



San Gabriel Valley Council of Governments*

AGENDA AND NOTICE OF THE MEETING OF THE SGVCOG EXECUTIVE COMMITTEE

Monday, June 1, 2020 – 10:00 AM

Teleconference Meeting

Livestream is Available at: sgvcog.org

President
Cynthia Sternquist

1st Vice President
Margaret Clark

2nd Vice President
Becky Shevlin

3rd Vice President
Tim Hepburn

Past President
Vacant

Transportation Chair
John Fasana

Homelessness Chair
Becky Shevlin

EENR Chair
Denis Bertone

Water Policy Chair
Diana Mahmud

ACE Chair
Tim Sandoval

Thank you for participating in today's meeting. The Executive Committee encourages public participation and invites you to share your views on agenda items.

MEETINGS: *Regular Meetings of the Executive Committee are held the first Monday of every month at 10:00 a.m. at the SGVCOG Office (1000 S. Fremont Ave., Building 10, Suite 10210, Alhambra, California 91803).* The Executive Committee agenda packet is available at the San Gabriel Valley Council of Government's (SGVCOG) Office, 1000 South Fremont Avenue, Suite 10210, Alhambra, CA, and on the website, www.sgvcog.org. Copies are available via email upon request (sgv@sgvcog.org). Documents distributed to a majority of the Board after the posting will be available for review in the SGVCOG office and on the SGVCOG website. Your attendance at this public meeting may result in the recording of your voice.

PUBLIC PARTICIPATION: Your participation is welcomed and invited at all Executive Committee meetings. Time is reserved at each regular meeting for those who wish to address the Board. SGVCOG requests that persons addressing the Executive Committee refrain from making personal, slanderous, profane or disruptive remarks.

TO ADDRESS THE EXECUTIVE COMMITTEE: At a regular meeting, the public may comment on any matter within the jurisdiction of the Board during the public comment period and may also comment on any agenda item at the time it is discussed. At a special meeting, the public may only comment on items that are on the agenda. Members of the public wishing to speak are asked to complete a comment card or simply rise to be recognized when the Chair asks for public comments to speak. We ask that members of the public state their name for the record and keep their remarks brief. If several persons wish to address the Board on a single item, the Chair may impose a time limit on individual remarks at the beginning of discussion. **The Executive Committee may not discuss or vote on items not on the agenda.**

AGENDA ITEMS: The Agenda contains the regular order of business of the Executive Committee. Items on the Agenda have generally been reviewed and investigated by the staff in advance of the meeting so that the Executive Committee can be fully informed about a matter before making its decision.

CONSENT CALENDAR: Items listed on the Consent Calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion on these items unless a Board member or citizen so requests. In this event, the item will be removed from the Consent Calendar and considered after the Consent Calendar. If you would like an item on the Consent Calendar discussed, simply tell Staff or a member of the Executive Committee.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SGVCOG office at (626) 457-1800. Notification 48 hours prior to the meeting will enable the SGVCOG to make reasonable arrangement to ensure accessibility to this meeting.



***MEETING MODIFICATIONS DUE TO THE STATE AND LOCAL STATE OF EMERGENCY RESULTING FROM THE THREAT OF COVID-19:** On March 17, 2020, Governor Gavin Newsom issued Executive Order N-29-20 authorizing a local legislative body to hold public meetings via teleconferencing and allows for members of the public to observe and address the meeting telephonically or electronically to promote social distancing due to the state and local State of Emergency resulting from the threat of the Novel Coronavirus (COVID-19).

To follow the new Order issued by the Governor and ensure the safety of Board Members and staff for the purpose of limiting the risk of COVID-19, in-person public participation at the Executive Committee meeting scheduled for June 1, 2020 at 10:00 a.m. will not be allowed. Members of the public may view the meeting live on the SGVCOG's website. To access the meeting video, log onto www.sgvkog.org, click on the Executive Committee Agenda text on the right-hand side of the homepage, then follow prompts to watch the meeting live.

Public comments can be submitted electronically by emailing kward@sgvcog.org at least 1 hour prior to the scheduled meeting time. Emailed public comments will be read into the record. If you wish to comment on a specific agenda item, please identify the item in your email. General public comments will be addressed during the general public comment item on the agenda. Public comments should be limited to 150 words max.

