SGVCOG

San Gabriel Valley Council of Governments

Audited Financial Statements

As of and For the Year Ended June 30, 2022

with Independent Auditor's Report

San Gabriel Valley Council of Governments
Audited Financial
Statements as of and for the
Year *Ended June 30, 2022 with*
Independent Auditor's Report

San Gabriel Valley Council of Governments
Basic Financial Statements
For the year ended June 30, 2022
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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
Monrovia, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SGVCOG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the SGVCOG, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SGVCOG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SGVCOG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SGVCOG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 5-11 and pages 48-52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023 on our consideration of the SGVCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the SGVCOG's internal control over financial reporting and compliance.

Badawi & Associates

Badawi & Associates, CPAs
Berkeley, California
January 20, 2023

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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, 2022. 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>SGVCOG (Planning) Fund</u>

SGVCOG's financial highlights as of and for the year ended June 30, 2022, are as follows:

- Net position increased by $386 thousand, an increase of 16% from previous year.

- Total Operating revenues and expenses increased by $5.4 million (108%) and $5.7 million (138%), respectively, from the previous year. This was mainly attributable to the Bike Share Program, Housing Homeless, and Stormwater Program activities in 2022.

ACE (Construction) Fund

ACE's financial highlights as of and for the year ended June 30, 2022, are as follows:

- Net position increased by $1,566 thousand, an increase of 6% from previous year.
- Construction in progress increased by $74.1 million, an increase of 17% from previous year.
- Total revenues increased by $56.5 million, an increase of 72% from previous year.
- Total project expenses increased by $53.2 million, an increase of 67% 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 21-46.

Financial Analysis

SGVCOG (Planning) Fund

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, 2022, and 2021:

	June 30		Variance	
	2022	2021	Amount	%
Assets	$ 9,628,633	$ 9,378,047	$ 250,586	3%
Deferred Outflow of resources	558,630	151,897	406,733	268%
Total assets and deferred outflows of resources	10,187,263	9,529,944	657,319	7%
Liabilities	7,255,077	7,132,155	122,922	2%
Deferred inflows of resources	186,369	38,164	148,205	388%
Total liabilities and deferred inflows of resources	7,441,446	7,170,319	271,127	4%
Net position				
Restricted	2,745,817	4,273,020	(1,527,203)	-36%
Unrestricted	-	(1,913,385)	1,913,385	-100%
	2,745,817	2,359,635	386,182	16%

Assets increased in 2022 by $251 thousand or 3%, and liabilities increased by $123 thousand or 2%. The increase in assets is primarily due to increase in Net pension asset. The increase in liabilities is largely due to the increase in accrued liabilities related to the Homelessness Program and increase in OPEB liability.

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 $2,745,817 and $2,359,635 as of June 30, 2022, and 2021, 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, 2022, and 2021:

	June 30		Variance	
	2022	2021	Amount	%
OPERATING REVENUES:				
Dues:				
Membership	$ 510,356	$ 537,852	$ (27,496)	-5%
Transportation	400,284	442,816	(42,532)	-10%
	910,640	980,668	(70,028)	-7%
Grants and matches from other governments:				
Bike Share Program	2,239,359	560,298	1,679,061	300%
Stormwater Program	1,736,992	445,392	1,291,600	290%
Vehicle Miles Traveled Study	157,151	96,036	61,115	64%
Coyote Management	103,333	100,000	3,333	3%
Homlessness Program	3,356,712	1,327,789	2,028,923	153%
Housing Homeless	-	468,495	(468,495)	-100%
Southern California Edison - Energywise	264,202	198,895	65,307	33%
Measure M Program	43,825	21,590	22,235	103%
SGVRHT Trust	320,000	318,000	2,000	1%
Rio Hondo	391,716	471,797	(80,081)	-17%
Wildfire Program	19,588	-	19,588	100%
Mission to Mission - MTA	323,545	-	323,545	100%
REAP	164,607	-	164,607	100%
Regional Food Recovery	338,495	-	338,495	100%
SGV Slow Street	6,143	-	6,143	100%
Total operating revenues	10,376,308	4,988,960	5,387,348	108%
OPERATING EXPENSES:				
Administrative	181,410	771,953	(590,543)	-76%
Bike Share Program	2,382,008	374,212	2,007,796	537%
Vehicle Miles Traveled Study	157,151	103,269	53,882	52%
Stormwater Program	1,747,497	861,721	885,776	103%
Homlessness Program	3,493,932	1,370,172	2,123,760	155%
Transportation	60,563	52	60,511	116367%
MTA Open Street Program	(132,487)	78,690	(211,177)	-268%
Cost Comparison / Joint Study Program	-	10,634	(10,634)	-100%
Energywise	264,202	80,439	183,763	228%
Coyote Management	103,333	86,101	17,232	20%
Housing Homeless	-	42,101	(42,101)	-100%
Measure M Program	43,825	21,590	22,235	103%
SGVRHT Trust	-	48,635	(48,635)	-100%
Rio Hondo	391,716	94,523	297,193	314%
Strategy Plan EAP	320,000	197,823	122,177	62%
Wildfire Program	19,588	-	19,588	100%
Mission to Mission MTA	323,545	-	323,545	100%
SGV Slow Street	6,143	-	6,143	100%
REAP	164,607	-	164,607	100%
Regional Food Recovery	338,495	-	338,495	100%
Total operating expenses	9,865,528	4,141,915	5,723,613	138%
Operating Income (Loss)	510,780	847,045	(336,265)	-40%
NONOPERATING REVENUES (EXPENSES)				
Investment income	(124,431)	6,671	-	0%
Interest expense	(157)	-	(157)	100%
Total nonoperating income	(124,588)	6,671	(157)	-2%
Change in net position	386,192	853,716	(336,422)	-39%
Net position, beginning of year	2,359,625	1,505,909	853,716	57%
Net position, end of year	$ 2,745,817	$ 2,359,625	$ 517,294	22%

