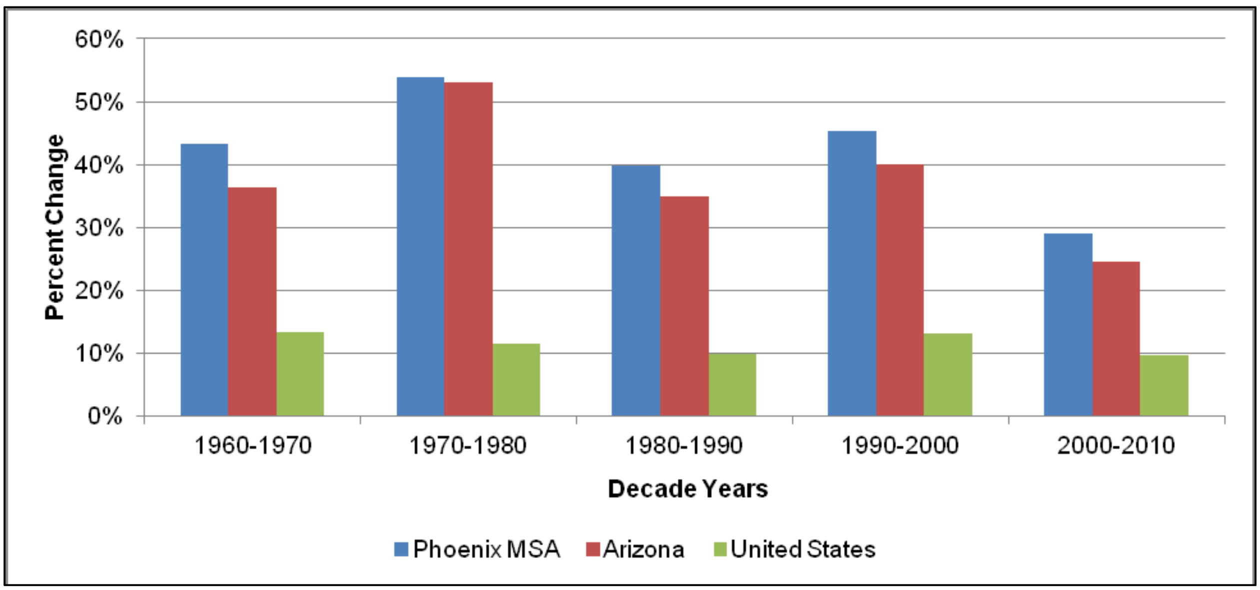
Table 3: Phoenix MSA Population Growth by Decade

Year	Population	Average Annual Increase
1960	726,000	
1970	1,040,000	3.7%
1980	1,600,000	4.4%
1990	2,238,000	3.4%
2000	3,252,000	3.8%
2010	4,193,000	2.6%

Source: *U.S. Census Bureau, Decennial Census Program, rounded to the nearest thousand. All counts are as of April 1 of the given year*

Since 1960, the resident population in the Phoenix MSA grew at a faster rate than the State of Arizona and the United States overall, as shown in *Figure 3.*

Figure 3: Percentage Change in Population by Decade for Phoenix MSA, State of Arizona, and the United States, 1960 to 2010



Source: *U.S. Census Bureau*

Projected growth in Arizona and Phoenix MSA is illustrated in *Table 4.* The growth rates in the Phoenix MSA and Arizona are very similar, primarily due to fact that more than 66 percent of Arizona's population resides within the Phoenix MSA.

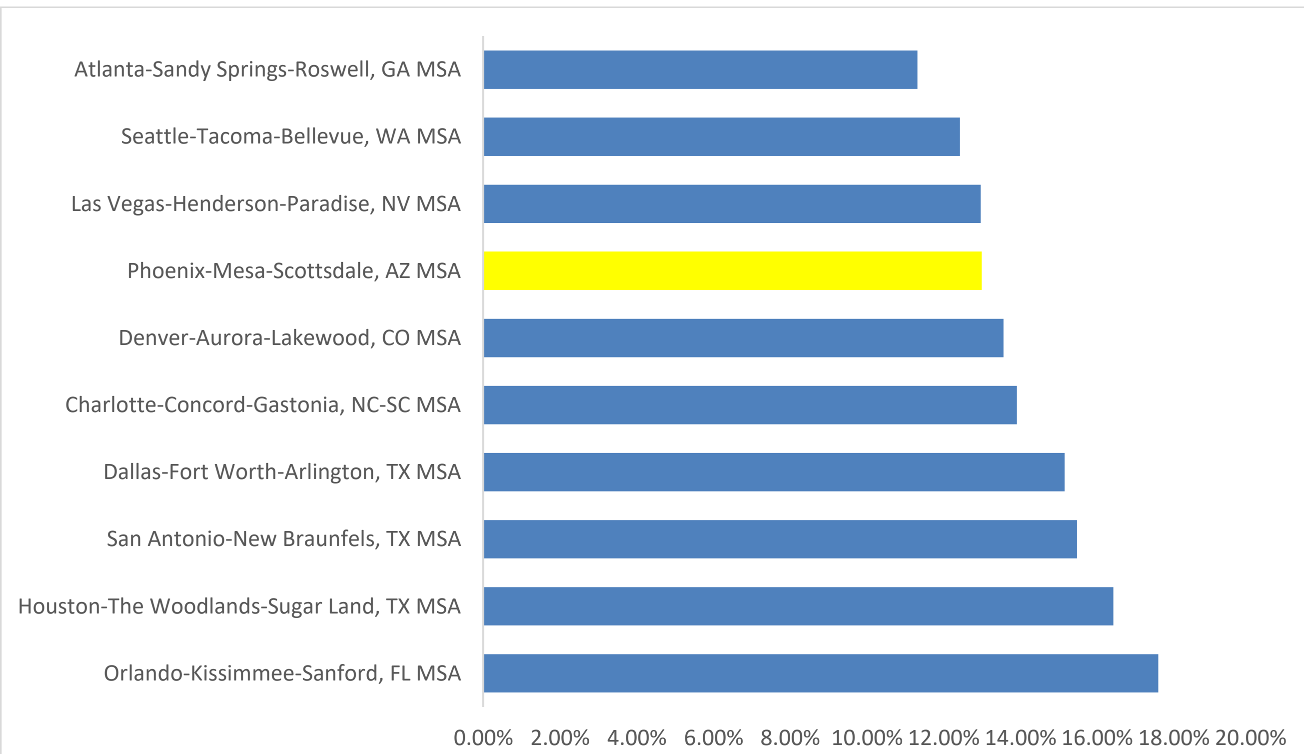
Table 4: Projected Growth in Population: Phoenix MSA and Arizona

Year	Phoenix MSA	Average Annual Growth Rate	Arizona Population	Average Annual Growth Rate
2000	3,252,000		5,131,000	
2010	4,193,000	2.9%	6,392,000	2.5%
2020	4,945,000	1.8%	7,347,000	1.5%
2030	5,885,000	1.9%	8,536,000	1.6%

Sources: *Arizona Department of Administration 2016; rounded to the nearest thousand*

Between 2000 and 2010, the Phoenix MSA grew by 29 percent with estimated annual growth rates in 2020 and 2030 of 1.8 percent and 1.9 percent, respectively. According to the U.S. Census Bureau's 2016 population estimates, the Phoenix MSA was the twelfth most populous MSA in the nation. Of the 30 most populous U.S. MSAs in 2016, the ten fastest growing between the periods of July 1, 2010 and July 1, 2016 are displayed in *Figure 4*. Among these areas, the Phoenix MSA ranked seventh in growth between 2010 and 2016.

Figure 4: Ten Fastest Growing Metropolitan Statistical Areas between 2010 and 2016, of the 30 Most Populous in 2016

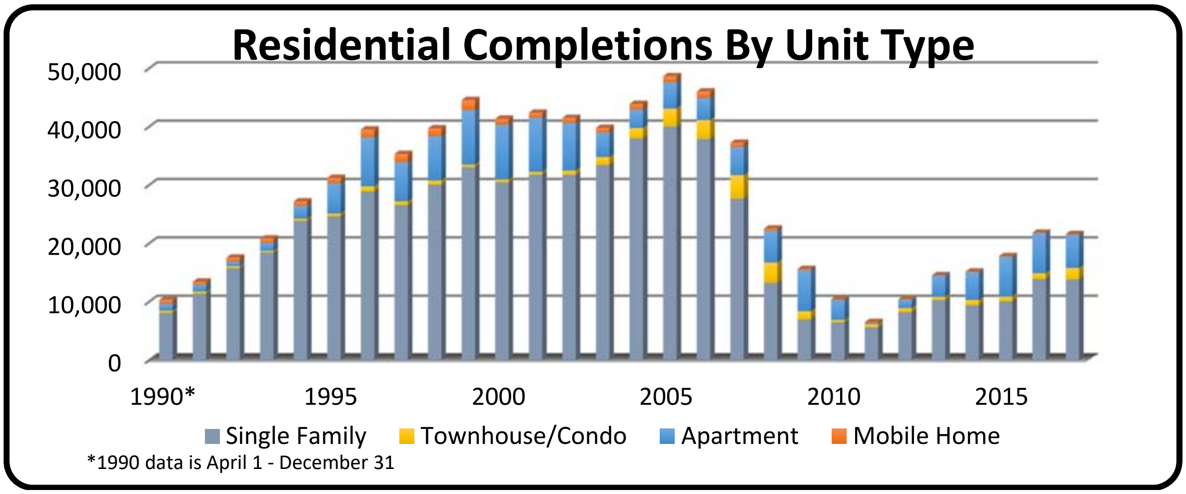


Source: *U.S. Census Bureau, Annual Estimates of Residential Population (2016 vintage): July 1, 2010 to July 1, 2016*

Housing

MAG has been collecting residential building completions and demolitions for Maricopa County, the larger of the two counties within the MAG region, since the 1990 Census. More than 776,940 residential housing units were constructed in Maricopa County between the 1990 Census and December 31, 2017. That amounts to approximately 44.7 percent of the entire housing units currently in the county. Since the 1990 Census, residential completions have varied with economic conditions, peaking at more than 48,000 building completions in 2005. Due to the Great Recession of 2009, in 2010 there were approximately 9,700 residential completions in Maricopa County, almost one-fifth of the number of completions in 2005. After dropping to a low of just over 6,300 in 2011, completions in calendar year 2012 rose just slightly above the 2010 amount to 9,900, and in 2013 and 2014 they rose to more than 13,200 each year. *Figure 5* identifies the number and type of residential completions each year from 1990 to 2017.

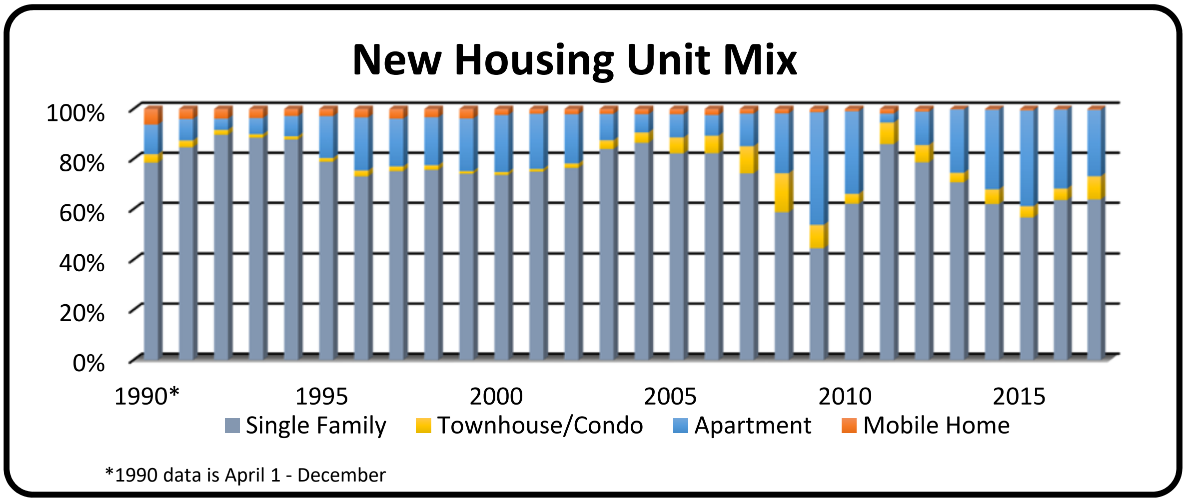
Figure 5: Residential Completions by Year, 1990 to 2017



Source: *MAG Member Agencies*

The mix of single family and multi-family housing units has varied substantially over time, as shown in *Figure 6.* While there were only 787 apartment unit completions in 1992, this increased almost twelve-fold to about 9,500 in 1999. As a percentage of total building completions, apartment completions peaked at about 44 percent in 2009 and rose back to 33 percent in 2014. Townhouse/condo unit completions were at their highest number in 2007 (4,037) and their highest percentage (16 percent) of the housing mix in 2008. Single family unit completions, on the other hand, accounted for 90 percent of all completions in 1992 but only 60 percent of in 2017.

Figure 6: New Housing Unit Mix by Year, 1990 to 2017



Source: *MAG Member Agencies*

With the expansion of its planning area into Pinal County, MAG has worked with the Central Arizona Governments (CAG) to receive the residential completion information for Pinal County. Between January 1, 2000 and June 30, 2017, there were 97,510 housing completions in Pinal County. Since the beginning of 2013, there have been almost 13,908 housing completions.

Employment Growth in the Phoenix MSA

The Phoenix MSA has become increasingly important as a hub of business activity in the Southwest. In 2017, the Phoenix MSA had about 2,035,000 jobs, a 2.8 percent increase from 2016.

Table 5: Growth in Non-Farm Employment

Year	Average Annual Employment	Average Annual Increase
1990	1,013,000	
2000*	1,578,000	3.5%
2010	1,692,000	1.9%
2011	1,717,000	1.5%
2012	1,760,000	2.5%
2013	1,812,000	2.9%
2014	1,852,000	2.3%
2015	1,914,000	3.3%
2016	1,979,000	3.4%
2017	2,035,000	2.8%

Source: *U.S. Bureau of Labor Statistics, Current Employment Statistics, Seasonally Adjusted (rounded to the nearest thousand)*

**Note: Prior to 2000, the Phoenix MSA included only Maricopa County. (Pinal County was added to the MSA in 1993.)*

Unemployment Rate in Phoenix MSA, Arizona, and the United States

The seasonally adjusted unemployment rate in the Phoenix MSA for June 2018 was 4.2 percent. This is lower than the seasonally adjusted unemployment rates for Arizona (4.7 percent), and slightly higher than that of the United States (4.0 percent). *Table 6* shows unemployment rates for June 2009 to June 2018.

Table 6: Unemployment Rate in Phoenix MSA, Arizona, and the United States, seasonally adjusted

	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
Phoenix MSA	9.5%	9.7%	9.6%	7.9%	7.2%	6.2%	5.5%	4.9%	4.4%	4.2%
Arizona	9.9%	10.3%	9.7%	8.5%	7.8%	6.8%	6.0%	5.4%	4.8%	4.7%
United States	9.5%	9.4%	9.1%	8.2%	7.5%	6.1%	5.3%	4.9%	4.3%	4.0%

Sources: *United States Bureau of Labor Statistics, Local Area Unemployment Statistics, and Current Population Survey (for national rates)*

MAJOR INITIATIVES

For the fiscal year ended June 30, 2018, MAG continued its current programs and initiated several new efforts to serve its member agencies and the regional community. A summary of the major initiatives for FY 2018 and those proposed for FY 2019 is given below.

For the Fiscal Year Ended June 30, 2018

Communication—The division continued implementation of a comprehensive public information program to support MAG policy committees and provide information about MAG programs and activities. MAG continued its proactive public involvement activities with numerous opportunities for input that included stakeholder presentations, hosting information booths at special and community events, and online feedback opportunities.

Staff continued implementation of the MAG Public Participation Plan in accordance with the requirements of federal transportation laws. Input opportunities were provided at all MAG policy and technical committee meetings, as well as at public hearings. In addition, MAG provided opportunities for input at sizeable community events where large numbers of residents gathered. Whenever possible, MAG coordinated its efforts to include joint participation by the Arizona Department of Transportation (ADOT), Regional Public Transportation Authority (RPTA), Valley Metro Rail (METRO), and the City of Phoenix Public Transit Department. MAG communicated citizen comments to policymakers prior to action on MAG plans and programs.

MAG continued to distribute the Public Participation Guide to offer a roadmap for how residents can provide input into MAG plans and programs. The guide outlines MAG's roles and responsibilities, provides information on how to become involved at MAG, and includes committee structure and member agency contact information.

Additional public involvement efforts included outreach activities at large public events such as the Arizona State Fair, Chase Field, and Talking Stick Resort Arena, and monthly tables at regional libraries.

MAG also continued to focus on providing information and receiving input from Title VI communities, including minority communities, low-income populations, and the disability community, with many activities coordinated through the MAG Community Outreach Specialist. Efforts included providing Disability Sensitivity Training to MAG staff and creating an information handout.

Additional efforts to reach Title VI communities continued through the ongoing development and implementation of the Title VI and Environmental Justice Program.

The Communication team continued implementation of major updates and redesign of the MAG website, including ongoing transitioning to a new content management system and updating design, content and navigation features. The site went live in early FY 2018. The Communication Division continued maintenance and upgrades to the MAG website and affiliated sites. The website was continually updated with news releases, monthly meeting schedules, newsletters, requests for proposals, employment notices, and electronic versions of MAG documents, including plans, agendas, and minutes. The division also continued to update affiliated external websites.

Another focus for the division was the continued implementation of *Don't Trash Arizona*, a litter prevention and education program designed to increase awareness of the health, safety, environmental and economic consequences of freeway litter, and to change the behavior of offenders. Strategies included public relations, media outreach, paid advertising, and community partnerships. A new campaign was launched, "Arizona is our home. Love it, don't trash it," appealing to a sense of state pride. MAG worked with the Arizona Department of Transportation (ADOT) to ensure that state and regional messages are seamless and integrated. As part of required performance measurement requirements, an annual telephone survey is conducted to determine if the *Don't Trash Arizona* program is leading to changes in awareness and behavior. FY 2018 survey results are pending.

Finally, *Don't Trash Arizona* helped to promote Arizona Secure Your Load Day on June 6, 2018. The agency, in partnership with the Governor's Office of Highway Safety, ADOT, and the Department of Public Safety, sought a proclamation from the Governor to declare June 6, 2018, as Arizona Secure Your Load Day. June 6 commemorates the day 29-year old Matthew Reif, an Arizona resident was killed in 2006 in an unsecured load incident.

The Communication Division continued to provide support to MAG member agencies, providing such materials as talking points, background, editorials, PowerPoint presentations, and other information as needed to assist local elected officials in communicating about MAG's plans and programs.

MAG continued to reach out to stakeholders through a variety of publications. These include its quarterly newsletter, MAGAZine, which encompasses MAG activities, a message from the Regional Council Chair, a Regional Council member profile, and other items of general interest. Other publications include a monthly Regional Council Activity Report, which summarizes the actions and activities of the governing body; a monthly Transportation Policy Committee (TPC) e-mail update, *Let's Keep Moving*, which summarizes the actions and activities of the TPC; and project-specific public involvement mailings.

Other materials distributed included flyers, invitations, printed materials, graphics, divisional newsletters, freeway and bike maps, air quality materials, information resources, and surveys. The Communication team produced the FY 2018 Annual Report, designed to highlight major accomplishments for the year and to provide a summary of the organization's financial status.

MAG continued utilizing social media tools such as Twitter, Facebook and YouTube to communicate with and engage residents. The division continued to increase positive print and broadcast coverage through targeted media relations. These efforts helped secure numerous positive placements and resulted in increased participation in MAG events and activities.

Continued partnerships with the Clean Air Campaign and Valley Metro Rail (METRO) provided the opportunity to carry out campaigns for reducing air pollution. Campaign activities included online and print advertising, as well as public relations efforts.

Finally, the Communication Division continued to provide support for agency events, including the *Passing of the Gavel* ceremony in June. The division supported other MAG divisions and staff with their communication and graphics needs, and continued to implement strategies to keep employees informed and engaged in their workplace environment through improved internal communication.

MAG Economic Development—The role of the Economic Development Committee (EDC) is to develop an opportunity-specific and action-oriented initiative that fosters and advances infrastructure in the MAG region, especially transportation infrastructure, that would further economic development opportunities. This effort was done in concert with the FAST Act federal legislation that supports the economic vitality of the metropolitan area, especially by enabling global competitiveness, productivity, and efficiency. The EDC consists of 35 members and includes 20 MAG member agency elected officials appointed by the MAG Regional Council. Members include the Central City, Maricopa and Pinal Counties, eight West Valley and eight East Valley representatives, the Arizona Department of Transportation, and 15 business representatives.

During FY 2018, the EDC pursued a number of objectives, including enhancing communications and working cooperatively with the state and economic development agencies, such as the Greater Phoenix Economic Development Council, the Arizona Commerce Authority and the Arizona Mexico Commission. Goals include increasing job opportunities, strengthening Arizona's capability to compete in the global economy, and planning for the development and improvement in Arizona infrastructure to make the region more economically competitive. Another objective was to work with elected officials in Arizona and Sonora, Mexico, to promote trade, commerce and economic development between the two states. This effort has grown to include other regions in Mexico as well. The relationship MAG holds with Sonora has matured to create an understanding of mutual benefit. The City of Glendale worked with businesses within its jurisdiction to provide much needed police vehicles to the City of Puerto Peñasco. MAG has also pursued other efforts in states such as Baja California and Chihuahua. A recent visit to Baja California uncovered many similarities and a mutual interest on which to work together. In addition, businesses leaders from Chihuahua expressed an interest in the Maricopa County region by visiting various cities on a two-day trip. The result was an interest in opening up an office within the Maricopa region and a possible second visit with elected officials from Chihuahua.

In August 2018, MAG staff coordinated the Ari-Son Megaregion meeting held at the League of Arizona Cities and Towns Conference in Phoenix. Local elected officials from Arizona and Mayor's Elect from Sonora, Mexico discussed the changes in Mexico with the new political party. An overview of congressional, municipal and state legislature was heard, as well as a presentation on SkyBridge and the economic opportunities it provides within Arizona and Sonora. An economic development tour to ASU Skysong and Phoenix Galvanize was also provided. There have been discussions of a follow-up meeting in Sonora, Mexico later in the year.

During FY 2018, MAG staff continued to work on the Shopping and Tourism Initiative. This is a federal legislative effort to extend the border crossing card zone statewide for Mexican visitors. The current border crossing card zone is 75 miles. Extending the zone means an additional $181 million in new spending to the State of Arizona each year going forward. Holders of the border crossing card are some of the most vetted visitors to the United States and are at low risk for overstays. This is an opportunity to grow the state's leading economic sector: tourism. Statewide extension will mean greater opportunities to enjoy our state's scenery, cultures and amenities. MAG received letters of support for the Shopping and Tourism Initiative from Mr. Glenn Hamer, President and CEO of the Arizona Chamber of Commerce and Industry, as well as two bipartisan letters of support representing a majority of the Arizona delegation. These letters were sent to the Department of Homeland Security requesting the rulemaking change. MAG has also requested that other agencies, such as municipalities, tourism entities, and chambers of commerce, to provide letters of support. At the League of Arizona Cities and Town Conference, a resolution to support the Shopping and Tourism Initiative was approved by the Resolutions Committee.

Since its inception, the EDC has been working with the Canada-Arizona Business Council on the important connection between the economies of Arizona and Canada. There are 300 Canadian owned businesses in Arizona that support 29,650 jobs, and Maricopa County has 210 Canadian owned businesses that support approximately 22,250 jobs. In FY 2018, the MAG Economic Development Committee Chair announced a focus on Canada. MAG staff worked with the City of Phoenix, Greater Phoenix Economic Council and Phoenix Sky Harbor Airport to organize a delegation of to visit Montréal, Canada. On February 22, 2018, a delegation of 40 elected officials, economic development professionals and business leaders from around the state traveled to Montreal, Canada on Air Canada's first nonstop flight from Phoenix Sky Harbor to Montréal. The purpose of this trip was to establish connections with Montreal and Quebec elected officials and business leaders to promote trade, foreign direct investment, tourism and economic development opportunities. In addition, the delegation celebrated Air Canada's inaugural outbound flight from Phoenix to Montreal to ensure the future success of this non-stop flight through business opportunities. There was also a focus on promoting and expanding connections with Montreal's aerospace industry sector and understanding Canada's perspective on the current NAFTA negotiations.
MAG, the Pima Association of Governments, the Central Arizona Governments and the Sun Corridor Metropolitan Planning Organization coordinate their respective planning activities and cooperatively work

together to foster a successful and economically viable Sun Corridor in the state of Arizona through the Joint Planning Advisory Council. The last Joint Planning Advisory Council and Sun Corridor EDGE (Economic Development for the Global Economy) meeting took place in April 2018 and its focus was on exporting. Marco Lopez, President and CEO, Intermestic Partners, provided a report on SkyBridge, the nation's first international air cargo hub to house customs from Mexico and United States. The agenda also included the Sun Corridor Export Recognition Program that highlighted businesses from around the Sun Corridor that are exporting. In addition, each agency provided an overview of the trends and opportunities in their region.

For the second year, MAG staff worked with the Arizona Commerce Authority's RevAZ Manufacture Extension Partnership program on a regional ExporTech Program. Companies that participated attended three full-day sessions where they were exposed to Arizona export experts from diverse subject matter sectors, participated in practical training on key export topics, and received individualized export coaching. The result for each company was a customized and expert-reviewed Export Growth Plan that helps the company to quickly move beyond planning and into pursuing concrete export initiatives aimed at closing actual, profitable export sales.

In March 2018, MAG staff organized an Intermountain West Metropolitan (IMW) Planning Organizations (MPO) meeting to discuss common areas of interest, such as autonomous vehicles, homelessness, date and the intersection between transportation and economic development. MAG has been working with the IMW MPOs to foster communication and coordinate planning efforts among MPOs serving as Transportation Management Areas (TMA) within the Intermountain region of the United States. This includes Arizona, Colorado, Idaho, Nevada, New Mexico, Utah and Washington to empower regional leaders' strategic efforts in addressing interregional transportation and infrastructure issues at the federal level.

Environmental Planning—During FY 2018, MAG completed the conformity analysis for the FY 2018-2022 MAG Transportation Improvement Program and MAG 2040 Regional Transportation Plan and a major amendment to the FY 2016-2025 Sun Corridor Metropolitan Planning Organization (SCMPO) Transportation Improvement Program and Regional Transportation Plan 2040. Both analyses received a conformity finding from the U.S. Department of Transportation on July 11, 2017. In addition, MAG completed the conformity analysis for an amendment to the FY 2018-2022 MAG Transportation Improvement Program and 2040 Regional Transportation Plan and another major amendment to the FY 2016-2025 SCMPO Transportation Improvement Program and Regional Transportation Plan 2040. Both analyses received a conformity finding from the U.S. Department of Transportation on October 12, 2017. A significant achievement for the air quality program was obtaining 21 years of clean data for carbon monoxide and 13 consecutive three-year periods with no violating monitors for the 0.08 parts per million eight-hour ozone standard. The Draft 2016 Inventory of Unpaved Roads was completed in November 2017. The results indicate that there are 1,343 miles of unpaved roads in the Maricopa County PM-10 nonattainment area. Of the total, approximately 974 miles are private unpaved roads and 369 miles are public unpaved roads. Since 2009, unpaved roads have decreased by 541 miles.

MAG closely monitored the lawsuit filed by the Arizona Center for Law in the Public Interest on July 29, 2014 to challenge the Environmental Protection Agency (EPA) approval of the MAG 2012 Five Percent Plan for PM-10 in the U.S. Ninth Circuit Court of Appeals. On September 12, 2016, the Court issued a ruling in the lawsuit. While the Ninth Circuit Court upheld most of the plan approval, the contingency measures were remanded back to EPA for further consideration, since they had been implemented early. The Ninth Circuit held that contingency measures cannot be implemented early under the plain language of the Clean Air Act. The Ninth Circuit Court ruling directly conflicts with the Fifth Circuit ruling in 2004 that upheld early implementation of contingency measures. On January 9, 2017, the Ninth Circuit denied rehearing requests from EPA and the State for the contingency measures. On May 10, 2017, the Arizona Attorney General's Office filed an appeal in the U.S. Supreme Court. On June 15, 2017, the South Coast Air Quality Management District and the San Joaquin Unified Air Pollution Control District filed an amicus brief in the U.S. Supreme Court regarding the Ninth Circuit ruling that contingency measures cannot be implemented early. Reply briefs were filed in September, November, and December 2017. On January 9, 2018, the U.S. Supreme Court decided not to hear the case.

