



Audited Financial Statements
As of and For the Year Ended June 30, 2025
with Independent Auditor's Report

San Gabriel Valley Council of Governments
Audited Financial
Statements as of and for the
Year *Ended June 30, 2025 with*
Independent Auditor's Report

San Gabriel Valley Council of Governments

Basic Financial Statements

For the year ended June 30, 2025

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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, 2025, 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, 2025, 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

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.

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

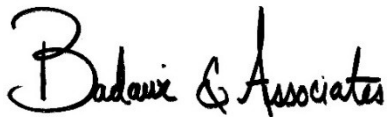
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension plan information, and OPEB plan information on pages 5-11 and pages 48-52 be presented to supplement the basic financial statements. Such information 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

To the Members of the Governing Board
of San Gabriel Valley Council of Governments
Monrovia, California
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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 March 25, 2026 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Emeryville, California
March 25, 2026

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San Gabriel Valley Council of Governments

Management's Discussion and Analysis

For the year ended June 30, 2025

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, 2025. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 15). 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

Primary Government

SGVCOG's financial highlights as of and for the year ended June 30, 2025, are as follows:

- Net position increased by \$507,904, an increase of 18% from the previous year.
- Total Operating revenues and expenses increased by \$5,260,681-47% and \$4,928,434-44%, respectively, from the previous year. This was mainly attributable to the Stormwater Program, Regional Early Action Program (REAP), and the East SGV Multimodal Improvement Project activities.

San Gabriel Valley Council of Governments
Management's Discussion and Analysis
For the year ended June 30, 2025

Component Unit

ACE's financial highlights as of and for the year ended June 30, 2025, are as follows:

- Net position decreased by \$1,087,860, reflecting a -4% decrease from the previous year.
- Construction in progress increased by \$77 million, a 12% increase from the previous year.
- Total revenues decreased by \$20.5 million, a -13% decrease from the previous year.
- Total project expenses increased by \$53.1 million, an 51% increase from the 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 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 SGVCOG's finances. The notes to the financial statements are on pages 20-45.

San Gabriel Valley Council of Governments
Management's Discussion and Analysis
For the year ended June 30, 2025

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, 2025, and 2024:

	June 30		Variance	
	2025	2024	Amount	%
Assets	\$ 14,407,144	\$ 12,361,913	\$ 2,045,231	17%
Deferred Outflow of resources	487,023	708,704	(221,681)	-31%
Total assets and deferred outflows of resources	<u>14,894,167</u>	<u>13,070,617</u>	<u>1,823,550</u>	14%
Liabilities	11,216,811	9,871,047	1,345,764	14%
Deferred inflows of resources	322,795	352,913	(30,118)	-9%
Total liabilities and deferred inflows of resources	<u>11,539,606</u>	<u>10,223,960</u>	<u>1,315,646</u>	13%
Net position				
Net investment in capital assets	158,030	218,235	(60,205)	
Restricted	2,283,257	2,483,948	(200,691)	-8%
Unrestricted	913,274	144,474	768,800	532%
	<u>\$ 3,354,561</u>	<u>\$ 2,846,657</u>	<u>\$ 507,904</u>	18%

Assets increased in 2025 by \$2 million or 17%, and liabilities increased by \$1.3 million or 14%. The increase in assets is primarily due to purchases of depreciable assets and an increase in prepayments of grant fundings. The increase in liabilities is largely due to the increase in unearned revenues.

As previously discussed, net position can serve as an indicator of financial health. SGVCOG's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,354,561 and \$2,846,657 as of June 30, 2025, and 2024, respectively.

San Gabriel Valley Council of Governments
Management's Discussion and Analysis
For the year ended June 30, 2025

Condensed Statements of Activities

The following table presents the SGVCOG's revenues, expenses, and changes in net position for the years ended June 30, 2025, and 2024:

	June 30		Variance	
	2025	2024	Amount	%
OPERATING REVENUES:				
Dues:				
Membership	\$ 907,064	\$ 876,960	\$ 30,104	3%
Transportation	159,405	151,406	7,999	5%
	<u>1,066,469</u>	<u>1,028,366</u>	<u>38,103</u>	4%
Grants and matches from other governments:	15,345,222	10,122,644	5,222,578	52%
Total operating revenues	<u>16,411,691</u>	<u>11,151,010</u>	<u>5,260,681</u>	47%
OPERATING EXPENSES:				
Administrative	1,304,936	792,550	512,386	65%
Bike Share Program	403,840	-	403,840	100%
Vehicle Miles Traveled Study	156,071	170,714	(14,643)	-9%
Stormwater Program	385,991	423,714	(37,723)	-9%
Homelessness Program	4,182,830	2,558,290	1,624,540	64%
Transportation	159,405	151,406	7,999	5%
Energywise	424,457	303,000	121,457	40%
Coyote Management	84,800	57,495	27,305	47%
Measure M Program	58,327	49,678	8,649	17%
Rio Hondo	85,011	188,933	(103,922)	-55%
Strategy Plan EAP	625,628	461,000	164,628	36%
Wildfire Program	91,363	109,308	(17,945)	-16%
SGV Slow Street	43,960	120,528	(76,568)	-64%
Workforce Development	84,555	592,891	(508,336)	-86%
REAP	-	588,180	(588,180)	-100%
Regional Food Recovery	1,354,510	643,732	710,778	110%
ULAR Fire Effects	569,158	550,254	18,904	3%
E SGV Multimodal Improvement	-	(90,415)	90,415	-100%
Food Insecurity	-	71,745	(71,745)	-100%
Housing Linkage	4,023	242,692	(238,669)	-98%
Broadband	112,130	348,542	(236,412)	-68%
Community Wildfire Protection	718,028	256,867	461,161	180%
Arroyo Fest	-	382,622	(382,622)	-100%
Other Direct program expenses	5,191,811	2,138,674	3,053,137	143%
Total operating expenses	<u>16,040,834</u>	<u>11,112,400</u>	<u>4,928,434</u>	44%
Operating Income	<u>370,857</u>	<u>38,610</u>	<u>332,247</u>	861%
NONOPERATING REVENUES (EXPENSES)				
Investment income	164,900	160,541	4,359	3%
Interest expense	(27,853)	(47,448)	19,595	-41%
Total nonoperating income	<u>137,047</u>	<u>113,093</u>	<u>19,595</u>	17%
Change in net position	507,904	151,703	351,842	232%
Net position, beginning of year	2,846,657	2,694,954	151,703	6%
Net position, end of year	<u>\$ 3,354,561</u>	<u>\$ 2,846,657</u>	<u>\$ 503,545</u>	18%

San Gabriel Valley Council of Governments
Management’s Discussion and Analysis
For the year ended June 30, 2025

During fiscal year 2025, total operating revenues increased by \$5,260,681 or 47% from the previous year. As mentioned above, this was mainly attributable to the activity increase in the homelessness program, Rio Hondo, Montebello Bridge Housing - Program Management, and East SGV Multimodal Project.

