SGVCOG

San Gabriel Valley Council of Governments

**Audited Financial Statements**

***As of and For the Year Ended June 30, 2021***

***with Independent Auditor's Report***

**San Gabriel Valley Council of Governments**
**Audited Financial**
**Statements as of and for the**
**Year *Ended June 30, 2021 with***
***Independent Auditor's Report***

# San Gabriel Valley Council of Governments
## Basic Financial Statements
## For the year ended June 30, 2021
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BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Members of the Governing Board
of San Gabriel Valley Council of Governments
Alhambra, California

## Report on the Financial Statements

We have audited the accompanying financial statements of San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the SGVCOG'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to 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 SGVCOG'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.

Address: 2855 Telegraph Avenue, Suite 312 Berkeley, CA 94705 • Phone: 510.768.8251 • Fax: 510.768.8249

To the Members of the Governing Board
of San Gabriel Valley Council of Governments
Alhambra, California
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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the SGVCOG, as of June 30, 2021, the respective changes in financial position, and the cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension plan information, and OPEB plan information on pages 3-10 and pages 48-52 to 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.

Badawi & Associates

Badawi & Associates, CPAs
Berkeley, California
March 16, 2022

Our discussion and analysis of the San Gabriel Valley Council of Governments (SGVCOG) financial performance presents an overview of SGVCOG's financial activities during the year ended June 30, 2021. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 11). The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

**Background**

SGVCOG was created on March 17, 1994 by a Joint Powers Agreement (JPA) among various member San Gabriel Valley Cities to promote cooperation, exchange ideas, coordinate regional government programs and to provide recommendations and solutions to common problems and to general concern of member governments.

In 1998, SGVCOG created the Alameda Corridor - East Construction Authority (ACE) to mitigate the effects of increasing Union Pacific Railroad (UPRR) train traffic in the San Gabriel Valley (Valley). There were 55 "at-grade" crossings in the Valley where vehicular and pedestrian traffic cross directly over railroad tracks and must stop while trains pass by. This creates congestion, degrades the local environment, and compromises safety. The ACE Project will separate 20 crossings at the busiest intersections – by either raising or lowering the railroad or the intersecting street – along the 35-mile freight rail corridor from East Los Angeles to Pomona.

On August 17, 2017, the SGVCOG governing board approved the integration of ACE into SGVCOG. Full integration of ACE (now called ACE Project) into SGVCOG was completed during the fiscal year ended June 30, 2019.

The accompanying financial statements present the combined financial position and changes in financial position of SGVCOG and ACE. However, the following sections present analysis and discussions of each of the entity's financial statements.

**Financial Highlights**

<u>Primary Government</u>

SGVCOG's financial highlights as of and for the year ended June 30, 2021 are as follows:

- Net position increased by $683 thousand, an increase of 41% from previous year.

- Operating revenues and expenses increased by $2,606 thousand (109%) and $2,069 thousand (100%), respectively, from the previous year. This was mainly attributable to the increase in the Homelessness Program, Housing Homeless, and Rio Hondo Program received in 2021.

Component Unit

ACE's financial highlights as of and for the year ended June 30, 2021 are as follows:

- Net position increased by $13,682 thousand, an increase of 94% from previous year.
- Construction in progress decreased by $529 million, a decrease of 55% from previous year.
- Total revenues decreased by $8.7 million, a decrease of 10% from previous year.
- Total project expenses decreased by $8.4 million, a decrease of 10% from previous year.

**Overview of Financial Statements**

The financial statements present the financial picture of the SGVCOG from the economic resources measurement focus using the accrual basis of accounting. These statements include all recordable position of the SGVCOG as well as all liabilities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statement of cash flows provides information about the SGVCOG's cash receipts, cash payments, and net changes in cash resulting from operating, capital and related investing activities during the reporting period.

The statement of net position and the statement of revenues, expenses and changes in net position report the SGVCOG's net position and related changes. Net position is the difference between the recorded assets and deferred outflows of resources and liabilities and deferred inflows of resources. The recorded activities include all revenues from dues and operating expenses related to the operation of the SGVCOG. In addition, all of the SGVCOG's revenues and expenses related to its construction activities and other programs and services are reflected in the statements.

Various disclosures accompany the financial statements in order to provide a full picture of the SGVCOG's finances. The notes to the financial statements are on pages 14-36.

### Financial Analysis

Primary Government

*Condensed Statements of Net Position*

The following table summarizes the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of SGVCOG's primary government as of June 30, 2021 and 2020:

| | June 30 | | Variance | |
|---|---|---|---|---|
| | 2021 | 2020 | Amount | % |
| Assets | $ 9,378,047 | $ 8,572,013 | $ 806,034 | 9% |
| Deferred outflows of resources | 151,897 | 223,901 | (72,004) | -32% |
| Total assets and deferred outflows of resources | 9,529,944 | 8,795,914 | 734,030 | 8% |
| Liabilities | 7,132,155 | 7,070,874 | 61,281 | 1% |
| Deferred inflows of resources | 38,164 | 48,277 | (10,113) | -21% |
| Total liabilities and deferred inflows of resources | 7,170,319 | 7,119,151 | 51,168 | 1% |
| Net position | | | | |
| Restricted | 4,273,020 | 110,691 | 4,162,329 | 3760% |
| Unrestricted | (1,913,385) | 1,566,072 | (3,479,457) | -222% |
| | $ 2,359,635 | $ 1,676,763 | $ 682,872 | 41% |

Assets increased in 2021 by $806,034 or 9%, and liabilities increased by $61,281 or 1%. Increase in assets and liabilities was largely due to the $790 thousand funds received from the Rio Hondo Program and the Management Support for the SGVRHT Trust which were added program in FY 2021 increasing the cash and cash equivalents balance in 2021.

As previously discussed, net position can serve as an indicator of financial health. The SGVCOG's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,359,635 and $1,676,763 as of June 30, 2021 and 2020, respectively.

*Condensed Statements of Activities*

The following table presents the SGVCOG's revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020:

| | June 30 | | Variance | |
|---|---|---|---|---|
| | 2021 | 2020 | Amount | % |
| Operating revenues | | | | |
| Dues: | | | | |
| Membership | $ 537,852 | $ 484,929 | $ 52,923 | 11% |
| Transportation | 442,816 | 294,971 | 147,845 | 50% |
| | 980,668 | 779,900 | 200,768 | 26% |
| Sponsorships | - | 1,098 | (1,098) | -100% |
| Grants and matches from other governments: | | | | |
| Bike Share Program | 560,298 | 489,328 | 70,970 | 15% |
| Stormwater Program | 445,392 | 262,956 | 182,436 | 69% |
| Open Streets - El Monte | - | 262,234 | (262,234) | -100% |
| Vehicle Miles Traveled Study | 96,036 | 223,393 | (127,357) | -57% |
| Los Angeles County Metropolitan Transportation Authority | - | 101,451 | (101,451) | -100% |
| Souther California Gas - Energywise | - | 67,891 | (67,891) | -100% |
| Coyote Management | 100,000 | 66,667 | 33,333 | 50% |
| Homelessness Program | 1,327,789 | 39,500 | 1,288,289 | 3261% |
| Housing Homeless | 468,495 | 34,284 | 434,211 | 1267% |
| Southern California Edison - Energywise | 198,895 | 24,834 | 174,061 | 701% |
| Measure M Program | 21,590 | 22,246 | (656) | -3% |
| SGVRHT Trust | 318,000 | - | 318,000 | 100% |
| Rio Hondo | 471,797 | - | 471,797 | 100% |
| Others | - | 6,418 | (6,418) | -100% |
| Total Operationg Rrevenues | 4,988,960 | 2,382,200 | 2,606,760 | 109% |
| Operating expenses | | | | |
| Adminstrative | 771,953 | 386,079 | 385,874 | 100% |
| Bike share Program | 374,212 | 493,340 | (119,128) | -24% |
| Vehicle Miles Traveled Study | 103,269 | 223,393 | (120,124) | -54% |
| Open Streets - El Monte | - | 170,899 | (170,899) | -100% |
| Stormwater Program | 861,721 | 168,584 | 693,137 | 411% |
| Homelessness Program | 1,370,172 | 143,201 | 1,226,971 | 857% |
| Transportation | 52 | 136,823 | (136,771) | -100% |
| MTA Open Street Program | 78,690 | 89,749 | (11,059) | -12% |
| Cost Comparison / Joint Study Program | 10,634 | 76,229 | (65,595) | -86% |
| Energywise | 80,439 | 56,023 | 24,416 | 44% |
| Coyote Management | 86,101 | 53,455 | 32,646 | 61% |
| Housing Homeless | 42,101 | 45,422 | (3,321) | -7% |
| Measure M Program | 21,590 | 22,245 | (655) | -3% |
| SGVRHT Trust | 48,635 | - | 48,635 | 100% |
| Rio Hondo | 94,523 | - | 94,523 | 100% |
| Strategy Plan EAP | 197,823 | - | 197,823 | 100% |
| Others | | 6,490 | (6,490) | -100% |
| Total operating expenses | 4,141,915 | 2,071,932 | 2,069,983 | 100% |
| Operating income | 847,045 | 310,268 | 536,777 | 173% |
| Nonoperating income | | | | |
| interest income | 6,671 | 4,190 | 2,481 | 59% |
| Total nonoperating income | 6,671 | 4,190 | 2,481 | 59% |
| Changi in net position | 853,716 | 314,458 | 539,258 | 171% |
| Net position, beginning of year, as restated | 1,505,909 | 1,362,305 | 143,604 | 11% |
| Net position, end of year | 2,359,625 | 1,676,763 | 682,862 | 41% |

During fiscal year 2021, total operating revenues increased by 109% from the previous year. As mentioned above, this was mainly attributable to the increase in the Homelessness Program, Housing Homeless, and Rio Hondo Program.