The EPA also determined that the region has met the PM-10 standard based upon three years of clean data for 2010-2012, as measured by the air quality monitors. The preparation of the MAG Redesignation Request and Maintenance Plan for PM-10 for the Maricopa County Nonattainment Area was continued. The 2014 PM-10 Periodic Emissions Inventory was completed. On a parallel track, MAG continued the aggressive activities designed to prevent PM-10 exceedances at the monitors and throughout the region. This year, MAG worked cooperatively with the Pinal County Air Quality Control District and the Arizona Department of Environmental Quality to prepare the Hidden Valley Monitor PM-10 Emissions Inventory. Completed in January 2018, the focus of the inventory was to provide information to aid in the prevention of future exceedances and attain the standard in the Pinal County PM-10 Nonattainment Area. Also, a Dust Mitigation Plan was prepared by the Arizona Department of Environmental Quality, Maricopa County Air Quality Department, Pinal County Air Quality Control District, and MAG for submittal to EPA by September 30, 2018. MAG staff provided technical assistance to the Arizona Department of Environmental Quality for the documentation of five PM-10 exceptional event days in 2017. The documentation for an ozone exceptional event day on July 7, 2017 and additional documentation for the June 20, 2015 exceptional event day were completed and submitted to EPA on May 17, 2018.

The EPA approval process for the MAG 2017 Eight-Hour Ozone Moderate Area Plan was monitored. Collectively, the plan includes 93 existing control measures approved by EPA in prior air quality plans and existing federal control measures. The plan demonstrated attainment of the 2008 ozone standard of 0.075 parts per million by 2017 (ozone season prior to the July 20, 2018 attainment date). The plan was submitted to EPA by January 1, 2017. The region needed three years of clean data at the air quality monitors in 2017 to meet the standard (2015-2017 monitoring data). Based upon quality assured and certified 2015-2017 data, it appears that the ozone standard has been met, pending the approval of two wildfire exceptional events by EPA.

The implementation of the 2015 ozone standard was monitored to evaluate the implications for the region. On October 26, 2015, EPA published a final rule to strengthen the federal eight-hour ozone standard from 0.075 parts per million to 0.070 parts per million. On June 6, 2017, EPA transmitted letters to states that the initial boundary designations would be extended by one year. On August 10, 2017, EPA published a notice that it was withdrawing the one year extension. The Environmental Protection Agency published a final rule on June 4, 2018, to establish the ozone area designations for the 2015 standard. The Maricopa Eight-Hour Ozone Nonattainment Area was classified as a Marginal Area and was expanded to include the Queen Valley monitor in Pinal County and the Tonto National Monument monitor in Gila County. The nonattainment area now encompasses 5,287 square miles. The designations were effective on August 3, 2018.

In Water Quality Management Planning, the Streamlined MAG 208 Water Quality Management Plan Process and Small Plant Review and Approval Process were closely tracked and monitored. On August 26, 2015, the MAG Regional Council approved the Streamlined MAG 208 Water Quality Management Plan Process. The entire process was streamlined from approximately 18 to 24 months to nine months, representing a 50 to 63 percent reduction in the overall timeline for a 208 amendment. On December 16, 2015, the MAG Regional Council approved corresponding changes to the MAG 208 Water Quality Management Plan Small Plant Review and Approval Process. The process was shortened from approximately twelve to 17 months to six months, representing a 50 to 65 percent reduction in the overall time for a Small Plant Review and Approval. On December 13, 2017, an annual evaluation of the streamlined process was conducted with the Stakeholder Group. While there has not been much activity since the streamlined process was implemented in 2015, it is anticipated that there will be more activity due to the improving economy. At the annual evaluation meeting, the Stakeholder Group suggested that if there is no activity after one year, the next evaluation would be conducted in two years. No changes were made to the Streamlined MAG 208 Water Quality Management Plan Process.

In Solid Waste Management Planning, information was obtained on the implementation of new solid waste projects and programs based on the Solid Waste Best Practices in the MAG Region report completed in 2012. The Solid Waste Best Practices in the MAG Region 2017 Update was then prepared and presented to the MAG Management Committee and the MAG Regional Council in August 2017. The six 30-second holiday recycling videos that were produced in cooperation with the MAG Solid Waste Advisory Committee and Valleywide Recycling Partnership were transmitted and used again this year. The videos encourage residents to "think before you shop" and offer tips on reducing, reusing, and recycling during the holiday season.

Human Services Planning—In FY 2018, efforts continued to strengthen the region through human services. Work focused on four main areas including, domestic violence, homelessness, healthy communities, and human services transportation.

Human services transportation included coordination planning, administration of the Federal Transit Administration (FTA) Section 5310 application process, and implementation of the Title VI Plan. Regional coordination planning is an ongoing activity required by federal legislation to receive FTA Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Transportation Program funding. The MAG Human Services Coordination Transportation Plan reflects emerging needs and new opportunities to benefit older adults and people with disabilities. The plan includes gap assessments and resources, prioritized strategies to best meet the needs of individuals in our region, and an update to the human services provider inventory.

Meeting the needs of the vulnerable population with available transportation resources is paramount. Exploring ways to maximize resources through coordination efforts were considered through the Section 5310 application process. MAG administers this competitive application process and programs the prioritized listing of projects, in coordination with the City of Phoenix Public Transit Department as the Designated Recipient for the region. Each year, more than 20 agencies receive capital assistance and related equipment needed to transport older adults and people with disabilities. In FY 2018, the priority listing for Section 5310 included requests for four sub-regional mobility managers, 29 vehicle requests, one equipment, four preventative maintenance, and ten New Freedom eligible requests for projects that meet or exceed the American with Disabilities Act requirements. Over $3.4 million in Section 5310 federal awards were received assisting regional nonprofits and municipalities for human services transportation programs to the vulnerable population.

A priority of increasing importance is the ability for agencies to coordinate with each other. Continued efforts to address the issue of insurance as a barrier to share agency vehicles included the development of vehicle sharing workshops for providers. Over 40 stakeholders participated in three Vehicle Discussion groups to identify challenges and share information regarding the coordination of vehicle sharing. Stakeholders and regional partners identified Passenger Service and Safety (PASS) standardized training as an asset in the collaboration of shared vehicles. Through the utilization of sub-regional mobility managers, 52 new service providers have been PASS trained, meeting federal driver training requirements. The MAG Transportation Ambassador Program (TAP) continues to be a venue for stakeholder's to receive information on regional best practices and resources for human services transportation services. MAG staff has attended and presented at human services community meetings as an opportunity to disperse information regarding TAP at community events.

Implementation of the Title VI Plan focused on the needs of vulnerable populations and was considered throughout the planning process. The Environmental Justice Title VI Program was approved by the MAG Regional Council on May 13, 2018. Training materials have been provided to the MAG division liaisons to provide a full understanding of the plan's elements. The impact of the plan is tracked throughout the year through the MAG Title VI and Environmental Justice Annual Report. This report is updated annually to ensure the full participation of all populations in regional planning activities.

The capacity of local governments is also leveraged through the MAG Protocol Evaluation Project. Implementation of this initiative has increased cost-effectiveness and the criminal justice system's response to domestic violence. The ability of the region to arrest and prosecute domestic violence offenders is more effective the first time. This results in abusers being held accountable and victims being safer, while costs associated with repeated ineffective arrests and failed prosecutions are diminished.

In FY 2018, the MAG Protocol Evaluation Project continued to assess the criminal justice system's response to domestic violence. The project's partners are diverse, including law enforcement, municipal and county prosecutors, crisis response and victim advocates, shelter providers, and elected officials.

Through this project, strategies for responding to domestic violence were refined and additional points for analysis defined. As part of the Protocol Evaluation Project, a Domestic Violence Awareness Month media outreach event was conducted in September 2017. The event focused on the deadly connection between animal abuse and domestic violence. At the event, local experts discussed the scope of the connection and best practices for investigation and successful prosecution of animal abuse and domestic violence cases, and interdisciplinary coordination and practitioner/victim relations. The event was attended by individuals representing government, law enforcement, prosecutors, and faith based, social service, and advocacy groups and more.

The MAG Continuum of Care Board and Committee on Homelessness continue to implement action steps to achieve alignment with the federal regulations in the Homeless Emergency and Rapid Transition to Housing (HEARTH) Act. This piece of federal legislation dramatically changed the structure of the Continuum of Care and the way in which the community addresses homelessness. The HEARTH Act focused on community-wide outcomes toward achieving federal goals. After several strategic planning sessions, the Continuum of Care Board approved a revised Governance Charter and Structure outlining the short and long-term responsibilities of the Continuum of Care Board, Committee, Coordinated Entry Subcommittee, Emergency Solutions Grants Subcommittee, and the Rank and Review Subcommittee.

Emphasis is placed on using Homeless Management Information System (HMIS) data to make data-driven funding decisions that prioritize effective housing solutions. The Continuum of Care Board signed an MOU with the HMIS Lead that outlined expectations and responsibilities. The HMIS Lead will provide the Continuum of Care with reports and dashboards to help the CoC Board make data-driven decisions.

Ongoing activities to assist homeless people continued with efforts such as the regional heat relief network. As the temperatures increased, efforts to provide water and relief from the heat increased as well. Every summer, hydration stations save lives. The number of heat relief network partners has more than tripled since inception of the network in 2005. Resources such as bottled water, cooling stations, and refuge are offered throughout the region as part of the network. The goal of the network is to help prevent heat-caused deaths among the homeless population through the creation of an interactive map of resources.

Regional Analytics (formerly Information Services)— As in the past years, the MAG team have been supporting the regional data and analytical needs of MAG and its member agencies. Regional Analytics implemented major two new interactive mapping, analysis, and reporting tools that highlight MAG's regional datasets. The new tools include the Transportation Improvement Program and Active Transportation Plan Viewers. These state-of-the-art applications are built on the ArcGIS Server and provide methods to MAG member agencies and the public to create custom maps and reports utilizing Census and MAG datasets. The ten online applications have been highly appreciated by MAG member agencies and are currently getting greater than 3,000 web visits per month. Numerous presentations and demonstrations showcasing the tools' capabilities were given. Working with the Arizona@Work Workforce Development Centers, greater than 60 hands-on training sessions have been held.

The Regional Analytics team was instrumental in developing the Planners and Economic Development Partnership Exchange (PEPE). Two meetings of the group were held with presentations on MAG projects and other special guests. In addition to data collection and maintenance activities, the Regional Analytics team is now presenting periodic analysis to the MAG POPTAC. Employment cluster analysis and workforce analysis were presented to a number of groups.

Providing continued analytical support for the MAG Economic Development Committee was a major task in FY 2018. This included reports and analysis on trade and border crossings between Arizona and Mexico. A series of special reports and analysis was developed on Foreign Direct Investment in Arizona. The database of all business with international ownership was enhanced with additional data sources. These data have been instrumental in the discussion on strategic foreign direct investment engagement. MAG staff started a collaborative effort working with Arizona COGs and MPOs in the development of a Statewide Employer Database. This data was completed and included into a statewide mapping application in April 2018.

Enhancements to the interactive mapping applications along with the maintenance of the existing applications was conducted in the past year. The bikeway, demographic and employment viewers were enhanced based on input from all stakeholders. These applications are highly appreciated by member agencies and public. The monthly website visits and sessions to these tools is now greater than 3,500 per month. The team led the effort for outreach to MAG member agency economic development teams and real estate groups with the goal of showcasing MAG data, analysis capabilities and tools that may be utilized for to expand our job base. An extensive program was developed to provide hands-on training for the MAG interactive mapping tools. Since 2014, greater than 900 people attended the training sessions. Collaboration with the Arizona@Work training centers ensures that training continues being offered at three locations in the region.

In 2015, MAG conducted an analysis of early education needs that resulted in extensive interest in the data and analysis capabilities at MAG. An interactive tool in collaboration with ReadOn Arizona was designed. ReadOn Arizona is a statewide agency committed to creating an effective continuum of service to improve language and literacy outcomes for Arizona's children. The MapLIT tool developed in collaboration with ReadOn Arizona was launched at a major event in August 2015. The Regional Analytics team also conducted an analysis on childcare needs and gaps in the region. The tool, partnerships, and childcare gaps analysis continue to be presented by the team at national conferences and meetings. MAG staff continues to work with the ReadOn Arizona partners to update the datasets and develop enhancements to the interactive tools and reports. In FY 2018, a number of additional datasets were added including the creation of custom scoring and cross tabulations. Additionally, in collaboration with Arizona Department of Education and ReadOn Arizona, work on the development of a new data visualization tool was started in FY 2018.

The Census Bureau conducts ongoing surveys, such as the American Community Survey, which provide additional information to complement the decennial census. MAG staff has compiled reports, maps, and database tables using these data to give member agencies additional statistics, such as income, educational attainment, and employment. Census data updates were provided to the MAG POPTAC to help members understand the various Census data products and programs available, such as the Census population estimates, American Community Survey, and the Economic Census. A workshop showcasing Census data/tools and the interactive applications developed by MAG was organized by MAG. Working with Arizona COG and MPO directors, the Arizona State Demographic Viewer continues to be enhanced, which includes the addition of data queries specific to Title VI reporting. Additionally, MAG staff have prepared summary infographic reports of key demographics for each member agency and made them available through POPTAC as well as on the MAG Data Center website.

In December 2017, the Census Bureau staff discussed preparations for forming Complete Count Committees for the 2020 Census with MAG member agencies and other regional and state agencies. MAG staff has facilitated discussions between the Census Bureau and member agencies in preparations for the 2020 Census. This effort has included hosting regional meetings on Census Programs and also for outreach efforts. MAG staff provided extensive support to member agencies on the review of update of address files as part of the Local Update of Census Address program.

MAG staff continues to support the COG/MPO UrbanSim Users Group. MAG continues to collaborate with the Mid Region Council of Governments and the San Diego Association of Governments in sharing commonly developed tools among the agencies. The MAG Socioeconomic Modeling Team has conducted a complete update of the socioeconomic modeling platform, AZ-SMART. This included enhancing the UrbanSim implementation with a parcel based real estate developer model. MAG team continues to provide technical assistance to a number of other MPO teams in their implementations.

In collaboration with staff at the San Diego Association of Governments (SANDAG) and Denver Regional Council of Governments (DRCOG), MAG staff organized its annual day-and-a-half seminar on all socioeconomic modeling methods of importance to COGs and MPOs. For the first time this was held in Denver, CO. Topics included discussions scenario planning and evaluation tools, experience with UrbanSim 2.0 platform, regional econometric modeling, and data dissemination and visualization tools. MAG staff also continues to organize webinars attended by socioeconomic modeling staff from COGs and MPOs. These online meetings provide an opportunity for information sharing with discussion of current projects and recent advances.

Another activity under the auspices of the Regional Analytics Division is the Maricopa Association of Governments Information Center (MAGIC). GIS services and analytics services were provided to the Opportunity for Youth Initiative and El Dorado Holdings Inc. through the MAGIC program.

MAG provided aerial imagery to MAG member agencies to assist them in their planning activities. MAG has been providing annual updates to MAG member agencies for ten years to enable the agencies to review and analyze growth in the MAG region.

Information Technology—In FY 2018, the Information Technology Division continued its primary mission of supporting the MAG planning process. This included the provision and support of equipment and software, custom application and database design, teleconferencing and event support; as well as reviews of proposals and consultant work products for other divisions. MAG staff also supported collaborative projects with MAG's member and partnering agencies. These projects included:

- In FY 2018, MAG was able to use existing agency fiber connections in combination with new wireless to add Apache Junction. This expansion of RCN allowed Maricopa Region 9-1-1 to have an additional, diverse path into their supporting Public Safety Answering Points and provides a future regional path for the Apache Junction Traffic Management System.

- The RCN Program Manager upgraded links to 40 GB Ethernet at the core ring and 10 GB Ethernet to outlying agencies where feasible.

- Information Technology worked with the Human Resources, Regional Analytics and Fiscal Services Divisions as well as Pima Association of Governments to provide a Joint COG/MPO Staff Meeting. This meeting resulted in a significant exchange of ideas and best practices.

- Provided development support for multiple Transportation websites. These websites disseminated traffic performance information, project cost information, safety information, and historical study information. Provided development resources for website to facilitate street sweeper call for projects.

- Completed several electronic surveys in support of MAG activities.

- Continued to support and enhance the survey tracking system for the Maricopa County Trip Reduction Program.

- Created custom modules and tools to enhance the MAG website

MAG continued to support users of the Regional Community Network through direct network support and the support of critical applications like Luxriot VMS and videoconferencing. This included assisting agencies in the installation and troubleshooting of hardware and software issues and testing of agency fiber. MAG staff also worked with agencies to identify potential opportunities for expansion via fiber and wireless.

MAG continued to expand use of its e-mail subscription service, GovDelivery, to keep members and the public abreast of developments at MAG. The system generated 278 notifications to 314,555 recipients in the fiscal year ending June 30, 2018. The system is used for everything from delivering committee documents to public outreach. MAG has also used the system to reduce its environmental footprint through a reduction in paper mailings.

Finally, Information Technology promoted the sharing of information between agency Information Technology departments through the Technology Advisory Group. The primary focus of the committee has been discussing methods on attracting and retaining Information Technology talent. The committee has overseen the design and creation of a valley wide government IT employment website. Other topics of discussion included smart city initiatives, business continuity and the traffic data collection.

Transportation Planning—During FY 2018, MAG transportation planning efforts continued to address the key elements of the urban transportation planning process, including: (1) long-range system planning, (2) project programming and implementation, (3) safety, operations and performance assessment, and (4) travel forecasting and analysis. Planning activities covered a broad range of transportation modes and programs, including freeways and highways, arterial streets, mass transit, bicycles and pedestrians, safety, intelligent transportation systems (ITS), freight and goods movement, and performance monitoring. These planning efforts included consultation with federal, state, tribal, and environmental and resource agencies, as well as extensive public outreach and involvement. A state-of-the-practice travel demand model was maintained to support the analytical needs of the planning process.

FY 2018 planning activities included: (1) preparing updates and amendments to the Transportation Improvement Program (TIP) and the Regional Transportation Plan (RTP), (2) developing long-range, transportation modal, area and regional studies, (3) coordinating with the Arizona Department of Transportation (ADOT), Valley Metro, and MAG members on environmental/design concept studies, construction program funding, cash flow management, and long-range modal planning, (4) providing transportation planning support to MAG member agencies for programs such as bicycle and pedestrian design assistance, safety programs, traffic signal optimization, regional ITS architecture, and traffic forecasting, (5) complying with federally required transportation system performance measures and targets, in coordination with MAG member agencies, ADOT, transit providers, Valley Metro, and the Federal Highway Administration, and (6) leading the project data collection effort among MAG member agencies, the Central Arizona Governments (CAG), and the Sun Corridor Metropolitan Planning Organization (SCMPO) for air quality conformity analysis.

Transportation Improvement Program (TIP) and Regional Transportation Plan (RTP): During FY 2018, MAG coordinated closely with Central Arizona Governments (CAG) and the Sun Corridor Metropolitan Planning Organization (SCMPO) to conduct required transportation air quality conformity analyses and public involvement. This resulted in the conformity approval of the 2040 MAG RTP, and FY 2018-2022 MAG TIP by the U.S. Department of Transportation, as well as approval of project updates and modifications located in the Pinal County nonattainment areas, allowing highway projects to continue.

During FY 2018, amendments were prepared, including new project information to amend the MAG FY 2018-2022 TIP and 2040 MAG RTP on eight occasions, to expedite project implementation and maximize the use of available funding. This included amendments to the TIP and RTP to incorporate revised opening dates for several transit and highway projects, and revised transportation modeling networks twice during FY 2018. The 2040 RTP was amended September 27, 2017, to reflect I-11 and SR-30 major amendments, freeway program rebalancing, and the I-10/I-17 “Spine Study”.

Preparations continue for the next update of the RTP, also known as “Imagine”. In addition to technical studies intended to inform potential long-range multimodal transportation investments, a key focus in FY 2018 was initiating public and stakeholder engagement activities. The results of this “values mapping” will inform the RTP’s goals and objectives, as well as future transportation investment priorities and strategies.

MAG programmed FY 2018 Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds for PM-10 certified street sweepers. MAG also programmed FY 2021 and 2022 Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds for PM-10 and PM-2.5 Paving of unpaved road projects, and Bicycle and Pedestrian projects. Additional programming for FY 2021 and 2022 federal Transportation Alternatives funding for Bicycle, Pedestrian, and Safe Routes to School was completed. The MAG sub-allocated federal Surface Transportation Block Grant Program for Arterial Bridge Projects in Pinal County was fully programmed for FY 2021 and 2022. Total programming activities for the MAG region was just over $42.8 million of Federal Highway Administration funding. Utilizing Federal Transit Administration funding, the MAG region developed and approved on June 27, 2018, the Section 5307 transit program of projects for FY 2018 for both the Avondale-Goodyear and Phoenix-Mesa urbanized areas totaling over $52.3 million. All other Federal Transit Administration Grants were also developed and received concurred.

The Transportation Project Information RoadRunner Database, which tracks TIP and RTP data, was fully utilized in the programming process and the database continues to be upgraded. The MAG Transportation Improvement Program interactive map viewer was launched April 13, 2018. The MAG TIP viewer provides the user the ability to explore the transportation improvement program projects in the region with a link to the TIP data, mapping, and expected implementation dates.

Multimodal Transportation Studies: In FY 2018, MAG initiated its first regional Active Transportation Plan. The plan will focus on creating a happier, healthier region by improving the bicycle and pedestrian network, connections to transit and open space, and investments that can spark economic development and improve safety. In partnership with the City of Phoenix, MAG continued its work related to multimodal level of service, facilitating an assessment to the City of Phoenix 3rd and 5th avenues to identify solutions to mobility gaps and enhance safety and livability along these corridors. In addition to completing previously-awarded Design Assistance projects, eight new Design Assistance projects were funded in FY 2018 as well as four Bicycle and Pedestrian Master Plans and first-time updates.

Transit planning in FY 2018 included updates to two important studies: the Regional Transit Framework Study and the Regional Commuter Rail System Study. Work continued on the Regional Transit Framework which will provide a technical framework for guiding future high capacity transit investments and decisions, including potential expansion of the light rail network and implementation of a new mode: bus rapid transit. The Regional Transit Framework Study will also fold-in the results of the updated Commuter Rail System Study that was completed in FY 2018. This update included new regional socioeconomic forecasts as well as revised commuter rail ridership, capital and operating cost estimates. These results will inform discussions on whether commuter rail should be considered in future programs.

During FY 2018, the MAG Freight Transportation Plan was completed. The goal of the plan was to identify a freight network for the MAG region and to identify and approve 60 lane-miles of Critical Urban Freight Corridors. The plan conducted a detailed commodity flow analysis, transportation network analysis, and conducted extensive stakeholder outreach throughout the region. An interactive online freight comment map was development as part of this project and the SMARTMOVES website launched.

In FY 2018 MAG initiated the SR-101L Northwest Area Intersection Traffic Analysis study. The study is a joint effort between MAG, ADOT, City of Glendale, City of Peoria, and the Maricopa Department of Transportation to establish area capacity and operations for traffic in the northwest valley, centered around the Loop 101 (Agua Fria). The study will look at traffic interchanges along SR-101L between Thunderbird Road and 67th Avenue, review capacity at intersections on Bell Road between 92nd and 59th avenues, and assess the potential need for a new freeway interchange at Greenway Road.

Programming and Implementation: In FY 2018, MAG continued to fulfill its statutory role in the implementation of Proposition 400. MAG directly manages the Arterial Life Cycle Program and coordinates closely with the Arizona Department of Transportation on the Freeway Life Cycle Program and Valley Metro on the Transit Life Cycle Program. MAG is required to prepare an annual report on the status of projects funded by the half-cent sales tax for transportation through Proposition 400. The 2017 Annual Report on the Status of the Implementation of Proposition 400 was completed and a public hearing was held on the report findings on November 14, 2017.

The FY 2018 Arterial Life Cycle Program (ALCP) was approved by the MAG Regional Council on June 28, 2017, and subsequently amended seven times throughout FY 2018. MAG worked with member agencies on the 52 projects under development during the fiscal year, twelve of which were open to traffic by July 1, 2018. Additionally, reimbursements totaling $67.8 million were distributed to member agencies for their projects. The FY 2019 Arterial Life Cycle Program was approved by the MAG Regional Council on June 27, 2018.

On September 27, 2017, the MAG Regional Council approved a series of changes to the Freeway Life Cycle Program. The changes included the addition of new projects into the program as well as the acceleration in the delivery of existing projects. MAG continued to provide assistance to the Arizona Department of Transportation and Federal Highway Administration with the construction of the Loop 202 (South Mountain Freeway). MAG also continued to coordinate with the Arizona Department of Transportation on planning-level efforts to assist in the development and delivery of the program; those efforts are elaborated as part of the Multimodal Transportation Studies section of the document.

In FY 2018, MAG continued to support Valley Metro RPTA with the delivery of the Transit Life Cycle Program. MAG coordinated with regional partners to update transit information in the regional travel demand model and generate updates to the Transportation Improvement Program and Regional Transportation Plan, including changes to the Tempe Streetcar project and the West Phoenix/Central Glendale light rail extension. In FY 2018, MAG, Arizona Department of Transportation and providers of public transit executed a charter to outline, as required by 23 CFR 450.314, provisions for cooperatively sharing and report of data related to performance measurement and processes for coordinated target setting.

Intelligent Transportation Systems (ITS) and Traffic Operations Planning: A key accomplishment in FY 2018 was the completion of the MAG Systems Management and Operations Plan. This 24-month study developed a ten year plan that guides the region in making strategic investments in ITS technology infrastructure and critical operational activities.

The third year of the three-year pilot project, jointly funded by ADOT and MAG, that co-located Department of Public Safety troopers at the ADOT Freeway Traffic Operations Center (TOC) was successfully completed during FY 2018. Because of the continued verification of benefits from the project, ADOT has decided to permanently fund the project.

Eleven traffic signal optimization projects were successfully completed, providing technical assistance to eight local agencies, ADOT, MCDOT, and Pinal County. Three of these projects were also subject to a before-and-after evaluation of signal system performance. All agencies were provided technical assistance by MAG during the implementation of new signal timing. All 11 projects resulted in full implementation of new signal timing. A three-day workshop on SYNCHRO, a traffic signal timing software, was organized and successfully held.

The second phase of the I-10 Integrated Corridor Management (ICM) Planning Study from Loop 101 (Agua Fria Freeway) to Loop 202 (Santan Freeway), funded by a federal grant, was underway to develop foundational plans for institutional, multi-agency collaboration and integration of operational decision-making with existing infrastructure that benefit the travelers of the corridor. The Study will continue through the first half of FY 2019. The first phase of this project developed a Systems Engineering Management Plan and a Project Management Plan for the corridor.

Transportation Safety Planning: A key accomplishment during FY 2018 was the development of Version 2.1 of the Regional Transportation Safety Information Management System (RTSIMS) software. A total of twelve local agencies and ADOT have begun using this online software for crash data analysis. The RTSIMS software is being extensively used at MAG and has enabled MAG to pursue data-driven approaches to road safety planning.

Another activity in the area of road safety planning involved holding three regional workshops to provide basic safety training of school crossing guards, prior to the start of the 2017/2018 academic year. A total of nearly 400 school crossing guards were provided with basic road safety training.

A Systemic Strategy to Mitigate Intersection Left-Turn Crashes was completed in FY 2018. The study screened left-turn crashes at all signalized intersections, identified a list of candidate locations for improvements and provided a template and guidance document to guide local agency analysis and considerations of other potential safety improvements related to left-turn crashes.

Technical assistance was provided to five MAG member agencies and ADOT by conducting a total of seven comprehensive Road Safety Assessments (RSAs) at intersections with high crash risk. In addition, two Project Assessments developed the required engineering design documents and Highway Safety Improvement Program federal aid funding request applications. Funding for 17 locations for providing better sight visibility for opposing left-turn lanes by making minor median modifications, as well as 14 locations for implementing pedestrian signalized crossings, have successfully completed for federal aid funding.

Qualifying Safe Routes to School (SRTS) non-infrastructure projects utilizing federal Transportation Alternatives Program funds were identified through the TIP call for projects and programmed in the years FY 2021, and FY 2022. In addition, nine SRTS Studies were administered utilizing MAG on-call consultant contracts. This was the first cycle of studies to be administered by MAG identifying key action items for school districts, schools, and local agencies to improve safety and encourage more walking and biking to school for K-8 children.

System Performance Monitoring and Assessment: During FY 2018, the FHWA and FTA issued seven Performance Management Final Rules as part of 23 CFR Part 490, required by MAP-21 and the FAST Act. Among the structural components of the rules are the establishment of performance targets for every measure at the State and MPO level and corresponding reporting requirements. MAG continued the coordination efforts with ADOT, and transit providers determining baseline data and setting performance targets as required. During FY 2018 MAG technical and policy committees recommended proposed measures and targets, which were subsequently approved unanimously by the MAG Regional Council.

Also during FY 2018, MAG successfully underwent the second iteration of the 12 month review of the Regional Transportation Plan (RTP) state-mandated Performance Audit by the Arizona Auditor General consultants. The audit examined practices, expenditures and programs implemented by MAG, Valley Metro and ADOT during the five-year period covering FY 2011 through FY 2015, as well as planned activities for FY 2016 through FY 2020. The audit report review concluded that MAG completed implementing audit recommendations.

In compliance with the final Planning rule, MAG continued to monitor and assess performance metrics linked to the RTP's goals and objectives in connection with the implementation of Proposition 400 projects. MAG continued to add content and analysis to web-based products: the MAGnitude Dashboard and the RTP Project Cards. The federal funds programming process, as well as the Arterial Life Cycle project change process, also continued to be informed by performance data and analysis. MAG Modal Committees continued the implementation of performance based programming tools featuring quantitative and qualitative criteria.