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 Regional Homelessness Program, Food Recovery Program, SGV Care Program, Workforce Development Program, and grant matching funds from Los Angeles County MTA. The total grants and matches from other governments were \$15,345,222 in FY2025 compared to \$11,151,010 in FY2024, a increase of \$5,222,578 or 52%.

Operating expenses were \$16,040,834 in FY2025 compared to \$11,112,400 in FY2024, an increase of \$4,928,434 or 44%. The increase is primarily attributable to the Homelessness Program, Regional Food Recovery and Bike Share Program.

Component Unit (ACE)

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, 2025, and 2024:

	June 30		Variance	
	2025	2024	Amount	%
Current and other assets	\$ 97,335,185	\$ 83,859,814	\$ 13,475,371	16%
Depreciable capital assets	1,292,225	1,438,255	(146,030)	-10%
Construction in progress	739,280,717	662,264,560	77,016,157	12%
Less: Due to member cities and Union Pacific Railroad	(739,280,717)	(662,264,560)	(77,016,157)	12%
Total Assets	<u>98,627,410</u>	<u>85,298,069</u>	<u>13,329,341</u>	<u>16%</u>
Deferred outflow of resources	729,597	1,062,573	(332,976)	-31%
Liabilities	(71,613,704)	(57,505,358)	(14,108,346)	25%
Deferred inflow of resources	(460,160)	(484,281)	24,121	-5%
Net Position	<u>\$ 27,283,143</u>	<u>\$ 28,371,003</u>	<u>\$ (1,087,860)</u>	<u>-4%</u>

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).

San Gabriel Valley Council of Governments
Management's Discussion and Analysis
For the year ended June 30, 2025

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 increased by \$13.3 million or 16%, mainly due to the increase in notes and retention receivables from the 57/60 Confluence Project.

Construction in progress rose by 12% to \$662.2 million, primarily due to the 57/60 Confluence Project, and the Turnbull Canyon & Montebello Grade Separation Projects.

Unbilled receivables decreased by 19% by \$7.8 million due to billing progress and milestone invoicing related to the Montebello Grade Separation Projects, and the 57/60 Confluence 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, 2025, and 2024.

Total net position decreased by \$1,087,860 or 4% for the year ended June 30, 2025.

	June 30		Variance	
	2025	2024	Amount	%
Project expenses				
Direct (Construction)	\$ 127,058,738	\$ 154,397,096	\$ (27,338,358)	-18%
Indirect expenses charged to operations	10,528,785	3,011,118	7,517,667	250%
Total project expenses	<u>137,587,523</u>	<u>157,408,214</u>	<u>(19,820,691)</u>	-13%
Operating revenues				
Grant reimbursements	72,284,644	79,738,561	(7,453,917)	-9%
Other operating revenues	64,970,409	78,007,667	(13,037,258)	-17%
Total revenues	<u>137,255,053</u>	<u>157,746,228</u>	<u>(20,491,175)</u>	-13%
Loss from operations	(332,470)	338,014	(670,484)	-198%
Nonoperating income (expense)				
Interest Income	206,627	171,401	35,226	21%
Interest expense	(962,017)	(47,448)	(914,569)	1928%
Total nonoperating income	<u>(755,390)</u>	<u>123,953</u>	<u>(879,343)</u>	-709%
Change in net position	(1,087,860)	461,967	(1,549,827)	-335%
Net position, beginning of year, as restated	28,371,003	27,909,036	461,967	2%
Net position, end of year	<u>\$ 27,283,143</u>	<u>\$ 28,371,003</u>	<u>\$ (1,087,860)</u>	-4%

San Gabriel Valley Council of Governments
Management's Discussion and Analysis
For the year ended June 30, 2025

Capital Assets

Primary Government

The SGVCOG had \$1,381,363 invested in capital assets, net of depreciation, as of June 30, 2025. The assets are from purchases of office furniture, leasehold improvement, equipment, and from GASB 87 lease asset.

Component Unit

ACE had \$1,292,225 invested in capital assets, net of depreciation, as of June 30, 2025.

Economic Factors and Next Year's Budget

Primary Government

The budget for fiscal year 2026 assumes that the on-hand net position as of June 30, 2025, will be required and available to fulfill the program and administrative expense requirements.

Component Unit

Budget expenses in fiscal year 2026 decreased 1.8% over 2025 due to the significant progress of the 57/60 Confluence Project, Turnbull Canyon, Fullerton Road Grade Separation Project, Montebello Grade Separation Project, and Pomona At-Grade.