Revenues for SGVCOG consist primarily of dues from 30 member cities, three Los Angeles County supervisorial districts, and a Joint Power Authority of the water agencies, which represents three municipal water districts, cost reimbursable grants from the Bike Share program, Stormwater program, Homelessness program, Vehicle Miles Traveled Study program, Southern California Edison (SCE), a local utility, grant matching funds from Los Angeles County MTA, and fees on the aggregate cost for the bonds issued to fund installation of renewable energy efficiency improvements from the Home Energy Renovation Opportunity (HERO) program. Grants and matches from other governments and Sponsorships were $4,988,960 in FY2021 compared to $2,382,200 in FY2020, an increase of $2,606,760 or 109%.

Operating expenses were $4,141,915 in FY2021 compared to $2,071,932 in FY 2020, an increase of $2,069,983 or 100%. The increase is primarily attributable to the Stormwater and Homelessness Programs.

<u>Component Unit (ACE)</u>

*Condensed Statements of Net Position*

The following table summarizes the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of ACE as of June 30, 2021 and 2020:

| | June 30 | | Variance | |
|---|---|---|---|---|
| | 2021 | 2020 | Amount | % |
| Current and other assets | $ 111,391,311 | $ 117,142,993 | $ (5,751,682) | -5% |
| Net pension assets | 234,927 | 413,225 | (178,298) | -43% |
| Capital assets | 3,352 | 9,404 | (6,052) | -64% |
| Construction in progress | 436,647,750 | 966,161,089 | (529,513,339) | -55% |
| Less: Due to member cities and Union Pacific Railroad | (436,647,750) | (966,161,089) | 529,513,339 | -55% |
| Total Assets | 111,629,590 | 117,565,622 | (5,936,032) | -5% |
| Deferred outflows of resources | 555,087 | 996,452 | (441,365) | -44% |
| Liabilities | (83,816,907) | (103,802,002) | 19,985,095 | -19% |
| Deferred inflows of resources | (140,377) | (214,850) | 74,473 | -35% |
| Net Position | $ 28,227,393 | $ 14,545,222 | $ 13,682,171 | 94% |

Organizations are normally required to report construction in progress (that is, the sum of prior and current year's construction expense) on the statement of net position as an asset. This would normally be done by treating each year's construction as a capital expense, which would be excluded from the statement of revenues, expenses and changes in net position. However, the grant reimbursements generated by construction would be included in the statement of revenues, expenses and changes in net position as revenue. ACE is obligated to transfer components of completed projects to the Union Pacific Railroad (UPRR) and the cities so that they can be included in their financial statements. The resulting reduction in assets would flow through the statement of revenues, expenses and changes in net position as a loss. The net effect would be to produce widely fluctuating net position depending on whether ACE was constructing (surplus) or transferring assets to member cities (deficit).

Therefore, ACE elected to treat construction in progress as an asset and recognize a liability to member cities and UPRR. This shows the total cost of ACE's projects and the resulting liability to transfer the assets upon completion while not unduly affecting the statement of revenues, expenses and changes in net position.

Total assets slightly decreased by 5% to $111.6 million, mainly due to reduction in unbilled receivables.

Construction in progress decreased by 55% to $529.5 million, primarily due to the completion of the San Gabriel Trench and Puente Grade Separation Projects.

Unbilled receivables decreased 46% to $20.1 million due to the completion of projects which reduced the construction activities.

*Condensed Statements of Revenues, Expenses and Changes in Net Position*

The following table shows the condensed statements of revenues, expenses and changes in net position for the years ended June 30, 2021 and 2020.

Total net position increased by $13.7 million or 94% for the year ended June 30, 2021. The increase was due to prior year adjustments for surplus properties and MTA loan interest reimbursements.

| | June 30 | | Variance | |
|---|---|---|---|---|
| | 2021 | 2020 | Amount | % |
| Project expenses | | | | |
| Direct (Construction) | $ 77,661,200 | $ 85,527,868 | $ (7,866,668) | -9% |
| Indirect expenses charged to operations | 1,546,250 | 2,114,871 | (568,621) | -27% |
| Total project expenses | 79,207,450 | 87,642,739 | (8,435,289) | -10% |
| Operating revenues | | | | |
| Grant reimbursements | 72,961,145 | 83,179,490 | (10,218,345) | -12% |
| Other operating revenues | 5,559,226 | 4,016,151 | 1,543,075 | 38% |
| Total revenues | 78,520,371 | 87,195,641 | (8,675,270) | -10% |
| Loss from operations | (687,079) | (447,098) | (239,981) | 54% |
| Nonoperating income (expense) | | | | |
| interest income | 233,770 | 1,090,726 | (856,956) | |
| interest expense | (224,064) | (876,355) | 652,291 | -74% |
| Total nonoperating income | 9,706 | 214,371 | (204,665) | -95% |
| Changi in net position | (677,373) | (232,727) | (444,646) | 191% |
| Net position, beginning of year, as restated | 28,904,766 | 14,777,949 | 14,126,817 | 96% |
| Net position, end of year | 28,227,393 | 14,545,222 | 13,682,171 | 94% |

## Capital Assets

Primary Government
The SGVCOG had $0 invested in capital assets, net of depreciation, as of June 30, 2021 and 2020. The capital assets are fully depreciated as of June 30, 2021 and 2020.

Component Unit
ACE had $3,352 invested in capital assets, net of depreciation, as of June 30, 2021.

## Economic Factors and Next Year's Budget

Primary Government
The budget for fiscal year 2022 assumes that the on-hand net position as of June 30, 2021 will be required and available to fulfill the program and administrative expense requirements.

Component Unit
Budget expenses in fiscal year 2022 increased 20% over 2021 due to the new 57/60 Diamond Bar Project. Also the Fullerton Grade Separation Project was given a Limited Notice to Proceed in August 2021.

## Further Information

This report has been designed to provide SGVCOG's stakeholders a general overview of the SGVCOG's financial condition and related issues. Inquiries should be directed to the Director of Finance, 4900 Rivergrade Road, Suite A120 Irwindale, CA 91706.

# BASIC
# FINANCIAL STATEMENTS

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# San Gabriel Valley Council of Governments

## Statement of Net Position

## June 30, 2021

| | SGVCOG | ACE | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and investments | $ 6,465,994 | $ 61,099,864 | $ 67,565,858 |
| Restricted cash and investments | 2,273,020 | 1,293,451 | 3,566,471 |
| Grants receivable | 569,872 | 9,874,996 | 10,444,868 |
| Unbilled receivables | 17,421 | 20,055,009 | 20,072,430 |
| Notes receivable | - | 150,000 | 150,000 |
| Internal balances | (28,654) | 28,654 | - |
| Retention receivable | 50 | 3,573,216 | 3,573,266 |
| Interest receivable | 200 | 7,548 | 7,748 |
| Prepaid expenses | 16,275 | 190,976 | 207,251 |
| Property held for resale | - | 11,110,056 | 11,110,056 |
| Under-recovery of indirect costs | - | 4,007,541 | 4,007,541 |
| Total current assets | 9,314,178 | 111,391,311 | 120,705,489 |
| Noncurrent assets: | | | |
| Leasehold improvements and equipment, net | - | 3,352 | 3,352 |
| Construction in progress | - | 436,647,750 | 436,647,750 |
| Less due to member cities and Union Pacific Railroad | - | (436,647,750) | (436,647,750) |
| Net pension asset | 63,869 | 234,927 | 298,796 |
| Total noncurrent assets | 63,869 | 238,279 | 302,148 |
| **Total assets** | 9,378,047 | 111,629,590 | 121,007,637 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows of resources related to pension | 149,911 | 551,413 | 701,324 |
| Deferred outflows of resources related to OPEB | 1,986 | 3,674 | 5,660 |
| Total deferred outflows of resources | 151,897 | 555,087 | 706,984 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expense | 1,017,402 | 9,056,109 | 10,073,511 |
| Accrued retention payable | - | 1,409,519 | 1,409,519 |
| Unearned revenue | 5,845,449 | 27,788,554 | 33,634,003 |
| Total current liabilities | 6,862,851 | 38,254,182 | 45,117,033 |
| Noncurrent liabilities: | | | |
| Compensated absences | 51,526 | 160,050 | 211,576 |
| MTA promisorry note payable | - | 45,000,000 | 45,000,000 |
| Total OPEB Liability | 217,778 | 402,675 | 620,453 |
| Total noncurrent liabilities | 269,304 | 45,562,725 | 45,832,029 |
| **Total liabilities** | 7,132,155 | 83,816,907 | 90,949,062 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows of resources related to pension | 38,164 | 140,377 | 178,541 |
| Total deferred inflows of resources | 38,164 | 140,377 | 178,541 |
| **NET POSITION** | | | |
| Net investment in capital assets | - | 3,352 | 3,352 |
| Restricted | 4,273,020 | 1,293,451 | 5,566,471 |
| Unrestricted | (1,913,395) | 26,930,590 | 25,017,195 |
| **Total net position** | $ 2,359,625 | $ 28,227,393 | $ 30,587,018 |

See accompanying Notes to Basic Financial Statements.