Travel Demand Modeling: State-of-the-practice regional transportation models require large data sets for model development and update. During FY 2018, MAG successfully completed regional travel survey projects, including household and establishment travel surveys. Results of the surveys and detailed reports are available on the MAG website. A number of commercial data purchases necessary for the models development and system analysis were completed as well, including truck GPS data and bicycle data. MAG has initiated a region-wide traffic data collections in FY 2018 that include speed data acquisitions and traffic counts. Another major effort that started in the same fiscal year is Regional Special Events Survey. Both these efforts are proceeding in collaboration with involved MAG member agencies and will continue in FY 2019.

In FY 2018, MAG continued to maintain and further develop the regional transportation forecasting models, to ensure that the models represents state-of-the-practice and capitalize on the latest advances in the field. Completed in FY 2018-2018, regional surveys and data acquisitions provided information for a major model update and recalibration that is being done in coordination with socio-economic projections update. The recalibration and update tasks are currently in progress. This work constitutes a part of the regular model update cycle and will continue in FY 2019.

MAG successfully conducted transportation modeling for the air quality conformity analyses and the Regional Transportation Plan and Transportation Improvement Program updates. MAG provided extensive technical support for MAG member-agencies and completed analytical, data and forecasting request from MAG member-agencies.

For Fiscal Year 2019

Communication—In Fiscal Year 2019, the MAG Communication Division will continue to work on many similar efforts as FY 2018.

A new effort in FY 2019 will be the finalization of the new MAG Public Participation Plan. MAG will seek public input for this update to identify the best means of garnering public input into MAG plans and programs. The MAG public involvement staff will continue to provide communication and public involvement support for the implementation of the Transportation Improvement Program and Regional

Transportation Plan. Public involvement activities will include seeking input through public meetings or hearings, as well as numerous special events and small and large group presentations. Feedback from this outreach will be provided quarterly to policymakers for consideration in the development of MAG transportation plans.

MAG will continue oversight of the *Don't Trash Arizona* litter prevention and education program, including ongoing implementation of the *Arizona Is Our Home* campaign.

Communication staff will continue to make improvements as necessary to its redesigned website, including a redesign of the Newsroom section. MAG will be moving from a printed and electronic newsletter format to a new "live article" blog format to provide updates on its activities. In addition, the division will provide communication support for MAG divisions and member agencies. This could include providing talking points, background, editorials, PowerPoint presentations, and other materials to assist local elected officials and member agency staff in communicating comfortably and confidently about MAG plans and programs.

Efforts to reach Title VI communities will continue with the ongoing implementation of the Title VI and Environmental Justice Program, in cooperation with the MAG Human Services Division. The Community Outreach Specialist will provide targeted outreach to minority, low-income and disability communities.

Through the use of video production equipment and facilities, MAG will continue its Video Outreach Program to help inform Valley residents of MAG's role and responsibilities in the region and to encourage public participation.

Video segments produced by MAG are aired on city cable channels, websites, social media and other venues in order to reach the broadest possible community.

The division will continue to provide communication and graphics support for all MAG divisions, including working with the Transportation Division in public involvement activities; assisting the Environmental Division in dust and ozone pollution outreach and education; providing assistance to the Human Services Division with special activities, such as the creation of a new Age Friendly Arizona website; and providing media relations and public communication support related to current issues for the agency and its member agencies.

As a means of highlighting the importance of regional collaboration, MAG will host its biennial *Passing of the Gavel* ceremony in June.

MAG Economic Development— In Fiscal Year 2019, MAG will continue its outreach to both Canada and Mexico. With 21,000 Canadian owned properties in the Phoenix Metro and 300 Canadian-owned businesses, there will be a focus on building relationships with Canada. MAG staff will continue to engage in conversations with the CABC, member agencies' economic development staff and other Canada-related stakeholders to further collaborate on advancing relationships with Canada and create more economic development opportunities.

MAG also will continue its Mexico initiatives, including the Ari-Son Megaregion, an effort to build a globally competitive "megaregion." The Ari-Son Megaregion Council was formally recognized as an affiliate group of the League of Arizona Cities and Towns at its annual conference in August 2016. MAG staff will continue to work collaboratively with local government elected officials in Sonora as well as representatives from Sonora's Secretary of the Economy and Sonora Arizona Commission to invite elected officials, economic development directors located in Arizona and Sonora to the annual League conference. In addition, MAG staff will also work with the Arizona Mexico Commission on identifying potentially collaborate efforts.

In FY 2019, MAG will continue to host delegations from Mexico and Canada, including, but not limited to, representatives from universities and businesses interested in specific industry sectors. MAG will continue to work with the League of Arizona Cities and Towns to coordinate Ari-Son meeting events focused on international economic development opportunities, and continue to collaborate with state level agencies in Sonora and Arizona to expand relationships and economic development opportunities. MAG will also work on coordinating a delegation trip to Mexico City.

In FY 2019, MAG will work with the City of Montreal to organize a delegation from Montreal to the MAG region. In addition, MAG will work with other agencies to coordinate a delegation trip to Calgary, Canada for MAG member agencies and business leaders.

MAG will also continue to support the Metro Phoenix Export Alliance, the Greater Phoenix Economic Council with its FDI initiative through data analytics and research, and the International Leadership Council.

MAG will continue to work with the Arizona Commerce Authority and its program, Rev AZ, on a Regional Export Tech program for the MAG region.

MAG may continue its efforts on extending the border zone to the entire State of Arizona. This could include continuing to work with Capitol Strategies on either a rulemaking or legislative change, as well as confirming support from other state agencies and chambers.

MAG will continue to work in collaboration with the Arizona Commerce Authority to assemble a research group meeting with research analysts from state and regional agencies that impact economic development. The meetings will focus on better coordinating the research and data collection among the different organizations and also understating the needs of the state and region.

MAG will continue to work through the Joint Planning Advisory Council to coordinate efforts in the Sun Corridor. Topics of interest for JPAC could include education and workforce, securing long-term dedicated transportation funding, and preparing for innovative technology.

MAG will continue the Sun Corridor EDGE program to recognize businesses that are exporting through the Sun Corridor Export program. MAG will launch the third year of the Sun Corridor Export Program, funded with a grant from the Federal Highway Administration. The grant will support providing technical assistance to the local and regional companies with strategies for enhancing exporting in Maricopa, Pima and Pinal Counties.

MAG will continue membership in the Transportation and Trade Corridor Alliance (TTCA) and will assist the TTCA by conducting research on foreign direct investment (FDI) in the state of Arizona and on best practices of metropolitan FDI strategic plans. The purpose of the initiative is to create a framework that connects FDI efforts between agencies at all levels.

MAG will continue to support the Arizona District Export Council efforts and work cooperatively to stimulate economic growth through exports and trade.

MAG will continue to work with the Intermountain West Metropolitan Planning Organizations (MPOs) to foster communication and coordinate planning efforts among MPOs serving as Transportation Management Areas within the Intermountain West region of the United States.

Environmental Planning—On September 12, 2016, the U.S. Ninth Circuit Court of Appeals issued a ruling in the lawsuit filed by the Arizona Center for Law in the Public Interest to challenge the Environmental Protection Agency approval of the MAG 2012 Five Percent Plan for PM-10. While the Ninth Circuit Court upheld most of the plan approval, the contingency measures were remanded back to EPA for further consideration, since they had been implemented early. The Court held that contingency measures cannot be implemented early under the plain language of the Clean Air Act. The Ninth Circuit Court ruling directly conflicts with the Fifth Circuit ruling in 2004 that upheld early implementation of contingency measures. It has been EPA's policy to allow for early implementation for over 20 years. The implications of the Court ruling will be closely monitored.

In addition, MAG will continue to closely coordinate with the Maricopa County Air Quality Department in the preparation of emissions for several source categories for the 2017 Periodic Emissions Inventory for PM-10 and the 2017 Periodic Emissions Inventory for Ozone. Technical assistance will be provided to the Arizona Department of Environmental Quality for the preparation of the required documentation for PM-10 and ozone exceptional event days. On a parallel track, the aggressive activities to prevent PM-10 exceedances at the monitors and throughout the region will be continued. Efforts will continue on the implementation of the measures in the MAG 2012 Five Percent Plan for PM-10 as the region strives to maintain the standard as measured by the air quality monitors. In addition, the inventory of dirt roads will be updated annually with the paving of unpaved road projects from the Congestion Mitigation and Air Quality Improvement Program Annual Report. On June 4, 2018, EPA published a final rule to establish the ozone area designations for the 2015 ozone standard of 0.070 parts per million. Effective August 3, 2018, the Maricopa nonattainment area was designated as a Marginal Area. The planning effort will be initiated to prepare a Marginal Area Plan.

The Environmental Division will also prepare the conformity analysis for the Regional Transportation Plan and Transportation Improvement Program to ensure that transportation activities do not contribute to air quality violations. To assist the Sun Corridor Metropolitan Planning Organization, MAG will also prepare the conformity analysis for the PM-10 and PM-2.5 nonattainment areas in Pinal County. In addition, MAG will coordinate with the Pinal County Air Quality Control District and Arizona Department of Environmental Quality to prevent PM-10 exceedances at the Hidden Valley monitor and monitors throughout the region in order to obtain the clean data necessary for attainment of the standard.

In Water Quality Management Planning, technical assistance will be provided to the member agencies for amendments to the MAG 208 Water Quality Management Plan, as well as small plant review and approvals in order to accommodate the wastewater planning needs of the region. The Streamlined MAG 208 Water Quality Management Planning Process will be implemented, closely tracked and evaluated. The goal of this effort is to make the process more efficient and the region more globally competitive. In Solid Waste Management Planning, information will be collected on the implementation of new solid waste projects and programs based on the Solid Waste Best Practices in the MAG Region 2017 Update Report. In addition, regional solid waste management data will be updated.

Human Services Planning—In fiscal year 2019, efforts will focus on promoting the elements of a healthy community. This will be accomplished by providing technical assistance to the cities and town on implementing elements of a healthy community. Hosting a human services conference will bring together local and national leaders. The outcome will promote a better understanding of the opportunities to strengthen the region for all people.

Human Services Transportation staff will continue to outreach to regional stakeholders providing human services transportation resource information to their communities. The utilization of sub-regional mobility managers increases MAG's outreach efforts for connectivity to its regional communities and outlying areas. Continued coordination with nonprofit agencies and Valley Metro ensures the utilization of the human services provider inventory web page is benefiting the region and continues to be updated on an annual basis. Collaborative efforts with the City of Phoenix will continue to ensure that regional agencies are meeting federal compliancy and grant requirements. This also includes continued coordinated efforts with ADOT for the rural and small urban areas in the region. Human Services Transportation staff also will work with agencies with outstanding grants under ADOT's Section 5310 awards in order to comply with federal requirements.

Brown bag trainings for regional stakeholders based on results from the Human Services Transportation Training survey will continue to offer regional stakeholder transportation resources. Topics identified from stakeholder input included driver retention, ADA compliancy workshops, and travel training. Exploring travel training on public transit as a transportation option for consumers utilizes resources that are available and in place. These coordination efforts help to ensure that regional human services transportation stakeholders will have access to coordinated safety training and transportation resources options for the most vulnerable in the community.

Staff will continue to attend and present at human services community meetings, which will include outreach to new representatives of MAG member agencies. Staff will continue to increase the utilization of sub-regional mobility managers within the region by having them lead the discussion and assist in the planning of training and insurance workgroups. They are supported as community liaisons to increase the opportunity for more nonprofit agencies to participate in regional collaborative efforts. The next MAG Human Services Coordination Transportation Plan in development will continue build upon implementation strategies in place to ensure regional coordination efforts keep moving forward.

Domestic Violence—In FY 2019, with continued support from 30 primary partners, the MAG Protocol Evaluation Project will provide technical assistance to enhance the criminal justice system's response to domestic violence.

Staff will continue to track the progress of the strategies contained in the Regional Plan to End Domestic Violence, which will frame changes to the way the region responds to domestic violence. Staff will continue to update the Regional Misdemeanor Protocol Model according to best practices for investigation and arrest as well as coordinate presentations of innovative and best practices to the MAG Regional Domestic Violence Council. Staff will coordinate activities with community partners to maximize the region's capacity to address domestic violence.

Homelessness—The MAG Continuum of Care Board and Committee on Homelessness will continue implementation of the revised Governance Charter and Regional Plan to End Homelessness. In 2018, the MAG Continuum of Care Committee created a Regional Plan to End Homeless that included specific action steps for singles, families, youth and the system. The Board will oversee and monitor progress on the Regional Plan to End Homelessness, which encompasses the guiding principles for strategies toward ending homelessness. The Continuum of Care Board will continue to implement and expand the Regional Coordinated Entry System. The Continuum of Care Board approved continued participation in the national Built for Zero Initiative aimed at ending chronic and veteran homelessness for individuals and families.

The Continuum of Care Board will continue to assess the performance of HUD Continuum of Care funded programs and work with agencies to reallocate program funding when necessary. In 2018, the Board proactively reallocated a poor performing project to a new project that meets their funding priority of rapid rehousing for families and youth. The Continuum of Care Board approved a revised performance evaluation process and evaluation tool that is part of the annual Notice of Funding Availability application process.

MAG staff will oversee the annual Point-in-Time homeless count in January 2019 to determine the number of homeless people in shelters and on the streets. A brief revised survey will be conducted among the homeless on the street to provide additional information about the characteristics of the individuals and families living on the streets. Use of the Point-in-Time mobile application, piloted in 2018, will be expanded. Staff will also complete a housing inventory analysis and gaps analysis to understand the homeless housing inventory that is available in the region and the gaps that exist.

Regional Analytics (formerly Information Services)—MAG implemented online mapping and reporting tools for land use, major landmarks, and demographic and employment data in the MAG region. MAG staff will continue to work on enhancing these tools based on input received from users. Additional mapping and reporting tools supporting regional data analysis and dissemination will be developed. Additionally, MAG will enhance the MAG Data Center with particular emphasis on data maintained by Regional Analytics. These tools will provide easy access to demographic, economic, and regional land use data and analyses for planners, decision makers, and the general public. Developing these cutting edge tools will be an important component of making MAG information useful to the greater community. The MAG Regional Analytics Division working with other MAG teams will continue to develop partnerships with economic development agencies in the region and State. This includes providing datasets, custom analytics, and tools to member agencies and economic development agencies.

MAG will continue to organize an annual day-and-a-half seminar on all socioeconomic modeling methods of importance to COGs and MPOs. This seminar has discussed the pros and cons of numerous socioeconomic models, data collection techniques, and geographic analyses.

Future enhancements of the AZ-SMART framework include additional reporting and analysis tools. Regional Analytics will evaluate developing AZ-SMART scenario analysis tools, along with enhanced real estate development, business location choice, and other detailed business and household characteristics in order to support socioeconomic, transportation, and air quality modeling activities for the MAG region and for statewide planning initiatives.

MAG will continue to support its member agencies and the general public with information on census products, including the American Community Survey, and other products, to ensure that member agencies have the information needed to make informed decisions. MAG will continue to develop reports and analyses, including community profiles and maps based on the census data. MAG staff will also continue to inform member agencies of data available from the U.S. Census Bureau as well as assist with data analysis needs as they arise. MAG will also host workshops for MAG member agency staff to provide analysis and expert training on utilizing census and other socioeconomic data. Coordinating with MAG member agencies and the State Demographers Office, the MAG team will complete the technical analysis of enhancements to the population estimates process. This will include evaluation of data that may need to be purchased from commercial sources or collected from public/private entities.

Working with the U.S. Census Bureau and MAG member agencies, the MAG team will continue providing support for the 2020 Census. This will include development of geography files in coordination with member agencies, maintaining housing address files, and developing partnerships for outreach.

MAG will provide planners and economic development staff from all member agencies with the opportunity to present to and/or network with peers in other member agencies, through coordination and participation in the MAG Population Technical Advisory Committee, MAG Planners and Economic Development Partnership Exchange, and/or other forums as appropriate. This will ensure that every member agency is aware of the potential impacts to its agency as well as to the MAG region.

The MAG Information Center (MAGIC) also will continue its major projects. MAGIC will continue to work with member agencies and other public and private entities as needed in developing geographic information system datasets and applications that support mapping and analysis.

Information Technology—In FY 2019, the Information Technology Division will continue its primary mission of supporting the MAG planning process. This includes the provision and support of equipment and software, custom application and database design, teleconferencing and event support; as well as reviews of proposals and consultant work products for other divisions. MAG staff will also support collaborative projects with MAG's member and partnering agencies. These projects include:

- Expanding the Regional Community Network to additional agencies and promoting the inclusion of Regional Community Network connectivity in conjunction with agency fiber projects and continued use of wireless options as an interim solution.

- Continuing development support for focused economic and community development websites.

- Providing development and database support for internal project management sites for transportation.

Transportation Planning—During FY 2019, MAG's transportation planning activities will continue to address the full range of planning functions, including long-range transportation planning, transportation modal and area studies, transportation project programming and implementation, system operations planning and performance monitoring, and travel forecasting and analysis. In addition, plan implementation efforts will continue through close coordination with ADOT, Valley Metro, MAG members, and other local and federal agencies. An important focus during FY 2019 will be background studies for updating of the Regional Transportation Plan, in preparation for possible future elections on regional transportation funding sources. In addition, the MAG 2040 Regional Transportation Plan and FY 2018 - 2022 MAG Transportation Improvement Program will be amended, as necessary.

Transportation Improvement Program and Regional Transportation Plan: The Transportation Improvement Program (TIP) and the Regional Transportation Plan (RTP) will be amended as necessary to ensure that projects are accurately reported and implementation proceeds expeditiously. Programming for FY 2019 PM-10 certified street sweepers is underway. MAG developed an online web-based application for the FY 2019 PM-10 certified street sweepers application process. If successful, MAG will continue to expand the online application process for the FY 2023-2024 PM-10 and PM-2.5 paving of unpaved roads, FY 2023-2024 Pinal County Arterial-Bridge, FY 2023-2024 Bicycle, Pedestrian, and Safe Routes to School project and program areas utilizing Federal Highway Administration Sub-allocated funding in upcoming Call For Projects anticipated in calendar year July/August of 2019. The MAG region developed and released for public comment the working draft Avondale-Goodyear and Phoenix-Mesa urbanized areas program of projects for FY 2019. MAG will continue to update and seek approval for the final FY 2019 program of projects at the June 2019 meetings. Estimates anticipate that over $57.3 million of federal transit administration funding will be included. All other Federal Transit Administration Grants are anticipated for development and concurrence after the beginning of the next federal fiscal year.

Also during FY 2019, programming efforts will center on updating the programming criteria for construction projects in FY 2023-2024 for inclusion in the Draft FY 2020-2024 TIP. An anticipated approval of the new TIP is January 2020. Programming efforts that integrate FAST Act performance measures and current congestion management processes will be included.

MAG staff will continue to coordinate project data collection with MAG member agencies, the Central Arizona Governments (CAG), and the Sun Corridor Metropolitan Planning Organization (SCMPO), to ensure successful air quality conformity analyses and transportation planning activities.

The MAG FY 2019 Programming Guidebook was updated and was published in August 2018. The Guidebook includes revised sub-allocated funding levels and schedule updates. MAG issued a "call-for-projects" utilizing Congestion Mitigation and Air Quality (CMAQ) Improvement Program funding for PM-10 certified street sweepers for FY 2019 on July 26, 2018.

Maintaining the management system for data and mapping will be ongoing and includes providing updates as needed on the interface of the TIP RoadRunner Database to include enhanced project tracking procedures and expanded view and sort capabilities.

During FY 2019, planning efforts will continue for the next update of the RTP, also known as "*Imagine*". A central focus will be on various technical work and assessments to inform potential future needs, as well as continued public and stakeholder engagement.

Multimodal Transportation Studies: During FY 2019, MAG will initiate an Arterial and Bridge Needs Assessment. This project will evaluate existing and near-term projects on arterial roadways (e.g. mile-grid arterials) throughout the MAG planning area. It will detail the status of arterial roads and bridges and provide a dynamic resource for answering complex questions pertaining to the needs of the region.

Work will continue on MAG's Regional Active Transportation Plan to address bicycle and pedestrian planning in the region with an emphasis on quality of life factors, safety and economic development. The results will serve as a guide for improving, expanding and connecting the region's active transportation network. MAG staff will continue with project oversight of existing projects in the MAG Pedestrian and Bicycle Design Assistance Program. In addition to continued work on previous-awarded Design Assistance projects and Bicycle and Pedestrian Master Plans, work on seven FY 2019-awarded Design Assistance projects will commence. Finally, a significant update to the online, interactive Recreation and Destination map viewer that details bikeways and transit will be facilitated as will an update to MAG's popular fold-out Bikeways map that will be published and printed.

MAG's Regional Transit Framework Study Update is anticipated to be completed in FY 2019. The results of this study will inform discussions regarding future high capacity transit investments, including light rail expansion as well as the potential for implementing a new mode: bus rapid transit. Coordination with Valley Metro and member agencies on corridor studies and transit planning will also continue in FY 2019.

The next phase of the freight planning work will initiate in FY 2019 with the launching of subarea project assessments as identified in the MAG Freight Transportation Plan, completed in FY 2018. In FY 2019, a Truck Parking Study will be initiated by MAG to evaluate truck parking supply and demand with a specific emphasis on the industrial clusters in the MAG region. In addition, this study will provide MAG member agencies with a better understanding of the impact of the U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) mandated "hours of service" (HOS) regulations has had on regional truck parking trends and the logistics market in the MAG region.

Two scoping and Planning and Environmental Linkages (PEL) Statement projects will initiate in FY 2019. The first will be for the future freeway corridor SR-30/Tres Rios between SR-202L/South Mountain and I-17/Black Canyon in Phoenix will identify a recommended corridor for the location of the future freeway.

The second is to study the expansion of SR-347 between SR-235 and I-10/Maricopa. Additionally, a transportation study focused on detailing the local transportation network and addressing drainage issues in the Laveen community, will be initiated in FY 2019.

Programming and Implementation: In FY 2019, MAG will continue to fulfill its statutory role in the implementation of Proposition 400. MAG directly manages the Arterial Life Cycle Program and coordinates closely with the Arizona Department of Transportation on the Freeway Life Cycle Program and Valley Metro on the Transit Life Cycle Program. MAG will prepare the required annual report on the status of projects funded by the half-cent sales tax for transportation through Proposition 400.

MAG will continue to implement the Arterial Life Cycle Program, including refinement of program schedules, updates to the network model, execution of intergovernmental agreements, updates to project information, and review and approval of reimbursement requests. MAG will also work with the City of Scottsdale on efforts related to their November 2018 ballot initiative to increase local transportation sales tax funding for matching funds. MAG's FY 2019 activities will also include working with agencies to continue on-going assessments of their projects programmed through the end of the program.

MAG will work with the Arizona Department of Transportation to address cost increases in the Freeway Life Cycle Program. Program documents and processes will also be reviewed and updated. Other work that will be initiated in FY 2019 includes a traffic interchange assessment of SR-303L and Litchfield Road, a ramp feasibility analysis for the system traffic interchange at I-10/SR-101L and a traffic operations study for the I-10/Papago Freeway Tunnel. It is anticipated that MAG's US-60/Grand Avenue – Sun City Implementation Study and Northwest Area Transportation Study will be completed in FY 2019.

MAG will continue to work with Valley Metro RPTA in the delivery of the Transit Life Cycle Program. MAG will coordinate with regional partners to update transit information in the regional travel demand model and generate updates to the Transportation Improvement Program. It is also anticipated that MAG will work to identify and program federal funding to support Transit Life Cycle Program Projects, including the Regional Fare Collection Systems Improvement Project.

Intelligent Transportation Systems (ITS) and Traffic Operations Planning: Early in FY 2019 the MAG Systems Management and Operations (SM&O) Plan and Phase 1 funding plan was approved by Regional Council. The SM&O Phase 1 funding plan addressed a significant gap in regional funds essential for investment in transportation technology improvements and traffic management operations that will begin to be programmed for funding in FY 2019. A key companion project to the programming of these funds in the MAG TIP will be a major update to the Regional ITS Architecture (RIA). The update will begin in FY 2019 and provide local agencies the necessary planning tool to provide information in future TIP projects applications to ensure compliance with the federal requirements. The FTA and FHWA require that every metropolitan region develop and maintain the RIA.

MAG will continue to provide technical assistance to member agencies with traffic signal optimization projects, including corridor-level signal timing and optimization improvements to address potential freeway closures.

Transportation Safety Planning: MAG will begin a new FY 2019 project to develop an update to the regional Strategic Transportation Safety Plan (STSP). The update will include traditional scope tasks of assessing regional crash trends for a five-year analysis period, identifying an action plan and performance measures. The update will also include a major task aimed at addressing the increasing trend in pedestrian and bicyclist crashes thorough development of a comprehensive safety education program. The STSP update will address gaps currently existing in funding of education messaging and programs. A separate project will be kicked off in FY 2019 to provide an in depth review of specific characteristics related to bicyclists crashes, existing infrastructure conditions and mode choice. This study will provide local agency staff and decision makers with better information and guidance for planning and improving bicycle infrastructure.

MAG will continue to perform Road Safety Assessments (RSAs) and Project Assessments (PAs) to assess and identify meaningful safety improvements region wide. The identification of candidate sites to perform RSAs will be a data-driven process based on analyses of crash data.

A number of activities related to improving road safety at K-8 schools will be carried out during FY 2019. The Annual Regional School Crossing Guard Training Workshop, which is sponsored and organized by MAG and a number of local agencies, will continue to be held in three locations across the region. Methods of reaching more crossing guards interactively using media technology will be explored.

At the request of ADOT, MAG will continue to conduct Safe Routes to School Studies in the MAG region, funded with Transportation Alternatives funds. The FY 2019 cycle will involve four studies that address eleven schools sites.

MAG will continue to coordinate with ADOT, on the call for new road safety projects in FY 2021 and FY 2022, for consideration to be funded with federal Highway Safety Improvement Program (HSIP) funds. MAG will serve on the statewide panel that will provide oversight for the project review process. The next call for HSIP projects is expected to be announced by ADOT in January 2019 for qualifying projects in FY 2023 and FY 2024.

System Performance Monitoring and Assessment: During FY 2019, efforts will continue to focus on implementing transportation system performance measures to optimize decision-making in planning and programming activities at MAG. It is also anticipated that MAG will be featured on a national reporting website to be launched, as a repository of results and significant progress towards national goals.

Regional performance measures will be incorporated into a new document, the Performance Report, as a companion to the next generation RTP. This report will include all measures and targets reported as part of federal rule requirements and also include measures that are not required for federal reporting, documenting metrics and progress towards MAG regional goals and objectives. During FY 2019, performance-based evaluative tools geared towards programmatic goals and objectives, as well as quantitative and qualitative criteria, will continue to be used in the congestion management process and project evaluation. In addition, MAG's web-based interactive tools (MAGnitude and the RTP Project Cards), will continue to be updated to incorporate all new datasets and analysis.

Travel Demand Modeling: The model update, re-calibration, and re-estimation work started in the FY 2018 will continue during FY 2019. Main efforts will include updates of the models based on the most recent data and integration of various modeling tools developed at MAG during FY 2018 – 2018. The work also includes model improvements related to modeling transformative mobility scenarios.

MAG is proceeding with region-wide traffic data collections and transportation data acquisitions in FY 2019. The Regional Special Events Survey initiated in FY 2018 will continue in FY 2019 with main data collections planned for Spring and Fall of 2019.

During FY 2019, MAG will continue to provide: (1) comprehensive transportation forecasting and modeling, (2) data technical services and support for MAG member agencies, (3) support for ongoing MAG planning and analytical efforts, and (4) general public information.

FINANCIAL INFORMATION

Internal Controls

The management of MAG is responsible for establishing and maintaining an internal control structure designed to ensure that MAG's assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Control procedures and responsibilities are documented and reviewed periodically.

All internal control evaluations occur within the above framework. We believe that MAG accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for all funds. MAG's fiscal year budget serves as a management tool assisting management in analyzing financial activity. Annually, a single fund MAG-wide budget (all fund types are combined) is prepared and presented to the MAG Regional Council. The Regional Council reviews and approves the annual budget. The approved annual budget is used as a control device for all of MAG's expenditures regardless of fund or fund type. For CAFR purposes, management has separated the activity of MAG into the General Fund and Special Revenue Funds.

Carry-forward estimates in the new budget year are used for consultant contracts to estimate funding required up to the contract amount. Non-consultant known future expenditures are not encumbered during the year or at the fiscal year-end and estimates are also included in the budget for anticipated costs.

As a recipient of federal financial assistance, management is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations. This internal control structure is subject to periodic evaluation by management. As part of the Single Audit described earlier, tests are made to determine the adequacy of the internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grants. MAG's Single Audit report for the fiscal year ended June 30, 2018 is included in Section Four of this report.

Financial Planning

MAG provides fiscal support to all divisions, the director and member agencies by producing accurate, reliable and timely financial information using the Government Finance Officers Association best practices. This includes integration of a new accounting system, managing and processing grants, adherence to practices for state and local governments as approved by the Governmental Accounting Standards Board, complying with all relevant laws and standards related to procurement, ensuring processes impacting cash management are timely and thorough, and managing employee compensation and benefits responsibly.