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, 1333 S. Mayflower Avenue, Suite 360, Monrovia, 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, 2025

	SGVCOG	ACE	Total
ASSETS			
Current assets:			
Cash and investments	\$ 4,189,479	\$ 13,544,018	\$ 17,733,497
Restricted cash and investments	168,550	1,350,756	1,519,306
Grants receivable	4,721,528	30,212,123	34,933,651
Unbilled receivables	1,639,436	31,017,558	32,656,994
Internal balances	188,401	(188,401)	-
Retention receivable	-	12,231,852	12,231,852
Interest receivable	2,981	20,669	23,650
Prepaid expenses	11,642	365,225	376,867
Due from other governments	2,103,764	-	2,103,764
Property held for resale	-	8,208,907	8,208,907
Under-recovery of indirect costs	-	572,478	572,478
Total current assets	<u>13,025,781</u>	<u>97,335,185</u>	<u>110,360,966</u>
Noncurrent assets:			
Depreciable capital assets	1,381,363	1,292,225	2,673,588
Construction in progress	-	739,280,717	739,280,717
Less due to member cities and Union Pacific Railroad	-	(739,280,717)	(739,280,717)
Total noncurrent assets	<u>1,381,363</u>	<u>1,292,225</u>	<u>2,673,588</u>
Total assets	<u>14,407,144</u>	<u>98,627,410</u>	<u>113,034,554</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	479,499	719,249	1,198,748
Deferred outflows of resources related to OPEB	7,524	10,348	17,872
Total deferred outflows of resources	<u>487,023</u>	<u>729,597</u>	<u>1,216,620</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expense	3,238,653	25,468,251	28,706,904
Accrued retention payable	-	3,564,467	3,564,467
Unearned revenue	6,148,867	8,240,746	14,389,613
Lease liabilities	122,108	122,108	244,216
Total current liabilities	<u>9,509,628</u>	<u>37,395,572</u>	<u>46,905,200</u>
Noncurrent liabilities:			
Compensated absences	153,196	219,498	372,694
Lease Liabilities	1,101,225	1,101,225	2,202,450
Net pension liability	244,244	366,367	610,611
Total OPEB Liability	208,518	286,774	495,292
Loan	-	32,244,268	32,244,268
Total noncurrent liabilities	<u>1,707,183</u>	<u>34,218,132</u>	<u>35,925,315</u>
Total liabilities	<u>11,216,811</u>	<u>71,613,704</u>	<u>82,830,515</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	130,082	195,124	325,206
Deferred inflows of resources related to OPEB	192,713	265,036	457,749
Total deferred inflows of resources	<u>322,795</u>	<u>460,160</u>	<u>782,955</u>
NET POSITION			
Net investment in capital assets	158,030	68,892	226,922
Restricted	2,283,257	27,047,321	29,330,578
Unrestricted	913,274	166,930	1,080,204
Total net position	<u>\$ 3,354,561</u>	<u>\$ 27,283,143</u>	<u>\$ 30,637,704</u>

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, 2025

	SGVCOG	ACE	Total
OPERATING REVENUES:			
Dues:			
Membership	\$ 907,064	\$ -	\$ 907,064
Transportation	159,405	-	159,405
Total dues	1,066,469	-	1,066,469
Sponsorships	-	-	-
Grants and matches from other governments:			
Stormwater Program	297,335	-	297,335
Vehicle Miles Travelled Study	156,070	-	156,070
Coyote Management	84,800	-	84,800
Homelessness Program	4,182,934	-	4,182,934
Southern California Edison - Energywise	424,455	-	424,455
Measure M Program	58,327	-	58,327
SGVRHT Trust	625,627	-	625,627
Rio Hondo	770,905	-	770,905
Wildfire Program	91,362	-	91,362
Workforce Development	92,945	-	92,945
Regional Food Recovery	724,396	-	724,396
ULAR Fire Effects	569,158	-	569,158
Housing Linkage	4,023	-	4,023
Broadband	112,129	-	112,129
Community Wildfire Protection	357,699	-	357,699
E SGV Multimodal Improvement	1,116,604	-	1,116,604
Other Grant and Matches	2,705,964	72,284,644	74,990,608
Construction project reimbursements	2,020,022	-	2,020,022
Other operating construction revenues	950,467	64,970,409	65,920,876
Total operating revenues	16,411,691	137,255,053	153,666,744

San Gabriel Valley Council of Governments
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2025

	SGVCOG	ACE	Total
OPERATING EXPENSES:			
Administrative	1,304,936	-	1,304,936
Bike Share Program	403,840	-	403,840
Vehicle Miles Travelled Study	156,071	-	156,071
Stormwater Program	385,991	-	385,991
Homeless Program	4,182,830	-	4,182,830
Transportation	159,405	-	159,405
Energywise	424,457	-	424,457
Coyote Management	84,800	-	84,800
Measure M Program	58,327	-	58,327
Rio Hondo	85,011	-	85,011
Strategy Plan EAP	625,628	-	625,628
Wildfire Program	91,363	-	91,363
SGV Slow Street	43,960	-	43,960
Workforce Development	84,555	-	84,555
Regional Food Recovery	1,354,510	-	1,354,510
ULAR Fire Effects	569,158	-	569,158
Housing Linkage	4,023	-	4,023
Broadband	112,130	-	112,130
Community Wildfire Protection	718,028	-	718,028
CPA Program	10,660	-	10,660
FLM SMIP	1,189,668	-	1,189,668
MIMCM	1,074,189	-	1,074,189
Mobile Crisis	849,265	-	849,265
ATP SMIP	162,546	-	162,546
Others	314,125	75,100	389,225
Direct construction project expenses	1,558,026	127,058,738	128,616,764
Indirect construction project expenses charged to operations	33,332	10,453,685	10,487,017
Total operating expenditures	16,040,834	137,587,523	153,628,357
OPERATING INCOME (LOSS)	370,857	(332,470)	38,387
NONOPERATING REVENUES (EXPENSES)			
Investment income	164,900	206,627	371,527
Interest expense	(27,853)	(962,017)	(989,870)
Total nonoperating revenues (expenses)	137,047	(755,390)	(618,343)
Change in net position	507,904	(1,087,860)	(579,956)
NET POSITION:			
Beginning of year	2,846,657	28,371,003	31,217,660
End of year	\$ 3,354,561	\$ 27,283,143	\$ 30,637,704