# San Gabriel Valley Council of Governments
## Statement of Revenues, Expenses and Changes in Net Position
## For the year ended June 30, 2021

| | SGVCOG | ACE | Total |
|---|---|---|---|
| **OPERATING REVENUES:** | | | |
| Dues: | | | |
| Membership | $ 537,852 | $ - | $ 537,852 |
| Transportation | 442,816 | - | 442,816 |
| Total dues | 980,668 | - | 980,668 |
| Sponsorships | - | - | - |
| Grants and matches from other governments: | | | |
| Bike Share Program | 560,298 | - | 560,298 |
| Stormwater Program | 445,392 | - | 445,392 |
| Vehicle Miles Travelled Study | 96,036 | - | 96,036 |
| Coyote Management | 100,000 | - | 100,000 |
| Homelessness Program | 1,327,789 | - | 1,327,789 |
| Housing Homeless | 468,495 | - | 468,495 |
| Southern California Edison - Energywise | 198,895 | - | 198,895 |
| Measure M Program | 21,590 | - | 21,590 |
| SGVRHT Trust | 318,000 | - | 318,000 |
| Rio Hondo | 471,797 | - | 471,797 |
| Other Grant and Matches | - | 72,560,258 | 72,560,258 |
| Construction project reimbursements | - | 400,887 | 400,887 |
| Other operating construction revenues | - | 5,559,226 | 5,559,226 |
| **Total operating revenues** | 4,988,960 | 78,520,371 | 83,509,331 |
| **OPERATING EXPENSES:** | | | |
| Administrative | 771,953 | - | 771,953 |
| Bike Share Program | 374,212 | - | 374,212 |
| Vehicle Miles Travelled Study | 103,269 | - | 103,269 |
| Stormwater Program | 861,721 | - | 861,721 |
| Homeless Program | 1,370,172 | - | 1,370,172 |
| Transportation | 52 | - | 52 |
| MTA Open Street Program | 78,690 | - | 78,690 |
| Cost Comparison / Joint Study Program | 10,634 | - | 10,634 |
| Energywise | 80,439 | - | 80,439 |
| Coyote Management | 86,101 | - | 86,101 |
| Housing Homeless | 42,101 | - | 42,101 |
| Measure M Program | 21,590 | - | 21,590 |
| SGVRHT Trust | 48,635 | - | 48,635 |
| Rio Hondo | 94,523 | - | 94,523 |
| Strategy Plan EAP | 197,823 | - | 197,823 |
| Direct construction project expenses | - | 77,661,200 | 77,661,200 |
| Indirect construction project expenses charged to operations | - | 1,546,250 | 1,546,250 |
| **Total operating expenditures** | 4,141,915 | 79,207,450 | 83,349,365 |
| **OPERATING INCOME (LOSS)** | 847,045 | (687,079) | 159,966 |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Investment income | 6,671 | 233,770 | 240,441 |
| Interest expense | - | (224,064) | (224,064) |
| **Total nonoperating revenues (expenses)** | 6,671 | 9,706 | 16,377 |
| **Change in net position** | 853,716 | (677,373) | 176,343 |
| **NET POSITION:** | | | |
| Beginning of year | 1,676,763 | 14,545,222 | 16,221,985 |
| Prior period adjustments (Note 13) | (170,854) | 14,359,544 | 14,188,690 |
| Restated beginning of year | 1,505,909 | 28,904,766 | 30,410,675 |
| End of year | $ 2,359,625 | $ 28,227,393 | $ 30,587,018 |

See accompanying Notes to Basic Financial Statements.

# San Gabriel Valley Council of Governments

## Statement of Cash Flows

## For the year ended June 30, 2021

| | SGVCOG | ACE | Total |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Cash receipts from construction activities | $ - | $ 79,123,767 | $ 79,123,767 |
| Cash receipts from cities | 980,668 | - | 980,668 |
| Cash receipts from all other services | 3,431,146 | - | 3,431,146 |
| Cash paid for operating expenses | (2,737,216) | (86,132,770) | (88,869,986) |
| Cash paid for employee compensation and related costs | (618,944) | 13,774,354 | 13,155,410 |
| **Net cash provided by (used in) operating activities** | 1,055,654 | 6,765,351 | 7,821,005 |
| **CASH FLOWS FROM NONCAPITTAL FINANCING ACTIVITIES:** | | | |
| Interfund advances | (219,114) | 219,114 | - |
| Interest paid on MTA promissory note payable | - | (224,064) | (224,064) |
| **Net cash provided by (used in) noncapital financing activities** | (219,114) | (4,950) | (224,064) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Interest received | 6,671 | 233,770 | 240,441 |
| **Net cash provided by (used in) investing activities** | 6,671 | 233,770 | 240,441 |
| **Net cash flows** | 843,211 | 6,994,171 | 7,837,382 |
| **CASH AND INVESTMENTS - Beginning of year** | 7,895,803 | 55,399,144 | 63,294,947 |
| **CASH AND INVESTMENTS - End of year** | $ 8,739,014 | $ 62,393,315 | $ 71,132,329 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:** | | | |
| Operating income (loss) | $ 847,045 | $ (687,079) | $ 159,966 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | |
| Changes in assets, liabilities, deferred outflows, and deferred inflows | | | |
| (Increase) decrease in: | | | |
| Grants receivable | (209,966) | (2,327,838) | (2,537,804) |
| Unbilled receivable | 192,425 | 17,157,977 | 17,350,402 |
| Retention receivable | (50) | (985,823) | (985,873) |
| Other receivables | (200) | (1,390) | (1,590) |
| Prepaid expenses | (2,668) | (7,788) | (10,456) |
| Property held for resale | - | (10,020) | (10,020) |
| Under-recovery of indirect cost | - | (1,298,379) | (1,298,379) |
| Net pension asset | 28,982 | 178,298 | 207,280 |
| Leasehold improvements and equipment, net | - | 6,052 | 6,052 |
| Deferred outflows of resources related to pension | 73,990 | 445,039 | 519,029 |
| Deferred outflows of resources related to OPEB | (1,986) | (3,674) | (5,660) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expense | 635,414 | (7,101,009) | (6,465,595) |
| Accrued retention payable | - | (70,443) | (70,443) |
| Unearned revenue | (559,355) | (13,223,352) | (13,782,707) |
| Compensated absences | 15,212 | 7,034 | 22,246 |
| Deferred inflows of resouces related to pension | (10,113) | (74,473) | (84,586) |
| Adjustments for total OPEB liability | (170,854) | 14,359,544 | 14,188,690 |
| Total OPEB Liability | 217,778 | 402,675 | 620,453 |
| **Net cash provided by (used in) operating activities** | $ 1,055,654 | $ 6,765,351 | $ 7,821,005 |

See accompanying Notes to Basic Financial Statements.

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# NOTES TO BASIC FINANCIAL STATEMENTS

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## 1. SUMMARY OF SIGNIFICANT POLICIES

### *A. Organization and Activities*

The San Gabriel Valley Council of Governments (the "SGVCOG") was created effective March 17, 1994 by a Joint Powers Agreement (JPA) among various San Gabriel Valley cities to promote cooperation, exchange ideas, coordinate regional government programs and to provide recommendations and solutions to common problems and to general concern of member governments. It is the immediate successor to the San Gabriel Valley Association of Cities, an unincorporated association. Its members organized the SGVCOG because they recognized a need for a more permanent and formalized structure.

The SGVCOG is supported by contributions from its members and also receives grant funds to conduct regional studies on Transportation, Air Quality, Environmental Matters, as a sub-grantee of other governmental entities. The SGVCOG is a non-profit California Public Agency and it is tax exempt.