During fiscal year 2022, total operating revenues increased by 108% from the previous year. As mentioned above, this was mainly attributable to the activity increase in the Bike Share Program, Housing Homeless, and Rio Hondo Program.

Revenues for SGVCOG consist primarily of dues from 31 member cities, two 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, Food recovery, program, Homelessness program, Vehicle Miles Traveled Study program, Southern California Edison (SCE), a local utility, and grant matching funds from Los Angeles County MTA. The total grants and matches from other governments were $10,376,308 in FY2022 compared to $4,988,960 in FY2021, an increase of $5,387,348 or 108%.

Operating expenses were $9,865,528 in FY2022 compared to $4,141,915 in FY2021, an increase of $5,723,613 or 138%. The increase is primarily attributable to the Bike Share, Stormwater, and Homelessness Programs.

ACE (Construction) Fund

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, 2022, and 2021:

	June 30		Variance	
	2022	2021	Amount	%
Current and other assets	$ 112,099,342	$ 111,391,311	$ 708,031	1%
Net pension assets	1,633,222	234,927	1,398,295	595%
Capital assets	-	3,352	(3,352)	-100%
Construction in progress	510,757,461	436,647,750	74,109,711	17%
Less: Due to member cities and Union Pacific Railroad	(510,757,461)	(436,647,750)	(74,109,711)	17%
Total Assets	113,732,564	111,629,590	2,102,974	2%
Deferred outflow of resources	2,094,937	555,087	1,539,850	277%
Liabilities	(85,329,591)	(83,816,907)	(1,512,684)	2%
Deferred inflow of resources	(496,729)	(140,377)	(356,352)	254%
Net Position	$ 30,001,181	$ 28,227,393	$ 1,773,788	6%

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 increased by 2% to $113.7 million, mainly due to increase in unbilled receivables.

Construction in progress increased by 17% to $510.8 million, primarily because of new 57/60 Diamond Bar Project, Durfee, Fairway, and the continuation of the Fullerton Grade Separation Project.

Unbilled receivables increased by 74% to $34.8 million due to the new 57/60 Diamond Bar Project and Fullerton Grade Separation Project.

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, 2022, and 2021.

Total net position increased by $1.6 million or 6% for the year ended June 30, 2022. The increase was due to prior year adjustments for surplus properties and MTA loan interest reimbursements.