San Gabriel Valley Council of Governments

Statement of Cash Flows

For the year ended June 30, 2025

	SGVCOG	ACE	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from construction activities	\$ -	\$ 129,263,171	\$ 129,263,171
Cash receipts from cities	1,066,469	-	1,066,469
Cash receipts from all other services	12,758,742	-	12,758,742
Cash paid for operating expenses	(14,908,073)	(145,360,141)	(160,268,214)
Cash paid for employee compensation and related costs	(1,148,534)	(10,117,318)	(11,265,852)
Net cash used in operating activities	(2,231,396)	(26,214,288)	(28,445,684)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund advances	21,198	(21,198)	-
Net cash provided by (used in) noncapital financing activities	21,198	(21,198)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid	(27,853)	(962,017)	(989,870)
Proceeds from Long-term debt	-	32,244,268	32,244,268
Principal paid on leases	(115,264)	(115,264)	(230,528)
Acquisition of capital assets	(19,772)	(60,112)	(79,884)
Interest received	161,919	206,297	368,216
Net cash (used in) provided by capital and financing activities	(970)	31,313,172	31,312,202
Net cash flows	(2,211,168)	5,077,686	2,866,518
CASH AND INVESTMENTS - Beginning of year	6,569,197	9,817,088	16,386,285
CASH AND INVESTMENTS - End of year	\$ 4,358,029	\$ 14,894,774	\$ 19,252,803
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 370,857	\$ (332,470)	\$ 38,387
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	195,241	165,837	361,078
Changes in assets, liabilities, deferred outflows, and deferred inflows			
(Increase) decrease in:			
Grants receivable	(2,981,543)	(13,614,655)	(16,596,198)
Unbilled receivable	318,431	7,446,124	7,764,555
Retention receivable	-	(3,094,609)	(3,094,609)
Prepaid expenses	1,690	326,552	328,242
Due from other government	(1,788,663)	-	(1,788,663)
Under-recovery of indirect cost	-	600,736	600,736
Deferred outflows of resources related to pension	227,338	341,006	568,344
Deferred outflows of resources related to OPEB	(5,657)	(8,030)	(13,687)
Increase (decrease) in:			
Accounts payable and accrued expense	(402,438)	(20,963,807)	(21,366,245)
Accrued retention payable	-	1,644,379	1,644,379
Unearned revenue	1,865,295	1,271,258	3,136,553
Compensated absences	17,818	26,866	44,684
Deferred inflows of resources related to pension	(47,958)	(71,937)	(119,895)
Deferred inflows of resources related to OPEB	17,840	47,816	65,656
Net pension Liability	(10,523)	(15,783)	(26,306)
Total OPEB Liability	(9,124)	16,429	7,305
Net cash provided by (used in) operating activities	\$ (2,231,396)	\$ (26,214,288)	\$ (28,445,684)

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

San Gabriel Valley Council of Governments

Notes to Basic Financial Statements

For the year ended June 30, 2025

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 2023-28).
- 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.

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.

San Gabriel Valley Council of Governments

Notes to Basic Financial Statements

For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

C. Basis of Accounting, Continued

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 – The San Gabriel Valley Council of Governments (SGVCOG) is taking a leadership role in addressing homelessness within the region. Guided by the Governing Board and the Homelessness Committee, the SGVCOG has been directed to pursue funding and resources to support cities in the San Gabriel Valley. These efforts are focused on providing immediate services to address homelessness and helping individuals experiencing homelessness, ensuring a coordinated regional response to this critical issue.

Food Recovery Program - The SGVCOG launched the San Gabriel Valley Regional Food Recovery Program on September 29, 2021, to help member agencies comply with SB 1383’s food recovery mandates and tackle food waste in the region. As one of the largest regional food recovery programs in California, it focuses on assessing commercial edible food waste generators, building partnerships with local food recovery organizations, conducting outreach and education, and developing inspection protocols.

Now entering Phase 2, the program will expand by establishing subregional food recovery hubs, increasing the region's food recovery infrastructure and capacity, and continuing to educate edible food waste generators, food recovery organizations, and residents about SB 1383 regulations. This phase aims to further strengthen food recovery efforts and sustainability across the San Gabriel Valley.

San Gabriel Valley Council of Governments

Notes to Basic Financial Statements

For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

C. *Basis of Accounting, Continued*

SGV Care - This program introduced alternative mobile crisis response teams aimed at addressing non-violent service calls and proactively engaging youth in mental health support. By dispatching clinicians and peer support navigators to these calls, the program seeks to improve outcomes, build trust within communities, and respond more effectively to mental health crises. Additionally, this approach helps free law enforcement to focus on situations they are specifically trained to handle, ultimately promoting a more appropriate and compassionate response to mental health-related incidents.

Workforce Development - The San Gabriel Valley Homeless, Mental Health, and Crisis Response Program offers paid job training, case management support, and comprehensive wrap-around services for adults and transition-age youth who are experiencing, or at risk of experiencing, homelessness. The program also serves residents at the tiny home interim housing sites in Baldwin Park and Montebello.

In partnership with God's Pantry and Goodwill Industries of Southern California, SGVCOG is working to implement the program and is actively building additional partnerships to further its impact. To expand and continue these efforts, SGVCOG received a \$2 million FY23 federal earmark, which will help enhance workforce opportunities and support services for vulnerable residents in the San Gabriel Valley.

SCAG REAP (Local) - The SGVCOG has secured funding from the Southern California Association of Governments (SCAG) through the Regional Early Action Program (REAP) Subregional Partnership Program. REAP aims to accelerate housing production across the SCAG region, including the San Gabriel Valley, and positively impact housing supply by supporting housing planning efforts and helping to meet the goals set by the sixth cycle Regional Housing Needs Assessment (RHNA).

The SGVCOG is currently working on implementing several key initiatives under this program, including the Surplus Land Inventory, the SGVRHT Funding/Implementation Strategy, an Affordable Housing Incubator, the Housing Leadership Academy, and the San Gabriel Valley Regional Land Trust. These efforts are designed to support the development of affordable housing and improve housing access throughout the region.

Regional Broadband - The SGVCOG's initiative to secure funding through the California Public Utilities Commission's Local Agency Technical Assistance Grant is a significant step toward bridging the digital divide in the San Gabriel Valley. By conducting a region-wide broadband needs assessment and crafting a strategic plan with the help of Magellan Advisors, the project aims to bring high-speed internet access to unserved and underserved communities. This effort will not only benefit residents but also enhance the services provided by government agencies, schools, libraries, and businesses, contributing to a more inclusive and connected economy.