Any member of the public requiring a reasonable accommodation to participate in this meeting should contact Katie Ward at least 48 hours prior to the meeting at (626) 457-1800 or at kward@sgvcog.org.

PRELIMINARY BUSINESS

1. Call to Order
2. Roll Call
3. Public Comment *(If necessary, the President may place reasonable time limits on all comments)*
4. Changes to Agenda Order: Identify emergency items arising after agenda posting and requiring action prior to next regular meeting *(It is anticipated that the Executive Committee may take action on these matters)*

CONSENT CALENDAR *(It is anticipated that the Executive Committee may take action on the following matters)*

5. Executive Committee Meeting Minutes – Page 1
Recommended Action: Approve Executive Committee minutes.

UPDATE ITEMS

- 2nd Quarter Financial Report / Treasurer’s Report – Page 3
- FY 2018-2019 Financial Audit – Page 27
- SGVCOG Contract Audit Status Report (through 03/31/2020) – Page 95
- Summer Meeting Schedule

PRESIDENT’S REPORT

EXECUTIVE DIRECTOR’S REPORT

GENERAL COUNSEL’S REPORT

ACTION ITEMS *(It is anticipated that the Executive Committee may take action on the following matters)*

6. Draft Governing Board Agenda – Page 99
Recommended Action: Approve draft Governing Board agenda.

ANNOUNCEMENTS

ADJOURN



SGVCOG
Executive Committee Special Meeting Minutes
May 4, 2020
10:00 AM
Teleconference Meeting via Zoom

PRELIMINARY BUSINESS

1. Call to Order
 The meeting was called to order at 12:04 P.M.

2. Roll Call

Members Present

Members Absent

- C. Sternquist, President
- M. Clark, 1st Vice President
- B. Shevlin, 2nd Vice President/Homelessness Chair
- T. Hepburn, 3rd Vice President
- D. Bertone, EENR Chair
- J. Fasana, Transportation Chair
- D. Mahmud, Water Policy Chair
- T. Sandoval, ACE Chair

Staff/Guests:

- M. Creter, SGVCOG Executive Director
- K. Ward; C. Sims, SGVCOG Staff
- D. DeBerry, Woodruff, Spradlin & Smart

3. Public Comment
 There were no comments from the public.
4. Changes to Agenda Order:
 There were no changes to the agenda order.

CONSENT CALENDAR

5. Executive Committee Meeting Minutes
There was a motion to approve the consent calendar (M/S: D. Bertone/B. Shevlin).

[MOTION PASSES]

AYES:	C. Sternquist, B. Shevlin, M. Clark, D. Bertone, T. Hepburn, J. Fasana, D. Mahmud
NOES:	
ABSTAIN:	
ABSENT:	T. Sandoval

UPDATE ITEMS

- SGVCOG Election Update
- M. Creter reported on this item. The Committee agreed with staff recommendation to delay the officer election until September 2020 for the opportunity to conduct this election in-person. There was a request to extend the deadline for interest in serving on as a SGVCOG Officer until May 28 if the Board doesn't approve the election delay.
- Office Lease Update
 M. Creter reported on this item. The Committee discussed that there should be additional negotiations with the real estate broker requesting a lower percentage increase or no percentage increase.

Unapproved Minutes

There was a motion to renegotiate the SGVCOG office lease extensions for no increases to rent (M/S: C. Sternquist/B. Shevlin).

There was a substitute motion to amend this motion to allow for modest increases/reduced rate increases to rent (M/S: D. Mahmud/D. Bertone).

[MOTION PASSES]

AYES:	C. Sternquist, B. Shevlin, M. Clark, D. Bertone, T. Hepburn, J. Fasana, D. Mahmud, T. Sandoval
NOES:	
ABSTAIN:	
ABSENT:	

PRESIDENT’S REPORT

- C. Sternquist reported on this item.

EXECUTIVE DIRECTOR’S REPORT

- M. Creter reported on this item. She reported on a briefing given by Los Angeles County regarding Project Roomkey.