	June 30		Variance	
	2022	2021	Amount	%
Project expenses				
Direct (Construction)	$ 130,334,139	$ 77,661,200	$ 52,672,939	68%
Indirect expenses charged to operations	2,049,596	1,546,250	503,346	33%
Total project expenses	132,383,735	79,207,450	53,176,285	67%
Operating revenues				
Grant reimbursements	73,215,356	72,961,145	254,211	0%
Other operating revenues	62,005,735	5,559,226	56,446,509	1015%
Total revenues	135,221,091	78,520,371	56,700,720	72%
Loss from operations	2,837,356	(687,079)	3,524,435	-513%
Nonoparting income (expense)				
Interest Income	(1,021,392)	233,770	(1,255,162)	-537%
Interest expense	(203,205)	(224,064)	20,859	-9%
Total nonopeating income	(1,224,597)	9,706	(1,234,303)	-12717%
Change in net position	1,612,759	(677,373)	2,290,132	-338%
Net position, beginning of year, as restated	28,388,422	28,904,766	(516,344)	-2%
Net position, end of year	$ 30,001,181	$ 28,227,393	$ 1,773,788	6%

Capital Assets

SGVCOG (Planning) Fund
The SGVCOG had $0 invested in capital assets, net of depreciation, as of June 30, 2022, and 2021. The capital assets are fully depreciated as of June 30, 2022, and 2021.

ACE (Construction) Fund
ACE had $0 invested in capital assets, net of depreciation, as of June 30, 2022.

Economic Factors and Next Year's Budget

SGVCOG (Planning) Fund
The budget for fiscal year 2023 assumes that the on-hand net position as of June 30, 2022, will be required and available to fulfill the program and administrative expense requirements.

ACE (Construction) Fund
Budget expenses in fiscal year 2023 increased 20% over 2022 due to the new 57/60 Diamond Bar Project.

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.

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BASIC
FINANCIAL STATEMENTS

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San Gabriel Valley Council of Governments
Statement of Net Position
June 30, 2022

	SGVCOG	ACE	Total
ASSETS			
Current assets:			
Cash and investments	$ 6,760,228	$ 36,088,938	$ 42,849,166
Restricted cash and investments	1,618,053	1,149,258	2,767,311
Grants receivable	436,676	18,471,466	18,908,142
Unbilled receivables	410,817	34,842,240	35,253,057
Internal balances	(38,996)	38,996	-
Retention receivable	534	4,797,273	4,797,807
Interest receivable	461	3,195	3,656
Prepaid expenses	6,713	749,584	756,297
Property held for resale	-	11,134,824	11,134,824
Under-recovery of indirect costs	-	4,823,568	4,823,568
Total current assets	9,194,486	112,099,342	121,293,828
Noncurrent assets:			
Construction in progress	-	510,757,461	510,757,461
Less due to member cities and Union Pacific Railroad	-	(510,757,461)	(510,757,461)
Net pension asset	434,147	1,633,222	2,067,369
Total noncurrent assets	434,147	1,633,222	2,067,369
Total assets	9,628,633	113,732,564	123,361,197
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	556,164	2,092,234	2,648,398
Deferred outflows of resources related to OPEB	2,466	2,703	5,169
Total deferred outflows of resources	558,630	2,094,937	2,653,567
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expense	2,836,726	25,831,841	28,668,567
Accrued retention payable	-	2,654,942	2,654,942
Unearned revenue	3,687,606	26,454,081	30,141,687
Due to other governments	394,707	-	394,707
Total current liabilities	6,919,039	54,940,864	61,859,903
Noncurrent liabilities:			
Compensated absences	59,180	85,169	144,349
MTA promisorry note payable	-	30,000,000	30,000,000
Total OPEB Liability	276,858	303,558	580,416
Total noncurrent liabilities	336,038	30,388,727	30,724,765
Total liabilities	7,255,077	85,329,591	92,584,668
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	109,695	412,661	522,356
Deferred inflows of resources related to OPEB	76,674	84,068	160,742
Total deferred inflows of resources	186,369	496,729	683,098
NET POSITION			
Restricted	2,284,671	26,990,038	29,274,709
Unrestricted	461,146	3,011,143	3,472,289
Total net position	$ 2,745,817	$ 30,001,181	$ 32,746,998