The General Fund balance decreased by $44,622 during FY 2018 and increased in FY 2017 by $108,919. The indirect rate calculated for use during the last few years has normalized. FY 2018 MAG's indirect rate remains stable at a normal rate of 171.50 percent and we anticipate only small rate adjustments going forward

MAG implemented GASB Statement 68 in FY 2015. With the new reporting change, MAG is now allocated its proportionate share of the Arizona State Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. This information is reflected on MAG's Government-Wide Statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to MAG for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the seventeenth consecutive year that MAG has achieved this prestigious award. In order to receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America 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.

The timely preparation of this report could not have been accomplished without the cooperation and dedicated services of the MAG staff. We would like to express sincere appreciation to all those who assisted and contributed to its preparation.

Appreciation is also extended to the MAG officers and Regional Council for their diligence and support in planning and conducting the financial operations of MAG in a responsible and progressive manner.

Sincerely,

Eric Anderson	Veronica Martinez
Executive Director	Chief Financial Officer

MARICOPA ASSOCIATION OF GOVERNMENTS PRINCIPAL OFFICIALS AND MANAGEMENT

Chair and Officers of the Maricopa Association of Governments

Gail Barney	Mayor of Queen Creek	Chair
Lana Mook	Mayor of El Mirage	Vice Chair
Mark Mitchell	Mayor of Tempe	Treasurer
Jerry Weiers	Mayor of Glendale	At-large member
John Giles	Mayor of Mesa	At-large member
Thelda Williams	Mayor of Phoenix	At-large member
Jackie Meck	Mayor of Buckeye	Past Chair

Executive Director and Secretary

Eric Anderson

Amy St. Peter	Deputy Executive Director
Vladimir Livshits	Director of Transportation Technology and Services
Tim Strow	Director of Transportation Policy and Planning
Linda Bauer	Environmental Director
Kelly Taft	Communication Director
Veronica Martinez	Fiscal Services Director
Brande Mead	Human Services Director
Sarah Daily	Human Resources Director
Anubhav Bagley	Regional Analytics Director
Audrey Skidmore	Information Technology Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maricopa Association of Governments

Arizona

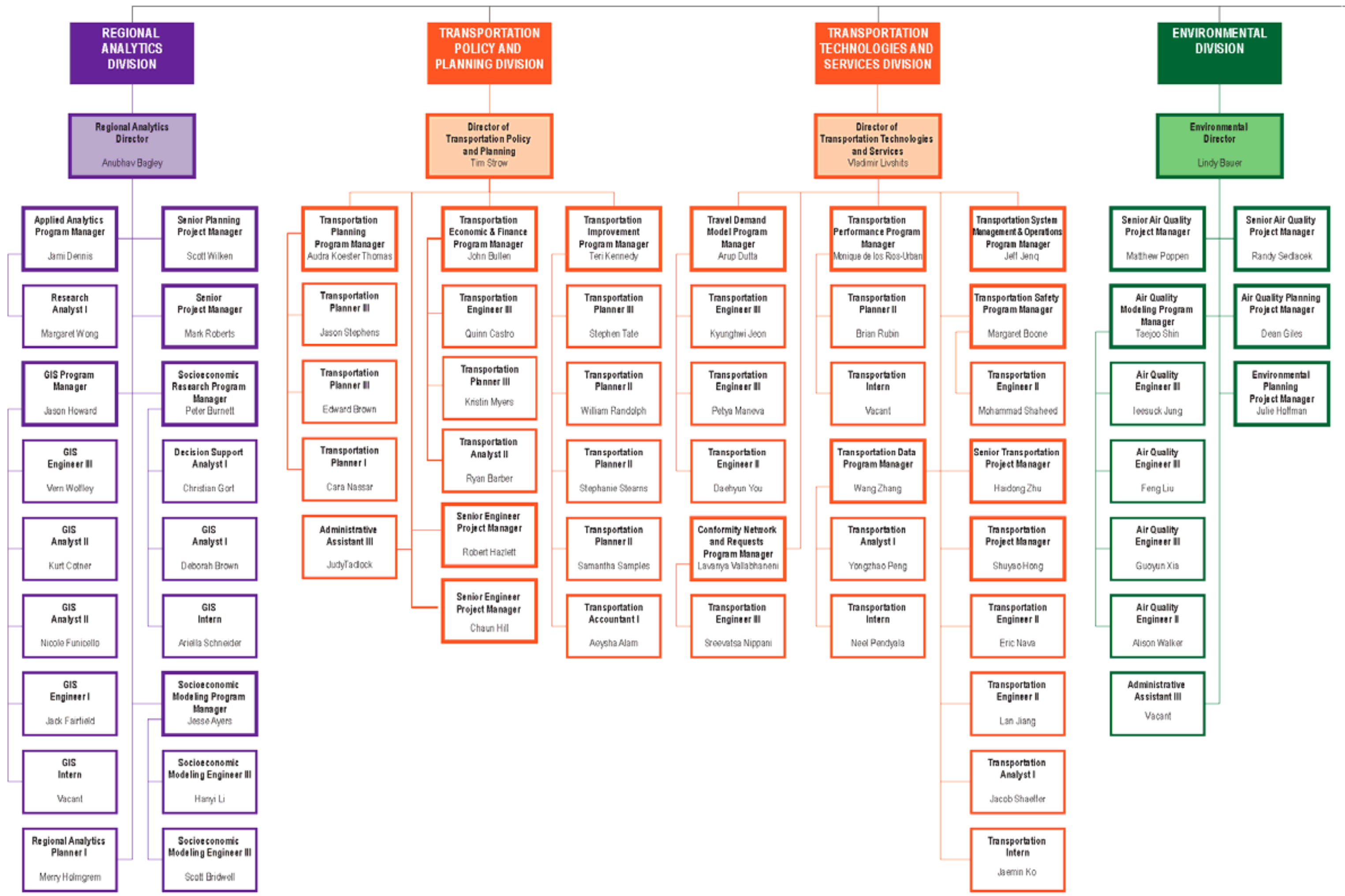
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

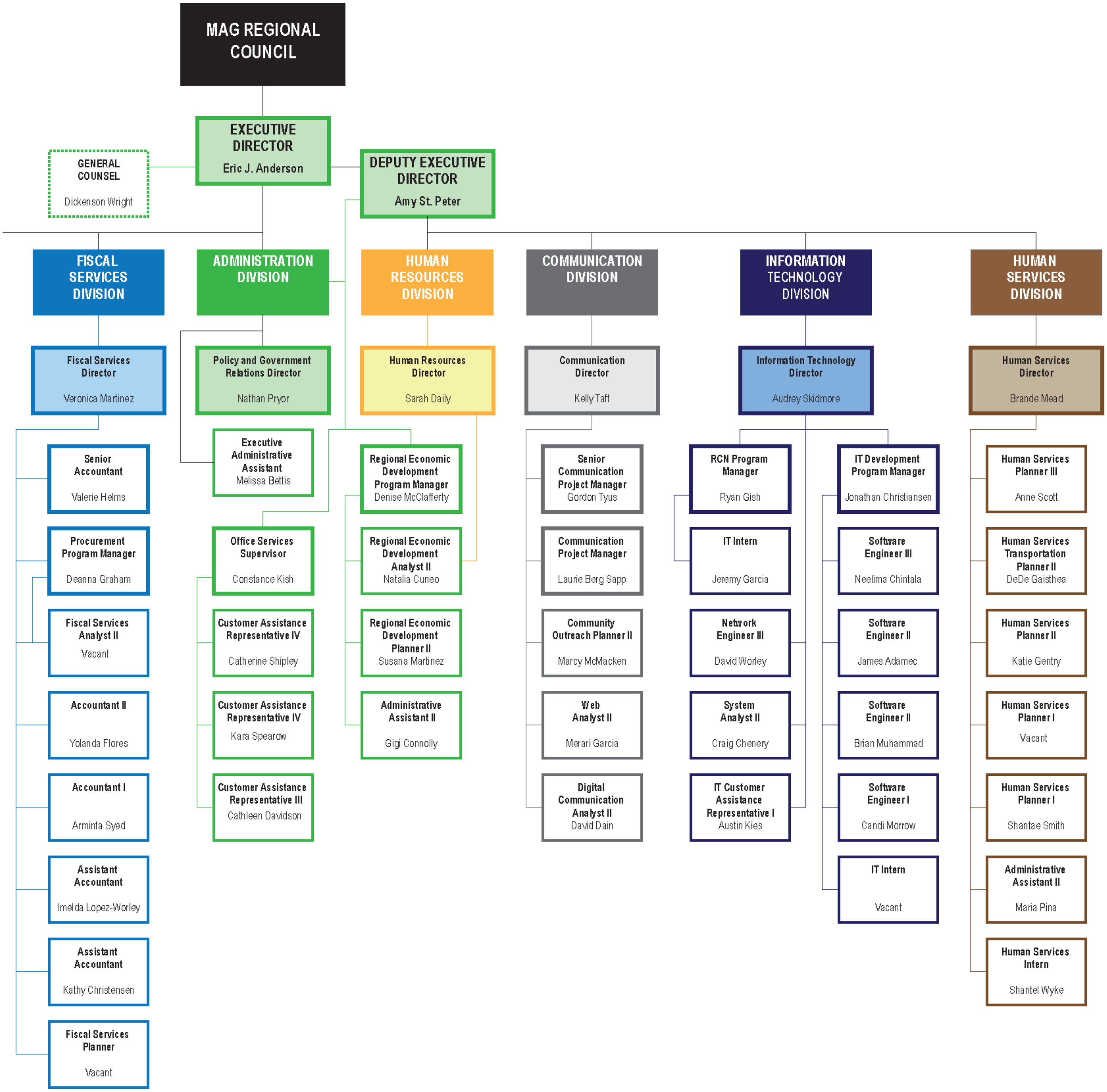
June 30, 2017

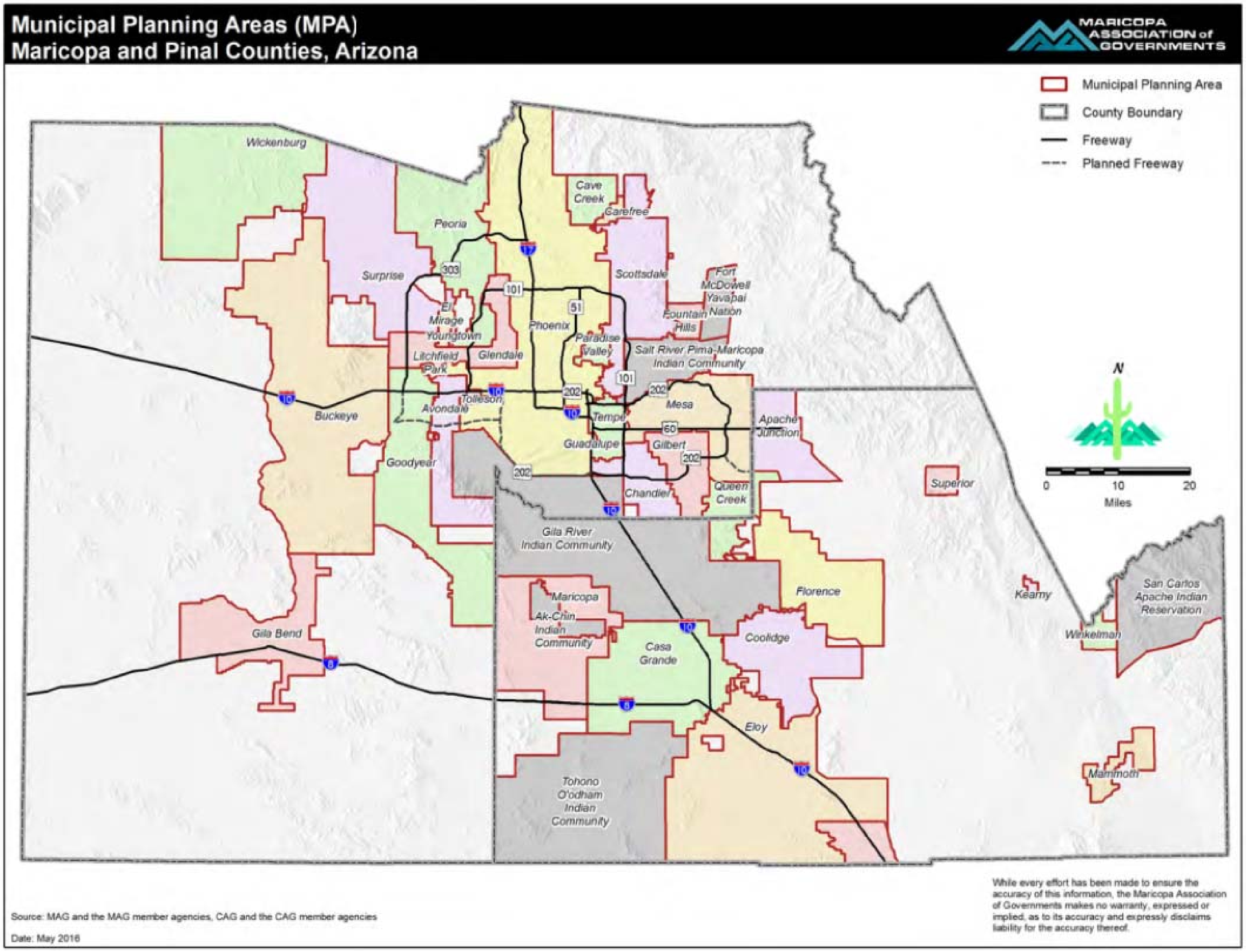
Christopher P. Morrill

Executive Director/CEO

MAG Organization Chart




MAG REGIONAL COUNCIL
EXECUTIVE DIRECTOR
Eric J. Anderson
GENERAL COUNSEL
Dickenson Wright
DEPUTY EXECUTIVE DIRECTOR
Amy St. Peter
FISCAL SERVICES DIVISION
ADMINISTRATION DIVISION
HUMAN RESOURCES DIVISION
COMMUNICATION DIVISION
INFORMATION TECHNOLOGY DIVISION
HUMAN SERVICES DIVISION
Fiscal Services Director
Veronica Martinez
Policy and Government Relations Director
Nathan Pryor
Human Resources Director
Sarah Daily
Communication Director
Kelly Taft
Information Technology Director
Audrey Skidmore
Human Services Director
Brande Mead
Senior Accountant
Valerie Helms
Procurement Program Manager
Deanna Graham
Fiscal Services Analyst II
Vacant
Accountant II
Yolanda Flores
Accountant I
Arminta Syed
Assistant Accountant
Imelda Lopez-Worley
Assistant Accountant
Kathy Christensen
Fiscal Services Planner
Vacant
Executive Administrative Assistant
Melissa Bettis
Office Services Supervisor
Constance Kish
Customer Assistance Representative IV
Catherine Shipley
Customer Assistance Representative IV
Kara Spearow
Customer Assistance Representative III
Cathleen Davidson
Regional Economic Development Program Manager
Denise McClafferty
Regional Economic Development Analyst II
Natalia Cuneo
Regional Economic Development Planner II
Susana Martinez
Administrative Assistant II
Gigi Connolly
Senior Communication Project Manager
Gordon Tyus
Communication Project Manager
Laurie Berg Sapp
Community Outreach Planner II
Marcy McMacken
Web Analyst II
Merari Garcia
Digital Communication Analyst II
David Dain
RCN Program Manager
Ryan Gish
IT Intern
Jeremy Garcia
Network Engineer III
David Worley
System Analyst II
Craig Chenery
IT Customer Assistance Representative I
Austin Kies
IT Development Program Manager
Jonathan Christiansen
Software Engineer III
Neelima Chintala
Software Engineer II
James Adamec
Software Engineer II
Brian Muhammad
Software Engineer I
Candi Morrow
IT Intern
Vacant
Human Services Planner III
Anne Scott
Human Services Transportation Planner II
DeDe Gaisthea
Human Services Planner II
Katie Gentry
Human Services Planner I
Vacant
Human Services Planner I
Shantae Smith
Administrative Assistant II
Maria Pina
Human Services Intern
Shantel Wyke



Municipal Planning Areas (MPA)
Maricopa and Pinal Counties, Arizona
MARICOPA ASSOCIATION of GOVERNMENTS
Municipal Planning Area
County Boundary
Freeway
Planned Freeway
N
0
10
20
Miles
Wickenburg
Surprise
Peoria
Cave Creek
Carefree
Scottsdale
Fort McDowell Yavapai Nation
Fountain Hills
El Mirage
Youngtown
Phoenix
Paradise Valley
Salt River Pima-Maricopa Indian Community
Litchfield Park
Glendale
Tolleson
Avondale
Buckeye
Goodyear
Mesa
Tempe
Apache Junction
Guadalupe
Gilbert
Chandler
Queen Creek
Superior
Gila River Indian Community
Maricopa
Ak-Chin Indian Community
Casa Grande
Florence
Coolidge
Kearny
San Carlos Apache Indian Reservation
Winkelman
Gila Bend
Eloy
Tohono O'odham Indian Community
Mammoth
Source: MAG and the MAG member agencies, CAG and the CAG member agencies
Date: May 2016
While every effort has been made to ensure the accuracy of this information, the Maricopa Association of Governments makes no warranty, expressed or implied, as to its accuracy and expressly disclaims liability for the accuracy thereof.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Regional Council and Management
Maricopa Association of Governments

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 Maricopa Association of Governments (MAG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise MAG'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.

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 of the Maricopa Association of Governments as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As described in Note 1, MAG implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and net pension liability and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 MAG's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements and Schedules, Capital Asset Schedules and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Introductory Section, Capital Asset Schedules, and Statistical Section 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 January 29, 2019, on our consideration of the Maricopa Association of Government'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Maricopa Association of Government's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 29, 2019

This Discussion and Analysis provides a narrative overview and analysis of financial activities of the Maricopa Association of Governments ("MAG") for the fiscal year ended June 30, 2018. It has been prepared by management and is required supplemental information to the financial statements and the footnotes that follow this section. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- In fiscal year 2018, the liabilities and deferred inflows of resources of MAG exceeded its assets and deferred outflows of resources by $8,648,170 at June 30, 2018. This represented a decrease of $233,374 over fiscal year 2017. MAGs unrestricted net position at June 30, 2018 was a negative $9,562,254, which was largely due to the net pension obligation.

- As of June 30, 2018 and 2017, respectively, MAG's governmental funds reported combined ending fund balances of $4,602,409 and $4,629,643, of which $4,367,044 and $4,372,992 is unassigned, respectively.

Overview of the Financial Statements

MAG's financial report includes the basic financial statements. These are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements- The government-wide financial statements are designed to provide readers with a broad overview of MAG's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how MAG'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 related cash flows in future fiscal periods. Both of the government-wide financial statements distinguish functions of MAG that are principally supported by activities that recover all or a significant portion of their costs on a cost reimbursement basis. The governmental activities of MAG include general government, environmental, program implementation, human services, transportation services, regional analytics, public works, MAGIC, and RCP.

The government-wide financial statements include not only MAG itself (known as the primary government), but also two legally separate entities for which MAG is financially accountable. Financial information for these component units is blended with the financial information presented for the primary government itself.

Fund financial statements- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MAG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of MAG can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near- term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. MAG maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Federal Highway Administration Special Revenue Fund ("FHWA Fund"), and the Shared Allocation RARF Special Revenue Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Each individual fund's data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support MAG's own programs. Due to their nature, the fiduciary funds do not have a measurement focus.

Notes to the Financial Statements-The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information and Other Information- In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning presentation of MAG's budgetary comparison schedule. MAG adopts a combined annual budget for both its General Fund and Special Revenue Funds. A budgetary comparison schedule has been provided for the RSI to demonstrate compliance with this budget for the combined General Fund and the Special Revenue Funds. This schedule provides information on the relationship between the flows of financial resources in relation to the adopted budget. The required supplementary information for pensions and OPEB is also included.

Government-Wide Financial Analysis

Statement of Net Position- As noted earlier, net position could serve over time as a useful indicator of a government's financial position. Net position represents the residual interest in MAG's assets and deferred outflows of resources after liabilities and deferred inflows or resources deducted. For MAG, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $8,648,170 and $8,884,035 at June 30, 2018 and 2017, respectively. This information is summarized below.

Condensed Statement of Net Position
Governmental Activities
June 30, 2018 and 2017

	2018	2017
Current and Other Assets	$ 28,616,561	$ 26,741,081
Capital Assets	1,166,556	1,183,485
Total Assets	29,783,117	27,924,566
Deferred Outflows of Resources	1,920,781	3,174,085
Current Liabilities	23,963,566	22,261,438
Long-term Liabilities Outstanding	15,449,370	15,900,472
Total Liabilities	39,412,936	38,161,910
Deferred Inflows of Resources	939,132	1,820,776
Net Position:		
Net Investment in Capital Assets	912,168	1,016,283
Restricted	1,915	112,677
Unrestricted	(9,562,253)	(10,012,995)
Total Net Position	$ (8,648,170)	$ (8,884,035)

Investment in capital assets represents more than 100 percent of total net position at June 30, 2018 and 2017, respectively. The balance decreased about 10.24 percent in fiscal year 2018 and represents the net change in additions, depreciation and adjustments to capital assets. The net capital assets are comprised of MAG's investment in capital assets (e.g., furniture and fixtures, computer software, machinery and equipment, leasehold improvements, and video conferencing equipment); less any related debt used to acquire assets still outstanding. MAG uses these capital assets to provide services to its members and citizens; consequently, these assets are not available for future spending.

During fiscal year 2018, MAG's net investment in capital assets decreased mainly due to the depreciation on the large one-time increase of tenant improvements and computer equipment purchases made in prior years. The majority of the capital asset equipment purchases were for computer equipment for replacement of staff equipment and videoconference equipment for replacement of old equipment. Although MAG's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total liabilities at June 30, 2018 and 2017 were $39,412,936 and $38,161,910, respectively. This represents an increase in liabilities of $1,251,026 from the previous year and is primarily due to a $3,119,290 increase in unearned revenue, a $620,162 decrease in accounts payable, a $659,641 decrease in retainage payable, and a $150,000 decrease in judgement payable. The noncurrent liabilities recorded a net $451,102 decrease that is due to a decrease of $505,409 in net pension and OPEB liability, an increase in capital leases of $87,184 and a decrease in compensated absences of $32,877. There was an increase in accrued wages and benefits of $12,641. The increase in accrued wages and benefits is attributable to the timing of the payroll and payment schedules at the end of the fiscal year. The payroll cycle processes every other week with the accounts payable cycle set to process invoice payments every week. The majority of the unearned revenue, $21,841,966, represents the funding from the Shared Allocation RARF that is collected annually. Another large portion of unearned revenue, $3,768,277, represents another share of RARF that is budgeted for transportation planning for the region. The remaining unearned revenues are for indirect costs of $104,109, locally funded transportation projects in which we partnered with various cities and towns for $148,787. Projects for a Literacy Study have unearned revenue of $48,232. The remaining amount of $5,447 is for work performed by the Maricopa Association of Governments Information Center and collected for MAG Publications.

Summary of the Statement of Activities-The statement of activities presents MAG's financial activity during the fiscal year. The statement of activities breaks down revenues further by function. Federal grants continue to be the main revenue source for MAG's operations. The majority of these grants are Federal Highway Administration ("FHWA") funds, which are used to carry out transportation-related projects related to Moving Ahead for Progress in the 21st Century Act (MAP-21) legislation.

Statement of Activities
Governmental Activities
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
REVENUES		
Program Revenues – Operating Grants and Contributions	$ 24,144,973	$ 27,577,659
General Revenues – Investment Earnings	102	47
Total Revenues	24,145,075	27,577,706
EXPENSES		
Environmental	2,526,798	2,429,258
Human Services	1,015,355	703,663
Program Implementation	5,103,594	6,175,730
Transportation	11,762,819	15,231,345
Regional Analytics	3,180,371	3,150,092
General Government	172,090	197,979
MAGIC		8,736
RCP	91,819	122,927
Public Works	45,106	46,075
Interest Expense	13,749	25,428
Total Expenses	23,911,701	28,091,233
Net position, June 30, 2017, as previously reported	(8,884,035)	(8,370,508)
Net OPEB asset	23,152	
Net OPEB Liability	(20,661)	
Net Position, July 1, 2017, as restated	(8,881,544)	
Change In Net Position	$ 233,374	$ (513,527)
Ending Net Position	(8,648,170)	(8,884,035)

Revenues by Source

Federal revenues account for about 79.83 percent of the revenues combined. There was a decrease in Federal revenue of $246,943 during fiscal year 2018 due to completion of a number of transportation related projects in FY 2018. MAG receives a portion of the Shared Allocation RARF funding which supports the work for the 20-year life cycle programs for freeways, streets (arterials), and transit. MAG is directly responsible for the development of the Arterial Life Cycle Program (ALCP) and staff works cooperatively with ADOT on the Regional Freeway System Life Cycle programs. Shared Allocation RARF revenues account for about 16.85 percent of total revenue. There was also a decrease in Shared Allocation RARF revenue of $3,236,151 compared to last year due to the completion of transportation related projects.

Some of the FHWA and Shared Allocation RARF projects completed during fiscal year 2018 include the Travel Survey-Data Application On-Call, the Intelligent Transportation Systems & Transportation Safety Planning On-Call, MAG Regional Freeway and Highway Program, and the Cost Risk Analysis for the MAG Regional Freeway and Highway Program.

Project work in Program Implementation decreased during fiscal year 2018 due to the Street Sweeper program and is mainly due to timing of the call for projects.

In fiscal year 2018 the Human Services Regional Community Partners (RCP) did not receive, a grant for the Domestic Violence Planning Project received through the Governor's Office in prior years. RCP also received local grants from Virginia Piper for continuing work on the Literacy Mapping Project. During fiscal year 2018, the Human Services Division received an ongoing grant from the U.S. Department of Housing and Urban Development (HUD) for project work in homeless prevention planning for $737,050. Overall, total Human Services program revenues for MAG for fiscal year 2018 represent an increase of $326,745 from the prior year with a decrease in Regional Community Partners program work of $26,651 during fiscal year 2018. The increase in revenues for Human Services is due to the increase in grant funding for the grant awarded through the U.S. Department of Housing and Urban Development. The award increased by $472,050 in fiscal year 2018.

There was an overall decrease in MAG program revenue of $3,432,686. This overall decrease in revenue is primarily due to three major projects completed in fiscal year 2017 as noted above. Federal Highway funding accounts for the majority of funding at 79.83 percent and the Shared Allocation RARF funding is the second largest source of funding representing 16.85 percent of funding. Regional Member dues and assessments account for approximately 2.90 percent of the total revenues with revenues from grants, state, donations, interest, and local sources representing approximately 1.42 percent of revenues.

Expenses by Program

The federal grants expenses by division parallel the hierarchy of operational goals for MAG, which rely primarily on the Moving Ahead for Progress in the 21st Century Act ("MAP-21") legislation for transportation-related projects. The largest program expense was in transportation for $11,762,819. The expenses in Transportation decreased from the prior year by 22.77 percent due to the completion of several large projects that were ongoing in transportation. The completed projects included work on the 1-10/1-17 Master Plan project and data collection for updates of the transportation models in preparation for modeling the Regional Transportation Plan. The expenses in the Program Implementation category decreased. These projects are primarily comprised of projects in both the transportation and environmental divisions. A breakdown of program implementation work is listed below:

- Environmental program projects comprise the largest portion of program implementation expenses consisting of the purchase of street sweepers 33.57 percent and implementation of travel reduction projects 33.92 percent; implementation of environmental programs are 67.49 percent of program implementation programs;

- Transportation program expenses consist mainly of transit, and transportation implementation programming. Implementation projects for transportation comprise 26.43 percent of program implementation programs;

- Emergency 9-1-1 comprises the remaining portion 6.08 percent for the program implementation category this fiscal year. The MAG Oversight Team directs the Public Safety Answering Point (PSAP) Managers Committee regarding financial review of the 9-1-1 program.

The Public Works expense of $45,106 is lower than the prior year of $46,075. Activities associated with the Uniform Standard Specifications and Details for Public Works Construction publications include staff time and printing. Staffing costs were a little lower than the prior year. Expenses for the General Government decreased by $25,889 from the prior year and are mostly due to decreased costs for the General Government activities not billable to federal funds during the year.

The General Government expenses also reflect the cost of any activities associated with activities that are not eligible for federal funding.

Financial Analysis of the Funds

MAG uses fund accounting to ensure and demonstrate compliance with finance-related requirements particularly in matters that relate to cost reimbursement for both federal and state funding sources.

Governmental Funds-The focus of MAG's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MAG's financing requirements. In particular, unassigned fund balance may serve as a useful measure of MAG's net resources available for funding operations at the end of the fiscal year. Because MAG is provided funding on a cost reimbursement basis, the unassigned balance must meet the funding needs of MAG between the end of MAG's fiscal year (June 30) and the beginning of the new federal fiscal year (October 1). Federal funding resources do not become available for the new budget year until the beginning of the new federal fiscal year. As stated earlier, federal funding comprises 79.83 percent of total MAG revenue.

As of the end of the current fiscal year, MAG's governmental funds reported combined ending primary balances of $4,602,409 in fiscal year 2018 as compared to $4,629,643 in fiscal year 2017. This decrease is the net result of expenses exceeding Member Dues and Assessments for the year.