GENERAL COUNSEL’S REPORT

- D. DeBerry reported on this item. He reported on litigation outcomes of Laguna Hills with respect to Project Roomkey.

ACTION ITEMS

6. Draft Governing Board Agenda
M. Creter reported on this item.

There was a motion to approve the Governing Board agenda as amended (M/S: T. Hepburn/D. Mahmud).

[MOTION PASSES]

AYES:	C. Sternquist, B. Shevlin, M. Clark, D. Bertone, T. Hepburn, J. Fasana, D. Mahmud, T. Sandoval
NOES:	
ABSTAIN:	
ABSENT:	

ANNOUNCEMENTS

CLOSED SESSION

7. Closed Session Pursuant to California Government Code Section 54957(B)(1) – Performance Evaluation. Position: Executive Director
No action was reported.

ADJOURN

The meeting adjourned at 11:54 AM.

REPORT

DATE: June 1, 2020

TO: Executive Committee
Governing Board

FROM: Marisa Creter, Executive Director

RE: **2ND QUARTER FINANCIAL REPORT / TREASURER'S REPORT**

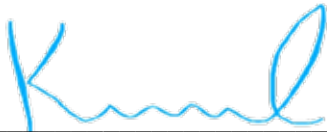
RECOMMENDED ACTION

Receive and file.

BACKGROUND

Staff is recommending to receive and file the Treasurer's report. The full 2nd Quarter Financial Reports for the SGVCOG and the ACE Project are included as attachments to the Treasurer's report. The Treasurer's report was prepared by the SGVCOG's Treasurer, CliftonLarsonAllen LLP. Renee Graves from CliftonLarsonAllen will present on this item.

Prepared by:



Katie Ward
Senior Management Analyst

Approved by:



Marisa Creter
Executive Director

ATTACHMENTS

Attachment A – 2nd Quarter Treasurer's Report

Attachment A

**San Gabriel Valley Council
of Governments
and
Alameda Corridor – East
Construction Authority**

Quarterly Report Ended December 31, 2019

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I. **Executive Summary**

Background and Objective

CliftonLarsonAllen LLP (CLA) was retained by the San Gabriel Valley Council of Governments (SGVCOG) to perform consulting services related to the San Gabriel Valley Council of Governments (COG) and the Alameda Corridor-East Construction Authority (ACE). The objective is for CLA to read and assess SGVCOG's quarterly reports, perform selective ratio analysis, and report to the Executive Committee accordingly. Throughout the consulting engagement, CLA maintained contact with Marisa Creter, Executive Director/ Chief Executive Officer and Rey Alimoren, Audits Manager.

Professional Standards

CLA performed this engagement in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Consulting Services. In consulting engagements, the nature and scope of work is determined solely by the agreement between the practitioner (CLA) and the client. The analysis and report does not constitute an audit, compilation, review, agreed-upon procedures or examination in accordance with Standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express any such assurance.

Scope of Engagement

General

CLA reviewed the bank reconciliations, trial balance, and quarterly reports regarding financial position for the quarter ended December 31, 2019. CLA created or obtained various electronic files in order to prepare this report to the Executive Committee; the electronic files are available upon request.

Dollar values included in this report have been rounded; therefore the numbers included here may differ slightly when comparing the values included in this report to the underlying detail.

Results of Procedures Performed

This section summarizes our findings from the analyses and procedures performed. The applicable sections of the report include a more detailed discussion of each area, specific observations, and recommendations, if applicable.

Review of ACE Investments and Cash Balances

CLA was provided with a Fixed Income Investments Portfolio Summary report dated December 31, 2019. The report included the current book value and market values for ACE's: Government Securities, Certificates of Deposit, Corporate Bonds, Government Mortgages, Municipals, and Cash and Cash Equivalents. The portfolio's total market value of \$33,801,282 does not include an unrealized loss of \$33,862. The amount on the *Fixed Income Investments Portfolio* report was verified against the Citizens Trust investment book value balance of \$33,835,144 for the period ending December 31, 2019. The book value and market value of the Local Agency Investment Fund (LAIF) was substantiated through review of the LAIF balance confirmation as of December 2019. The amounts reported as current book value and market value on the December 31, 2019 Fixed Income Investments Portfolio report were reconciled.