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, 2022

	SGVCOG	ACE	Total
OPERATING REVENUES:			
Dues:			
Membership	$ 510,356	$ -	$ 510,356
Transportation	400,284	-	400,284
Total dues	910,640	-	910,640
Grants and matches from other governments:			
Bike Share Program	2,239,359	-	2,239,359
Stormwater Program	1,736,992	-	1,736,992
Vehicle Miles Travelled Study	157,151	-	157,151
Coyote Management	103,333	-	103,333
Homelessness Program	3,356,712	-	3,356,712
Southern California Edison - Energywise	264,202	-	264,202
Measure M Program	43,825	-	43,825
SGVRHT Trust	320,000	-	320,000
Rio Hondo	391,716	-	391,716
Wildfire Program	19,588	-	19,588
Mission to Mission-MTA	323,545	-	323,545
REAP	164,607	-	164,607
Regional Food Recovery	338,495	-	338,495
SGV Slow Street	6,143	-	6,143
Other Grant and Matches	-	71,890,200	71,890,200
Construction project reimbursements	-	1,325,156	1,325,156
Other operating construction revenues	-	62,005,735	62,005,735
Total operating revenues	10,376,308	135,221,091	145,597,399
OPERATING EXPENSES:			
Administrative	181,410	-	181,410
Bike Share Program	2,382,008	-	2,382,008
Vehicle Miles Travelled Study	157,151	-	157,151
Stormwater Program	1,747,497	-	1,747,497
Homeless Program	3,493,932	-	3,493,932
Transportation	60,563	-	60,563
MTA Open Street Program	(132,487)	-	(132,487)
Energywise	264,202	-	264,202
Coyote Management	103,333	-	103,333
Measure M Program	43,825	-	43,825
Rio Hondo	391,716	-	391,716
Strategy Plan EAP	320,000	-	320,000
Wildfire Program	19,588	-	19,588
Mission to Mission MTA	323,545	-	323,545
SGV Slow Street	6,143	-	6,143
REAP exp	164,607	-	164,607
Regional Food Recovery	338,495	-	338,495
Direct construction project expenses	-	130,334,139	130,334,139
Indirect construction project expenses charged to operations	-	2,049,596	2,049,596
Total operating expenditures	9,865,528	132,383,735	142,249,263
OPERATING INCOME (LOSS)	510,780	2,837,356	3,348,136
NONOPERATING REVENUES (EXPENSES)			
Investment income	(124,431)	(1,021,392)	(1,145,823)
Interest expense	(157)	(203,205)	(203,362)
Total nonoperating revenues (expenses)	(124,588)	(1,224,597)	(1,349,185)
Change in net position	386,192	1,612,759	1,998,951
NET POSITION:			
Beginning of year	2,359,625	28,227,393	30,587,018
Prior period adjustments (Note 13)	-	161,029	161,029
Restated beginning of year	2,359,625	28,388,422	30,748,047
End of year	$ 2,745,817	$ 30,001,181	$ 32,746,998

See accompanying Notes to Basic Financial Statements.

San Gabriel Valley Council of Governments

Statement of Cash Flows

For the year ended June 30, 2022

	SGVCOG	ACE	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from construction activities	$ -	$ 109,557,487	$ 109,557,487
Cash receipts from cities	910,640	-	910,640
Cash receipts from all other services	7,047,141	-	7,047,141
Cash paid for operating expenses	(7,460,525)	(113,670,476)	(121,131,001)
Cash paid for employee compensation and related costs	(743,482)	(4,805,386)	(5,548,868)
Net cash provided by (used in) operating activities	(246,226)	(8,918,375)	(9,164,601)
CASH FLOWS FROM NONCAPITTAL FINANCING ACTIVITIES:			
Interfund advances	10,342	(10,342)	-
Principal paid on MTA promissory note payable	-	(15,000,000)	(15,000,000)
Interest paid on MTA promissory note payable	(157)	(203,205)	(203,362)
Net cash provided by (used in) noncapital financing activities	10,185	(15,213,547)	(15,203,362)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	(124,692)	(1,023,197)	(1,147,889)
Net cash provided by (used in) investing activities	(124,692)	(1,023,197)	(1,147,889)
Net cash flows	(360,733)	(25,155,119)	(25,515,852)
CASH AND INVESTMENTS - Beginning of year	8,739,014	62,393,315	71,132,329
CASH AND INVESTMENTS - End of year	$ 8,378,281	$ 37,238,196	$ 45,616,477
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	$ 510,780	$ 2,837,356	$ 3,348,136
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	133,196	(8,596,470)	(8,463,274)
Unbilled receivable	(393,396)	(14,997,899)	(15,391,295)
Retention receivable	(484)	(1,224,057)	(1,224,541)
Other receivables	-	161,708	161,708
Prepaid expenses	9,562	(558,608)	(549,046)
Property held for resale	-	(24,768)	(24,768)
Under-recovery of indirect cost	-	(816,027)	(816,027)
Net pension asset	(370,278)	(1,398,295)	(1,768,573)
Leasehold improvements and equipment, net	-	3,352	3,352
Deferred outflows of resources related to pension	(406,253)	(1,540,821)	(1,947,074)
Deferred outflows of resources related to OPEB	(480)	971	491
Increase (decrease) in:			
Accounts payable and accrued expense	1,819,324	16,783,427	18,602,751
Accrued retention payable	-	1,251,519	1,251,519
Unearned revenue	(2,157,843)	(982,117)	(3,139,960)
Due to other governments	394,707	-	394,707
Compensated absences	7,654	(74,881)	(67,227)
Deferred inflows of resouces related to pension	71,531	272,284	343,815
Deferred inflows of resouces related to OPEB	76,674	84,068	160,742
Total OPEB Liability	59,080	(99,117)	(40,037)
Net cash provided by (used in) operating activities	$ (246,226)	$ (8,918,375)	$ (9,164,601)