### *B. Reporting Entity*

The San Gabriel Valley Council of Governments (SGVCOG) is a legally separate and independent entity that has no component unit organization under its control. Therefore, this annual financial report and the financial statements contained within represent solely the activities, transactions, and status of the SGVCOG.

ACE is a single purpose construction authority created by the SGVCOG in 1998 to mitigate the effects of increasing Union Pacific Railroad train traffic in the San Gabriel Valley.

On August 17, 2017, the SGVCOG governing board approved the integration of ACE into SGVCOG to accomplish the following objectives:

- Restructure ACE so it will be an ongoing operation as a division of SGVCOG, and not expire at the end of its mission (currently estimated to be in fiscal year 2022-23).
- Expand the jurisdiction of ACE as a construction and projects entity that can serve all of the San Gabriel Valley.
- Restructure the ACE Board so that it has representation from the entire San Gabriel Valley and revise its role so it is no longer a separate Board with management control over ACE but instead will be a standing committee advisory to the Governing Board regarding the ACE operation.
- Integrate SGVCOG and ACE staff under a single personnel system reporting to the Executive Director of SGVCOG.

Full integration of ACE into SGVCOG was completed during the fiscal year ended June 30, 2019.

**1. SUMMARY OF SIGNIFICANT POLICIES, Continued**

*C. Basis of Accounting*

The government-wide financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and cash flows) report information about the primary government (the SGVCOG). The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The financial statements are presented in accordance with the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and *Audits of State and Local Governmental Units* issued by the Governmental Accounting Standards Board. Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Statement No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction,or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted – This component of net position consists of constraints placed on resources through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – This component of net position consists of resources that do not meet the definition of "restricted" or "net investment in capital assets."

The following are the major revenue components of the SGVCOG:

Vehicle Miles Traveled Study – Funds for the implementation of the San Gabriel Valley Regional Vehicle Miles Traveled Analysis Model to assist member-agencies with compliance to Senate Bill No. 743 mandates.

Energywise – Funds to implement a program to reduce energy usage in the region by providing enhanced rebates for installing energy efficiency measures inmunicipal facilities, technical assistance, and various training and educational opportunities.

Homelessness – Funds to provide coordination services among the San Gabriel Valley cities, homeless providers, and community stakeholders relative to the implementation of the Homeless Initiative and the delivery of homeless services within the San Gabriel Valley.

## 1. SUMMARY OF SIGNIFICANT POLICIES, Continued

### *C. Basis of Accounting, Continued*

MTA Open Streets – Funded by the Los Angeles County Metropolitan Transportation Authority (MTA) to provide a series of regional car-free events. It aims to provide: (a) opportunities for riding transit, walking, and riding a bike possibly for the first time; (b) encourage future mode shift to more sustainable transportation modes; and, (c) for civic engagement to foster the development of multi-modal policies and infrastructure at the city/community level. In September 2018, MTA approved funding for SGVCOG to host two open streets events, including an event in the cities of El Monte and South El Monte on October 26, 2019 and another event in the cities of San Dimas, La Verne and Pomona on April 19, 2020 (postponed to 2021 due to COVID-19). This funding will cover planning, event production, public safety, traffic controls and other support services related to these events. This funding will be used as the local match requirement for the Bike Share Program by hosting bike share launch events in conjunction with the open streets events.

Bike Share Program – The Bike Share Program is an effort by the SGVCOG to bring cost effective transportation alternatives to the region. In partnership with 15 member agencies, the SGVCOG has entered into an agreement for the purchase and implementation of pedal-assist bicycles. The program is being funded through a Statewide Active Transportation Program (ATP) grant.

Stormwater Project/ULAR Project – The Los Angeles Regional Water Quality Control Board (Regional Board) established a Coordinated Integrated Monitoring Program (CIMP) to monitor the Upper Los Angeles River (ULAR) Enhanced Watershed Management Program (EWMP) progress toward meeting clean watergoals. In 2015, all ULAR permittees voluntarily entered into a Memorandum of Agreement (MOA) with the City of Los Angeles to perform CIMP functions on behalf of the EWMP. The City of Los Angeles and all eleven SGVCOG cities in the ULAR have tasked the SGVCOG to take over the billing portion of the MOA. As a component of the ULAR CIMP management, the SGVCOG anticipates executing contracts with 3rd party consultants, as needed, to support special studies and other identified tasks. All staff costs associated with managing this project are also covered by the administration fee.

### *D. Budgetary reporting*

It is the ACE's policy not to start any phase of a project (i.e., design, right-of-way acquisition, or construction), unless there are sufficient funds to complete that phase.All project related expenses are reimbursable from existing grants and, as such, budgeted revenues are not budgeted separately, but derived from budgeted expenditures.

### *E. Cash and investments*

The SGVCOG considers money market funds and all equivalent liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.Deposits with the State of California's Local Agency Investment Fund (LAIF) Operating Fund and the investments portfolio managed by financial institutions are considered cash equivalents.

## 1. SUMMARY OF SIGNIFICANT POLICIES, Continued

### F. *Grants receivable*

Grants receivable relate to expense reimbursements due from governmental and otheragencies and are expected to be fully collectible. Accordingly, an allowance for doubtful accounts is not provided.

### G. *Grant Revenues and Expenditures*

All grants agreements are between the SGVCOG and the granting authority. ACE has been given authority to obtain and administer funding in the name of SGVCOG. The Los Angeles County Metropolitan Transportation Authority (Metro) grant was in existence when ACE was created and all subsequent grants therefore are administered by ACE.

Historically, all grants with the exception of the Union Pacific Rail Road (UPRR) contributions are, and are anticipated to be in the future, cost reimbursable. That is, ACE must first incur the expense and then bill for reimbursement from the grantors.

### H. *Capital Assets - Leasehold Improvements and Equipment*

The threshold for capitalization is $5,000 in accordance with federal guidelines. Itemsthat meet the capitalized threshold are recorded as capital assets and are depreciated based upon their estimated useful lives on a straight-line basis. Useful lives of assetscategories are as follows:

| | |
|---|---|
| Leasehold improvements | 10 years |
| Office furniture | 10 years |
| Computer, office and telephone equipment | 5 years |

### I. *Construction in Progress*

Under GASB Statement No. 34, construction in progress is reported on the statementof net position as an asset. Therefore, construction costs would normally be capitalizedand excluded from the statement of revenues, expenses and changes in net position.However, the grant reimbursements generated by construction would be included in the statement of revenues, expenses and changes in net position as program revenue.ACE is obligated to transfer components of completed projects to the UPRR and the member cities so that they can be included in their financial statements. The resulting reduction in assets would flow through the statement of revenues, expenses and changes in net position as a loss. The net effect would be to produce widely fluctuating net position depending on whether ACE was constructing (surplus) or transferring assets to member cities (deficit). Therefore, ACE elected to treat construction in progress as an asset and recognize a liability to member cities and UPRR. This shows the total cost of ACE's projects and the resulting liability to transfer the assets upon completion while not unduly impacting the statement of revenues, expenses and changes in net position.

## 1. SUMMARY OF SIGNIFICANT POLICIES, Continued

### *J. Deferred Outflows and Inflows of Resources*

Pursuant to GASB Statement Nos. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities, SGVCOG and ACE recognize deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 9 and 10 for the list of deferred outflows and deferred inflows of resources that SGVCOG and ACE have recognized as of June 30, 2021.

### *K. Pension*

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

### *L. Use of Estimates*

The process of presenting financial information requires the use of estimates and assumptions regarding certain assets and liabilities and their related income and expense items. Grant reimbursements and construction costs are especially vulnerable to such assumptions and accordingly actual results may differ from estimated amounts.

### *M. Property Held for Sale*

The property held for sale is recorded at the lower of acquisition cost or estimatednet realizable value. At June 30, 2021, property held for resale was $11,110,056.

### *N. Implementation of New Accounting Pronouncements*

During the fiscal year ended June 30, 2021, SGVCOG adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, *Fiduciary Activities* – The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2019. This Statement is not applicable to the SGVCOG.

## 1. SUMMARY OF SIGNIFICANT POLICIES, Continued

### *N. Implementation of New Accounting Pronouncements, Continued*

GASB Statement No. 90, *Majority Equity Interests* – The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legal separate organization should be reported as an investment if a government's holding of the equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement is not applicable to the SGVCOG.

GASB Statement No. 93, Interbank Offered Rates (except LIBOR removal and lease modifications) – Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) –most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with GASB Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The objective of GASB Statement No. 93 is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement is not applicable to the SGVCOG.

GASB No. 98, *The Annual Comprehensive Financial Report*. Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is not applicable to the SGVCOG.