ACE's bank account reconciliations and coordinating bank statements were reviewed and corroborated with the trial balance for the quarter ended December 31, 2019.

Review of ACE 2nd Quarter 2020 Reports

Expenditures vs. Reimbursements (Exhibit V): Approximately 97% of ACE's Income-to-Date (ITD) Expenditures have been reimbursed, a decrease of 2% from the 99% reimbursement rate at the prior quarter ended September 30, 2019.

The remaining receivables total \$40,896,045 of which \$33,526,339 or 82%, was to be billed after the December 31 balance sheet date. Ratio analysis showed expenditures and reimbursements to be consistent with the prior quarter ended September 2019. Cash decreased by 46.5%. The decrease can be attributed to the net increase in receivables and decrease in investments from the prior quarter.

Other receivables, surplus property and deferred costs remained relatively flat; the 2020 Q2 balance is \$16.376m while the 2020 Q1 balance was \$17.124m.

Treasury/Banking Investments (Exhibit VII): Report amounts were agreed to the trial balance. Below is a summary of changes between the 2020 Q2 balance and the 2020 Q1 balance.

	<u>Q2</u>	<u>Q1</u>	Increase/
	12.31.2019	9.30.2019	(Decrease)
Cash	\$13,139,746	\$24,554,249	-46.5%
Investments	\$35,504,805	\$45,287,302	-21.6%
Receivables	\$40,896,045	\$19,875,473	105.8%
Other Receivables, Surplus Property and Deferred Costs	\$16,376,127	\$17,124,415	-4.4%
Liabilities	\$92,802,733	\$93,459,146	-0.7%
Fund Balance before PERS Liability	\$13,113,990	\$13,382,293	-2.0%

Review of COG Cash Balances, including LAIF

CLA was provided a Comparative Summary Balance Sheet for 2020 Q2 and 2020 Q1. Cash balances and Local Agency Investment Fund (LAIF) were verified with the Citizens Business Bank account statements for the period ended December 31, 2019 and the LAIF statement as of December 2019.

Overall, COG's cash and cash equivalents increased 125% since prior quarter (2020 Q1) from \$3,451,888 to \$7,779,277 for the period ended December 31, 2019. During Q2, \$5,625,000 was received for the Housing/Homeless project creating an increase in cash and liabilities (unearned revenue).

	<u>Q2</u>	<u>Q1</u>	Increase/ (Decrease)
	12.31.2019	9.30.2019	
Cash	\$7,779,277	\$3,451,888	125.4%
Receivables	\$1,119,435	\$799,646	40.0%
Prepays and Deferrals	\$156,261	\$153,769	1.6%
Liabilities	\$7,554,248	\$3,169,586	138.3%
Net Position, End of Period	\$1,500,725	\$1,235,717	21.4%

COG's bank account reconciliations and coordinating bank statements were reviewed and corroborated with the trial balance for the quarter ended December 31, 2019.

Review of COG 2nd Quarter 2020 Reports

All balances on the Comparative Summary Balance Sheet as of December 31, 2019 were verified against the period trial balance as of December 31, 2019. The Grants Receivable Aging Detail report as of December 2019 was also verified to the trial balance.

Coronavirus Disease (COVID-19)

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic in March 2020. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. During the period beginning in March 2020, both domestic and international equity markets experienced significant declines. Any losses are not reflected in this quarterly report as these events occurred subsequent to December 31, 2019.

Management believes SGVCOG is taking appropriate actions to mitigate any negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events continue to develop.

Conclusion

As discussed herein, no instances that would cause concern that the quarterly reports prepared by ACE and COG are inaccurate or inadequate to meet the governance needs of the Executive Committee and the Board of Directors were noted, specifically related to the sections of the Joint Powers Agreement effective March 12, 2007 included herein.