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:

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.

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.

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.

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

C. Basis of Accounting, Continued

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 water goals. 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.

Food Recovery Program - the SGVCOG launched the San Gabriel Valley Regional Food Recovery Program on September 29, 2021 to support member agencies to comply with SB 1383's food recovery mandates and significantly reduce food waste in the San Gabriel Valley. Known as one of the largest regional food recovery programs in California, this Program includes assessing commercial edible food waste generators, identifying and fostering partnerships with local food recovery organizations, implementing outreach and education endeavors, and developing and implementing inspection protocols.

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.

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 assets by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets 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, 2022.

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, 2022, property held for resale was $11,134,824.

N. Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2022, SGVCOG adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 87, *Leases* – The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement did not have an impact on the SGVCOG's net position for the years ended June 30, 2022.

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

N. Implementation of New Accounting Pronouncements, Continued

- GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objective of this statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement did not apply to the SGVCOG for the current fiscal year.

- GASB Statement No. 92, Omnibus 2020 - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement did not apply to the SGVCOG for the current fiscal year.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

- GASB Statement No. 99, *Omnibus 2022* – The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement did not apply to the SGVCOG for the current fiscal year.

2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2022 are as follows:

SGVCOG	
Deposits with financial institution	$ 1,819,989
Investments	4,697,239
LAIF	243,000
Subtotal	6,760,228
ACE	
Cash in bank	1,841,868
LAIF	1,684,778
Money market funds	8,119,617
Investments	24,442,675
Subtotal	36,088,938
Total unrestricted cash and investments	$ 42,849,166
SGVCOG	
Restricted cash - money market funds	$ 1,478,912
Investment held in pension trust	139,141
Subtotal	1,618,053
ACE	
Investment held in pension trust	1,149,258
Total restricted cash and investments	$ 2,767,311

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	$ 243,000	$ 243,000	$ -	$ -
Money Market Funds	1,478,912	1,478,912	-	-
Liquidity Funds	2,554,443	2,554,443	-	-
Government Agencies	1,831,934	244,389	152,105	1,435,440
Corporate Bonds	281,317	50,028	49,543	181,746
Municipal Bonds	29,545	-	29,545	-
Total for SGVCOG	6,419,151	4,570,772	231,193	1,617,186
ACE				
LAIF	1,684,778	1,684,778	-	-
Money Market Funds	8,119,617	8,119,617	-	-
Liquidity Funds	1,131,794	1,131,794	-	-
Government Agencies	21,146,786	3,520,880	8,864,851	8,761,055
Corporate Bonds	1,423,060	330,954	1,092,106	-
Municipal Bonds	741,035	84,397	98,482	558,156
Total for ACE	34,247,070	14,872,420	10,055,439	9,319,211
Total investments	$ 40,666,221	$ 19,443,192	$ 10,286,632	$ 10,936,397