## 2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2021 are as follows:

| | | |
|---|---|---|
| SGVCOG | | |
| Deposits with financial institution | $ | 1,416,582 |
| Investments | | 4,803,843 |
| LAIF | | 245,569 |
| Subtotal | | 6,465,994 |
| ACE | | |
| Cash in bank | | 3,740,986 |
| LAIF | | 1,702,000 |
| Money market funds | | 25,694,278 |
| Investments | | 29,962,600 |
| Subtotal | | 61,099,864 |
| Total unrestricted cash and investments | $ | 67,565,858 |
| SGVCOG | | |
| Restricted cash - money market funds | $ | 2,116,512 |
| Investment held in pension trust | | 156,508 |
| Subtotal | | 2,273,020 |
| ACE | | |
| Investment held in pension trust | | 1,293,451 |
| Total restricted cash and investments | $ | 3,566,471 |

Restricted cash represents funds sent by the State of California in October 2019 to SGVCOG as administrator of the Regional Housing Trust Fund. This fund will be used for the homelessness program of the state.

### *A. Investments Authorized by the California Government Code and San Gabriel Valley Council of Governments' Investment Policy*

The table on the following page identifies the investment types that are authorized for SGVCOG by the California Government Code (or SGVCOG's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or SGVCOG's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

## 2. CASH AND INVESTMENTS, Continued

### A. *Investments Authorized by the California Government Code and San Gabriel Valley Council of Governments' Investment Policy, Continued*

Primary government:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| U.S. Treasury Notes | 5 years | 100% | None |
| Treasury Notes of the State of California | 5 years | 25% | None |
| Indebtness of Any Local Agency within CA | 5 years | 25% | None |
| U.S. Government Agencies | 5 years | 50% | 15% |
| Banker's Acceptances | 180 days | 40% | 10% |
| Commercial Paper | 270 days | 10% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | 10% |
| Repurchase Agreements | 90 days | 20% | None |
| Medium-Term Notes | 5 years | 30% | 10% |
| Shares of Beneficial Interest Issued by Diversified Companies Registered with the SEC | None | 20% | 10% |
| State of CA Local Agency Investment Fund (LAIF) | None | None | None |
| Mortgage-backed Securities | 5 years | 15% | None |

### B. *Disclosures Relating to Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investmentthe greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the SGVCOG manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as  necessary to provide the cash flow and liquidity needed for operations.

## 2. CASH AND INVESTMENTS, Continued

### *B. Disclosures Relating to Interest Rate Risk, Continued*

Information about the sensitivity of the fair values of the SGVCOG's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the SGVCOG's investments by maturity.

| | | Remaining Maturity (in Months) | | |
|---|---|---|---|---|
| Investment Type | Total | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
| SGVCOG | | | | |
| LAIF | $ 245,569 | $ 245,569 | $ - | $ - |
| Money Market Funds | 2,116,512 | 2,116,512 | - | - |
| Fidelity Government Portfolio | 2,400,036 | 2,400,036 | - | - |
| Government Agencies | 2,008,611 | - | 429,534 | 1,579,077 |
| Corporate Bonds | 364,122 | 60,460 | 50,876 | 252,786 |
| Municipal Bonds | 31,074 | - | - | 31,074 |
| Total for SGVCOG | 7,165,924 | 4,822,577 | 480,410 | 1,862,937 |
| ACE | | | | |
| LAIF | 1,702,000 | 1,702,000 | - | - |
| Money Market Funds | 25,694,278 | 25,694,278 | - | - |
| Fidelity Government Portfolio | 7,435,356 | 7,435,356 | - | - |
| Government Agencies | 14,295,046 | 228,427 | 540,405 | 13,526,214 |
| Corporate Bonds | 7,281,065 | 2,066,522 | 4,083,343 | 1,131,200 |
| Municipal Bonds | 951,133 | 152,264 | 88,023 | 710,846 |
| Total for ACE | 57,358,878 | 37,278,847 | 4,711,771 | 15,368,260 |
| Total investments | $ 64,524,802 | $ 42,101,424 | $ 5,192,181 | $ 17,231,197 |

### *C. Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations*

The SGVCOG and ACE (a division of SGVCOG) have no investments that are highly sensitive tointerest rate fluctuations (to a greater degree than already indicated in the information provided above).

## 2. CASH AND INVESTMENTS, Continued

### D. *Credit Risk*

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

| Investment Type | | Minimum Legal Rating | Rating as of June 30, 2021 AAA | AA+ | A+ | AA | A | AA- | Not Rated |
|---|---|---|---|---|---|---|---|---|---|
| SGVCOG | | | | | | | | | |
| LAIF | $ 245,569 | N/A | $ - | $ - | $ - | $ - | $ - | $ - | $ 245,569 |
| Money Market Funds | 2,116,512 | | 2,116,512 | - | - | - | - | - | - |
| Fidelity Government Portfolio | 2,400,037 | N/A | - | - | - | - | - | - | 2,400,037 |
| Government Agencies | 2,008,611 | A | - | 2,008,611 | - | - | - | - | - |
| Corporate Bonds | 364,121 | A | - | 50,876 | 113,519 | - | 199,726 | - | - |
| Municipals | 31,074 | A | - | - | - | - | - | 31,074 | - |
| | 7,165,924 | | 2,116,512 | 2,059,487 | 113,519 | - | 199,726 | 31,074 | 2,645,606 |
| ACE | | | | | | | | | |
| LAIF | 1,702,000 | N/A | - | - | - | - | - | - | 1,702,000 |
| Money Market Funds | 25,694,278 | A | 25,694,278 | - | - | - | - | - | - |
| Fidelity Government Portfolio | 7,435,356 | N/A | - | - | - | - | - | - | 7,435,356 |
| Government Agencies | 14,295,044 | A | - | 14,295,044 | - | - | - | - | - |
| Corporate Bonds | 7,281,066 | A | - | 663,003 | 2,348,895 | - | 3,380,413 | 888,755 | - |
| Municipals | 951,134 | A | - | 152,264 | - | 93,805 | - | 705,065 | - |
| | $ 64,524,802 | | $ 27,810,790 | $ 17,169,798 | $ 2,462,414 | $ 93,805 | $ 3,580,139 | $ 1,624,894 | $ 11,782,962 |

### E. *Concentrations of Credit Risk*

The investment policy of the SGVCOG contains no limitations on the amount that canbe invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2021, the SGVCOG and ACE (a division of SGVCOG) have no investmentsin any one issuer (other than money market funds and external investment pools) that represent 10% or more of total SGVCOG and ACE's (a division of SGVCOG) investments.

### F. *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its depositsor will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction a government will not be able to recover the value of its investment or collateral securities that are inthe possession of another party.

## 2. CASH AND INVESTMENTS, Continued

### *F. Custodial Credit Risk, Continued*

The California Government Code and SGVCOG's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure local government units' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021, the SGVCOG's cash in bank balances of $1,416,582 exceeded the $250,000 deposit insurance of the Federal Deposit Insurance Corporation (FDIC) by $1,166,582. ACE's deposit of $3,740,987 with financial institutions is in excess of federal depository insurance limits but are held in collateralized accounts.

### *G. Investments in State Investment Pool*

The SGVCOG and ACE are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2021, the total market value of LAIF, including accrued interest was approximately $102 billion.

The fair value of the SGVCOG's investment in this pool is $245,569 at June 30, 2021 based upon the SGVCOG's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). LAIF's (and the SGVCOG's) exposure to risk (credit, market or legal) is not currently available.

The fair value of ACE's investment in this pool is $1,702,000 at June 30, 2021 based upon ACE's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). LAIF's (and ACE's) exposure to risk (credit, market or legal) is not currently available.