This project's focus on accessibility and affordability of broadband is critical, especially in areas where access to reliable internet has been a barrier to education, business growth, and overall quality of life. It will also help improve the delivery of essential services such as emergency response and public transportation.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

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.

F. Grants Receivable

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

G. Grant Revenues and Expenditures

All grant 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 Railroad (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. Items that 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 assets categories are as follows:

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

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

I. Construction in Progress

Under GASB Statement No. 34, construction in progress is reported on the statement of net position as an asset. Therefore, construction costs would normally be capitalized and 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.

J. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 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, 2025.

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. Investments are reported at fair value.

L. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the SGVCOG's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust (CERBT). For this purpose, benefit payments are recognized when currently due and payable in accordance with benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT POLICIES, Continued

M. 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.

N. Property Held for Sale

The property held for sale is recorded at the lower of acquisition cost or estimated net realizable value. At June 30, 2025, property held for resale was \$8,208,907.

O. Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2025, SGVCOG adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

- The GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The adoption of this standard did not have a material impact on the financial statements.
- The GASB Statement No. 102, Certain Risk Disclosures - The objective of this Statement is to provide users of financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2025 are as follows:

<u>SGVCOG</u>	
Deposits with financial institution	\$ 114,057
Investments	3,802,997
LAIF	272,425
Subtotal	<u>4,189,479</u>
<u>ACE</u>	
Cash in bank	2,946,030
LAIF	1,888,793
Money market funds	8,628,847
Investments	80,348
Subtotal	<u>13,544,018</u>
Total unrestricted cash and investments	<u>\$ 17,733,497</u>
<u>SGVCOG</u>	
Restricted cash - money market funds	\$ 5,140
Investment held in pension trust	163,410
Subtotal	<u>168,550</u>
<u>ACE</u>	
Investment held in pension trust	1,350,756
Total restricted cash and investments	<u>\$ 1,519,306</u>

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.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

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 investment the 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.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

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.

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months or Less	13 to 24 Months
<u>SGVCOG</u>			
LAIF	\$ 272,425	\$ 272,425	\$ -
Liquidity Funds	2,344,103	2,344,103	-
Government Agencies	1,263,312	539,312	724,000
Corporate Bonds	195,582	195,582	-
Total for SGVCOG	4,075,422	3,351,422	724,000
<u>ACE</u>			
LAIF	1,888,793	1,888,793	-
Money Market Funds	8,628,847	8,628,847	-
Liquidity Funds	80,348	80,348	-
Total for ACE	10,597,988	10,597,988	-
Total investments	\$ 14,673,410	\$ 13,949,410	\$ 724,000

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 to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

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, 2025					Not Rated
			AAA	AA+	A+	A	AA-	
<u>SGVCOG</u>								
LAIF	\$ 272,425	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,425
Liquidity Funds	2,344,103	N/A	-	-	-	-	-	2,344,103
Government Agencies	1,263,312	A		1,114,692	-	-	-	148,620
Corporate Bonds	195,582	A	-	-	-	195,582	-	-
Subtotal	4,075,422		-	1,114,692	-	195,582	-	2,765,148
<u>ACE</u>								
LAIF	1,888,793	N/A	-	-	-	-	-	1,888,793
Money Market Funds	8,628,847	A	8,628,847	-	-	-	-	-
Liquidity Funds	80,348	N/A	-	-	-	-	-	80,348
Subtotal	10,597,988		8,628,847	-	-	-	-	1,969,141
Total	\$ 14,673,410		\$ 8,628,847	\$ 1,114,692	\$ -	\$ 195,582	\$ -	\$ 4,734,289

E. Concentrations of Credit Risk

The investment policy of the SGVCOG contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2025, the SGVCOG and ACE (a division of SGVCOG) have no investments in 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

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, 2025, the SGVCOG's cash in bank balances of \$115,341 not exceeded the \$250,000 deposit insurance of the Federal Deposit Insurance Corporation (FDIC). But ACE's deposit of \$2,954,931 with financial institutions is in excess of federal depository insurance limits by \$2,704,931, yet these funds 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 California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

The fair value of the SGVCOG's investment in this pool is \$272,425 at June 30, 2025 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 \$1,888,793 at June 30, 2025 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.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

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:

Investment Type	June 30, 2025				Total
	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	
<u>SGVCOG</u>					
LAIF	\$ 272,425	\$ -	\$ -	\$ -	\$ 272,425
Government Agencies	-	-	1,263,312	-	1,263,312
Corporate Bonds	-	-	195,582	-	195,582
Total for SGVCOG	272,425	-	3,802,997	-	4,075,422
<u>ACE</u>					
LAIF	1,888,793	-	-	-	1,888,793
Money Market Funds	-	-	8,628,847	-	8,628,847
Liquidity Funds	-	-	80,348	-	80,348
Total for ACE	1,888,793	-	8,709,195	-	10,597,988
Total investments	\$ 2,161,218	\$ -	\$ 12,512,192	\$ -	\$ 14,673,410

3. CAPITAL ASSETS

The capital assets of the SGVCOG and ACE are recorded at cost and consist of the following:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Cost:				
Leasehold improvements	\$ 19,762	\$ -	\$ -	\$ 19,762
Computer equipment	349,816	-	-	349,816
Telephone equipment	12,086	-	-	12,086
Office furniture	630,634	39,582	-	670,216
Vehicles	131,752	-	-	131,752
Right-of-use building	2,814,619	-	-	2,814,619
Total cost	3,958,669	39,582	-	3,998,251
Less Accumulated depreciation and amortization for:				
Leasehold improvements	19,762	-	-	19,762
Computer equipment	349,816	-	-	349,816
Telephone equipment	12,086	-	-	12,086
Office furniture	132,369	-	-	132,369
Vehicles	13,175	99,256	-	112,431
Right-of-use building	436,374	261,825	-	698,199
Total accumulated depreciation and amortization	963,582	361,081	-	1,324,663
Capital assets, net	\$ 2,995,087	\$ (321,499)	\$ -	\$ 2,673,588

Depreciation expense included in indirect expenses for the year ended June 30, 2025 amounted to \$361,081.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

4. RECEIVABLES

Receivables as of June 30, 2025, in the aggregate, including retention, are as follows:

Receivables	SGVCOG	ACE	Total
Grants	\$ 4,721,528	\$ 30,212,123	\$ 34,933,651
Unbilled	1,639,436	31,017,558	32,656,994
Retention	-	12,231,852	12,231,852
Interest	2,981	20,669	23,650
Total	\$ 6,363,945	\$ 73,482,202	\$ 79,846,147

5. GRANTS RECEIVABLE

During the year ended June 30, 2025, 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, 2025 are shown net of disallowed costs. CalTRANS approved, under Uniform Guidance section 2 CFR 200.516, an indirect overhead allocation formula of 153.56% of total direct salaries and fringe benefit costs. Indirect costs incurred charged to grants for the year ended June 30, 2025 were \$2,589,489.