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, 2022 AAA	AA+	A+	AA	A	AA-	Not Rated
SGVCOG									
LAIF	$ 243,000	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ 243,000
Money Market Funds	1,478,912	A	1,478,912	-	-	-	-	-	-
Liquidity Funds	2,554,443	N/A	-	-	-	-	-	-	2,554,443
Government Agencies	1,831,934	A	491,206	1,340,728	-	-	-	-	-
Corporate Bonds	281,317	A	-	50,028	49,543	-	181,746	-	-
Municipals	29,545	A	-	-	-	-	-	29,545	-
Subtotal	6,419,151		1,970,118	1,390,756	49,543	-	181,746	29,545	2,797,443
ACE									
LAIF	1,684,778	N/A	-	-	-	-	-	-	1,684,778
Money Market Funds	8,119,617	A	8,119,617	-	-	-	-	-	-
Liquidity Funds	1,131,794	N/A	-	-	-	-	-	-	1,131,794
Government Agencies	21,146,786	A	2,788,531	18,358,255	-	-	-	-	-
Corporate Bonds	1,423,060	A	-	-	1,092,106	-	330,954	-	-
Municipals	741,035	A	-	-	-	506,609	-	234,426	-
Subtotal	34,247,070		10,908,148	18,358,255	1,092,106	506,609	330,954	234,426	2,816,572
Total	$ 40,666,221		$ 12,878,266	$ 19,749,011	$ 1,141,649	$ 506,609	$ 512,700	$ 263,971	$ 5,614,015

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, 2022, 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, 2022, the SGVCOG's cash in bank balances of $1,819,589 exceeded the $250,000 deposit insurance of the Federal Deposit Insurance Corporation (FDIC) by $1,569,589. ACE's deposit of $1,841,868 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, 2022, the total market value of LAIF, including accrued interest was approximately $234 billion.

The fair value of the SGVCOG's investment in this pool is $243,000 at June 30, 2022 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 $1,684,778 at June 30, 2022 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.

H. 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 active markets that government can access at the measurement date.

- Level 2 inputs are other than quoted prices included in Level 1 that are observable 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

H 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, 2022				
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	$ 243,000	$ -	$ -	$ -	$ 243,000
Money Market Funds	-	-	1,478,912	-	1,478,912
Liquidity Funds	-	-	2,554,443	-	2,554,443
Government Agencies	-	-	1,831,934	-	1,831,934
Corporate Bonds	-	-	281,317	-	281,317
Municipals	-	-	29,545	-	29,545
Total for SGVCOG	243,000	-	6,176,151	-	6,419,151
ACE					
LAIF	1,684,778	-	-	-	1,684,778
Money Market Funds	-	-	8,119,617	-	8,119,617
Liquidity Funds	-	-	1,131,794	-	1,131,794
Government Agencies	-	-	22,115,036	-	22,115,036
Corporate Bonds	-	-	454,810	-	454,810
Municipals	-	-	741,035	-	741,035
Total for ACE	1,684,778	-	32,562,292	-	34,247,070
Total investments	$ 1,927,778	$ -	$ 38,738,443	$ -	$ 40,666,221

3. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
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	346,464	3,352	-	349,816
Telephone equipment	12,086	-	-	12,086
Office furniture	31,972	-	-	31,972
Total accumulated depreciation and amortization	410,284	3,352	-	413,636
Capital assets, net	$ 3,352	$ (3,352)	$ -	$ -

Depreciation expense included in indirect expenses for the year ended June 30, 2022 amounted to $3,352.

4. RECEIVABLES

Receivables as of June 30, 2022, in the aggregate, including retention, are as follows:

Receivables	SGVCOG	ACE	Total
Grants	$ 436,676	$ 18,471,466	$ 18,908,142
Unbilled	410,817	34,842,240	35,253,057
Retention	534	4,797,273	4,797,807
Interest	461	3,195	3,656
Total	$ 848,488	$ 58,114,174	$ 58,962,662

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, 2022 amounted to $30,000,000. Interest rates vary according to market conditions and have ranged from 1.38% to 2.25%.

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, 2022, 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, 2022 are shown net of disallowed costs. CalTRANS approved, under Uniform Guidance section 2 CFR 200.516, an indirect overhead allocation formula of 244.26% of total direct salaries and fringe benefit costs. Indirect costs incurred charged to grants for the year ended June 30, 2022 were $816,027.

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, 2022:

Salaries and wages	$	547,957
Fringe benefits		104,489
GASB 68 pension valuation adjustment		(705,000)
GASB 75 pension valuation adjustment		135,274
Professional services		166,138
Legal		95,382
Rent - other		60,867
Meetings / travel		19,995
Grant writing services		-
Printing / publications		635
Insurance		6,699
Webpage / software services		23,674
Utilities		4,351
Administrative fees		5,449
Office supplies		1,411
Equipment and soft acquisition		9,099
Dues and subscriptions		9,975
Postage		272
Administrative expenses charged to grants		(305,257)
	$	181,410

8. RELATED PARTY TRANSACTIONS

For the year ended June 30, 2022, SGVCOG paid ACE a total of $56,918 for transportation technical, administrative, accounting support, and travel expenses. As of June 30, 2022, SGVCOG owed ACE $38,996.