### I. Fair Value Measurement

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. SGVCOG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices for identical assets or liabilities in activemarkets that government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that areobservable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

## 2. CASH AND INVESTMENTS, Continued

### *I. Fair Value Measurement, Continued*

The following table presents the fair value hierarchy for SGVCOG and ACE's financial assets measured at fair value on a recurring basis:

| | June 30, 2021 | | | | |
|---|---|---|---|---|---|
| Investment Type | Investments that are not subject to the leveling disclosure | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 | Total |
| SGVCOG | | | | | |
| LAIF | $ 245,569 | $ - | $ - | $ - | $ 245,569 |
| Money Market Funds | - | - | 2,116,512 | - | 2,116,512 |
| Fidelity Government Portfolio | - | - | 2,400,036 | - | 2,400,036 |
| Government Agencies | - | - | 2,008,611 | - | 2,008,611 |
| Corporate Bonds | - | - | 364,122 | - | 364,122 |
| Municipals | - | - | 31,074 | - | 31,074 |
| Total for SGVCOG | 245,569 | - | 6,920,355 | - | 7,165,924 |
| ACE | | | | | |
| LAIF | 1,702,000 | - | - | - | 1,702,000 |
| Money Market Funds | - | - | 25,694,278 | - | 25,694,278 |
| Fidelity Government Portfolio | - | - | 7,435,356 | - | 7,435,356 |
| Government Agencies | - | - | 14,295,046 | - | 14,295,046 |
| Corporate Bonds | - | - | 7,281,065 | - | 7,281,065 |
| Municipals | - | - | 951,133 | - | 951,133 |
| Total for ACE | 1,702,000 | - | 55,656,878 | - | 57,358,878 |
| Total investments | $ 1,947,569 | $ - | $ 62,577,233 | $ - | $ 64,524,802 |

## 3. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

The leasehold improvement and equipment of the ACE are recorded at costand consist of the following:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|---|---|---|---|---|
| Cost: | | | | |
| Leasehold improvements | $ 19,762 | $ - | $ - | $ 19,762 |
| Computer equipment | 349,816 | - | - | 349,816 |
| Telephone equipment | 12,086 | - | - | 12,086 |
| Office furniture | 31,972 | - | - | 31,972 |
| Total cost | 413,636 | - | - | 413,636 |
| Less Accumulated depreciation and amortization for: | | | | |
| Leasehold improvements | 19,762 | - | - | 19,762 |
| Computer equipment | 340,412 | 6,052 | - | 346,464 |
| Telephone equipment | 12,086 | - | - | 12,086 |
| Office furniture | 31,972 | - | - | 31,972 |
| Total accumulated depreciation and amortization | 404,232 | 6,052 | - | 410,284 |
| Capital assets, net | $ 9,404 | $ (6,052) | $ - | $ 3,352 |

Depreciation expense included in indirect expenses for the year ended June 30, 2021 amounted to $6,052.

## 4. RECEIVABLES

Receivables as of June 30, 2021, in the aggregate, including retention, are as follows:

| Receivables | SGVCOG | ACE | Total |
|---|---|---|---|
| Grants | $ 781,857 | $ 9,874,996 | $ 10,656,853 |
| Notes | - | 150,000 | 150,000 |
| Unbilled | 17,421 | 20,055,009 | 20,072,430 |
| Retention | 50 | 3,573,216 | 3,573,266 |
| Interest | 200 | 7,548 | 7,748 |
| Total | $ 799,528 | $ 33,660,769 | $ 34,460,297 |

## 5. LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY(LACMTA) PROMISSORY NOTE PAYABLE

In June 2013, ACE entered into a promissory note to borrow up to $45,000,000, in variable rate, from the Los Angeles County Metropolitan Transportation Authority to be used as working capital. The note payable balance outstanding at June 30, 2021 amounted to $45,000,000. Interest rates vary according to market conditions and have ranged from 1.38% to 2.25%.

## 5. LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (LACMTA) PROMISSORY NOTE PAYABLE, Continued

The proceeds of the loan is used as working capital pursuant to the terms of the Alameda Corridor East Phase II Grade Separations Master Funding Agreement ("Master Agreement"), dated June 14, 2013. Except as otherwise provided in the Master Agreement and the promissory note, including, but not limited to, Metro's right to set off against the Measure R and/or Proposition C funds reimbursement due borrower, the entire unpaid balance of the working capital loan, all accrued and outstanding Commercial Paper costs and any fees are unsecured and due on September 9, 2023, ten years after the first drawdown date.

## 6. GRANTS RECEIVABLE

During the year ended June 30, 2021, ACE was the recipient, primarily from the U.S. Department of Transportation through California Department of Transportation (CalTRANS), of cost reimbursement type grants. Local matching share funds are also received from LACMTA. These grants are expenditure driven; funds must be expended before reimbursement is received. Certain amounts have been held back by the grantor agency pending completion of certain phases of contracted work and certain costs incurred may be subject to disallowance. Grants receivable and unbilled grants receivable at June 30, 2021 are shown net of disallowed costs. CalTRANS approved, under Uniform Guidance section 2 CFR 200.516, an indirect overhead allocation formula of 170.50% of total direct salaries and fringe benefit costs. Indirect costs incurred charged to grants for the year ended June 30, 2021 were $1,558,630.

In June 2019, CalTRANS auditors did not allow one-time reimbursement for the payments made to unfunded pension liability for the fiscal years 2015 through 2019 totaling $3,039,392 because the payments were not supported by CalPERS billing. The CalTRANS auditors allowed ACE to deduct these payments using a 20-year amortization schedule. With this disallowance, previously approved indirect cost rates for fiscal years 2017-2018 and 2018-2019 were reduced from 184.6% to 132.2% and from 282.2% to 151.4%, respectively.

## 7. ADMINISTRATIVE EXPENSES

The following were the administrative expenses of the primary government for the year ended June 30, 2021:

| | | |
|---|---|---|
| Salaries and wages | $ | 271,328 |
| Fringe benefits | | 43,668 |
| GASB 68 pension valuation adjustment | | 50,886 |
| GASB 75 pension valuation adjustment | | 44,938 |
| Professional services | | 253,027 |
| Legal | | 36,540 |
| Rent - other | | 69,744 |
| Meetings / travel | | 1,705 |
| Grant writing services | | 1,105 |
| Printing / publications | | 450 |
| Insurance | | 2,105 |
| Webpage / software services | | 13,249 |
| Utilities | | 3,099 |
| Administrative fees | | 3,574 |
| Office supplies | | 1,382 |
| Equipment and soft acquisition | | 13,843 |
| Dues and subscriptions | | 15,462 |
| Storage | | 1,289 |
| Postage | | 617 |
| Miscellaneous | | 275 |
| Administrative expenses charged to grants | | (98,306) |
| | $ | 729,980 |

## 8. RELATED PARTY TRANSACTIONS

For the year ended June 30, 2021, SGVCOG paid ACE a total of $46,019 for transportation technical, administrative, accounting support, and travel expenses. As of June 30, 2021, SGVCOG owed ACE $28,654.

## 9. EMPLOYEE BENEFIT PLAN

### *A. General Information about the Pension Plans*

Plan Description

All qualified permanent and probationary employees are eligible to participate in SGVCOG's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

## 9. EMPLOYEE BENEFIT PLAN, Continued

### *A. General Information about the Pension Plans, Continued*

Classic participants (defined as eligible participants prior to January 1, 2013) are required to contribute 7% of their annual covered salary. New participants (defined as eligible employees brought into CalPERS membership for the first time on or afterJanuary 1, 2013 PEPRA) contribute at least half the normal cost rate as determined by CalPERS. SGVCOG contributes the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employeesand beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized asfollows:

| | Miscellaneous Plan | |
|---|---|---|
| | Classic | PEPRA |
| Hire date | Prior to Jan. 1, 2013 | On or after Jan. 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 50-63 | 52 - 67 |
| Monthly benefits , as a % of eligible compensation | 1.1% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 6.91% | 6.75% |
| Required employer contribution rates | 10.484% | 7.732% |

Contributions

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

## 9. EMPLOYEE BENEFIT PLAN, Continued

### *A. General Information about the Pension Plans, Continued*

For the measurement period ended June 30, 2020, the contributions made to the Plan were as follows:

| | Miscellaneous Plan | | |
|---|---|---|---|
| | SGVCOG | ACE | Total |
| Contributions-employer | $ 97,471 | $ 358,527 | $ 455,998 |

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

As of June 30, 2021, SGVCOG and ACE (a division of SGVCOG) reported net pension liabilities (assets) for their proportionate shares of the net pension liabilities (assets) of the Plan as follows:

| | Proportionate Share of Net Pension Liabilities (Assets) | | |
|---|---|---|---|
| | SGVCOG | ACE | Total |
| Miscellaneous Plan | $ (63,869) | $ (234,927) | $ (298,796) |

The net pension liabilities (assets) for the Plan are measured as the proportionate share of the net pension liabilities (assets). The net pension liabilities (assets) of the Plan are measured as of June 30, 2020, and the total pension liabilities (assets) for the Plan used to calculate the net pension liabilities (assets) were determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. SGVCOG's and ACE (a division of SGVCOG)'s proportion of the net pension liabilities (assets) were based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, which are actuarially determined.