During the fiscal year ended June 30, 2025, the Council recognized grant receivables totaling \$19.5 million related to expenditures incurred on ACE capital projects, including the Fullerton Road Grade Separation Project, Turnbull Canyon Road Grade Separation Project, and Montebello Boulevard Corridor Separation Project. These receivables represent amounts to be reimbursed from Measure M program funds and were initially financed through proceeds from a \$31 million draw under the Measure M Loan Agreement with the Los Angeles County Metropolitan Transportation Authority (LACMTA).

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.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

6. ADMINISTRATIVE EXPENSES

The following were the administrative expenses of the primary government for the year ended June 30, 2025:

Salaries and wages	\$ 842,760
Fringe benefits	540,309
GASB 68 pension valuation adjustment	168,857
GASB 75 pension valuation adjustment	3,059
Professional services	168,816
Legal	77,122
Rent - other	1,752
Meetings / travel	36,851
Printing / publications	7,513
Insurance	4,109
Webpage / software services	82,475
Utilities	620
Administrative fees	6,731
Office supplies	8,383
Equipment and soft acquisition	20,931
Dues and subscriptions	11,588
Postage	2,470
Miscellaneous	68,248
Administrative expenses charged to grants	<u>(747,658)</u>
	<u>\$ 1,304,936</u>

7. LONG-TERM DEBT

In October 2024, the San Gabriel Valley Council of Governments (the Council) entered into a Measure M Loan Agreement with the Los Angeles County Metropolitan Transportation Authority (LACMTA) under which LACMTA agreed to provide financing in an aggregate principal amount not to exceed \$160,950,000 to fund the Alameda Corridor East Project (ACE Project) and the I-605/Valley Boulevard Interchange Improvements Project. The loan is reported within the governmental activities.

The loan is evidenced by a promissory note from the Council to LACMTA and is a special, limited obligation of the Council payable solely from pledged Measure M revenues allocated to the San Gabriel Subregion. The Council has pledged these revenues as security for the repayment of principal and interest on the loan.

Under the loan agreement, LACMTA will fund the loan on a draw-down basis through a series of advances, subject to annual maximum limits. The total amount advanced may not exceed \$160,950,000, and no more than three advances may be funded in any fiscal year. The scheduled maximum advance amounts are \$31,310,000 for fiscal year 2024–25, \$43,585,000 for fiscal year 2025–26, \$55,905,000 for fiscal year 2026–27, and \$30,150,000 for fiscal year 2027–28, with any undrawn amounts carried forward. Any remaining authorized but undrawn amount may be drawn through fiscal year 2028–29.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

7. LONG-TERM DEBT, Continued

At June 30, 2025, future minimum principal and interest payments were as follows:

Year Ending June 30,	Principal	Interest
2029	\$ 4,252,596	\$ 7,051,457
2030	4,211,785	7,229,757
2031	4,700,057	7,045,408
2032	5,131,963	6,858,479
2033	5,581,623	6,651,410
2034-2038	37,953,934	28,941,307
2039-2044	<u>107,597,902</u>	<u>19,925,593</u>
Total	\$ 169,429,859	\$ 83,703,412
Less capitalized interest	<u>(8,479,859)</u>	<u>-</u>
	<u>\$ 160,950,000</u>	<u>\$ 83,703,412</u>

Unpaid interest was capitalized in accordance with the debt agreement and added to the outstanding principal balance.

8. LEASE LIABILITY (OFFICE BUILDING)

On November 1, 2023, the SGVCOG entered into a 130-month Lease Agreement as lessee of a site for the office building. The SGVCOG pays the landlord \$22,687 monthly with a 3% increase. An initial lease liability was recorded in the amount of \$2,814,619. As of June 30, 2025, the value of the lease liability is \$2,446,666. The SGVCOG is required to make monthly payments of \$22,687 and increase annually by 3% every month. The lease has an interest rate of 2.157%. The value of the right to use asset as of June 30, 2025, of \$2,814,619 with accumulated amortization of \$689,199 is included in the intangible assets on the capital assets activities table found in Note 3 above.

Annual debt service requirements for the lease is as follow:

Year Ending June 30,	Principal	Interest
2026	\$ 244,216	\$ 50,390
2027	258,462	44,983
2028	273,286	39,263
2029	288,708	33,217
2030-2034	<u>1,381,994</u>	<u>65,587</u>
Total	<u>\$ 2,446,666</u>	<u>\$ 233,439</u>

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

9. RELATED PARTY TRANSACTIONS

As of June 30, 2025, ACE owed SGVCOG \$188,401 for technical, administrative, accounting support, and other related agency transactions.

10. 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.

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 after January 1, 2013 PEPRAs) 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 employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 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.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

10. EMPLOYEE BENEFIT PLAN, Continued

A. General Information about the Pension Plans, Continued

The Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	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	7.00%	7.75%
Required employer contribution rates	11.94%	7.96%

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.