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, 2022, 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	10.340%	7.590%

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, 2021, the contributions made to the Plan were as follows:

	Miscellaneous Plan		
	SGVCOG	ACE	Total
Contributions-employer	$ 55,429	$ 208,519	$ 263,948

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

As of June 30, 2022, 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	$ (434,147)	$ (1,633,222)	$ (2,067,369)

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 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, 2020 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 of the net pension liability for the Plan as of the measurement date June 30, 2020 and 2021 were as follows:

Proportion - June 30, 2020	-0.002746%
Proportion - June 30, 2021	-0.038226%
Change - Increase (Decrease)	-0.035480%

At June 30, 2022, 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	$ 56,332	$ -	$ 211,914	$ -	$ 268,246	$ -
Differences between actual and expected experience	-	48,685	-	183,148	-	231,833
Changes in assumption	-	-	-	-	-	-
Changes in employer's proportion	120,844	-	454,604	-	575,448	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	61,010	-	229,513	-	290,523
Net differences between projected and actual earnings on pension plan investments	378,988	-	1,425,716	-	1,804,704	-
Total	$ 556,164	$ 109,695	$2,092,234	$ 412,661	$2,648,398	$ 522,356

SGVCOG and ACE (a division of SGVCOG) reported $56,332 and $211,914, 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, 2023. 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	$ 95,355	$ 358,718	$ 454,073
2023	94,666	356,126	450,792
2024	95,383	358,820	454,203
2025	104,733	393,608	498,728

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, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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(Asset)	$ (88,844)	$ (334,224)	$ (423,068)
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability(Asset)	$ (434,147)	$ (1,633,222)	$ (2,067,369)
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability(Asset)	$ (719,605)	$ (2,707,085)	$ (3,426,690)

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, 2022, SGVCOG and ACE did not have outstanding balance for contribution to the pension plan required for the year ended June 30, 2022.

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, 2022, plan assets totaling $2,456,970 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 June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	SGVCOG	ACE	Total
Inactives currently receiving benefits	-	1	1
Inactives entitled to but not yet receiving benefits	3	8	11
Active employees	18	14	32
Total	21	23	44

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 $1,391, which includes $1,272 implied subsidy benefit payments.

10. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

C. *Net OPEB Liability*

The SGVCOG's net OPEB liability as of June 30, 2022 was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability for measurement date June 30, 2022 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, 2022
Contribution Policy	No pre-funding
Discount Rate	3.54% at June 30, 2022 (Bond Buyer 20-Bond Index) 2.16% at June 30, 2021 (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 Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2046 Medicare (Non-Kaiser) - 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076 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: Covered - 100% Waived - 80% Retirees and surviving spouses: Covered - 100% (n/a) Waived - 0%

D. *Discount Rate*

The discount rate used to measure the total OPEB liability as of June 30, 2022 was 3.54 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, 2021	$ 620,453
Changes during the year:	
Service cost	120,206
Interest on the total OPEB liability	15,983
Changes in assumptions	(174,842)
Benefit payments	(1,384)
Net changes	(40,037)
Balance at June 30, 2022	$ 580,416

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, 2022:

	Changes in the Discount Rate		
	SGVCOG	ACE	Total
1% Decrease	2.54%	2.54%	2.54%
Total OPEB Liability	$ 334,353	$ 366,597	$ 700,950
Current Discount Rate	3.54%	3.54%	3.54%
Total OPEB Liability	$ 276,858	$ 303,558	$ 580,416
1% Increase	4.54%	4.54%	4.54%
Total OPEB Liability	$ 231,736	$ 254,083	$ 485,819

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, 2022:

	Changes in the Health Trend Rate		
	SGVCOG	ACE	Total
1% Decrease			
Total OPEB Liability	$ 216,509	$ 237,388	$ 453,897
Current Trend			
Total OPEB Liability	$ 276,858	$ 303,558	$ 580,416
1% Increase			
Total OPEB Liability	$ 358,987	$ 393,606	$ 752,593

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, 2022, the SGVCOG and ACE (a division of SGVCOG) recognized OPEB expense of $122,588. For the fiscal years ended June 30, 2022. 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	$ 2,466	$ 76,674	$ 2,703	$ 84,068	$ 5,169	$ 160,742
Total	$ 2,466	$ 76,674	$ 2,703	$ 84,068	$ 5,169	$ 160,742