Effective for measurement period 2015, CalPERS provides the GASB Statement No.68 Accounting Valuation Report for the miscellaneous risk pool and allocation methodology to be used by participants in the risk pool. The schedules of employer allocation include allocation for the Total Pension Liability, Plan Fiduciary Net Positionand all other pension amounts (e.g. deferred outflows/inflows of resources and pension expense). The Total Pension Liability and other pension amounts are allocated based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2018 used for funding purposes. The Plan Fiduciary Net Position is allocated based on the sum of the Plan's Market Value of Assets from the most recent Actuarial Valuation as of June 30, 2018 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

## 9. EMPLOYEE BENEFIT PLAN, Continued

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

The SGVCOG's and ACE (a division of SGVCOG)'s proportionate share for pension items as provided by CalPERS are as follows:

| | 2021 | 2020 | Change - Increase (Decrease) |
|---|---|---|---|
| Total pension liability and other pension amounts | 0.064440% | 0.063850% | 0.00059% |
| Plan fiduciary net position | 0.084960% | 0.085760% | -0.00080% |

At June 30, 2021, SGVCOG and ACE (a division of SGVCOG) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Miscellaneous Plan | | | | | |
|---|---|---|---|---|---|---|
| | SGVCOG | | ACE | | Total | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | $ 56,420 | $ - | $ 207,528 | $ - | $ 263,948 | $ - |
| Differences between actual and expected experience | - | 3,291 | - | 12,107 | - | 15,398 |
| Changes in assumption | 456 | - | 1,675 | - | 2,131 | - |
| Changes in employer's proportion | 51,436 | 8,242 | 189,194 | 30,317 | 240,630 | 38,559 |
| Differences between the employer's contribution and the employer's proportionate share of contributions | 41,600 | 24,733 | 153,015 | 90,975 | 194,615 | 115,708 |
| Net differences between projected and actual earnings on pension plan investments | - | 1,897 | - | 6,979 | - | 8,876 |
| Total | $ 149,911 | $ 38,164 | $ 551,413 | $ 140,377 | $ 701,324 | $ 178,541 |

SGVCOG and ACE (a division of SGVCOG) reported $56,420 and $207,528, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30 | SGVCOG | ACE | Total |
|---|---|---|---|
| 2022 | $ 44,378 | $ 163,234 | $ 207,612 |
| 2023 | 8,791 | 32,336 | 41,127 |
| 2024 | 3,068 | 11,286 | 14,354 |
| 2025 | (910) | (3,735) | (4,258) |

## 9. EMPLOYEE BENEFIT PLAN, Continued

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous |
|---|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Investment rate of return | 7.15% |
| Inflation | 2.50% |
| Salary increases | (1) |
| Mortality (4) | (2) |
| Post-Retirement Benefit Increase | (3) |

(1) Varies by entry age and service
(2) Derived using CalPERS' Membership Data for all funds
(3) Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.
(4) The mortality table used was developed based on CalPERS-specific data. The includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return

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

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

## 9. EMPLOYEE BENEFIT PLAN, Continued

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| | 2021 | | |
|---|---|---|---|
| Asset Class (a) | New Strategic Allocation | Real Return Years 1 - 10(b) | Real Return Years 11+(c) |
| Global Equity | 50.00% | 4.80% | 5.98% |
| Global Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Sensitive | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | 100% | | |

(a) Fixed income is included in Global Debt Securities, Liquidity is included in Short-term Investments, Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

Discount Rate

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

## 9. EMPLOYEE BENEFIT PLAN, Continued

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changesin the Discount Rate

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

| | Miscellaneous Plan | | |
|---|---|---|---|
| | SGVCOG | ACE | Total |
| 1% Decrease | 6.15% | 6.15% | 6.15% |
| Net Pension Liability | $ 282,948 | $ 1,040,758 | $ 1,323,706 |
| Current Discount Rate | 7.15% | 7.15% | 7.15% |
| Net Pension Asset | $ (63,869) | $ (234,927) | $ (298,796) |
| 1% Increase | 8.15% | 8.15% | 8.15% |
| Net Pension Asset | $ (350,433) | $ (1,288,985) | $ (1,639,418) |

### *C. Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

### *D. Payable to the Pension Plan*

At June 30, 2021, SGVCOG and ACE did not have outstanding balance for contribution to the pension plan required for the year ended June 30, 2021.

### *E. Deferred Compensation Plan*

ACE (a division of SGVCOG) has entered into a salary reduction deferred compensation plan for its employees. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may withdraw their participation at any time by giving written notice at least a week in advance prior to the effective date of the withdrawal. At June 30, 2021, plan assets totaling $2,492,599 were held by independent trustees. Accordingly, such amounts are not reflected in the accompanying basic financial statements.

All amounts of compensation deferred under the plans are solely the property and rights of each beneficiary (pursuant to legislative changes effective 1998 to the Internal Revenue Code Section 457, this includes all property and rights purchased and income attributable to these amounts until paid or made available to the employee or other beneficiary).

## 10. OTHER POSTEMPLOYMENT BENEFITS PLAN

### *A. Plan Description*

The SGVCOG has established an Other Postemployment Benefits plan (OPEB Plan) and participates in a single employer defined benefit retiree healthcare plan. The SGVCOG joined the Public Employees' Medical & Hospital Care Act (PEMHCA) on 1/1/2019. The PEMHCA minimum amount is based on the 5 % unequal method, which starts from 5% in 2020. For the surviving spouse healthcare benefit, the retiree benefit is paid to surviving spouse of retiree who elected CalPERS joint and survivor payment option and spouse of active who died while eligible to retire receiving CalPERS survivor benefit.

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

| | SGVCOG | ACE | Total |
|---|---|---|---|
| Actives: | | | |
| Participating | 9 | 17 | 26 |
| Waive coverage | 2 | - | 2 |
| Total | 11 | 17 | 28 |
| Retirees: | | | |
| Participating | - | - | - |
| Waive coverage | 2 | 7 | 9 |
| Total | 2 | 7 | 9 |

### *B. Contributions*

The contribution requirements of the plan members and the SGVCOG are established and may be amended by the SGVCOG. For the measurement period, contributions totaled $1,305, which includes $1,250 implied subsidy benefit payments.

## 10. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

### *C. Net OPEB Liability*

The SGVCOG's net OPEB liability as of June 30, 2021 was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability for measurement date June 30, 2021 was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

| | Retiree Health Care Plan |
|---|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Contribution Policy | No pre-funding |
| Discount Rate | 2.16% at June 30, 2021<br>(Bond Buyer 20-Bond Index)<br>2.21% at June 30, 2020<br>(Bond Buyer 20-Bond Index) |
| General Inflation | 2.50% annually |
| Mortality, Retirement, Disability, Termination | CalPERS 1997-2015 Experience Study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2020 |
| Salary Increases | Aggregate - 2.75% annually<br>Merit - CalPERS 1997-2015 Experience Study |
| Medical Trend | Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2046<br>Medicare (Non-Kaiser) - 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076<br>Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 |
| PEMHCA Minimum Increase | 3.75% annually |
| Participation at Retirement | Actives and surviving spouses:<br>Covered - 100%<br>Waived - 80%<br>Retirees and surviving spouses:<br>Covered - 100% (n/a)<br>Waived - 0% |

### *D. Discount Rate*

The discount rate used to measure the total OPEB liability as of June 30, 2021 was 2.16 percent. The SGVCOG's OPEB Plan is a no pre-funding plan and the discount rate was set to the Bond Buyer 20 General Obligation Municipal Bond Index, as of the measurement date.

### 10. OTHER POST EMPLOYMENT BENEFITS PLAN, Continued

### *E. Changes in the OPEB Liability*

The changes in the total OPEB liability for the OPEB Plan are as follows:

| | | Total OPEB Liability |
|---|---|---|
| **Balance at June 30, 2020** | $ | 486,765 |
| Changes during the year: | | |
| Service cost | | 115,531 |
| Interest on the total OPEB liability | | 13,297 |
| Changes in assumptions | | 6,153 |
| Benefit payments | | (1,293) |
| Net changes | | 133,688 |
| **Balance at June 30, 2021** | $ | 620,453 |

### *F. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the SGVCOG and ACE (a division unit of SGVCOG) if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

| | Changes in the Discount Rate | | | | | |
|---|---|---|---|---|---|---|
| | SGVCOG | | ACE | | Total | |
| 1% Decrease | | 1.16% | | 1.16% | | 6.15% |
| Total OPEB Liability | $ | 267,355 | $ | 494,341 | $ | 761,696 |
| Current Discount Rate | | 2.16% | | 2.16% | | 7.15% |
| Total OPEB Liability | $ | 217,778 | $ | 402,675 | $ | 620,453 |
| 1% Increase | | 3.16% | | 3.16% | | 8.15% |
| Total OPEB Liability | $ | 179,348 | $ | 331,616 | $ | 510,964 |

## 10. OTHER POST EMPLOYMENT BENEFITS PLAN, Continued

### G. *Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates*

The following presents the net OPEB liability of the SGVCOG and ACE if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

| | Changes in the Health Trend Rate | | |
|---|---|---|---|
| | SGVCOG | ACE | Total |
| 1% Decrease | | | |
| Total OPEB Liability | $ 167,369 | $ 309,466 | $ 476,835 |
| Current Trend | | | |
| Total OPEB Liability | $ 217,778 | $ 402,675 | $ 620,453 |
| 1% Increase | | | |
| Total OPEB Liability | $ 287,367 | $ 531,343 | $ 818,710 |

### H. *Recognition of Deferred Outflows and Deferred Inflows of Resources*

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

### I. *OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB*

For the fiscal years ended June 30, 2021, the SGVCOG and ACE (a division of SGVCOG) recognized OPEB expense of $129,332. For the fiscal years ended June 30, 2021. the SGVCOG and ACE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SGVCOG | | ACE | | Total | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumption | $ 1,986 | $ - | $ 3,674 | $ - | $ 5,660 | $ - |
| Total | $ 1,986 | $ - | $ 3,674 | $ - | $ 5,660 | $ - |

## 10. OTHER POST EMPLOYMENT BENEFITS PLAN, Continued

### *I. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB, Continued*

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

| Year Ending June 30 | SGVCOG | ACE | Total |
|---|---|---|---|
| 2022 | $ 173 | $ 319 | $ 492 |
| 2023 | 173 | 319 | 492 |
| 2024 | 173 | 319 | 492 |
| 2025 | 173 | 319 | 492 |
| 2026 | 173 | 319 | 492 |
| Thereafter | 1,121 | 2,079 | 3,200 |

## 11. COMMITMENTS AND CONTINGENCIES

As discussed in Note 6, ACE receives reimbursement type grants from federal, state and local sources. Certain expenses are not subject to reimbursement. Also, there maybe disallowed costs. Management's experience in this regard indicates disallowances, if any, will not be material.