- Section 4. Purpose and Powers of the Council. The Council shall have, and may exercise the powers to:
 - Subsection b(4) utilize member resources or presently existing single purpose public and public/private groups to carry out its programs and projects;
 - Subsection b(8) serve as a mechanism for obtaining state, federal and regional grants to assist in financing the expenditures of the Council;
 - Subsection b(9) make and enter into contracts, including contracts for the services of engineers, consultants, planners, attorneys and single purpose public/private groups;
 - Subsection b(11) apply for, receive and administer a grant or grants under any federal, state, or regional programs;
 - Subsection b(12) receive gifts, contributions and donations of property, funds, services and other forms of financial assistance from persons, firms, corporations and any governmental entity;
- Section 6. Use of Public Funds and Property. The Council shall be empowered to utilize for its purposes, public and/or private funds, property and other resources received from the Members and/or from other sources.
- Section 17. Control and Investment of Council Funds. The Governing Board shall adopt a policy for the control and investment of its funds and shall require strict compliance with such policy. The policy shall comply, in all respects, with all provisions of applicable law.



Renee S. Graves, CPA, CGFM
Principal
CliftonLarsonAllen LLP

II. Background and Scope of Engagement

A. Engagement Background and Objectives

CliftonLarsonAllen LLP (CLA), was retained by the San Gabriel Valley Council of Governments. Throughout the engagement, CLA maintained regular contact with the Marisa Creter, Executive Director/ Chief Executive Officer and Rey Alimoren, Audits Manager.

B. Professional Standards

CLA performed this engagement in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Consulting Services. In consulting engagements, the nature and scope of work is determined solely by the agreement between the practitioner (CLA) and the client. The analysis and report does not constitute an audit, compilation, review, agreed-upon procedures or examination in accordance with Standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express any assurance.

C. Scope of Engagement

Attachment A to our agreement includes possible consulting procedures to be performed on a monthly basis. Correspondence between Renee Graves of CLA and SGVCOG's Marisa Creter, Executive Director/ Chief Executive Officer and Rey Alimoren, Audits Manager, occurred to clarify the scope of the engagement for the quarter ending December 31, 2019. The following areas were agreed to regarding 2nd Quarter 2020 Reports prepared as of December 31, 2019.

ACE

1. Investments and Cash Balances
2. Review the 2nd Quarter 2020 Report as of December 31, 2019
2. Information reported in the Quarterly Report reconciles to the general ledger

COG

1. Cash Balances, including LAIF
2. Review the 2nd Quarter 2020 Report as of December 31, 2019
3. Information reported in the Quarterly Report reconciles to the general ledger

D. General Disclosures

CLA created or obtained various electronic files in order to prepare this report to the Executive Committee; the electronic files are available upon request.

Dollar values included in this report have been rounded; therefore the numbers included here may differ slightly when comparing the values included in this report to the underlying detail.

E. Background Information

San Gabriel Valley Council of Governments (COG)

The San Gabriel Valley Council of Governments (SGVCOG) is a joint powers authority made up of representatives from 30 cities, three Los Angeles County Supervisorial Districts, and the three Municipal Water Districts located in the San Gabriel Valley. The SGVCOG serves as a regional voice for its member agencies and works to improve the quality of life for the more than two million residents living in the San Gabriel Valley. The SGVCOG works on issues of importance to its member agencies, including transportation, housing, economic development, the environment, and water, and seeks to address these regionally.

The SGVCOG is a sub-regional government that serves as a unified voice to maximize resources and advocate for regional and member interests to improve the quality of life in the San Gabriel Valley.

The vision of SGVCOG is that by 2021, the SGVCOG will serve as a model subregional agency in Southern California by continuing its existing support of member agency goals and priorities while leveraging the new opportunities provided by the extension and expansion of ACE.

Alameda Corridor-East Construction Authority (ACE)

The Alameda Corridor-East (ACE) Construction Authority was established in 1998 by the San Gabriel Valley Council of Governments (SGVCOG) as a single-purpose construction authority to implement a construction program intended to mitigate the vehicle delays and collisions at rail-roadway crossings resulting from growing freight rail traffic in the San Gabriel Valley. The ACE Trade Corridor rail mainlines through Southern California carry 16 percent of all oceangoing containers in the United States and have been designated by Congress as a Project of National and Regional Significance. With trade volumes through the Ports of Los Angeles and Long Beach projected to grow, train counts through the Valley are expected to increase by 150% by 2042, resulting in additional adverse crossing impacts. In 2017, the

SGVCOG was restructured and established the SGVCOG Capital Projects and Construction Committee, as a successor to the ACE Construction Authority with full responsibility for implementing the ACE Project.