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
2023	$ (6,491)	$ (7,117)	$ (13,608)
2024	(6,491)	(7,117)	(13,608)
2025	(6,491)	(7,117)	(13,608)
2026	(6,491)	(7,117)	(13,608)
2027	(6,491)	(7,117)	(13,608)
Thereafter	(41,753)	(45,780)	(87,533)

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 $9,184,321 for the fiscal year ended June 30, 2022. 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, 2022, $510,757,461 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 correct wrong audit adjustments posted in fiscal year 2020, to correct the LAIF interest receivable balance as of June 30, 2021, to clear the undisbursed retention payable as of June 30, 2021, and to correct the trade payable balance as of June 30, 2021.

		Prior Period Adjustments						
	Net Position, as Previously Reported at June 30, 2021	Other Receivable	Unearned Revenue	Accounts Payable	Interest Receivable	Retention Payable	Unbilled Receivables	Net Position, as Restated at June 30, 2021
ACE	$ 28,227,393	$ 11,708	$ 352,356	$ 7,695	$ (6,159)	$ 6,097	$ (210,668)	$ 28,388,422
Total	$ 28,227,393	$ 11,708	$ 352,356	$ 7,695	$ (6,159)	$ 6,097	$ (210,668)	$ 28,388,422

14. SUBSEQUENT EVENTS

SGVCOG and ACE have evaluated events or transactions that occurred subsequent to the balance sheet date through January 20, 2023, 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Period			
	2021	**2020**	**2019**	**2018**
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Proportion of the net pension liability (asset)	-0.03823%	-0.0275%	-0.00494%	-0.00715%
Proportionate share of the net pension liability (asset)	$ (2,067,369)	$ (298,796)	$ (506,076)	$ (689,323)
Covered payroll	$ 2,724,885	$ 3,114,693	$ 3,409,212	$ 4,050,997
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-75.87%	-9.59%	-14.84%	-17.02%
Plan's proportionate share of the fiduciary net position as as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%

Notes to Schedule:

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

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

Measurement Period			
2017	**2016**	**2015**	**2014**
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
0.00348%	0.01125%	0.01214%	0.00000%
$ 344,628	$ 973,847	$ 833,171	$ -
$ 3,781,297	$ 2,989,505	$ 2,919,902	$ 2,414,903
9.11%	32.58%	28.53%	0.00%
73.31%	74.06%	78.40%	79.82%

San Gabriel Valley Council of Governments
Required Supplementary Information
For the year ended June 30, 2022

Schedule of Pension Contributions - Last 10 Years*

	Measurement Period			
	2022	2021	2020	2019
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Actuarially determined contributions	$ 268,246	$ 263,948	$ 455,998	$ 411,327
Contributions in relation to the actuarially determined contributions	(268,246)	(263,948)	(455,998)	(411,327)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 3,060,627	$ 2,724,885	$ 3,114,693	$ 3,409,212
Contributions as a percentage of covered payroll	8.76%	9.69%	14.64%	12.07%

Notes to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.
Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value
Inflation:	2.50%	2.50%	2.63%	2.75%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%	7.375%
Retirement age:	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Measurement Period			
2018	2017	2016	2015
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
$ 1,334,594	$ 1,427,296	$ 441,843	$ 696,060
(1,334,594)	(1,427,296)	(441,843)	(696,060)
$ -	$ -	$ -	$ -
$ 4,050,997	$ 3,781,297	$ 2,989,505	$ 2,919,902
32.94%	37.75%	14.78%	23.84%

6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	15 Year
2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)
7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)

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

For the Measurement Period Ended:	6/30/2022	6/30/2021
Total OPEB Liability		
Service cost	$ 120,206	$ 115,531
Interest	15,983	13,297
Changes in assumptions	(174,842)	6,153
Benefit payments	(1,384)	(1,293)
Net change in the total OPEB liability	(40,037)	133,688
Total OPEB liability - beginning	620,453	486,765
Total OPEB liabilty	$ 580,416	$ 620,453
Covered employee payroll	$ 3,060,627	$ 2,862,626
Total OPEB liability as a percentage of covered employee payroll	18.96%	21.67%

* Fiscal year 2021 was the 1st year of implementation.
Note - No monies are held in trust for OPEB benefits.