There was a decrease of $3,236,151 in Shared Allocation RARF revenue from last year with consultant activity funding for transportation programs and transportation program implementation planning also decreasing.

The decrease of $66,453 in federal expenditures was due to net decrease comprised of decreases in transportation planning, program implementation and Regional Community Partners with increases in environmental, human services, and regional analytics. A total expenditure decrease of $3,063,698 was mostly due to transportation planning, program implementation, MAGIC and Regional Community Partners.

Member dues and assessment revenue were $689,483 compared to $674,435 in fiscal year 2017. The assessment funding is for program activity for non-grant funded projects in human services planning, homeless planning, water quality planning, and emergency 9-1-1 planning program areas. All dues and assessment revenue are recognized in the current year.

There was an increase of $5,202 from the prior year for Donations and Contribution revenue. Contributions typically increase every other year due to contributions for the Desert Peaks event.

There was an increase of $33,437 in Local Income for fiscal year 2018. This was due mainly to an increase in projects with partnering activity. Partnering project work was done during the year on the Bicycle and Pedestrian Master.

There was a small increase from $41 to $102 in interest income for fiscal year 2018 due to slightly higher interest earning balances on interest bearing accounts.

As described above, federal revenues and expenditures are directly related because MAG operates on a cost reimbursement basis for federal funding. The decrease in expenditures of shared allocation RARF were primarily due to a decrease in project work funded by the shared allocation RARF funds.

Major Funds Analysis

MAG maintained three major governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the three major funds including the General Fund, Federal Highway Administration Fund, and the Shared Allocation RARF Fund.

At the end of the current fiscal year, unassigned fund balance of the General Fund was $4,367,044 compared to $4,390,380, from the prior year, while total unassigned fund balance of all funds was $4,367,044, compared to the prior year's balance of $4,372,992. The decrease in the General Fund unassigned amount of $23,336 is mainly due to the restatement of the contributions fund balance to the general fund. The Shared Allocation RARF funding amount, which initially received in fiscal year 2006, is determined using an inflation index against the base year. This was approximately 1.76 percent for fiscal year 2018. The FHWA fund represents 71.29 percent of the overall revenues for the Maricopa Association of Governments. MAG maintains an indirect cost plan, which includes the costs for overhead charges. We are a sub-recipient of Federal Highway Administration ("FHWA") funding through the Arizona Department of Transportation; MAG submits its indirect cost rate annually to ADOT. The FHWA funds provide funding on a cost reimbursement basis with fund revenues equal to fund expenditures. The Maricopa Association of Governments and federal funding resources typically become available at the beginning of the new federal fiscal year (October 1). The change in fund balance and resulting unearned revenue balance for FHWA funds in fiscal year 2018 is due to the indirect cost rate that was a little lower than eligible overhead expenditures in order to recapture prior fiscal year expenditures which were higher than eligible reimbursements.

The Shared Allocation RARF fund balance remained constant during the fiscal year. The Other Non-major Governmental Funds fund balance are largely on a cost reimbursement basis and remain constant during fiscal year 2018 mainly.

Budgetary Highlights

The annual budget includes all of the revenues that flow directly to the agency to cover planning-related expenses. All of the agency's revenues and expenditures are budgeted in a single operating fund. The two blended component units at MAG, the Maricopa Association of Governments Information Center (MAGIC) and the Regional Community Partners (RCP) are included in the budget reporting in the single operating fund. The MAG budget cannot exceed the available resources, which defined as revenues generated in the applicable period added to the carry-forward balances from prior years.

The difference between the original budgeted revenues and expenditures and the amended budgeted revenues and expenditures resulted in a net increase of $696,369. The increase in the fiscal year 2018 budget was due to the net budget amendments increasing federal funding awards with the majority of this funding budgeted for Bicycle and Pedestrian Master Plans projects. MAG also received grants for the Sun Corridor Export program as well as the Literacy Mapping project. Additional local funding from the City of Phoenix was also received to supplement two Bicycle and Pedestrian Design Assistance project.

Within the budgeted categories, the largest difference was the original budgeted appropriations for the Transportation Program consultants category and the amended budgeted appropriations. This increase was due to the increased funding award for the Bicycle and Pedestrian Master Plans projects.

Capital Assets

MAG's investment in capital assets for its governmental activities as of June 30, 2018 and 2017, amounts to $1,166,556 and $1,183,485 (net of accumulated depreciation), respectively. This investment in capital assets includes furniture and fixtures, computer software, copy machines, computer hardware, Regional Community Network equipment, telephone equipment, leasehold improvements, vehicles, and videoconference equipment. The following page presents a summary of current year and prior year capital assets, net of accumulated depreciation.

Capital Assets, Net of Depreciation
Governmental Activities
June 30, 2018 and 2017

	2018	2017
Furniture and Fixtures	$68,076	$115,979
Computer Software	179,531	12,256
Machinery & Equipment	326,969	273,818
Leasehold Improvements	541,265	708,177
Video Conference Equipment	50,715	73,255
Total Capital Assets	$1,166,556	$1,183,485

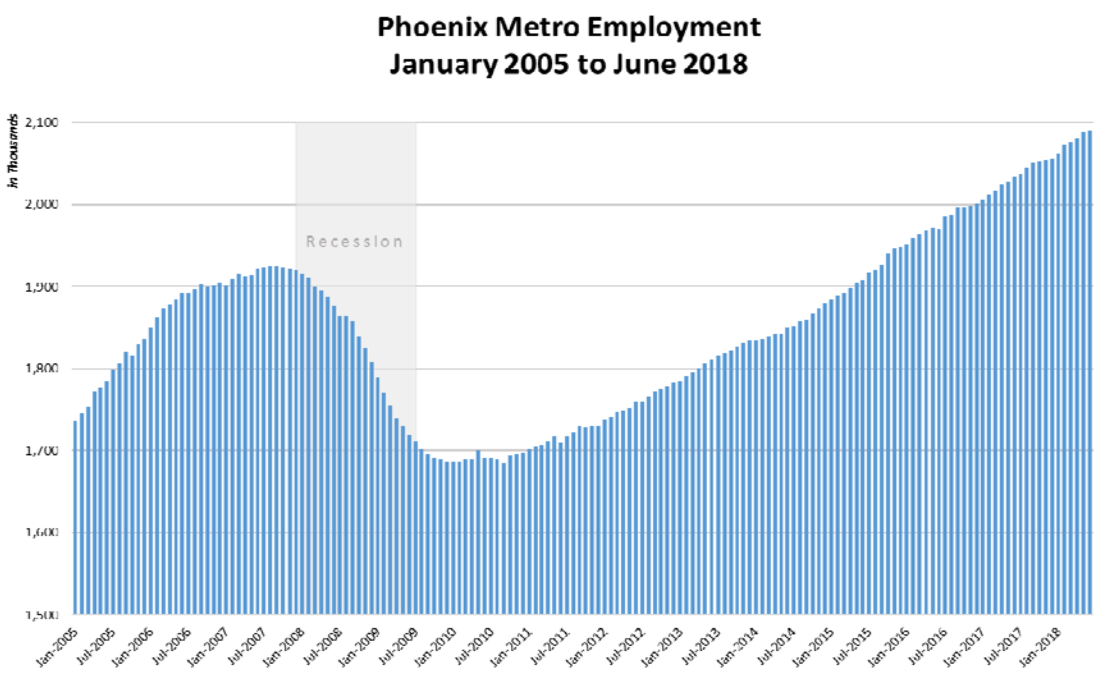
The capital additions were for furniture for $5,401, software for $218,140, and computer equipment for $227,784 during fiscal year 2018. (See Note 4 to the basic financial statements).

Long-term Debt- MAG's compensated absence balance for the fiscal year ending June 30, 2018 is $739,294. This is a decrease of $32,877 from the prior year and is due to the decrease in staff vacation and sick accruals due to retirement of key staff at the end of the year. MAG compensated leave accruals are reconciled at the end of each calendar year and compensated absence balances exceeding the limits are reduced at that time. MAG also has capital lease agreements for the acquisition of copiers and computer equipment ongoing from the prior year. Additions during the year were for computer equipment and video conference equipment. The long-term obligation for leased equipment at June 30, 2018 is $254,388 (see Note 4 to the basic financial statements).

Future Regional Economic Outlook

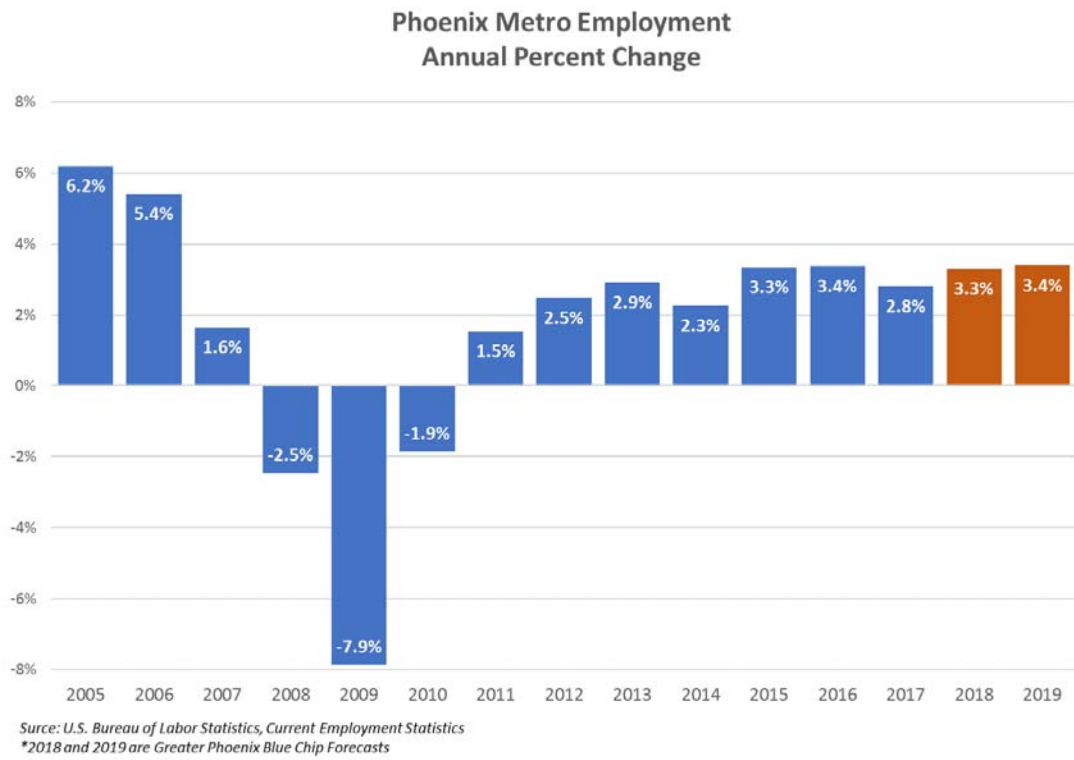
The Phoenix-Mesa-Scottsdale metropolitan statistical area (MSA) added over 56,000 jobs last year, a three percent increase. The MSA is among the leading metropolitan regions across the nation for employment growth, while secondary economic measures, such as the health of the housing market and economic development efforts, are also improving. Select economic indicators such as population and personal income growth remain modest compared to the MSA's own historical performance. However, growth in these indicators has been constrained by economic issues at the national level. Overall, the local region is performing at a robust pace given the national and global economic constraints. The opportunities for healthy economic growth will continue for several years.

One of the best measures of economic health is employment growth, and the Phoenix-Mesa-Scottsdale MSA continues to post statistics that better reflect the true opportunities in the region. The rate of employment growth reached 2.8 percent in 2017, and is projected to complete the 2018 year at 3.3 percent. The Greater Phoenix Blue Chip forecast for MSA job growth is 3.4 percent for 2019.



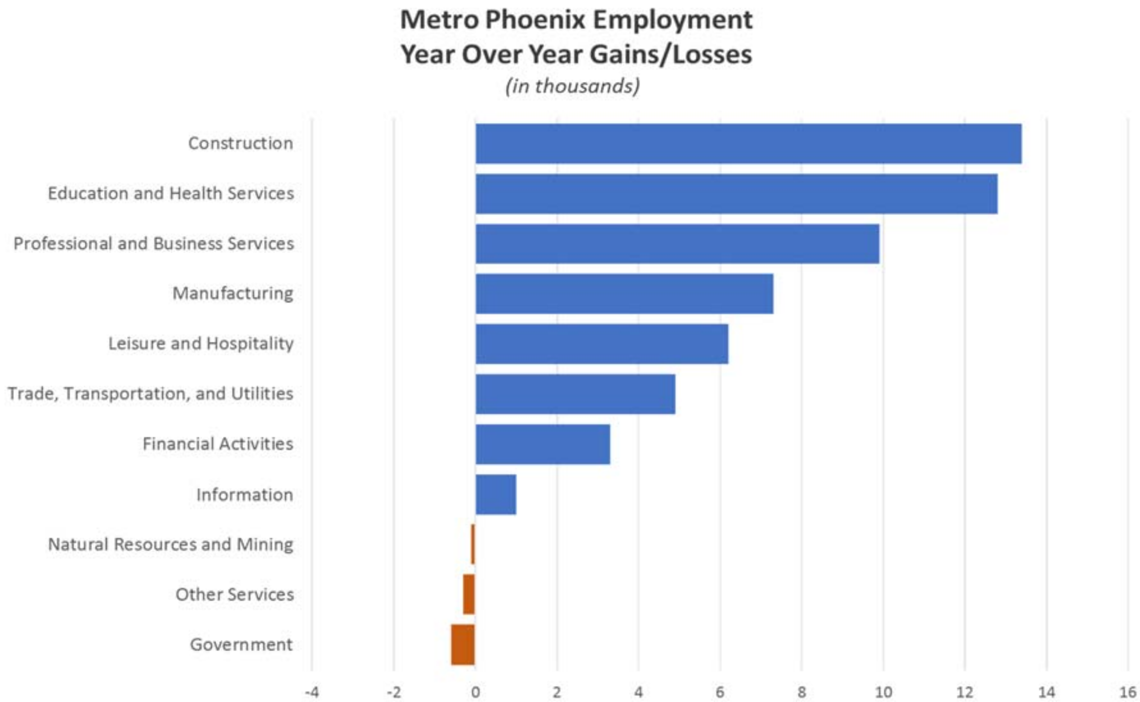
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics
Data are through June 2018.

Figure 8



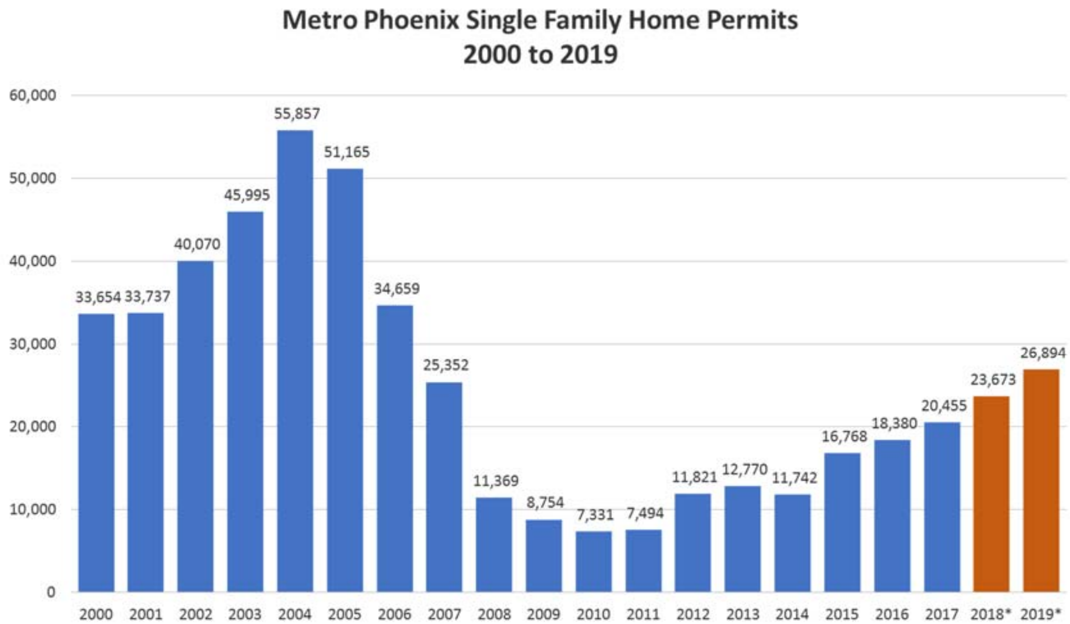
The economic fundamentals that led the region to be a national leader in many economic statistics over several decades remain in place. The MSA's economy is back on track to post more resilient job growth figures in both times of expansion and recession, consistent with the region's history.

The MSA is already posting favorable rates of overall job growth even though several industries are still progressing through the recovery phase. The construction industry will return to normal levels of employment within the next two to three years. This suggests a higher than average rate of growth will be experienced. On the other hand, manufacturing will likely lag behind other industries in terms of percent recovery due to national and global trends.

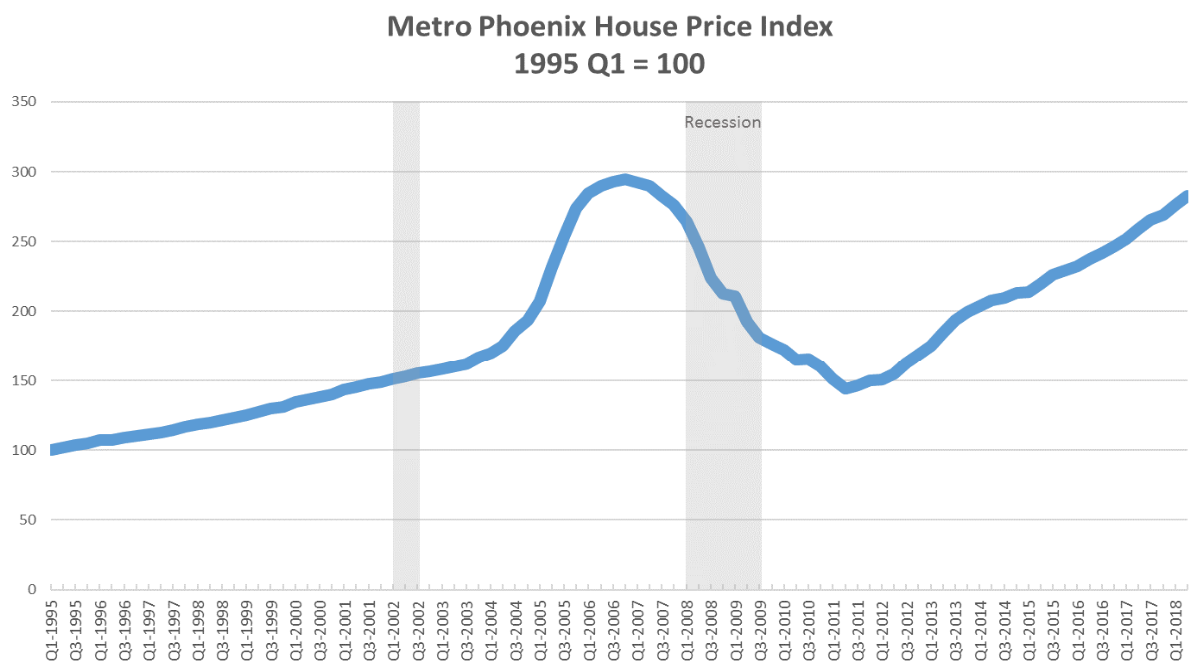


Source: U.S. Bureau of Labor Statistics (BLS), Current Employment Statistics (CES)
Data are for June 2018 over June 2017.

In addition to a favorable review of the region's employment situation, the MSA's housing market is also posting positive statistics. Single family housing permits remain strong, having grown eleven percent in 2017. The Greater Phoenix Blue Chip panel expects single family permits to grow 15.7 percent in 2018 and 13.6 percent in 2019. Home prices continue to appreciate, as indicated by the house price index.



Source: U.S. Census Bureau, New Private Housing Units Authorized by Building Permits (Single-family homes), retrieved from Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED), 9/17/2018



Source: U.S. Federal Housing Finance Agency
Retrieved from Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED) 9/17/2018

The commercial real estate market is similarly improving. According to CBRE, economic fundamentals and job growth recently drove demand for additional office space in the MSA. In the second quarter of 2018, the office vacancy rate has improved to 16.2 percent, dropping three full percentage points from 2015.

The industrial market in the Phoenix metro area also continues to gain traction according to CBRE. The vacancy rate remained below ten percent and was at 6.4 percent as of Q2 2018. This is the lowest rate in the past twelve years.

The retail market in Metro Phoenix improved slightly as vacancy rates dropped from 9.1 percent in 2015 to 8.4 percent in Q2 2018.

The MSA is also benefiting from economic attributes that go well beyond the simple discussion of economic performance in select statistical categories. The region's leaders continue to coordinate their economic development efforts, exploring international trade opportunities and examining ways that strategically invest in economic growth fundamentals such as highway infrastructure and workforce development. These efforts will have a positive influence on growth.

Requests for Information

This financial report is designed to provide a general overview of the Maricopa Association of Government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Veronica Martinez, MAG Fiscal Services Manager, 302 North First Avenue, Suite 300, Phoenix, AZ 85003.

Basic Financial Statements

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MARICOPA ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and Investments	$ 20,083,835
Receivables	8,248,691
Inventories	4,732
Prepaid Items	228,717
Net other postemployment benefit assets	50,586
Capital Assets (Net):	
Furniture and Fixtures	68,076
Computer Software	179,531
Machinery and Equipment	326,969
Leasehold Improvements	541,265
Videoconference Equipment	50,715
Total Assets	29,783,117
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB Amounts	1,920,781
LIABITIES	
Accounts Payable	1,617,161
Accrued Salaries and Fringes	250,552
Intergovernmental Payable	6,520
Retainage Payable	247,367
Unearned Revenue Noncurrent Liabilities	21,841,966
Due Within One Year	840,076
Due in More Than One Year	153,606
Net Pension and OPEB Liability	14,455,688
Total Liabilities	39,412,936
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB Amounts	939,132
NET POSITION/(DEFICIT)	
Net Investment in Capital Assets	912,168
Restricted for:	
Payroll	-
Information Data Services	1,916
Unrestricted	(9,562,254)
Total Net Assets	$ (8,648,170)

See accompanying Notes to the Basic Financial Statements.

MARICOPA ASSOCIATION OF GOVERNMENTS21
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Changes in Net Position: Governmental Activities
Primary Government:			
Governmental Activities:			
Environmental	$ 2,526,798	$ 2,597,233	$ 70,435
Human Services	1,015,355	1,015,681	326
Program Implementation	5,103,594	5,184,202	80,507
Transportation	11,762,819	11,812,608	49,789
Regional Analytics	3,180,371	3,290,392	110,021
General Government	172,090	106,605	(65,485)
RCP	91,819	92,805	986
Public Works	45,106	45,447	341
Interest on Long-term Debt	13,749		(13,749)
Total Primary Government	$ 23,911,701	$ 24,144,973	233,272

General Revenues:	
Unrestricted Investment Earnings	102
Change in Net Position	233,374
Net Position (Deficit) – July 1, 2017 as previously reported	(8,884,035)
Net OPEB Asset	23,152
Net OPEB Liability	(20,661)
Net position, July 1, 2017 as restated	(8,881,544)
Net Position (Deficit) – Ending	$ (8,648,170)

See accompanying Notes to the Basic Financial Statements.

MARICOPA ASSOCIATION OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	FWHA	Shared Allocation RARF	Other Non-Major Governmental Funds	Total
Assets					
Cash and Investments	$4,556,885	$	$15,447,647	$ 79,303	$20,083,835
Receivables	3,000	6,544,616	600,000	1,101,075	8,248,691
Due from Other Funds			5,974,710	39,820	6,014,530
Inventories	4,732				4,732
Prepaid Items	228,717				228,717
Total Assets	$4,793,334	$6,544,616	$22,022,357	$1,220,198	$34,580,505
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$54,659	$1,108,174	$ 385,042	$69,286	$1,617,161
Accrued Wages and Benefits	11,538	178,263	16,413	44,338	250,552
Retainage Payable	1,316	133,461	85,501	27,089	247,367
Intergovernmental Payable		6,520			6,520
Due to Other Funds	121,253	5,014,089		879,188	6,014,530
Unearned Revenue	4,075	104,109	21,535,401	198,381	21,841,966
Total Liabilities	192,841	6,544,616	22,022,357	1,218,282	29,978,096
Fund Balances					
Nonspendable:					
Inventory	4,732				4,732
Prepaid Items	228,717				228,717
Restricted for Information Data Services				1,916	1,916
Unassigned	4,367,044				4,367,044
Total Fund Balance	4,600,493			1,916	4,602,409
Total Liabilities and Fund Balances	$ 4,793,334	$ 6,544,616	$ 22,022,357	$ 1,220,198	$ 34,580,505

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
OPEB Asset	$ 50,586
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds	1,166,556
Long term liabilities, including capital leases, compensated absences and net pension and OPEB liability, are not due and payable in the current period and, therefore are not reported in the governmental funds (see Note 2 to the basic financial statements)	(15,449,370)
Deferred outflow and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	
Deferred Outflows of Resources	1,920,781
Deferred Inflows of Resources	(939,132)
Net Position of Governmental Activities	$ (8,648,170)

See accompanying Notes to the Basic Financial Statements.

MARICOPA ASSOCIATION OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

	General	FWHA	Shared Allocation RARF	Other Non-Major Governmental Funds	Total
Revenues					
Federal	$	$ 17,214,019	$	$ 2,061,915	$ 19,275,934
State					
Shared Allocation RARF			4,068,878		4,068,878
Donations and Contributions	23,101				23,101
Local				83,525	83,525
Other	240				240
Dues	231,034				231,034
Member Assessments	458,449				458,449
Publication Sales	3,809				3,809
Interest	102				102
Total Revenues	716,735	17,214,019	4,068,878	2,145,440	24,145,072
Expenditures					
Current					
General Government	137,196	77,859			215,055
Environmental	74,035	2,378,326	62,866	6,375	2,521,602
Human Services	132,008			879,077	1,011,085
Program Implementation	315,173	4,085,748	783,279		5,184,200
Transportation Services	81,408	7,240,585	3,186,835	1,167,182	11,676,010
Regional Analytics	41	3,136,941	35,898		3,172,880
Public Works	4,108	41,339			45,447
RCP				92,806	92,806
MAGIC					
Debt Service:					
Principal		110,920			110,920
Interest		13,749			13,749
Capital Outlay:		451,325			451,325
Total Expenditures	743,969	17,412,123	4,068,878	2,145,440	24,370,410
Excess of Revenues Over Expenditures	(27,234)	(198,104)			(225,338)
Other Finance Sources					
Issuance of Capital Lease		198,104			198,104
Net Change in Fund Balances	(27,234)				(27,234)
Fund Balances					
Beginning of Year	4,645,115			(15,472)	4,629,643
Contribution Fund movement	(17,388)			17,388	0
End of Year	$4,600,493	$ -	$ -	$ 1,916	$ 4,602,409

See accompanying Notes to the Basic Financial Statements.

MARICOPA ASSOCIATION OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS
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	$ (27,234)
Governmental funds report capital outlays, principal due on long-term obligations, current year pension contributions as expenditures and proceeds of capital lease agreements as another financing source. However, in the statement of activities, the cost of capital assets is capitalized and the assets are depreciated. The principal payments on long-term debt reduce the liability and the proceeds of capital leases are recorded as a liability. Finally, pension expense is the cost of benefits earned, adjusted for member contributions, recognition of changes in deferred inflows and outflows and investment experience The net amount of this activity represents a reconciling item between the fund financial statements and the statement of activities. (See Note 2 to the basic financial statements.)	260,608
Change in Net Position of Governmental Activities	$ 233,374

See accompanying Notes to the Basic Financial Statements.

MARICOPA ASSOCIATION OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2018

	ICMA Retirement Agency Funds	Custodial Funds
Assets		
Cash and Cash Equivalents	$	$ 32,626
Investments in Mutual Funds – At Fair Value	180,585	
Total Current Assets	$ 180,585	$ 32,626
Liabilities		
Due to other entities		$ 32,626
Net Position		
Restricted for Pensions	$ 180,585	

See accompanying Notes to the Basic Financial Statements.

MARICOPA ASSOCIATION OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

		ICMA Retirement Agency Funds
Additions		
Contributions		
Employer	$	3,253
Investment Earnings		
Net Increase in the Fair Value of Investments		5,642
Total Additions		8,895
Deductions		
Distributions		439,714
Total Deductions		439,714
Net Position, Beginning of Year		611,404
Net Position, End of Year	$	180,585

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

The Notes to the Financial Statements include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements. An index to the Notes follows:

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the year ended June 30, 2018, MAG implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing defined benefit postemployment benefits other than pensions to recognize the long-term obligation for those benefits as a liability, and to more comprehensively and comparably measure the annual costs of those benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information. The more significant of the MAG' accounting policies are described below.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of MAG's more significant accounting policies follows.

Reporting Entity-*MAG* is a Council of Governments (COG) that serves as the regional planning and policy agency for the metropolitan Phoenix area. In this role, MAG conducts extensive applied research that is fundamental to its core mission of strengthening the greater Phoenix metropolitan region, which encompasses a population of more than four million people.