The SGVCOG is involved in claims and litigations arising from the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material effect on the SGVCOG's financial position.

**Escrow Agreements for Contract Retention**

Pursuant to contracts entered into between ACE and several of its contractors, funds are deposited with an Escrow Agent. The Escrow Agent holds the fund for the benefit of the contractors until the escrow is terminated. The Escrow Agent, contractor or ACE may terminate this Escrow Agreement, with or without cause, by providing 30 days prior written notice to the other parties. In the event of termination of this Escrow Agreement, all the funds on deposit shall be paid to ACE and any accrued interest less escrow fees shall be paid to the contractor. ACE has recognized expenses related to contract retention payments totaling $4,094,585 for the fiscal year ended June 30, 2021. Funds are deposited in several escrow accounts until release to the contractor is authorized.

## 12. CONSTRUCTION IN PROGRESS AND TRANSFER OF COMPLETED PROJECTS

Except for minor acquisitions that may be sold by ACE when no longer needed, all of the construction projects, when completed, will be deeded and transferred to the UPRR and the cities in which they are located at no cost to the acquirer. At June 30, 2021, $436,647,750 of costs was accumulated on projects in process and $1,066,259,389 had been transferred to UPRR and impacted cities.

Under the full accrual basis of accounting, project expenses would be reported under the construction in progress account (i.e., treated as a cash flow expense and not a current year expense). This would substantially overstate income while reporting the disposal and expensing the accumulated costs would distort the cost of operations at the time of transfer of the completed projects to the member cities. In this case, net position would greatly fluctuate, depending on the timing of construction and transfer of the completed projects.

## 12. CONSTRUCTION IN PROGRESS AND TRANSFER OF COMPLETED PROJECTS, Continued

To alleviate this situation, management has elected to record a liability (same amount as the construction in progress) to UPRR and governments likely to be the eventual owner of the improvements/grade separations upon project completion. This approach will minimize the effects both the acquisition of property for construction and the accumulation of construction costs and their eventual disposal.

## 13. PRIOR PERIOD ADJUSTMENTS

SGVCOG and ACE recorded prior period adjustments to recognize the total OPEB liability as of June 30, 2020, to remove the surplus properties and MTA loan interest reimbursement as liabilities.

| | Net Position, as Previously Reported at June 30, 2020 | Prior Period Adjustments: Total OPEB Liability | Prior Period Adjustments: Unearned Revenue | Net Position, as Restated at June 30, 2020 |
|---|---|---|---|---|
| SGVCOG | $ 1,676,763 | $ (170,854) | $ - | $ 1,505,909 |
| ACE | 14,545,222 | (315,910) | 14,675,454 | 28,904,766 |
| Total | $ 16,221,985 | $ (486,764) | $ 14,675,454 | $ 30,410,675 |

## 14. IMPACT OF COVID-19 PANDEMIC ON SGVCOG'S AND ACE'S OPERATIONS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries.

To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. Management believes that financial impact, if any, will not materially affect the June 30, 2021 financial statements.

## 15. SUBSEQUENT EVENTS

SGVCOG and ACE have evaluated events or transactions that occurred subsequent to the balance sheet date through March 16, 2022, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no subsequent matters required disclosure oradjustment to the accompanying financial statements.

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# REQUIRED SUPPLEMENTARY INFORMATION

# San Gabriel Valley Council of Governments
## Required Supplementary Information
## For the year ended June 30, 2021

***Schedule of Changes in the Net Pension Liability and Related Ratios - Last 10 Years****

| | 2020<br>Miscellaneous Plan | 2019<br>Miscellaneous Plan | 2018<br>Miscellaneous Plan |
|---|---|---|---|
| Proportion of the net pension liability (asset) | -0.0275% | -0.01829% | -0.01829% |
| Proportionate share of the net pension liability (asset)** | $ (298,796) | $ (506,076) | $ (689,323) |
| Covered payroll [(1)***] | $ 3,114,693 | $ 3,409,212 | $ 4,050,997 |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll** | -9.59% | -14.84% | -17.02% |
| Plan's proportionate share of the fiduciary net position as as a percentage of the total pension liability** | 102.45% | 104.41% | 105.77% |

**Notes to Schedule:**

1. Covered payroll presented above is based on pensionable earnings provided by the employer and GASB 68 defines covered payroll as the total payroll of employees that are provided pensions through the pension plan.

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

| Measurement Period | | | | |
|---|---|---|---|---|
| 2017 | 2016 | 2015 | 2014 | |
| Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan Classic | PEPRA |
| -0.00874% | -0.02803% | -0.03744% | -0.01668% | -0.00001% |
| $ 383,561 | $ 1,059,545 | $ 833,640 | $ 1,038,575 | $ 664 |
| $ 3,781,297 | $ 2,989,505 | $ 2,919,902 | $ 2,286,552 | $ 128,351 |
| 10.14% | 35.44% | 28.55% | 45.42% | 0.52% |
| 96.11% | 87.02% | 87.61% | 83.03% | 83.02% |

# San Gabriel Valley Council of Governments
## Required Supplementary Information
## For the year ended June 30, 2021

*Schedule of Pension Contributions - Last 10 Years**

| | 2021 Miscellaneous Plan | 2020 Miscellaneous Plan | 2019 Miscellaneous Plan |
|---|---|---|---|
| Actuarially determined contributions | $ 263,948 | $ 455,998 | $ 423,392 |
| Contributions in relation to the actuarially determined contributions | (263,948) | (455,998) | (423,392) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 2,724,885 | $ 3,114,693 | $ 3,409,212 |
| Contributions as a percentage of covered payroll | 9.69% | 14.64% | 12.42% |

**Notes to Schedule:**

| | |
|---|---|
| Valuation date | June 30, 2018 |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry age normal |
| Amortization method / period | Level percent of payroll |
| Remaining amortization period | Varies, not more than 30 years |
| Asset valuation method | Market Value |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Investment rate of return | 7.00%, net of pension plan investment expense |
| Payroll Growth | 2.875% |
| Retirement age | 55 years |
| Mortality | Derived using CalPERS Membership Data for all funds |

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

| Measurement Period | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2018 | | 2017 | | 2016 | | 2015 | | | |
| Miscellaneous Plan | | Miscellaneous Plan | | Miscellaneous Plan | | Miscellaneous Plan | | | |
| | | | | | | Classic | | PEPRA | |
| $ | 509,594 | $ | 593,725 | $ | 327,364 | $ | 294,381 | $ | 10,141 |
| | (509,594) | | (593,725) | | (327,364) | | (294,381) | | (10,141) |
| $ | - | $ | - | $ | - | $ | - | $ | - |
| $ | 4,050,997 | $ | 3,781,297 | $ | 2,989,505 | $ | 2,919,902 | $ | 176,748 |
| | 12.58% | | 15.70% | | 10.95% | | 10.08% | | 5.74% |

# San Gabriel Valley Council of Governments
## Required Supplementary Information
## For the year ended June 30, 2021

### *Schedule of Changes in the Total OPEB Liability and Related Ratios - Last 10 Years**

| **For the Measurement Period Ended:** | | **6/30/2021** |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ | 115,531 |
| Interest | | 13,297 |
| Changes in benefit terms | | - |
| Differences between actual and expected experience | | - |
| Changes in assumptions | | 6,153 |
| Benefit payments | | (1,293) |
| **Net change in the total OPEB liability** | | 133,688 |
| **Total OPEB liability - beginning** | | 486,765 |
| **Total OPEB liabilty** | $ | 620,453 |
| Covered employee payroll | $ | 2,862,626 |
| Total OPEB liability as a percentage of covered employee payroll | | 21.67% |

* Fiscal year 2021 was the 1st year of implementation.