For the measurement period ended June 30, 2024, the contributions made to the Plan were as follows:

	Miscellaneous Plan		
	SGVCOG	ACE	Total
Contributions-employer	\$ 163,727	\$ 245,590	\$ 409,317

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

As of June 30, 2025, 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	\$ 244,244	\$ 366,367	\$ 610,611

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

10. EMPLOYEE BENEFIT PLAN, Continued

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

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, 2024, 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, 2023 rolled forward to June 30, 2024 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 Position and 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, 2023 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, 2023 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

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, 2023 and 2024 were as follows:

Proportion - June 30, 2023	0.005105%
Proportion - June 30, 2024	0.005030%
Change - Increase (Decrease)	<u>-0.000075%</u>

At June 30, 2025, SGVCOG and ACE (a division of SGVCOG) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SGVCOG		Miscellaneous Plan 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	\$ 163,727	\$ -	\$ 245,590	\$ -	\$ 409,317	\$ -
Differences between actual and expected experience	21,117	824	31,676	1,236	52,793	2,060
Changes in assumption	6,278	-	9,416	-	15,694	-
Changes in employer's proportion	274,317	-	411,475	-	685,792	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	129,258	-	193,888	-	323,146
Net differences between projected and actual earnings on pension plan investments	14,061	-	21,091	-	35,152	-
Total	<u>\$ 479,499</u>	<u>\$ 130,082</u>	<u>\$ 719,249</u>	<u>\$ 195,124</u>	<u>\$ 1,198,748</u>	<u>\$ 325,206</u>

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

10 . EMPLOYEE BENEFIT PLAN, Continued

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

SGVCOG and ACE (a division of SGVCOG) reported \$163,727 and \$245,590, 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, 2026. 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
2026	\$ 139,724	\$ 209,585	\$ 349,309
2027	39,860	59,791	99,651
2028	10,924	16,387	27,311
2029	(4,818)	(7,615)	(12,046)

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

(4) The mortality table used was developed based on CalPERS-specific data. The rate incorporates General Mortality to capture ongoing mortality improvement using 80% of Scale of MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

10. EMPLOYEE BENEFIT PLAN, Continued

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

Discount Rate - The discount rate used to measure the total pension liability for each Plan was 6.90%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. 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 for each Plan.

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects the expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return (a,b)
Global Equity-Cap weighted	30.00%	4.54%
Global Equity-non-Cap weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage Backed Securities	5.00%	0.50%
Investment Grade Corporate	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Estate	15.00%	3.21%
Liquidity	-5.00%	-0.59%
Total	100%	

(a) An expected inflation of 2.3% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study.

San Gabriel Valley Council of Governments

Notes to Basic Financial Statements

For the year ended June 30, 2025

10. 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 Changes in the Discount Rate -

The following presents SGVCOG's and ACE (a division of SGVCOG)'s proportionate share of the net pension liability 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	5.90%	5.90%	5.90%
Net Pension Liability (Asset)	\$ 1,109,409	\$ 1,664,114	\$ 2,773,523
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability (Asset)	\$ 244,244	\$ 366,367	\$ 610,611
1% Increase	7.90%	7.90%	7.90%
Net Pension Liability (Asset)	\$ (467,913)	\$ (701,870)	\$ (1,169,783)

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, 2025, SGVCOG and ACE did not have outstanding balance for contribution to the pension plan required for the year ended June 30, 2025.

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, 2025, plan assets totaling \$3,809,629 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).

San Gabriel Valley Council of Governments
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11. 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, 2025 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	-	2	2
Inactives entitled to but not yet receiving benefits	2	7	9
Active employees	22	24	46
Total	<u>24</u>	<u>33</u>	<u>57</u>

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 \$9,519, which includes \$8,667 implied subsidy benefit payments.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
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11. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

C. Net OPEB Liability

The SGVCOG’s net OPEB liability as of June 30, 2025 was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability for measurement date June 30, 2025 was determined by an actuarial valuation dated June 30, 2024 based on the following actuarial methods and assumptions:

	Retiree Health Care Plan
Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
Contribution Policy	No pre-funding
Discount Rate	5.20% at June 30, 2025 (Bond Buyer 20-Bond Index) 3.93% at June 30, 2024 (Bond Buyer 20-Bond Index)
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) -5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increase	3.50% annually
Participation at Retirement	Future actives: Covered - 80% Waived - 80% Current retirees: Covered - 100% Waived - 0%

D. Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2025 was 5.20 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.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

11. 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, 2024	\$ 487,987
Changes during the year:	
Service cost	91,336
Interest on the total OPEB liability	22,582
Changes in assumptions	(112,512)
Differences between Expected and actual experience	15,370
Benefit payments	(9,471)
Net changes	7,305
Balance at June 30, 2025	\$ 495,292

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, 2025:

	Changes in the Discount Rate		
	SGVCOG	ACE	Total
1% Decrease	4.20%	4.20%	4.20%
Total OPEB Liability	\$ 244,683	\$ 336,511	\$ 581,194
Current Discount Rate	5.20%	5.20%	5.20%
Total OPEB Liability	\$ 208,518	\$ 286,774	\$ 495,292
1% Increase	6.20%	6.20%	6.20%
Total OPEB Liability	\$ 179,275	\$ 246,556	\$ 425,831

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, 2025:

	Changes in the Health Trend Rate		
	SGVCOG	ACE	Total
1% Decrease			
Total OPEB Liability	\$ 170,356	\$ 234,291	\$ 404,647
Current Trend			
Total OPEB Liability	\$ 208,518	\$ 286,774	\$ 495,292
1% Increase			
Total OPEB Liability	\$ 258,297	\$ 355,235	\$ 613,532

San Gabriel Valley Council of Governments
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For the year ended June 30, 2025

11. OTHER POST EMPLOYMENT BENEFITS PLAN, Continued

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, 2025, the SGVCOG and ACE (a division of SGVCOG) recognized OPEB expense of \$68,793. For the fiscal years ended June 30, 2025, 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
Differences between actual and expected experience	\$ 5,969	\$ 43,242	\$ 8,210	\$ 59,470	\$ 14,179	\$ 102,712
Changes in assumption	1,555	149,471	2,138	205,566	3,693	355,037
Total	\$ 7,524	\$ 192,713	\$ 10,348	\$ 265,036	\$ 17,872	\$ 457,749

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

Year Ending	SGVCOG	ACE	Total
June 30			
2026	\$ (19,018)	\$ (26,155)	\$ (45,173)
2027	(19,018)	(26,155)	(45,173)
2028	(19,018)	(26,155)	(45,173)
2029	(19,018)	(26,155)	(45,173)
2030	(19,018)	(26,155)	(45,173)
Thereafter	(90,099)	(123,913)	(214,012)

12. 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 may be 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.