When MAG formed in 1967, the elected officials recognized the need for data-driven long-range planning and policy development on a regional scale. They realized that many issues, such as transportation, air quality and human services, affected residents beyond the borders of their individual jurisdictions. MAG was founded in the spirit of cooperation. MAG members believe that by uniting, they can solve common problems, take an active role in long-range regional issues and address concerns that affect all of the communities.

MAG is the designated metropolitan planning organization (MPO) for transportation planning in the greater Phoenix metropolitan region, including the Phoenix urbanized area and the contiguous urbanized area in Pinal County. MAG is also designated by the Governor to serve as the principal planning agency for the region in a number of other areas, including air quality, water quality management and solid waste management. In addition, through an Executive Order from the Governor, MAG develops population estimates and projections for the region. Extensive primary research drives this work.

MAG represents 27 cities and towns, three Native American Indian Communities, Maricopa County, and portions of Pinal County. Members include representatives from the incorporated cities and towns in Maricopa County as well as the City of Maricopa, Town of Florence, Maricopa County, Pinal County, Gila River Indian Community, Salt River Pima- Maricopa Indian Community, Fort McDowell Yavapai Nation, and the Arizona Department of Transportation.

The Arizona Department of Transportation (ADOT) serve as an ex-officio member for transportation-related issues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued) - ADOT representatives only provide technical and advisory input on the Council's discussion and consideration of transportation issues. ADOT is not considered part of "the financial reporting entity" as defined by GASBS No. 14 and amended by GASBS No. 39 and 61. Therefore, ADOT is appropriately excluded from the financial reporting entity.

On December 14, 1973, the Governor of Arizona designated MAG as the Metropolitan Planning Organization ("MPO") for the Maricopa County region. The designation was to comply with the requirements of the Federal Transportation Act requiring each urbanized area with a population over 50,000 to establish an MPO. The Governor also designated MAG to serve as the region's principal planning agency for air quality, water quality and solid waste management. In addition, through an Executive Order from the Governor, MAG is responsible for the region's population estimates and projections.

MAG is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

Component Units - The following component units have been classified as blended component units because the component units' governing boards are the same as the governing board of MAG and the component units provide services exclusively to MAG.

Maricopa Association of Governments Information Center ("MAGIC") - MAGIC was incorporated in 2000 for the purpose of providing services to MAG's member agencies and non-members related to but beyond the scope of MAG's Annual Unified Planning Work Program and Annual Budget. MAGIC is governed by the seven-member Executive Committee of MAG's Council and MAG's management serves as management of MAGIC for day-to-day operations. MAGIC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Regional Community Partners ("RCP") - RCP was incorporated in 2000 for the purpose of conducting regional activities and facilitating valley wide collaboration on projects and/or initiatives that improve the quality of life and economic well-being of residents of the Maricopa County region. RCP is governed by the seven-member Executive Committee of MAG's Council and MAG's management serves as management of RCP for day-to-day operations. RCP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The relationship between MAG and the two component units is such that exclusion would cause incomplete reporting of the financial statements. Additionally, the scope of services performed by the component units typically builds on MAG projects. The governing board for each component unit is comprised of a portion of MAG's governing board. Separately issued audited financial statements are not provided for MAGIC or RCP.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds- Fiduciary funds account for assets held by MAG in a trustee or custodial capacity on behalf of others and therefore are not available to support MAG programs. The pension fund report resources that are required to be held in trust for the members and beneficiaries of the defined contribution plans. The reporting focus is on net position and changes in net position and employs accounting principles similar to proprietary funds. The custodial fund reports funds held by MAG in a fiduciary capacity on - behalf of MAG employees. The custodial funds do not report a measurement focus. Fiduciary funds are not included in the government-wide financial statements since they are not assets of MAG available to support MAG programs.

Government-Wide Financial Statements- The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide focus is sustainability of MAG as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The effect of interfund activity has been removed from these statements.

The government-wide statement of net position reports all financial and capital resources of MAG, excluding fiduciary funds. It is presented in a format of assets plus deferred outflows of resources less liabilities and deferred inflows of resources, which equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be presented in three components: net investment in capital assets; restricted and unrestricted. The net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of capital leases and other borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net position are those with constraints placed on their use externally either imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through legislative provisions. All net position not otherwise classified as restricted, are shown as unrestricted.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional activity (General government, Transportation, Environmental, etc.) or segment. Expenses reported for the various functional activities or segments include indirect expenses, such as overhead costs. Interest on long-term debt is not allocated to the various functions. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The general revenues support the net costs of the functions and segments not covered by program revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds even though the latter is excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major governmental funds are summarized into a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance MAG's operations). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Principal revenue sources considered to be susceptible to accrual are federal and state grants, shared allocation RARF funds, and approved shared-project funding. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and miscellaneous revenue associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Most other resources transmitted before the eligibility requirements are met are reported as deferred inflows of resources. All other revenue items are considered to be measurable and available only when cash is received by the government. Member dues and assessments are collected at the beginning of the year and recognized as revenue when qualifying expenditures have been incurred and all other requirements have been met. At year-end, all balances for member dues and assessments are recognized as revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

MAG reports the following major governmental funds:

The General Fund is the primary operating fund for MAG. It accounts for all financial resources except those required to be accounted for in another fund. Activities related to production of the Uniform Standard Specifications for Public Works Construction are sponsored and distributed by the Maricopa Association of Governments. Activities related to member dues and assessments are also reported in this fund. The revenues and related expenditures for these activities include printing and labor costs for this document. The other activities reported in the General Fund are related to miscellaneous unallowable costs under the indirect cost plan and typically are related to meetings, membership and some labor.

Federal Highway Administration (FHWA) Major Special Revenue Fund accounts for almost all program activity related to eligible, regional activities of the Maricopa Association of Governments. FHWA funds are the largest source of funding for MAG. MAG's FHWA grant awards include the following funding sources: Congestion and Mitigation of Air Quality Improvement Grant (CMAQ); Surface Transportation Program (STP); Metropolitan Planning Funds (PL); and Transportation Alternative Funds. Programs funded by FHWA funds are presented by division based on eligible activities funded by the Federal Highway Administration. In 1973, the Federal Transportation Act established a requirement that each urbanized area establish a Metropolitan Planning Organization (MPO). The MPO would be responsible for Section 134 of the United States Code, which required continuous, comprehensive, and cooperative (3C) planning on the basis for any request for federal funding in transportation. On December 14, 1973, Governor Jack Williams designated MAG as the MPO. For fiscal year 2015, the federal MPO transportation requirements are included in the Federal Moving Ahead for Progress in the 21st Century Act (MAP-21). This federal legislation was signed into law by the President on July 6, 2012. This federal transportation legislation replaced SAFETEA-LU, which had been continued through various extensions and continuing resolutions until the enactment of MAP-21. MAP-21 includes a section on the "Scope of the Planning Process", which, among other guidance, lists eight items that the metropolitan transportation planning process shall consider. The eight listed items are the same as the planning factors previously identified by the Federal Highway Administration as planning emphasis areas under SAFETEA-LU. Activities funded by FHWA resources include MAG's planning activities to incorporate the planning requirements included in MAP-21 as part of the implementation and update of the Regional Transportation Plan.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Shared Allocation RARF Major Special Revenue Fund is one of the resources for funding transportation improvements in the MAG Region and is a one-half cent transaction privilege tax (sales tax) collected in Maricopa County. The original sales tax expired in December 2005. With the passage of Proposition 400 in November 2004, the voters of Maricopa County approved the continuation of the sales tax over the next 20 years. A portion of this funding is set aside for administration of the Regional Transportation Plan Life Cycle Programs. MAG oversees the Regional Transportation Plan (RTP) and receives administrative and planning funds for the implementation of the RTP and funding for administering the Arterial Street Life Cycle Program. Projected funding levels from the sales tax revenue are determined using an inflation index which is currently set at about two percent annually.

MAG reports the following non-major governmental funds:

Other Non-major Special Revenue Funds account for specific revenues designated to finance the operations of MAG and for specific revenues utilized in carrying out the terms of grant requirements and other governing regulations regarding the proceeds from Federal and State grant sources, which are legally restricted. Six non-major Special Revenue Funds (including MAGIC and RCP) are used to account for these purposes.

MAG also reports the following fiduciary funds:

ICMA Retirement Pension Fund is an agency fund that accounts for resources that are held through payroll temporarily until remitted to ICMA Retirement Pension Fund.

Custodial Fund accounts for assets held in a fiduciary capacity by MAG for MAG employee's FSA contributions.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Investments- MAG's cash is pooled for investment purposes and interest earned on cash and investments (except for the Fiduciary Fund) is credited to the General Fund and any interest earned on the sales tax account is used for future projects. MAG's cash and investments are cash on hand, demand deposits and short-term investments with current maturities of three months or less.

Receivables- Receivables primarily result from the various grants awarded by the U.S. Department of Transportation (Federal Highway Administration and the Federal Transit Administration). These receivables are passed through to MAG and are due primarily from ADOT as reimbursements for eligible grant expenditures.

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, are as follows:

	FHWA	Shared Allocation RARF	Other Non-Major Funds	Total
Receivables:				
Grants	$ 6,544,616	$ 600,000	$ 968,135	$ 8,112,751
Other			135,940	135,940
	$ 6,544,616	$ 600,000	$ 1,104,075	$ 8,248,691

Allowances for uncollectible accounts are not applied to the accounts receivable balances for MAG, as MAG believes they are fully collectible as the balances relate to federal or state funding.

Inventory- Inventory is valued at cost using the first-in, first-out ("FIFO") method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Fund balances are reported as nonspendable in the amount of the publications inventory at year-end.

Prepaid Items- Prepaid assets for rent, insurance and similar items are for a benefit that extends beyond June 30 or applies to the subsequent budget year. Prepaid items in governmental funds are included in nonspendable fund balance. MAG recognizes an expenditure/expense in the fund and government-wide financial statements when the benefit is received.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Capital Assets - Capital assets are defined by MAG as assets with an initial, individual cost of more than $5,000 except for component units of modular furniture which are capitalized as a unit, and an estimated useful life in excess of two years. Capital assets, which include copiers, computer equipment, computer software, furniture and fixtures, video conference equipment, and building improvements, are reported in the applicable governmental activities columns in the government-wide financial statements. 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. Improvements to capital assets that either lengthen the life of the asset or increase their service potential are capitalized. MAG maintains inventory of all capital assets as they are purchased and performs a physical inventory every two years.

Depreciation has been provided using the straight-line method based on the estimated useful lives of the assets. Amortization of capital leases has been provided using the straight-line method based on the shorter of the lease period or estimated useful lives of the leased assets.

The estimated useful lives are as follows:

Assets	Years
Leasehold Improvements	10 or life of lease
Furniture and fixtures	7
Videoconference equipment	5
Vehicles	3-5
Computer equipment	3-5
Copier equipment	3-5
Software	3

Deferred Outflows of Resources - MAG recognizes consumption of net position that is applicable to a future period as a deferred outflow of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB No. 68 and No. 75.

Compensated Absences - All regular full-time employees of MAG are entitled to paid time off for vacation and sick leave. The limits per calendar year depend upon an employee's length of service.

Vacation leave begins to accrue on the first day of the month after an employee begins employment. New employees are eligible to take up to 48 hours of accrued vacation at the end of six months of service. No payment for unused vacation is paid to an employee terminating prior to their first anniversary date. Any employee using vacation leave and terminating prior to their first anniversary date will be required to reimburse MAG for all used vacation via a payroll deduction from the final pay. Employees' vacation accrual and maximum vacation accrual is based on service level. A liability for accrued vacation is reported in the government-wide financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Vacation leave for employees is accrued as follows:

Years of Service	Annual Accrual
0-4 years	96 hours
5-9 years	120 hours
10+ years	160 hours

Maximum vacation accrual is as follows:

Years of Service	Annual Accrual
0-9 years	240 hours
10-19 years	280 hours
20+ years	320 hours

Sick leave begins to accrue on the first day of the month after an employee begins employment. All regular full-time employees earn sick leave at a rate of 96 hours per calendar year (eight hours per month). Any employee whose accumulated sick leave exceeds 96 hours is eligible to utilize the additional sick leave for health club memberships as outlined in MAG's sick leave policy. In addition, employees whose sick leave exceeds 192 hours are eligible to utilize the additional sick leave for medical reimbursements as outlined in MAG's sick leave policy. Sick leave accumulates up to a maximum of 360 hours. Employees with sick leave over 360 hours will not earn any additional sick leave. Accumulated unpaid leave at year-end is recorded in the government-wide financial statements.

Compensated absences are included in the government-wide financial statement (see Note 4 for additional disclosure of compensated absence liability balances).

Unearned Revenue - Governmental funds record unearned revenue in connection with resources received and not yet earned. At the end of the current fiscal year, the unearned revenue reported in the government-wide and fund financial statements were as follows:

	Unearned
General	$ 2,075
FHWA	104,109
Shared Allocation RARF	21,535,401
Other Non-major Funds	200,381
Total Unearned Revenue	$ 21,841,966

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of *Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)*

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

Post-Retirement Benefits - MAG does not provide post-employment medical or dental benefits for its employees upon retirement from service separate from ASRS.

Deferred Inflows of Resources - MAG recognizes the acquisition of net position that is applicable to a future reporting period as a deferred inflow of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and OPEB under GASBS No. 68 and No. 75.

Fund Balance Reporting - The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASBS No. 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. MAG has not adopted a fund balance policy; and therefore follows the hierarchy recommended by GASBS No. 54.

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, prepaid, or are legally or contractually required to be maintained intact.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Fund Balance Reporting (Continued) - Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the Board of Directors, which is the highest level of decision-making authority within MAG. Only the Board of Directors can remove or change the constraints placed on committed fund balances. Commitments must be made or removed by formal Council action prior to the end of the fiscal year. Assigned fund balances are resources constrained by MAG's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has not authorized an individual or group of individuals to assign fund balances; therefore, MAG does not report any assignments. The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred, MAG uses restricted fund balances first, then committed, assigned and unassigned resources.

The following is a schedule of fund balance classifications for the governmental funds as of June 30, 2018:

	General	Other Non-Major Funds	Total Governmental Funds
Nonspendable:			
Inventory	$ 4,732	$ -	$ 4,732
Prepaid	228,717		228,717
Restricted:			-
Data Services		1,916	1,916
Unassigned	4,367,044	-	4,367,044
Total Fund Balances	$ 4,600,493	$ 1,916	$ 4,602,409

Net Position - In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because these assets are not available for future spending. Restricted net position accounts for the portion of net position restricted by parties outside MAG. Unrestricted net position is the remaining net position not included in the previous two categories.

Interfund Transactions - In the course of normal operations, the Special Revenue fund cash is pooled in the Shared Allocation RARF fund, which executes all cash transactions related to Special Revenue Fund receipts and disbursements. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). The due to/due from balances were created due to timing issues regarding cash collections and disbursements.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting, while the government-wide financial statements are prepared on a long-term economic resources measurement focus and the accrual basis of accounting. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each governmental fund financial statement. Additional reconciliations are provided below.

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. The elements of that reconciliation explain that "capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds" and "long-term liabilities, including capital lease obligations, compensated absences and net pension obligations which are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $15,449,370 difference are as follows:

Capital Leases	$	254,388
Compensated Absences		739,294
Net Pension Liability		14,422,159
OPEB Liability		33,529
	$	15,449,370

The explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities is presented below.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this $260,506 decrease are as follows:

Capital asset additions	451,325
Payments on capital leases	110,920
Proceeds from capital leases	(198,104)
Depreciation on capital assets	(468,254)
Contributions - ASRS	1,044,882
Pension Expense - ASRS	(863,038)
Judgment Payable	150,000
Change in Compensated Absences	32,877
	$ 260,608

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Each fiscal year, a MAG-wide annual budget of revenues and expenditures is prepared by MAG's Fiscal Services staff and is adopted by the Regional Council for all revenues and expenditures. Governmental funds of MAG are budgeted in accordance with GAAP. The required budgetary comparisons are presented as required supplementary information. Prior to final adoption, a proposed budget is presented to the grantors and Council for review and public comment is received. Final adoption of the budget by the Council must occur on or before June 30 of each year. During the fiscal year, supplemental budget appropriations may be authorized by the Council to incorporate the award of new or additional grants and contracts, which become available after the budget is adopted. The budget information presented in the annual audit report includes any of the supplemental appropriations.

The annual budget is adopted by program and line item within the MAG-wide budget. The level of budgetary control by the Council is the total budget amount. A transfer of funds ("administrative changes") between programs requires an amendment with the grantor and the written approval of the Executive Director. Any change causing the overall annual budget to increase or decrease in amount requires passage of a formal budget amendment by the Regional Council or the Regional Council Executive Committee.

At the end of the fiscal year, all unexpended funds are treated as continuing appropriations, which do not lapse and are re-appropriated and carried over into the subsequent fiscal year. Encumbrances are used throughout the year as a management tool. However, since unexpended funds automatically carryover into the subsequent fiscal year, encumbrances are not reflected for financial statement purposes at the fiscal year-end.

At June 30, 2018, the Governmental Activities reported a deficit ending net position in the amount of $8,648,170 in the government-wide financial statements. This deficit is the result of the implementation of GASB No. 68 and No. 75 by MAG during the year ended June 30, 2015 and June 30, 2018. MAG does not anticipate recovering this deficit in the current or future fiscal years as no large reductions in MAG's pension and OPEB liability are expected. MAG continues to make the actuarially determined required contribution each year to sufficiently fund its pension and OPEB obligations as required by state statue.

NOTE 4 DETAILED NOTES ON ALL FUNDS

Deposits and Short-term Investments

Deposits and short-term investments at June 30, 2018 consisted of the following:

Cash on Hand		
Petty Cash	$	250
Deposits		
Carrying Amount of Deposits		20,108,802
Investments		
LGIP		7,411
ICMA Pension		180,583
		20,297,046
Less: Fiduciary Funds		(213,211)
Total Cash and Investments	$	20,083,835

MAG had a carrying value of $20,108,802 for cash on deposit with a local financial institution and a bank balance of $20,788,633 at June 30, 2018. Of the bank balances, $391,037 was covered by federal depository insurance and $20,397,596 was covered by the collateral held by a separate legal operating subsidiary of MAG's servicing bank's parent corporation department in MAG's name.

Interest Rate Risk - MAG has no formal policy limiting its exposure from rising interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, MAG has limited its investments to participation in the State of Arizona's Local Government Investment Pool with a maturity of less than one year.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, MAG's deposits may not be returned. MAG's deposits during the year and at fiscal year-end were entirely covered by federal depository insurance or by collateral held by a separate legal operating subsidiary of MAG's servicing bank's parent corporation in MAG's name.

Credit Risk – Investments - MAG is authorized by the Council to invest in obligations of the U.S. Treasury and any of its agencies, corporation or instrumentalities, collateralized repurchase agreements, certificates of deposit, interest-bearing savings accounts, and the State of Arizona's Local Government Investment Pool ("LGIP") as outlined in Section 35-323 of Arizona Revised Statues. MAG's investments are limited to participation in the State of Arizona's Local Government Investment Pool.

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Deposits and Short-term Investments (Continued)

Investments at June 30, 2018, consist of the following:

		Fair Value
LGIP	$	7,411
Pension Mutual Fund		180,583
Total Investments at Fair Value	$	187,994

LGIP - The State of Arizona is not regulated by the Federal Securities and Exchange Commission ("SEC"). Regulatory oversight for the LGIP is outlined in Arizona Revised Statutes 35-311, which calls for the establishment of the State Board of Investment. Per the statute, the State Board of Investment is composed of "the state treasurer, the director of the department of administration, the superintendent of banks and two individuals appointed by the state treasurer, one of whom has verifiable expertise in investment management and one of whom shall represent a public entity with current deposits in a local government investment pool." The State Board of Investment, chaired by the state treasurer, is responsible for reviewing the pool's current investment performance and investment portfolio at regular monthly meetings. The reports from these meetings are available for public inspection at the office of the state treasurer for a period of time of not less than two years after the date of the meeting report. MAG's investment in the LGIP is stated at fair value, which approximates the value of the pool shares; however, MAG's investments are not identified with specific shares or investments. The LGIP does not receive a credit quality rating.

Investments in the State Treasurer's investment pools are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Investments are valued based on published market prices and securities pricing services.

Pension Trust Mutual Fund - Governmental Accounting Standards Board Statement No. 40 provides for disclosures of custodial credit risk associated with investment securities. An exception is provided for investments in external investment pools and for investments in open-ended mutual funds.

Interest income from investments is recorded as revenue within the fund that made the investment. Investments in the Pension Trust Funds are recorded at fair value and consist solely of mutual funds that are determined through the direction of each employee member enrolled in the plan. Interest income from the LGIP is recorded in the General Fund.

MAG had a net increase in the fair value of investments during fiscal year 2018 of $5,642. This amount takes into account all changes in fair value that occurred during the year.

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets-Capital asset activity for the year ended June 30, 2018 as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Furniture and fixtures	$ 705,704	$ 5,401	$	$ 711,105
Computer software	495,359	218,140		713,499
Machinery and equipment	2,874,649	227,784		3,102,433
Leasehold improvements	1,818,264			1,818,264
Videoconference equipment	687,335			687,335
Total Capital Assets Being Depreciated	6,581,311	451,325	-	7,032,636
Less accumulated depreciation for:				
Furniture and fixtures	(589,725)	(53,304)		(643,029)
Computer software	(483,103)	(50,865)		(533,968)
Machinery and equipment	(2,600,831)	(174,633)		(2,775,464)
Leasehold improvements	(1,110,087)	(166,912)		(1,276,999)
Videoconference equipment	(614,080)	(22,540)		(636,620)
Total accumulated depreciation	(5,397,826)	(468,254)		(5,866,080)
Total Capital Assets Being Depreciated - net	$ 1,183,485	$ (16,929)	$	$ 1,166,556

Depreciation expense charged to functions/programs of the primary government as follows:

Governmental Activities		
Depreciation expense:		
Transportation Planning	$	60,802
Information Services		22,638
Human Services		3,017
Environmental Programs		14,807
Administration		366,990
Total Depreciation Expense	$	468,254

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Interfund Receivables and Payables- The composition of interfund balances as of June 30, 2018 is as follows:

	Due From			
Due To	General Fund	FHWA Fund	Other Nonmajor Funds	Total
Shared Allocation RARF Fund	$ 121,253	$ 5,014,089	$ 839,368	$ 5,974,710
Other Non-Major Funds			39,820	39,820
Total Due to/from Other Funds	$ 121,253	$ 5,014,089	$ 879,188	$ 6,014,530

In the course of normal operations, all special revenue fund cash is pooled in the Shared Allocation RARF fund, which executes all cash transactions related to Special Revenue Fund receipts and disbursements. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). The due to/due from balances were created due to timing issues regarding cash collections and disbursements.

Leases

Operating Leases - MAG leases building and parking under noncancelable operating leases. MAG currently leases 44,817 square feet of office space, which includes 140 parking spaces. The lease arrangement originally meant to continue through November 30, 2020 however, as of October 13, 2017, MAG executed a lease to replace the current one. The new lease includes 47,131 square feet of office space and 140 parking spaces. This new lease will take effect on the commencement date of October 18, 2018 with an expiration date of November 1, 2028.The future minimum lease payments shown below reflect the expenses associated with this lease as of FY 2019. In FY 2018, total rent costs were $883,778, which reflects the costs associated with the original lease.
The future minimum lease payments for these leases are as follows:

Year Ended June 30,	Amount
2019	$ 976,368
2020	991,181
2021	997,625
2022	999,758
Total	$ 3,964,932

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Leases - Capital lease proceeds are reported as other financing source and the repayment of principal consumes financial resources in the governmental funds. This transaction has no effect on the statement of activities. MAG has entered into lease agreements as lessee for financing the acquisition of computer equipment, copier equipment and phone equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded in the government-wide financial statements at the net present value of their future minimum lease payments as of the inception date. The FHWA fund revenues pay the liabilities.

The assets acquired through capital leases are as follows at June 30, 2018:

Copiers, Computer Equipment, and Phone System	$ 501,959
Less: Accumulated Depreciation	(237,877)
Total	$264,082

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year Ending June 30, 2018	Amount
2019	$ 114,856
2020	111,339
2021	51,812
Total minimum lease payments	278,007
Less amount representing interest	(23,620)
Present value of minimum lease payments	$ 254,387

Changes in Long-Term Obligations - Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 772,171	$ 1,035,507	$ 1,068,384	$ 739,294	$ 739,294
Capital Leases	167,204	198,104	110,920	254,388	100,782
OPEB Liability	20,661	12,868	-	33,529	
Pension Liability	14,961,097		505,409	14,422,159	
Governmental Activity Long-term Liabilities	$ 15,921,133	$ 1,246,479	$ 1,684,713	$ 15,449,370	$ 840,076

Compensated absences are considered federally eligible overhead expenses and are paid as part of the indirect costs of MAG. Special revenue funds predominantly serve the programs at MAG. Long-term liabilities are included as part of the above totals for governmental activities. Resources from the Special revenue fund are generally used to liquidate the pension liabilities.

NOTE 5 PENSION and OPEB PLANS

Cost Sharing Pension Plans - The Maricopa Association of Governments (MAG) is a member of the Arizona State Retirement System. MAG contributes to the Arizona State Retirement System (ASRS) on behalf of its employees. The plan is a component unit of the State of Arizona.

Aggregate Amounts: At June 30, 2018, MAG reported the following aggregate amounts related to its contributions to the ASRS plan:

	Pension	OPEB
Net assets		$ 50,586
Net liability	14,422,159	33,529
Deferred outflows of resources	1,857,069	63,712
Deferred inflows of resources	877,092	62,040
Expense	815,564	47,474
Contributions	981,170	63,712

MAG reported accrued payroll and employee benefits of $74,263 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2018. In addition, MAG reported $863,038 of pension expenditures in the governmental funds related to its current year ASRS contributions.

Arizona State Retirement System

Plan Descriptions - MAG employees not covered by the other pension plans described on the following pages participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost- sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1.

The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

NOTE 5 PENSION and OPEB PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Benefits Provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated based on age, average monthly compensation, and service credit as follows:

	Retirement	
	Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 year age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percentage per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost- of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, and interest earned.

Retired and disabled members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from $150 per month to $260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service. Active members are eligible for a long-term disability benefit in the event they become unable to perform their work. The monthly benefit is equal to two-thirds of their monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999 are limited to 30 years of service or the service on record as of the effective disability date, if their service is greater than 30 years.

NOTE 5 PENSION PLANS and OPEB (CONTINUED)

Arizona State Retirement System (Continued)

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For year, ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll. MAG was required by statute to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for the health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

In addition, MAG was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.10 percent for health insurance premium benefit, and 0.13 long-term disability) of annual covered payroll of retired members who worked for MAG in positions that would typically be filled by an employee who contributes to the ASRS.

Contributions:

	Contributions
Pension	$ 981,170
Health Insurance Premium	50,970
Long-Term Disability	12,742

During the fiscal year ended June 30, 2018, MAG paid for ASRS pension and OPEB contributions from the same funds as salary, largely Special Revenue Funds.

Pension Liability - At June 30, 2018, MAG reported a liability of $14,422,159 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017.

MAG's reported liability at June 30, 2018, decreased by $505,409 from MAG's prior year liability of $14,961,097 because of changes in the ASRS' net pension liability and MAG's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

MAG's proportion of the net pension liability was based on the MAG's FY 2017 contributions. MAG's proportion measured as of June 30, 2017, was 0.09258 percent, which was a decrease of 0.00011 from its proportion measured as of June 30, 2016.

NOTE 5 PENSION and OPEB PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Pension and OPEB Assets/Liability:

	Net (Asset) Liability	MAG's% Proportion	Increase (Decrease)
Pension	$ 14,422,159	0.093	0.0001)
Health Insurance Premium	(50,586)	0.093	
Long-Term Disability	33,529	0.093	

Pension/OPEB Expense and Deferred Outflows/Inflows of Resources. MAG has deferred outflows and inflows of resources related to the net pension and OPEB assets/liabilities. Certain changes in the net pension and OPEB assets/liability are recognized as pension and OPEB expense over a period of time rather than the year of occurrence. For the year ended June 30, 2018, the District recognized pension and OPEB expense as follows.

Expense:

	Expense
Pension	$815,564
Health Insurance Premium	29,586
Long-Term Disability	17,888

At June 30, 2018, MAG reported the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	$ -	$ -	$ -
Changes of assumptions or other inputs	626,388		
Net difference between projected and actual earnings on pension investments	103,541		
Changes in proportion and differences between contributions and proportionate share of contributions	145,970		
Contributions subsequent to the measurement date	981,170	50,970	12,742
Total	$ 1,857,069	$ 50,970	$ 12,742

NOTE 5 PENSION and OPEB PLANS (CONTINUED)

Arizona State Retirement System (Continued)

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	$ 432,456	$ -	$ -
Changes of assumptions or other inputs	431,248		
Net difference between projected and actual earnings on pension investments		56,957	5,016
Changes in proportion and differences between contributions and proportionate share of contributions	13,388	63	4
Total	$ 877,092	$ 57,020	$ 5,020

The $1,044,882 reported as deferred outflows of resources related to ASRS pensions resulting from MAG contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liability/ (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year Ending June 30:	Pension	Health Insurance Premium	Long-Term Disability
2019	$ (459,488)	$ (14,253)	$ (1,255)
2020	614,540	(14,253)	(1,255)
2021	175,507	(14,253)	(1,255)
2022	(331,753)	(14,253)	(1,255)
2023		(7)	
Thereafter			

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension and OPEB liability are as follows:

	Pension	OPEB
Actuarial Valuation Date	June 30, 2016	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8%	8%
Projected Salary Increases	3-6.75%	N/A
Inflation	3%	3%
Permanent Benefit Increase	Included	Included
Mortality Rates	1994 GAM Scale BB	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016 valuation were based on results of an actuarial study for the 5-year period ended June 30, 2012.