The ACE Project is a comprehensive program of constructing grade separations, where the road goes over or under the railroad, at 19 crossings (resulting in the elimination of 23 at-grade crossings) and safety and mobility upgrades at 53 crossings. Construction has been completed on fourteen rail-roadway grade separations. Three grade separations are under construction with another two grade separations and eight crossing safety projects in the design phase. Jump Start safety improvements have been completed at 40 at-grade crossings.

F. Acronyms Used

ACE - Alameda Corridor-East Construction Authority

CM – Construction Management

COG – San Gabriel Valley Council of Governments

LAIF – Local Agency Investment Fund

MTA – Metropolitan Transit Authority

PERS – Public Employee’s Retirement System

ROW – Right of Way

III. Review of identified areas for ACE

A. Review of Investments and Cash Balances

The December 31, 2019 Fixed Income Investments Portfolio report was verified with the Citizens Trust statement for the period of December 1, 2019 through December 31, 2019 and the LAIF statements as of December 31, 2019. The amounts reported as the market value and the current book value on the December 31, 2019 Fixed Income Investments Portfolio report were reconciled. The allocation of investments within the pool by the type of investment is consistent with the current Investment Policy.

Due to the daily volatility of investments, the balance is reported on a cost basis during the fiscal year and adjusted to fair value during the year end closing process. The applicable balances for the quarter ending December 31, 2019 are:

- Trial balance amount of \$33,801,282 is offset by a “change in market value” balance of \$33,862 for a reported balance of \$33,835,144.
- Book value and market value per Citizens Trust Investment Statement is \$33,835,144 and \$33,801,282, respectively. An unrealized loss of \$33,862 is not reflected in the 2020 Q2 reports.
- Exhibit VII Treasury/ Banking Investments Report amount of \$33,835,144.

B. Review of Information Provided by ACE

Exhibit V ACE Expenditures vs. Reimbursements and Exhibit VII Treasury/ Banking Investments reports as of December 31, 2019 were obtained and verified against the preliminary trial balance as of December 31, 2019.

Exhibit V ACE Expenditures vs. Reimbursements Report

Amounts shown under the reimbursement status for the categories of 1) *Current/ 30 days or less* of \$5.274m; 2) *Aged Receivable* with no balance; 3) *To be billed* of \$33.526m; and 4) *MTA retention* of \$2.096m were verified against the accounts listed on the trial balance. The *Current/ 30 days or less* and *MTA retention* balances are each in a separate general ledger account. The *To be billed* amount is the aggregate balance of approximately 28 accounts for each individual project by various phases (CM, ROW, Design, Construction, Construction Management and Betterment). These amounts were verified with the accounts listed on the trial balance.

Exhibit VII Treasury/ Banking Investments Report

Each of the accounts listed on Exhibit VII were verified with the trial balance. Consistent with the previous quarterly report, Exhibit VII presents *other receivables, prepaids, surplus property and deferred costs* at the gross aggregate amount of \$16.376m from approximately 13 separate accounts, the most significant accounts being Surplus Property of \$11.1m. The applicable balances for the quarter ending December 31, 2019 are as shown herein.

Other receivables	\$ (8,065)
Notes receivable	150,000
Unbilled receivables	2,259,605
Prepaid expenses	165,727
Surplus property	11,098,771
Due from COG	245,765
Deferred costs - indirect	2,498,186
Unrealized change in investments	(33,862)
	<u>\$ 16,376,127</u>

The PERS unfunded termination liability of \$6.347m was obtained from the December 31, 2016 CalPERS Actuarial Valuation Report. This liability is not reflected on the trial balance, but is shown on Exhibit VII to reflect the payout that could occur should ACE cease to exist. The actuarially determined PERS net pension liability, including the related deferred outflows and deferred inflows would be reported in the annual audited financial statements in accordance with applicable GASB standards.