San Gabriel Valley Council of Governments
Notes to Basic Financial Statements
For the year ended June 30, 2025

12. COMMITMENTS AND CONTINGENCIES, Continued

A. 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 \$13,762,766 for the fiscal year ended June 30, 2025. Funds are deposited in several escrow accounts until release to the contractor is authorized.

13. 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, 2025, \$739,280,717 of costs was accumulated on projects in process and \$1,147,801,247 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.

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.

14. SUBSEQUENT EVENTS

SGVCOG and ACE have evaluated events or transactions that occurred subsequent to the balance sheet date through March 25, 2026, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements. SGVCOG was awarded \$12.8 million from the Los Angeles County Affordable Housing Solutions Agency (LACAHS) through Measure A funding. Measure A is a local sales tax measure in Los Angeles County established to support programs addressing affordable housing and homelessness solutions.

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REQUIRED SUPPLEMENTARY INFORMATION

San Gabriel Valley Council of Governments
Required Supplementary Information
For the year ended June 30, 2025

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

	Measurement Period		
	2024	2023	2022
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Proportion of the net pension liability (asset)	0.00503%	0.00511%	0.00240%
Proportionate share of the net pension liability (asset)	\$ 610,611	\$ 636,917	\$ 276,680
Covered payroll	\$ 5,089,999	\$ 4,051,439	\$ 3,060,627
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	12.00%	15.72%	9.04%
Plan's proportionate share of the fiduciary net position as as a percentage of the total pension liability	78.08%	76.21%	76.68%

Notes to Schedule:

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, decreased from 7.65% to 7.15% in fiscal year 2018, and then decreased from 7.15% to 6.9% in fiscal year 2023.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

Measurement Period

2021	2020	2019	2018	2017	2016	2015
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
-0.03823%	-0.0275%	-0.00494%	-0.00715%	0.00348%	0.01125%	0.01214%
\$ (2,067,369)	\$ (298,796)	\$ (506,076)	\$ (689,323)	\$ 344,628	\$ 973,847	\$ 833,171
\$ 2,724,885	\$ 3,114,693	\$ 3,409,212	\$ 4,050,997	\$ 3,781,297	\$ 2,989,505	\$ 2,919,902
-75.87%	-9.59%	-14.84%	-17.02%	9.11%	32.58%	28.53%
88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

San Gabriel Valley Council of Governments
Required Supplementary Information
For the year ended June 30, 2025

*Schedule of Pension Contributions - Last 10 Years**

	Fiscal Year		
	2025	2024	2023
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Actuarially determined contributions	\$ 409,317	\$ 420,288	\$ 346,818
Contributions in relation to the actuarially determined contributions	(409,317)	(420,288)	(346,818)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 5,329,901	\$ 5,089,999	\$ 4,051,439
Contributions as a percentage of covered payroll	7.68%	8.26%	8.56%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2021	6/30/2020	6/30/2019
Actuarial cost method:	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value

Inflation:	2.30%	2.50%	2.50%
Salary increases:	(2)	(2)	(2)
Investment rate of return:	6.80%	7.00%	7.00%
Retirement age:	(3)	(3)	(3)
Mortality:	(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.

Fiscal Year						
2022	2021	2020	2019	2018	2017	2016
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
\$ 268,246	\$ 263,948	\$ 455,998	\$ 411,327	\$ 1,334,594	\$ 1,427,296	\$ 441,843
(268,246)	(263,948)	(455,998)	(411,327)	(1,334,594)	(1,427,296)	(441,843)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,060,627	\$ 2,724,885	\$ 3,114,693	\$ 3,409,212	\$ 4,050,997	\$ 3,781,297	\$ 2,989,505
8.76%	9.69%	14.64%	12.07%	32.94%	37.75%	14.78%
6/30/2018 Entry Age (1) Market Value	6/30/2017 Entry Age (1) Market Value	6/30/2016 Entry Age (1) Market Value	6/30/2015 Entry Age (1) Market Value	6/30/2014 Entry Age (1) Market Value	6/30/2013 Entry Age (1) Market Value	6/30/2012 Entry Age (1) 15 Year Smoothed Market Method
2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)	(2)	(2)	(2)
7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)	(4)	(4)	(4)

San Gabriel Valley Council of Governments
Required Supplementary Information
For the year ended June 30, 2025

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

For the Measurement Period Ended:	6/30/2025	6/30/2024	6/30/2023	6/30/2022
Total OPEB Liability				
Service cost	\$ 91,336	\$ 94,108	\$ 88,340	\$ 120,206
Interest	22,582	18,128	23,586	15,983
Differences between actual and expected experience	15,370	-	(134,479)	-
Changes in assumptions	(112,512)	(23,864)	(147,440)	(174,842)
Benefit payments	(9,471)	(5,858)	(4,950)	(1,384)
Net change in the total OPEB liability	7,305	82,514	(174,943)	(40,037)
Total OPEB liability - beginning	487,987	405,473	580,416	620,453
Total OPEB liability	<u>\$ 495,292</u>	<u>\$ 487,987</u>	<u>\$ 405,473</u>	<u>\$ 580,416</u>
Covered employee payroll	\$ 5,329,901	\$ 5,089,999	\$ 4,051,439	\$ 3,060,627
Total OPEB liability as a percentage of covered employee payroll	9.29%	9.59%	10.01%	18.96%

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

Note - No monies are held in trust for OPEB benefits.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the SGVCOG's basic financial statements and have issued our report thereon dated March 25, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

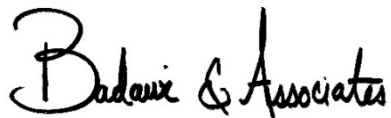
To the Members of the Governing Board
of San Gabriel Valley Council of Governments
Monrovia, California
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Report on Compliance and Other Matters

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

Purpose of this Report

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



Badawi & Associates, CPAs
Emeryville, California
March 25, 2026