NOTE 5 PENSION and OPEB PLANS (CONTINUED)

Arizona State Retirement System (Continued)

The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-term Expected Nominal Return
Equity	58%	6.73%	3.87%
Fixed Income	25%	3.70%	0.91%
Real Estate	10%	4.25%	0.42%
Commodities	2%	3.84%	0.08%
Multi-asset Class	5%	3.41%	0.17%
Total	100%		5.45%
Inflation			3.25%
Expected arithmetic nominal return			8.70%

Discount Rate - The discount rate used to measure the ASRS total pension liability and OPEB was 8 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the funding policy of the ASRS Board, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the Retirement Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liability.

NOTE 5 PENSION and OPEB PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Sensitivity of MAG's Proportionate Share of the ASRS Net Pension and OPEB asset/ Liability to Changes in the Discount Rate- The table below presents MAG's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what MAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
MAG's proportionate share of the net pension liability	$ 18,511,092	$ 14,422,159	$ 11,005,506

	Proportionate share of the net (assets) liability		
	1% Decrease	Current Discount Rate	1% Increase
Rate	7.0%	8.0%	9.0%
Pension	$ 18,511,092	$ 14,422,159	$ 11,005,506
Health Insurance Premium	84,008	(50,586)	(164,967)
Long-Term Disability	40,093	33,529	27,964

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net positon is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

International City/County Management Association Retirement Corporation (ICMA)

Through September 30, 2004, prior to joining the Arizona State Retirement System, MAG maintained two defined contribution pension plans administered by the International City/County Management Association Retirement Corporation ("ICMA-RC"). The first plan is the Executive Plan and the second, the Employees' Plan for all other full-time employees. Both plans provided pension benefits through a single-employer defined contribution plan. Both of the plans were effective January 1, 1997, under Section 401(a) of the Internal Revenue Code. MAG is of the opinion that the plan fulfills the requirements of a qualified plan under the provisions of the Internal Revenue Code; however, a favorable determination letter has not been requested. Neither the Executive Director's Plan nor the Employees' Plan includes any loan provisions.

The MAG ICMA-RC Executive Plan was available only to MAG's Executive Director. The plan required the Executive Director to make a mandatory pre-tax contribution equal to 10 percent of gross salary and MAG provided a 10 percent match. The Executive Director was 100 percent vested in the Plan contributions and investment earnings from the date of hire. This plan is no longer used for active contributions.

NOTE 5 PENSION and OPEB PLANS (CONTINUED)

International City/County Management Association Retirement Corporation (ICMA) (Continued)

Under the Employees' ICMA-RC Plan, all full-time employees that were at least 21 years of age and had completed one year of service were eligible to participate in the Plan. The Plan was amended in September 2004 to vest all active employees 100 percent.

Beginning in October 2004, a new ICMA-RC Employees' Plan (second plan) was created for employees who were not eligible to participate in the Arizona State Retirement System. Under this defined contribution 401(a) Employees' Plan, all full-time employees that are at least 21 years of age and have completed one year of MAG service and are not eligible to participate in the Arizona State Retirement System, are eligible to participate in the Plan. Employees are 100 percent vested in the Plan after five years of service. MAG, as directed by the Council, contributes an amount equal to 10 percent of each eligible employee's gross salary each pay period. The Plan does not include any loan provisions. At June 30, 2018, there was one Plan member.

MAG's total covered payroll under the second Employees' Plan with ICMA-RC, through June 30, 2018 and June 30, 2017, was $35,031 and $135,097, respectively. All required employer contributions were made in accordance with Plan provisions. The Employees' Plan contributions amounted to $3,253 9.29% of the total covered payroll through June 30, 2018. Contributions for the last pay period through June 30, 2018 were made on July 12, 2018.

NOTE 6 OTHER INFORMATION

Risk Management - MAG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. MAG purchases insurance coverage for property, commercial general liability, automobile liability and physical damage, umbrella liability, commercial crime and public officials' liability. In addition, MAG purchases workers' compensation, employee life insurance, health, vision, and dental insurance coverage for all its full-time employees. Disability insurance is also purchased by MAG for all full-time regular employees after completing one year of service. For the past three years, settled claims for these risks have never exceeded commercial insurance limits and there were no significant changes in insurance coverage from coverage in the prior year.

Related Party Transactions - During the fiscal year ended June 30, 2018, MAG had related party transactions with affiliated agencies and member governments. The significant related party transactions are described below:

NOTE 6 OTHER INFORMATION (CONTINUED)

Maricopa County - Beginning in FY 2001, MAG had an agreement with the Maricopa County Trip Reduction Division for rideshare program planning. Total agreements with the County under this contract during the fiscal years ended June 30, 2018 and 2017, were $718,190 and $915,095, respectively. At June 30, 2018 and 2017, MAG had a payable to the County Trip Reduction Division of $244,156 and $261,580, respectively.

Arizona Department of Administration – Beginning in FY 2015, MAG had an agreement with the Arizona Department of Administration (ADOA) for the travel reduction program. Total payments to ADOA during the fiscal years ended June 30, 2018 and 2017 were $78,160 and $66,778 . At June 30, 2018 and 2017, MAG had a payable for these contracts to ADOA of $56,840 and $68,222, respectively.

Beginning in FY 2001, MAG also had agreements with RPTA for rideshare program planning, telecommuting, ozone education and bicycle education. During FY 2010, the MAG Regional Council Executive Committee approved combining the Regional Rideshare program with the Telework and Ozone Outreach program. This combined project was retitled to Regional Rideshare and Telework program. Total payments to RPTA under these contracts during the fiscal years ended June 30, 2018 and 2017, were $479,065 and $516,372, respectively. At June 30, 2018 and 2017, MAG had a payable for these contracts to RPTA of $114,935 and $143,074, respectively.

Valley Metro Rail (VMR) - Beginning in FY 2018, MAG established an agreement with Valley Metro Rail (VMR) for transit planning services. Total payments to VMR under this agreement during the fiscal years ended June 30, 2018, were $724,719. For the year ended June 30, 2017 and 2018, MAG had a payable for this contract of $0.

City of Phoenix - The City of Phoenix is the contracting agent for the ongoing operations of the regional 9-1-1 system. A 9-1-1 assessment is paid by the MAG members and is passed through MAG to the City of Phoenix 9-1-1 for funding 9-1-1 coordination efforts for the region. Total payments to the City of Phoenix during the fiscal years ended June 30, 2018 and 2017, were $104,949 and $104,949, respectively. At June 30, 2018 and 2017, MAG had a payable of $0 and $0, respectively.

Beginning in FY 2016, MAG entered into an Agreement for Coordination of Phoenix Activities Related to South Mountain Freeway Development. The total budget for this agreement is $350,000 per year for two years with an option to extend the agreement for up to two additional years. Total payments to the City of Phoenix during the fiscal year ended June 30, 2018 and 2017, were $146,291 and $261,580, respectively. At June 30, 2018 and 2017, MAG had a payable of $203,709 and $69,031, respectively.

PM-10 certified street sweepers are reimbursed to jurisdictions to reduce particulate pollution in the region. During FY 2018, several street sweeper reimbursements were processed for members including the City of Phoenix for $446,832; City of Mesa for $542,592, City of Glendale for $253,380, City of Chandler, and Pinal County 255,664. At June 30, 2018 and 2017, MAG had a payable for street sweepers of $255,664 and $455,475, respectively.

NOTE 6 OTHER INFORMATION (CONTINUED)

Subsequent Events

MAG leases office building space and parking facilities under a noncancelable operating lease. The current lease was executed between MAG and the City of Phoenix for offices and parking on November 15, 2010. Under this lease, MAG is leasing 44,817 square feet of office space for ten years and the lease ends November 30, 2020. As of October 13, 2017, MAG executed a lease to replace the current one. The new lease includes 47,131 square feet of office space and 140 parking spaces. This new lease will take effect on the commencement date of October 18, 2018 with an expiration date of November 1, 2028.The total of these payments to the City of Phoenix for office space and parking for FY 2018 and 2017 were $883,778 and $980,159 respectively. At June 30, 2018 and 2017 MAG had a payable of $0 and $0, respectively.

Member Governments - To comply with grant matching requirements, MAG received in-kind contributions from member governments valued at June 30, 2018 and 2017, at $1,787,578 and $1,828,020 respectively. In-kind contributions are calculated with contributed hours from MAG member agencies attending committee meetings related to projects requiring a local match contribution. Member governments also pay annual dues and special assessments to MAG. For the fiscal year ended June 30, 2018, the following dues and assessments paid by member governments were recognized:

Dues	$ 231,034
Special Assessments	458,449
	$ 689,483

Commitments - MAG has entered into various consultant contracts for a variety of services. Commitments under these contracts exist only to the extent that services are requested or provided, and all contracts provide for cancellation without cause.

Contingent Liabilities - As a sub-recipient of federal and state grant monies, amounts passed through or receivable from other agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although MAG expects such amounts, if any, to be immaterial.

On February 11, 2016, the National Association of the Deaf, the Arizona Center for Disability Law and a number of individual plaintiffs filed a lawsuit against the State of Arizona, Maricopa County, City of Phoenix, City of Tempe, the Maricopa Association of Governments and the City of Surprise alleging disability discrimination under Title II of the Americans with Disabilities Act (ADA) and the Rehabilitation Act arising out of the failure to provide Text-to-9-1-1 services to persons who are deaf or hard of hearing. Each defendant denied such assertions and affirmatively asserted that the TTY 9-1-1 emergency services currently provided in Arizona were in compliance with all state and federal legal requirements. In April 2017, the Executive Committee directed MAG's attorneys to seek a settlement of the legal claims against Maricopa Region 9-1-1. On January 22, 2018, the MAG Executive Committee recommended approval of litigation costs and budgeting for legal counsel related to the legal claim against Maricopa Region 9-1-1. The recommended amount to settle litigation costs for the 9-1-1 legal claim is $152,000 to be allocated over three fiscal years starting in the FY 2019. This action was approved by the MAG Regional Council on January 31, 2018.

NOTE 6 OTHER INFORMATION (CONTINUED)

Indirect Costs - MAG central support services costs are recorded in the General Fund as indirect costs in MAG's accounting system and recovered from the special revenue funds based upon a predetermined indirect cost rate. The U.S. Code of Federal Regulations, Title 2, Part 200.56 of Subpart A of the Uniform Guidance, defines indirect costs as those "(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved."

MAG, as a Council of Governments ("COG"), is considered a local government under the definitions of 2 CFR, Part 200.64. This section of the Code defines local governments as "a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments (whether or not incorporated as a non-profit corporation under State law), any other regional or interstate government entity, or any agency or instrumentality of a local government."

Per 2 CFR, Part 200, Appendix V, MAG is required to maintain an indirect cost plan and the related supporting documentation. MAG is not required to submit its plan to a federal cognizant agency. However, as a sub-recipient of Federal Highway Administration ("FHWA") funding through the ADOT, MAG does submit its indirect cost and fringe benefit rates annually to ADOT for review. The plan established and approved by ADOT has a fixed indirect cost rate of 171.50% for use in FY 2018.

The indirect cost and fringe benefit rates are applied to the direct labor base, made up of salaries, wages and applicable fringe benefits charged to affected task(s) in the general fund and special revenue funds.

NOTE 7 PRIOR PERIOD ADJUSTMENTS

The July 1, 2017, government-wide net position and the fund balance of the governmental funds do not agree to the prior year financial statements due to implementation of GASB 87 and a reclassification of the Contributions Fund to the General Fund.

Net position, June 30, 2017, as previously reported	$ (8,884,035)
Net OPEB asset	23,152
Net OPEB liability	(20,661)
Net position, July 1, 2017, as restated	$ (8,881,544)

Donations Fund Balance Reclassification

	Contributions	General Fund
Net Change in Fund Balances FY 2018	$ -	$ (27,234)
Fund Balances		
Beginning of Year	(17,388)	4,645,115
Contribution Fund movement	17,388	(17,388)
End of Year	$ -	$ 4,600,493

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REQUIRED SUPPLEMENTARY INFORMATION

MARICOPA ASSOCIATION OF GOVERNMENTS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MAG'S PROPORTIONATE SHARE OF PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018

Arizona State Retirement System

	Reporting Year (Measurement Date)		
Proportionate Share of Pension Liability:	2018 (2017)	2017 (2016)	2016 (2015)
MAG's Proportion of the Net Pension Liability	.09258%	0.09269%	0.09070%
MAG's Proportionate Share of the Net Pension Liability	$14,422,159	$14,961,097	$14,127,474
MAG's Covered Payroll	$9,278,757	$8,663,397	$8,063,746
MAG's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	155.43%	161.24%	175.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.92%	67.06%	68.35%

	Reporting Fiscal Years		
	2018	2017	2016
Schedule of Pension Contributions:			
Statutory Required Contribution	$ 981,170	$ 1,000,250	$ 910,689
MAG's Contribution in Relation to the Statutorily Required Contribution	$ 981,170	1,000,250	910,689
MAG's Contribution Deficiency (Excess)	$	$	$
MAG's Covered Payroll	$ 9,001,560	$ 9,278,757	$ 8,663,397
MAG's Contribution as a Percentage of Covered Payroll	10.89%	10.77%	10.51%

Note: Information prior to the measurement date of June 30, 2014 was not available.

MARICOPA ASSOCIATION OF GOVERNMENTS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM – HEALTH INSURANCE PREMIUM
JUNE 30, 2018

	2018
Measurement date	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.09%
District's proportionate share of the net OPEB (assets) liability	$ (50,586)
District's covered payroll	$ 9,218,894
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	-0.55%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%

MARICOPA ASSOCIATION OF GOVERNMENTS
SCHEDULE OF OPEB CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM – HEALTH INSURANCE PREMIUM
JUNE 30, 2018

		2018
Actuarially determined contribution	$	50,970
Contributions in relation to the actuarially determined contribution		50,970
Contribution deficiency (excess)	$	
District's covered payroll	$	9,001,560
Contributions as a percentage of covered payroll		0.57%

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

MARICOPA ASSOCIATION OF GOVERNMENTS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM – LONG-TERM DISABILITY
JUNE 30, 2018

	2018
Measurement date	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.09%
District's proportionate share of the net OPEB (assets) liability	$ 33,529
District's covered payroll	$ 9,218,894
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	0.36%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%

MARICOPA ASSOCIATION OF GOVERNMENTS
SCHEDULE OF OPEB CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM – LONG-TERM DISABILITY
JUNE 30, 2018

		2018
Actuarially determined contribution	$	12,742
Contributions in relation to the actuarially determined contribution		12,742
Contribution deficiency (excess)	$	
District's covered payroll	$	9,001,560
Contributions as a percentage of covered payroll		0.14%

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

Retired and disabled members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from $150 per month to $260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service. Active members are eligible for a long-term disability benefit in the event they become unable to perform their work. The monthly benefit is equal to two-thirds of their monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999 are limited to 30 years of service or the service on record as of the effective disability date, if their service is greater than 30 years.

Pension/OPEB Expense and Deferred Outflows/Inflows of Resources. The District has deferred outflows and inflows of resources related to the net pension and OPEB assets/liabilities. Certain changes in the net pension and OPEB assets/liability are recognized as pension and OPEB expense over a period of time rather than the year of occurrence. For the year ended June 30, 2018, the District recognized pension and OPEB expense as follows:

Expense:

	Expense
Pension	$815,564
Health Insurance Premium	29,586
Long-Term Disability	17,888

The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

MARICOPA ASSOCIATION OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL AND SPECIAL REVENUE FUNDS – BUDGET AND ACTUAL (BUDGET BASIS)
FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
Resources (Inflows):				
Federal Revenue	$ 25,808,242	$ 26,132,062	$ 19,275,934	$ 6,856,128
State Revenue	7,170,217	7,405,866	4,068,878	3,336,988
Donations & Contributions		-	23,101	(23,101)
Other	50,684	115,684	4,151	111,533
Local (Dues and Assessments)	689,483	761,383	773,008	(11,625)
Amounts Available for Appropriation	$ 33,718,626	$ 34,414,995	$ 24,145,072	$ 10,269,923
Charges for Appropriations (Outflows):				
Environmental Program:				
Personnel	$ 1,382,296	$ 1,382,296	$ 1,596,213	$ (213,917)
Overhead	1,415,147	1,415,147	855,223	559,925
Consultants	210,073	210,073	70,166	139,907
Public Works Support:				
Personnel	49,831	49,831	28,571	21,260
Overhead	51,014	51,014	16,876	34,138
Human Services Program:				
Personnel	513,268	513,268	599,586	(86,318)
Overhead	525,467	525,467	377,124	148,343
Consultants	263,000	263,000	34,375	228,625
Regional Community Partners Program:				
Personnel	67,009	88,543	58,624	29,919
Overhead	68,600	4,066	34,182	(30,116)
Implementation Programs:				
Personnel	483,717	483,717	553,360	(69,643)
Overhead	495,211	495,211	322,776	172,435
Consultants	900,000	900,000	813,592	86,408
MAG Pass-through Agreements	3,688,812	3,688,812	3,494,472	194,340
Transportation Program:				
Personnel	5,033,031	5,089,031	5,267,335	(178,304)
Overhead	5,153,155	5,153,155	2,831,266	2,321,889
Consultants	6,457,901	7,141,270	2,852,690	4,288,580
MAG Pass-through Agreements	724,720	734,720	724,719	10,001
Maricopa Association of Governments Information Center (MAGIC):				
Consultants				
Regional Analytics Program:				
Personnel	1,746,929	1,746,929	2,072,981	(326,052)
Overhead	1,788,445	1,788,445	1,091,222	697,223
Consultants	100,000	100,000	8,677	91,323

(Continued)

See accompanying Notes to Required Supplementary Information.

MARICOPA ASSOCIATION OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL AND SPECIAL REVENUE FUNDS – BUDGET AND ACTUAL (BUDGET BASIS) (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018

Non-Divisional:	Original Budget	Final Budget	Actual	Variance With Final Budget
Personnel	$	$	$ -	$ -
Overhead			149,737	(149,737)
Consultants	80,000	230,000	65,318	164,682
Capital	1,021,000	1,021,000	451,325	569,675
Contingency	1,500,000	1,340,000		1,340,000
Total Charges to Appropriations	33,718,626	34,414,995	24,370,410	10,044,585
Net Change in Fund Balance			(225,338)	(225,338)
Capital Leases-Other Financing Sources	132,092	182,492	198,104	15,612
Net Change in Fund Balance	132,092	182,492	(27,234)	
Fund Balance, Beginning of Year	4,592,317	4,629,643	4,629,643	
Fund Balance, End of Year	$ 4,724,409	$ 4,812,135	$ 4,602,409	$ (209,726)

(Concluded)

See accompanying Notes to Required Supplementary Information

MAG's adopted budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America and there are no exceptions for the fiscal year. The budget is employed as a management control device for the funds.

The financial operations of MAG are controlled by the resolution process of the MAG Regional Council. MAG prepares one operational budget consisting of a single operating fund. The operating fund budget includes both the annual operating expenditures and capital outlays. Proposed capital outlays comprise a relatively small percentage of funds proposed, thus a separate capital budget is not prepared. Federal funds are revenues received on a cost reimbursement basis through the cognizant agency. General Fund revenues are comprised mostly of funding designated for specific expenditures and a relatively small portion of General Fund revenues also include non-designated funding.

After the annual budget is adopted by the Regional Council, the Regional Council can amend the budget at any time during the fiscal year to incorporate new grants, agreements and contracts which may become available during the year. Management can amend the budget between programs or projects within the adopted budget or amended budget for administrative changes. However, management may not exceed the overall total budget. The overall budget is the level of control.

The budget-to-actual schedule shows revenues and expenditures that are approved by resolution of MAG's governing body, the Regional Council, as discussed above. This schedule is presented below. The budget is presented on a program basis with the supporting line expenditure information included. MAG uses nine programs (i.e., Environmental, Public Works, Human Services, Regional Community Partners, Program Implementation, Transportation, Maricopa Association of Governments Information Center, Regional Analytics, and Non-Divisional). The program level is the level at which grantors approve and subsequently amend the budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable budget, is utilized by all of the funds. For budgeting purposes, encumbrances lapse at year-end and may be rebudgeted in the following year.

There were no adjustments necessary to convert the results of operations of the operating fund for the year ended June 30, 2018 from the "GAAP basis" to the "budget basis".

Amendments to the budget were approved by the Council to increase the budget for the following:

Special Revenue Funds		
FHWA funds from ADOT	$	323,820
Local and State funds		71,900
Donations		65,000
Regional Area Road Funds for Transportation projects		235,649
	$	696,369

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Combining and Individual Fund
Statements and Schedules

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Federal Transit Authority ("FTA") - MAG accounts for funds provided under the U.S. Department of Transportation on a pass-through basis from ADOT and the City of Phoenix. FTA funds are used for regional transit planning activities.

Housing and Urban Development ("HUD") - MAG receives federal funding from the U.S. Department of Housing and Urban Development for the purpose of region-wide Housing Choice Voucher program administration and coordination.

Arizona Department of Economic Quality ("ADEQ") - MAG receives federal funding from the U.S. Department of Environmental Protection Agency (EPA) on a pass-through basis from ADEQ for a water quality grant that is used for environmental purposes.

Local Income - The activity is solely comprised of funding from member agencies and other local partners for special project work.

Maricopa Association of Governments Information Center ("MAGIC") – MAGIC, incorporated in 2000 was developed for providing services to MAG's member agencies and non-members related to but beyond the scope of MAG's Annual Unified Planning Work Program and Annual Budget.

Regional Community Partners ("RCP") - RCP was incorporated in 2000 for the purpose of conducting regional activities and facilitating valley wide collaboration on projects and/or initiatives that improve the quality of life and economic well-being of residents of the Maricopa County region.

MARICOPA ASSOCIATION OF GOVERNMENTS
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	FTA	HUD	ADEQ	Local
Assets				
Cash and Investments	$	$	$	$
Receivables	806,218	161,917	1,661	131,279
Due from Other Funds				39,820
Total Assets	$ 806,218	$ 161,917	$ 1,661	$ 171,099
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	$ 49,870	$ 909	$	$ 18,507
Accrued Wages and Benefits	37,915	6,423		
Retainage Payable	23,284			3,805
Due to Other Funds	695,149	154,585	1,661	
Unearned Revenue				148,787
Total Liabilities	$ 806,218	$ 161,917	$ 1,661	$ 171,099
Fund Balances				
Restricted for MAGIC				
Unassigned				
Total Fund Balances	-	-	-	-
Total Liabilities and Balances	$ 806,218	$ 161,917	$ 1,661	$ 171,099

Regional Community Partners		MAGIC		Total Nonmajor Governmental Funds
$ 76,025	$	3,278	$	79,303
-		-		1,101,075
-		-		39,820.00
$ 76,025	$	3,278	$	1,220,198
$ -	$	-	$	69,286
				27,089
		-		44,338
27,793		-		879,188
48,232		1,362		198,381
76,025		1,362		1,218,282
-		-		-
-		1,916		1,916
-		-		-
-		1,916		1,916
$ 76,025	$	3,278	$	1,220,198

MARICOPA ASSOCIATION OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

	FTA	HUD	ADEQ
Revenues			
Federal	$ 1,558,201	$ 444,541	$ 6,375
State			
Donations and Contributions			
Local Income			
Total Revenues	1,558,201	444,541	6,375
Expenditures			
Current			
General Government			
Environmental			6,375
Human Services	434,536	444,541	
Transportation Services	1,123,665		
RCP			
MAGIC			
Total Expenditures	1,558,201	444,541	6,375
Excess (Deficiency) of Revenues over Expenditures			
Fund Balances			
Beginning of Year			
End of Year	$	$	$

Local Income	MAGIC	Regional Community Partners	Total Nonmajor Governmental Funds
$	$	$ 52,798	$ 2,061,915
43,517		40,008	83,525
43,517		92,806	2,145,440
			6,375
			879,077
43,517			1,167,182
		92,806	92,806
43,517		92,806	2,145,440
	1,916		1,916
$	$ 1,916	$	$ 1,916

MARICOPA ASSOCIATION OF GOVERNMENTS
COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	ICMA Retirement Agency Funds		
Assets	Executive Plan	Employees' Plan	Totals
Receivables			
Contributions Receivable			
Investments - At Fair Value	$ 2	$ 180,583	$ 180,585
Total Assets	2	180,583	180,585
Net Position			
Restricted for Pensions	$ 2	$ 180,583	$ 180,585

MARICOPA ASSOCIATION OF GOVERNMENTS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS FISCAL YEAR ENDED JUNE 30, 2018

	ICMA Retirement Agency Funds		
Additions	Executive Plan	Employees' Plan	Totals
Contributions			
Employer	$	$ 3,253	$ 3,253
Investment Earnings			
Net Increase in the Fair Value of Investments	2,947	2,695	5,642
Total Additions	2,947	5,948	8,895
Deductions			
Distributions	$ 403,714	$ 36,000	$ 439,714
Total Deductions	403,714	36,000	439,714
Change in Net Position	(400,767)	(30,052)	(430,819)
Net Position Beginning of Year	400,769	210,635	611,404
Net Position End of Year	$ 2	$ 180,583	$ 180,585

MARICOPA ASSOCIATION OF GOVERNMENTS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FISCAL YEAR ENDED JUNE 30, 2018

Employee FSA	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and Investments	$ 22,822	$ 9,804	$	$ 32,626
Liabilities				
Due to Other Entities	$ 22,822	$ 9,804	$	$ 32,626

OTHER INFORMATION

MARICOPA ASSOCIATION OF GOVERNMENTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2018

	2018	2017
Capital Assets Being Depreciated:		
Furniture and Fixtures	$ 711,105	$ 705,704
Computer Software	713,499	495,359
Machinery and Equipment	3,102,433	2,874,649
Leasehold Improvements	1,818,264	1,818,264
Videoconference Equipment	687,335	687,335
Total Capital Assets Being Depreciated	$ 7,032,636	$ 6,581,311
Investments In Governmental Funds Capital Assets By Source - Special Revenue Funds	$ 7,032,636	$ 6,581,311

MARICOPA ASSOCIATION OF GOVERNMENTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FISCAL YEAR ENDED JUNE 30, 2018

	Balance, June 30, 2017	Additions	Deductions	Balance, June 30, 2018
Governmental Activities:				
Transportation Planning	$ 785,102	$ 27,590	$	$ 812,692
Information Services	747,357	18,254		765,611
Human Services	36,218	306		36,524
Environmental Programs	185,728	561		186,289
Program Implementation		152,640		152,640
Administration	4,826,906	251,974		5,078,880
Total Capital Assets Being Depreciated	$ 6,581,311	$ 451,325	$	$ 7,032,636

MARICOPA ASSOCIATION OF GOVERNMENTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF NET ADDITIONS AND DELETIONS BY FUNCTION AND SOURCE
FISCAL YEAR ENDED JUNE 30, 2018

	Furniture and Fixtures	Computer Software	Machinery and Equipment
Governmental Activities:			
Transportation Planning	$ 1,783	$ 10,000	$ 15,807
Information Services	815		17,439
Human Services	306		
Environmental Programs	561		
Program Implementation		152,640	
Administration	1,936	55,500	194,538
	$ 5,401	$ 218,140	$ 227,784

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of MAG's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about MAG's overall financial health.

Contents Page

Financial Trends

These schedules contain trend information to help the reader understand how MAG's financial performance and well-being have changed over time.

Debt Capacity

This schedule presents information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which MAG's financial activities take place.

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules was derived from the comprehensive annual financial reports for the relevant year.

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FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how MAG's financial status has changed over time.

MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 1
GOVERNMENTAL ACTIVITIES - NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year				
	2009	2010*	2011*	2012*	2013*
Governmental Activities					
Net Investment in Capital Assets	$ 185,217	$ 173,172	$ 754,444	$2,775,220	$ 2,372,802
Restricted			7,526	1,911	1,911
Unrestricted	4,176,031	4,095,229	3,650,616	940,751	553,983
Total Governmental Activities Net Position	$ 4,361,248	$ 4,268,401	$ 4,412,586	$ 3,717,882	$ 2,928,696

* Includes MAGIC and RCP component units blended in FY 2010.

Fiscal Year				
2014	2015*	2016*	2017*	2018*
$ 1,832,230	$ 1,477,883	$ 1,267,349	$ 1,016,283	$912,168
1,911	1,911	1,911	112,677	1,915
(9,874,683)	(9,559,246)	(9,639,768)	(10,012,995)	(9,562,253)
($8,040,542)	$ (8,079,452)	$ (8,370,508)	$ (8,884,035)	$ (8,648,170)

MARICOPA ASSOCIATION OF GOVERNMENTS

TABLE 2
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year 2009	2010*	2011*	2012*	2013*
Expenses					
Governmental Activities:					
Environmental	$ 1,603,225	$ 2,264,529	$ 2,664,613	$ 2,389,614	$ 2,448,672
Human Services	790,768	716,678	400,396	358,003	520,198
Program Implementation	4,732,643	3,914,637	4,393,161	4,962,303	4,975,707
Transportation	9,106,685	9,833,095	9,517,455	11,753,253	12,569,764
Information Services	2,066,758	2,758,581	2,219,055	2,421,108	2,703,894
General Government	67,091	225,122	269,818	227,026	138,616
MAGIC		32,713	8,272	5,615	4,118
Regional Community Partners		53,151	175,305	245,032	310,433
Specifications and Details	17,482	11,397	14,289	35,813	47,992
Interest on Long-term Debt	46,409	34,386	28,219	29,320	46,568
Total Governmental Activities	18,431,061	19,844,289	19,690,583	22,427,087	23,765,962
Program Revenues					
Governmental activities:					
Operating Grants and Contributions	18,669,341	19,751,111	19,442,812	21,731,849	22,970,517
General Revenues	14,122	331	2,643	534	6,259
Total Governmental Activities Program Revenues	18,683,463	19,751,442	19,445,455	21,732,383	22,976,776
Net (Expense)/Revenue					
Governmental Activities	252,402	(92,847)	(245,128)	(694,704)	(789,186)
Special Items					
Donated Capital Assets			389,313		
Primary Government Changes in Net Position	$ 252,402	$ (92,847)	$ 144,185	$ (694,704)	$ (789,186)
Expenses of Component Units					
MAGIC	$ 12,875	$	$	$	
Regional Community Partners	15,897				
Total Component Unit Expenses	28,772				
Revenues of Component Units					
Charges for Services - MAGIC	12,875				
Regional Community Partners	15,897				
Total Component Unit Revenues	28,772				
Component Units Change in Net Position	$	$	$	$	$

* Includes MAGIC and RCP component units blended in FY 2010.

	Fiscal Year			
2014*	2015*	2016*	2017*	2018*
$2,534,038	$2,421,149	$2,588,337	$2,429,258	2,526,798
774,102	689,739	613,707	703,663	1,015,355
3,785,961	5,463,019	7,211,284	6175,730	5,103,695
12,147,144	12,468,589	13,799,073	15,231,345	11,762,819
2,733,366	2,522,125	2,935,882	3,150,092	3,180,371
146,075	815,695	238,268	197,979	172,090
9,559		3,707	8,736	-
323,961	334,266	202,992	122,927	91,819
82,597	75,904	55,570	46,075	45,106
48,665	46,017	34,309	25,428	13,749
22,585,468	24,836,503	27,683,129	28,091,233	23,911,803
24,388,753	24,797,578	27,392,051	27,577,659	24,144,973
20	15	22	47	102
24,388,773	24,797,593	27,392,073	27,577,706	24,145,075
1,803,305	(38,910)	(291,056)	(513,527)	233,272
$ 1,803,305	$ (38,910)	$ (291,056)	$ (513,527)	$ 233,272
$	$	$	$	$
$	$	$	$	$

MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 3
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year				
	2009	2010*	2011*	2012*	2013*
General Fund					
Reserved	$ 4,220	$ 6,390	$	$	$
Unreserve	4,410,526	4,391,103			
Non-spendable					
Inventory			2,301	3,222	3,218
Prepaids Items			2,329	3,413	99,548
Unassigned			4,490,375	4,322,464	4,050,463
Total General Fund	4,414,746	4,397,493	4,495,005	4,329,099	4,153,229
All Other Governmental Funds					
Reserved	14,238	$ 350	$	$	
Unreserved	181,561	187,959			
Non-spendable					
Restricted			7,526	1,911	1,911
Unassigned			(332,938)	(2,800,485)	(2,947,018)
Total All Other Governmental Funds	$ 195,799	$ 188,309	$(325,412)	$ (2,798,574)	$ (2,945,107)

* Includes MAGIC and RCP component units blended in FY 2010.

Note: MAG implemented GASB Statement No. 54 during the fiscal year 2010-11.

Fiscal Year				
2014*	2015*	2016*	2017*	2018*
3,379	3,464	5,131	4,810	4,732
26,049	103,826	229,524	249,925	228,717
3,940,034	4,045,194	4,194,819	4,390,380	4,367,044
3,969,462	4,152,484	4,429,474	4,645,115	4,600,493
1,911	1,911	1,911	1,916	1,916
(400,695)	(17,388)	(17,388)	(17,388)	
$ (398,784)	$ (15,477)	$ (15,477)	$ (15,472)	$ 1,916

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MARICOPA ASSOCIATION OF GOVERNMENTS

TABLE 4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL AND SPECIAL REVENUE FUNDS – BUDGET AND ACTUAL FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final	Actual Amounts	Variance with Final Budget
Revenues				
Government Funds	$ 33,718,626	$ 34,414,995	$ 24,145,072	$ 10,269,923
Expenditures -				
Governmental Funds	33,718,626	34,414,995	24,370,410	10,269,923
Excess (Deficiency) of Revenues Over Expenditures	-	-	(225,338)	
Total Other Financing Sources	132,092	182,492	198,104	
Net Change in Fund Balances	132,092	182,492	(27,234)	
Budgetary Fund Balance - Beginning	4,592,317	4,629,643	4,629,643	
Budgetary Fund Balance - Ending	$ 4,724,409	$ 4,812,135	$ 4,602,409	

MARICOPA ASSOCIATION OF GOVERNMENTS

TABLE 5
GENERAL GOVERNMENTAL REVENUES AND EXPENDITURES
LAST TEN FISCAL YEARS

	Fiscal Year 2009	2010	2011	2012	2013
Revenues					
Dues	$ 202,858	$ 101,432	$ 101,432	$ 101,432	$ 101,432
Publications	17,482	13,584	10,201	9,932	5,979
Interest Income	14,122	331	2,643	534	6,259
Other Income	7,058	8,416			
Grants:					
Federal	14,989,183	15,792,452	15,085,101	17,462,731	17,187,871
State	38,762	41,048	2,106		
Shared Allocation RARF	2,744,510	2,908,164	3,991,444	3,808,380	5,253,433
Member Assessments	403,694	202,041	201,844	201,844	201,844
Local	423,973	671,546	27,791	21,923	205,685
Donations and contributions	1,000	61,039	22,893	125,607	14,273
Other income					
Total revenues	18,842,642	19,800,053	19,445,455	21,732,383	22,976,776
Expenditures					
Publications	56,728	57,597	69,721	80,847	94,382
Program Administration	27,845	42,736	43,504	33,809	51,768
Maricopa Association of Governments Information Center (MAGIC)		32,713	8,272	5,615	4,118
Regional Community Partners (RCP)		53,151	175,305	245,032	310,433
Environmental Programs	1,604,444	2,281,878	2,652,048	2,330,606	2,354,584
Human Services Programs	753,220	708,511	397,746	348,684	505,051
Program Implementation	4,735,067	3,917,773	4,380,812	4,857,526	4,863,963
Transportation Programs	9,028,254	9,791,968	9,477,377	11,483,831	12,129,621
Information Services Programs	2,084,633	2,749,548	2,215,366	2,369,771	2,595,589
Other					
Program Administration					
Capital	256,821	79,149	560,650	2,548,813	435,295
Debt Service *					
Principal	144,703	147,907	142,663	118,863	196,569
Interest	46,409	17,531	28,219	29,320	46,568
Total Expenditures	18,738,124	19,880,462	20,151,683	24,452,717	23,587,941
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,518	(80,409)	(706,228)	(2,720,334)	(611,165)
Other Financing Sources (Uses): Issuance of Capital Leases	64,621	55,666	290,019	81,266	288,762
Net Change in Fund Balances	$ 169,139	$ (24,743)	$ (416,209)	$ (2,639,068)	(322,403)
Debt Service as a Percentage of Noncapital Expenditures	1.0%	0.0%	3.0%	12.0%	1.1%

* Includes MAGIC and RCP component units blended in FY 2010.

Fiscal Year				
2014	2015	2016	2017	2018
$ 101,432	$ 220,510	$ 224,293	$ 225,858	$ 231,034
5,327	7,357	7,569	4,356	3,809
20	15	22	41	102
				240
			246	
15,477,204	16,668,027	19,176,945	19,522,877	19,275,934
		94,019	2,981	
8,082,432	7,207,208	7,282,973	7,305,029	4,068,878
201,844	438,366	445,474	448,577	458,449
479,379	255,654	133,728	49,842	83,525
41,135	456	27,050	17,899	23,101
24,388,773	24,797,593	27,392,073	27,577,706	24,145,072
82,597	74,740	52,679	44,989	45,477
49,260	14,212	6,624		
9,559		3,881	8,894	
323,961	331,521	197,299	119,457	92,806
2,443,077	2,366,339	2,492,302	2,354,297	2,521,602
747,101	673,683	579,770	684,340	1,011,085
3,669,974	5,455,667	7,185,921	5,952,399	5,184,200
11,753,624	12,312,023	13,204,586	14,921,456	11,676,010
2,644,244	2,644,786	2,987,369	3,067,935	3,172,880
281,184	160,806	352,065	138,426	451,325
215,375	232,995	186,721	116,487	110,920
48,665	46,017	34,309	25,428	13,749
22,268,621	24,312,789	27,283,525	27,434,108	24,370,410
2,120,152	484,804	108,548	143,598	(225,338)
242,404	81,525	168,442	72,048	198,104
$ 2,362,556	$ 566,329	$ 276,990	$ 215,646	$ (27,234)
1.2%	1.2%	0.8%	0.5%	0.5%

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DEBT CAPACITY

This schedule presents information on the MAG's current level of outstanding debt and MAG's ability to issue additional debt in the future.

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MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 6
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Capital Leases	% of Personal Income	Per Capita
2009	248,804	0.00%	
2010	156,563	0.00%	
2011	303,919	0.00%	
2012	266,322	0.00%	
2013	358,514	0.00%	
2014	385,543	0.00%	
2015	234,073	0.00%	
2016	215,794	0.00%	
2017	167,204	0.00%	
2018	254,388	0.00%	

Note: MAG, as a Regional Planning Organization, does not maintain personal income data.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within the MAG Region.

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MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 7
MISCELLANEOUS STATISTICAL DATA
TOTAL RESIDENT POPULATION

	July 1, 2010 Estimate	July 1, 2017 Estimate	Number Change	Percent Change
Apache Junction[3]	35,828	40,030	4,202	11.73%
Avondale	76,468	81,621	5,153	6.74%
Buckeye	51,019	69,947	18,928	37.10%
Carefree	3,358	3,669	311	9.26%
Cave Creek	5,005	5,676	671	13.41%
Chandler	236,687	257,948	21,261	8.98%
El Mirage	31,911	34,174	2,263	7.09%
Florence	25,537	25,866	329	1.29%
Fountain Hills	22,444	23,862	1,418	6.32%
Gila Bend	1,932	2,010	78	4.04%
Gilbert	209,048	246,423	37,375	17.88%
Glendale	227,217	239,858	12,641	5.56%
Goodyear	65,404	81,447	16,043	24.53%
Guadalupe	5,540	6,332	792	14.30%
Litchfield Park	5,467	6,452	985	18.02%
Maricopa city	43,598	49,550	5,952	13.65%
Mesa	439,929	481,275	41,346	9.40%
Paradise Valley	12,810	13,913	1,103	8.61%
Peoria[2]	154,164	171,580	17,416	11.30%
Phoenix	1,449,242	1,579,253	130,011	8.97%
Queen Creek[3]	26,448	40,208	13,760	52.03%
Scottsdale	217,365	242,540	25,175	11.58%
Surprise	117,688	130,129	12,441	10.57%
Tempe	161,974	179,794	17,820	11.00%
Tolleson	6,573	6,992	419	6.37%
Wickenburg[2]	6,353	6,903	550	8.66%
Youngtown	6,154	6,575	421	6.84%
Unincorporated Maricopa County[4]	284,016	292,354	8,338	2.94%
Unincorporated Pinal County[1,4]	187,868	219,026	31,158	16.59%
Maricopa County, Arizona	3,824,058	4,221,684	397,626	10.40%
Pinal County in MAG MPO	238,558	273,064	34,506	14.46%
Pinal County	376,369	427,603	51,234	13.61%
Arizona	**6,401,569**	**6,965,897**	564,328	8.82%
United States	**309,747,508**	**325,719,178**	15,971,670	5.16%

Notes:
[1] Unincorporated Pinal County includes areas outside the MAG Planning Area
[2] Maricopa County portion only
[3] Maricopa and Pinal County portion
[4] Gila River, Salt River, and Fort McDowell Indian Communities are included in unincorporated County totals

Sources: Jurisdiction, County and State: Arizona State Demographer's Office
National: U.S. Census Bureau National Estimate

MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 8
MISCELLANEOUS STATISTICAL DATA
POPULATION FORECASTS BY MUNICIPAL PLANNING AREA (YEARS 2020-2050)

	2020	2030	2040	2050
Apache Junction[3]	58,100	68,500	95,900	125,400
Avondale	86,800	95,600	112,400	126,300
Buckeye	87,700	147,600	310,800	488,000
Carefree	4,100	5,000	5,300	5,500
Cave Creek	6,400	7,400	8,800	9,800
Chandler	286,000	312,300	327,700	388,700
El Mirage	35,300	35,700	38,200	41,800
Florence	82,300	106,000	134,300	164,500
Fort McDowell	1,000	1,100	1,100	1,100
Fountain Hills	26,000	28,300	30,400	32,600
Gila Bend	2,900	3,500	4,900	6,600
Gila River[3]	12,100	12,200	12,200	12,200
Gilbert	260,800	286,200	299,800	304,100
Glendale	282,800	305,600	323,900	343,800
Goodyear	98,600	154,200	207,400	293,100
Guadalupe	6,500	6,700	6,800	6,800
Litchfield Park	14,000	14,200	15,000	15,600
Maricopa	74,800	102,600	127,600	161,100
Mesa	555,000	620,100	661,200	684,300
Paradise Valley	14,200	14,900	15,100	15,500
Peoria[2]	200,900	271,200	309,700	342,600
Phoenix	1,731,300	1,988,800	2,160,200	2,277,700
Queen Creek[3]	57,500	83,000	92,700	98,200
Salt River	6,800	7,100	7,600	8,000
Scottsdale	255,000	290,800	308,700	312,000
Surprise	148,000	239,000	362,200	452,300
Tempe	188,100	222,800	255,500	264,500
Tolleson	7,600	10,800	14,000	14,800
Wickenburg[2]	9,700	14,100	14,600	14,800
Youngtown	6,800	7,500	8,100	8,400
	4,607,100	5,462,800	6,272,100	7,020,100
COUNTY POPULATION				
Maricopa County Unincorporated	105,100	115,000	141,800	208,900
Maricopa County Total	4,480,900	5,280,100	6,031,000	6,698,400
Pinal County Unincorporated[1]	101,900	119,600	149,700	181,800
Pinal County in MAG MPO	295,900	373,800	481,000	603,300
Pinal County Total	463,500	604,800	800,700	1,035,500

Notes:
[1] Unincorporated Pinal County includes areas outside the MAG Planning Area
[2] Maricopa County portion only
[3] Maricopa and Pinal County portion included

Sources: Maricopa Association of Governments Socioeconomic Projections; Central Arizona Governments; Arizona Office of Employment and Population Statistics

MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 9
MISCELLANEOUS STATISTICAL DATA
2016 HOUSEHOLD MEDIAN AND PER CAPITA INCOME

Area	Total Households	Median Household Income		Per Capita Income	
		Estimate	Margin of Error (+/-)	Estimate	Margin of Error (+/-)
Arizona	2,448,919	$51,340	$231	$26,686	$129
Maricopa County	1,465,840	$55,676	$332	$28,791	$176
Pinal County	130,801	$51,190	$931	$21,982	$407
Apache Junction*	16,625	$38,053	$2,483	$22,492	$1,450
Avondale	24,467	$56,120	$2,745	$21,226	$747
Buckeye	16,499	$58,711	$3,283	$20,446	$986
Carefree	1,877	$91,979	$19,429	$56,961	$12,097
Cave Creek	2,312	$82,095	$15,682	$48,967	$5,478
Chandler	85,858	$74,329	$1,603	$33,972	$691
El Mirage	9,907	$49,504	$2,602	$18,006	$938
Florence**	5,472	$48,919	$5,165	$14,104	$1,437
Fort McDowell	296	$42,857	$7,743	$13,546	$1,367
Fountain Hills	11,410	$75,297	$3,661	$52,088	$4,799
Gila Bend	663	$29,054	$2,444	$16,441	$3,627
Gila River*	3,338	$24,364	$4,622	$10,383	$1,039
Gilbert	71,903	$85,581	$1,881	$32,936	$648
Glendale	81,404	$46,817	$1,265	$22,452	$407
Goodyear	23,413	$74,417	$2,926	$29,263	$1,267
Guadalupe	1,668	$30,326	$6,015	$12,490	$1,772
Litchfield Park	2,247	$79,821	$13,718	$41,374	$4,850
Maricopa**	14,001	$68,888	$2,432	$25,800	$1,144
Mesa	172,705	$50,615	$720	$25,669	$398
Paradise Valley	5,367	$173,487	$35,623	$111,342	$9,250
Peoria*	55,957	$66,163	$1,889	$29,968	$575
Phoenix	538,868	$49,328	$619	$25,213	$243
Queen Creek*	9,146	$90,687	$7,279	$33,087	$2,143
Salt River	2,295	$31,341	$3,591	$18,390	$3,149
Scottsdale	105,124	$76,543	$1,750	$54,060	$1,314
Surprise	46,200	$61,035	$1,606	$26,675	$743
Tempe	67,036	$50,474	$1,487	$27,705	$648
Tolleson	2,130	$39,714	$6,040	$16,267	$1,994
Wickenburg*	3,229	$40,653	$6,241	$30,344	$4,957
Youngtown	2,289	$37,136	$5,441	$16,491	$1,275

** The census data shown here is for the entire jurisdiction, including areas outside of Maricopa County*
*** Jurisdictions in Pinal County*

Source: U.S. Census Bureau (2012-2016 American Community Survey 5-year Estimates).
Prepared by the Maricopa Association of Governments

MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 10
MISCELLANEOUS STATISTICAL DATA

TOP 10 EMPLOYERS IN MARICOPA COUNTY JULY 1, 2017

Rank	Employer	Number of Employees*	% of Total Maricopa* Employment	% of Total Arizona** Employment
1	State of Arizona	28,300	1.75%	0.90%
2	Banner Health	26,400	1.63%	0.84%
3	Fry’s Food Stores	15,200	0.94%	0.48%
4	Walmart	14,600	0.90%	0.47%
5	Wells Fargo	13,900	0.86%	0.44%
6	Maricopa County	13,300	0.82%	0.42%
7	City of Phoenix	11,200	0.69%	0.36%
8	Intel Corporation	11,100	0.68%	0.35%
9	Arizona State University	11,000	0.68%	0.35%
10	Bank of America	9,700	0.60%	0.31%
	TOTAL	154,700	9.54%	4.93%

*Total employees in Maricopa County from employers with 5 or more employees: 1,620,900**

*Total employees in the State of Arizona: 3,139,200***

Sources:
** Maricopa Association of Governments, Employer Database (2017).*
*** Arizona Department of Administration, Current Employment Statistics (CES).*

Note 1: All employment numbers are for July 2017, rounded to the nearest 100.

OPERATING INFORMATION

These schedules offer information regarding MAG's operations.

MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 11
AUTHORIZED FULL-TIME EQUIVALENTS BY FUNCTION
LAST TEN FISCAL YEARS

	2009	2010	2011	2012
FUNCTION:				
Environmental	11.00	11.00	11.00	11.00
Human Services	5.00	5.00	5.00	5.00
Transportation	26.00	27.00	29.00	31.00
Information Services	12.00	12.00	13.00	14.00
Information Technology	4.00	4.00	6.00	6.00
General Government	21.00	21.00	21.00	22.00
Total	79.00	80.00	85.00	89.00

Source: Maricopa Association of Government's internal records.

2013	2014	2015	2016	2017	2018
11.00	11.00	11.00	11.00	11.00	11.00
5.00	5.00	5.00	5.00	6.00	6.00
32.00	35.00	35.00	35.00	35.00	35.00
14.00	15.00	16.00	16.00	16.00	16.00
7.00	8.00	8.00	8.00	9.00	9.00
25.00	25.00	25.00	27.00	29.00	29.00
94.00	99.00	100.00	102.00	106.00	106.00

MARICOPA ASSOCIATION OF GOVERNMENTS
TABLE 12
CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

	2009	2010	2011	2012
FUNCTION:				
Environmental				
Furniture and Fixtures	$ 27,863	$ 28,937	$ 29,395	$ 68,970
Computer Equipment	92,334	107,328	136,116	137,858
Human services				
Furniture and Fixtures	15,826	16,286	16,495	34,484
Transportation Planning				
Furniture and Fixtures	70,315	72,847	74,142	192,867
Computer Equipment	286,004	305,849	319,016	328,231
Computer Software	81,638	81,638	90,955	90,955
Information Services				
Furniture and Fixtures	85,215	86,289	86,874	137,242
Computer Equipment	206,274	212,072	253,034	148,599
Video Conference Equipment	707,222	707,222	707,222	707,222
Computer Software	79,130	79,130	79,130	79,130
Regional Development				
Furniture and Fixtures	3,424	3,424	3,424	3,424
Computer Software	56,000	56,000	56,000	56,000
General Government				
Furniture and Fixtures	138,625	141,159	142,329	235,869
Computer Equipment	402,724	432,748	752,264	1,381,815
Copier/Phone Equipment	226,289	226,289	201,683	239,446
Leasehold Improvements	149,158	149,972	397,952	1,813,020
Video Conference Equipment	561,947	561,947	229,495	229,495
Computer Software	115,911	115,911	122,975	122,975
Total	$ 3,305,899	$ 3,385,048	$ 3,698,501	$ 6,007,602

Source: Maricopa Association of Government's internal records.

2013	2014	2015	2016	2017	2018
$ 68,970	$ 70,648	$ 70,648	$ 71,119	$ 72,507	$ 73,068
105,387	105,387	105,387	133,210	113,221	113,221
34,484	35,247	35,247	35,461	36,218	36,254
192,867	198,207	198,207	199,706	204,122	205,905
323,913	339,261	399,775	469,657	459,238	475,045
90,955	90,955	90,955	102,955	108,413	118,413
137,242	139,530	139,530	140,216	142,234	143,049
125,020	102,214	109,156	109,156	91,957	109,396
387,737	387,737	387,737	387,737	387,737	387,737
79,130	79,130	79,130	79,130	79,130	79,130
3,424	3,424	3,424	3,424	3,424	3,424
56,000	56,000	56,000	56,000	56,000	208,640
235,869	240,903	240,903	242,403	247,199	249,135
1,596,797	1,723,851	1,806,925	1,878,705	1,897,286	2,082,189
239,446	239,446	243,091	280,498	312,947	322,582
1,813,020	1,818,264	1,818,264	1,818,264	1,818,264	1,818,264
186,897	186,897	186,897	299,598	299,598	299,598
251,816	251,816	251,816	251,816	251,816	307,316
$ 5,928,974	$ 6,068,917	$6,223,092	$6,559,055	$6,581,311	$7,032,636

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SINGLE AUDIT SECTION

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*

Independent Auditor's Report

Regional Council
Maricopa Association of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maricopa Association of Governments (MAG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise MAG's basic financial statements, and have issued our report thereon dated January 29, 2019. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 75.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MAG'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 MAG's internal control. Accordingly, we do not express an opinion on the effectiveness of MAG'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 29, 2019

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Independent Auditor's Report

Regional Council
Maricopa Association of Governments

Report on Compliance for Each Major Federal Program

We have audited Maricopa Association of Governments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MAG's major federal programs for the year ended June 30, 2018. MAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each of the Major Federal Programs
In our opinion, MAG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

MAG's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. MAG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MAG as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise MAG's basic financial statements. We issued our report thereon dated January 29, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 29, 2019

MARICOPA ASSOCATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal /Pass-Through/Agency	CFDA Number	Federal Award Number	Total Expenditures and Transfers	Amounts Provided to Subrecipients
U.S Department of Transportation				
Passed-through Arizona Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	999A485	33,939	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGC018	1,436,426	1,426,426
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAG-C-(017)	495,145	457,022
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGC018	292,548	292,548
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGQ018	1,229,442	1,213,528
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGT018	4,958,727	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGT018	2,665,448	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGP018	798,528	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGP018	3,589,629	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGI018	1,250,000	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	999A477	102,880	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGI018	14,097	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGA018	152,186	
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MAGR018	195,027	
Total Highway Planning and Construction Cluster			17,214,022	3,389,524
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	AZ-2016-003-00	41,920	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	AZ-2017-012-00	1,397,176	333,767
Passed-through City of Phoenix:				
Transit Services Program Cluster				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	AZ-16-X005	34,393	
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	AZ-2016-017	84,711	
Total Transit Services Program Cluster			119,104	333,767
TOTAL U.S. Department of Transportation Grants			18,772,222	3,723,291
U.S. Department of Environmental Protection Agency				
Passed-through Arizona Department of Environmental Quality:				
Water Quality Management Planning	66.454	ADEQ GSC 2015 00007	6,375	
U.S. Department of Justice				
Passed-through Arizona Governor's Office for Children, Youth and Families				
Violence Against Women Formula Grants	16.588	ST-WSG-15-010115-18Y3	52,798	
U.S. Department of Housing and Urban Development				
Direct Program:				
Section 8 Project-Based Cluster				
Section 8 Housing Assistance Payments Program	14.195	AZ0165L9T021500	54,186	
Section 8 Housing Assistance Payments Program	14.195	AZ0183L9T021600	390,355	
Total Section 8 Project-Based Cluster			$ 444,541	
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 19,275,936	$ 3,723,291

See accompanying notes to schedule.

MARICOPA ASSOCIATION OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of MAG under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the MAG, it is not intended to and does not present the financial position, changes in net position or cash flows of the MAG.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

NOTE 4 – INDIRECT COST RATE

MAG has not elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

MARICOPA ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:
- Significant deficiency(ies) identified: No
- Material weakness(es) identified: Yes

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
Highway Planning and Construction Cluster	20.205
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee: No

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: Yes

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2018-001
Repeat Finding: Yes, 2017-001

Program Names/CFDA Titles:	CFDA Numbers:	Federal Award Numbers:	Questioned Costs:
Highway Planning and Construction Cluster	20.205	Multiple	N/A
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	AZ-2016-003-00, AZ-2017-012-00	N/A

Federal Agency(ies): U.S. Department of Transportation
Pass-Through Agency(ies): Arizona Department of Transportation
Type of Finding: Noncompliance, Material Weakness
Compliance Requirements: Subrecipient Monitoring

CRITERIA
In accordance with 2 CFR section 200.331(b-h), pass-through entities are required to evaluate the subrecipients risk of noncompliance with federal statutes, regulations and terms and conditions of the subaward for purposes of determining the appropriate monitoring required.

CONDITION
For subrecipients of the federal grant monies, the Association did not have policies and procedures in place to ensure compliance with 2 CFR section 200.331(b-h).

CAUSE
Due to turnover in key positions, management was not aware of the requirements under 2 CFR Section 200.331 (b-h).

EFFECT
The Association was at risk for pass through funds to subrecipients not being spent in accordance with Uniform Guidance.

CONTEXT
The Association did have active agreements in place for all of subrecipients but did not have policies and procedures in place to ensure that subrecipient monitoring requirements were complied with as required by 2 CFR section 200.331(b-h).

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2018-001

RECOMMENDATION
The Association should implement policies and procedures over subrecipient monitoring to ensure compliance with Uniform Guidance requirements.

VIEWS OF RESPONSIBLE OFFICIALS
See Corrective Action Plan.

MARICOPA ASSOCIATION of GOVERNMENTS
302 North 1st Avenue, Suite 300 ▲ Phoenix, Arizona 85003
Phone (602) 254-6300 ▲ FAX (602) 254-6490
E-mail: mag@azmag.gov ▲ Web site: www.azmag.gov

January 29, 2019

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Eric Anderson
Executive Director

MARICOPA ASSOCIATION OF GOVERNMENTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2018-001
Program Name/CFDA Title: Highway Planning and Construction Cluster; Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
CFDA Numbers: 20.205, 20.505
Contact Person: Veronica Martinez, Fiscal Services Manager
Anticipated Completion Date: October 15, 2018 (the day our formal subrecipient policy was adopted by our Governing Board)
Planned Corrective Action: In the past, MAG has maintained active agreements for all subrecipients, which are reviewed annually, as well as payments made to subrecipients. In fiscal year 2019, MAG developed and implemented a formal written policy to evaluate subrecipient risk of noncompliance with federal statutes in accordance with 2 CFR section 200.331 (b-h).

MARICOPA ASSOCIATION OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2017-001
Program Name/CFDA Title: Highway Planning and Construction Cluster; Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
CFDA Number: 20.205, 20.505
Status: Not corrected.
Planned Corrective Action: See Corrective Action Plan.