IV. Review of identified areas for COG

A. Review of Cash Balances, including LAIF

The December 31, 2019 Bank and LAIF balances reported on the Comparative Summary Balance Sheet were verified against each Citizens Business Bank statement and LAIF statement as of December 31, 2019.

B. Review of Second Quarter 2020 Reports

As of December 31, 2019, the Comparative Summary Balance Sheet report was verified to the trial balance. Individual balances on the trial balance were verified to reconciled bank statements and to the LAIF statement at December 31, 2019. All amounts reported were verified to the trial balance. The allocation of investments within the pool by the type of investment is consistent with the current Investment Policy.

Grants Receivable Aging Detail Report

The Grants Receivable Aging Detail report was reconciled to the trial balance. As of December 31, the receivable balance was \$402,490. As reported by ACE's Finance Department, \$67,588 was collected subsequent to the December 31 quarter end. The most significant receivable is \$240,782 (aged 0-30 days) for December 2019 activity for MTA – Open Streets. Management believes that all amounts are reasonably expected to be collected. The aged receivable balance is as shown herein.

Aged 30 days	\$ 265,785	66.0%
Aged 31-60 days	35,885	8.9%
Aged 61-90 days	2,561	0.6%
Aged 91+ days	98,259	24.4%
	<u>\$ 402,490</u>	

The balance of the remaining receivables of \$334,902 as of the date of this report is a decrease compared to the amount of remaining receivables in the 2020 Q1 report of \$384,664.

Credit Card Charges

Purchases for the period of July 2019 to December 2019 totaled \$10,635. Purchases compared to the prior year quarter and prior year-to-date is shown herein.

	<u>Q2</u> 12.31.2019	<u>Q2</u> 12.31.2018	Increase/ (Decrease)
Total Credit Card Expenditures - Current Quarter	\$ 10,635	\$ 8,474	25.5%

	<u>YTD</u> 12.31.2019	<u>YTD</u> 12.31.2018	Increase/ (Decrease)
Total Credit Card Expenditures - Year-to-Date	\$ 28,694	\$ 24,192	18.6%

During the quarter, \$3,997 was expended on meetings and travel, a 3% increase from last year's Q2 meetings and travel spending of \$3,891. Year-to-date expenses for meetings and travel is \$9,256, a 15% increase from last year's YTD spending of \$8,034.

	<u>Q2</u> 12.31.2019	<u>Q2</u> 12.31.2018	<u>YTD</u> 12.31.2019	<u>YTD</u> 12.31.2018
Bike Share	\$ -	\$ -	\$ 109	\$ -
Coyote Program	199	-	199	-
Dues & Subscriptions	-	-	16	-
Energy Wise - Gas Co	260	108	427	691
Energy Wise - SCE	340	162	589	1,036
Equipment & Software	114	-	114	-
General Assembly Event	-	200	-	2,200
Homelessness Program	-	-	300	2,710
Interco due from ACE	1,377	-	8,939	-
Meetings/Travel	2,925	2,945	6,704	6,095
Meetings/Travel - Board	1,072	946	2,552	1,939
Office Supplies	259	560	717	1,669
Open Streets - El Monte	2,022	-	3,692	-
Postage	-	40	55	185
Postage - Board	37	34	103	101
Prepaid expenses	783	1,385	1,730	2,173
Recruitment	-	525	-	525
Staff Training	49	-	49	1,733
Utilities	876	918	1,737	1,893
Webpage/ Software Services	322	651	662	1,242
	<u>\$ 10,635</u>	<u>\$ 8,474</u>	<u>\$ 28,694</u>	<u>\$ 24,192</u>

Purchases by credit card are utilized for efficiencies in procurement of goods and services.

Budget to Actual Comparison Report

Budget v. Actual

Member Dues comprise approximately 88% (actual and budget) of operating revenue through 2020 Q2. As of December 31, 50% of total Member Dues revenue budgeted for the 2020 fiscal year has been recognized. COG had actual year-to-date expenses totaling 39% of the 2020 fiscal budget, ending the quarter with net income of \$279,598.

A comparison of the quarterly budget, fiscal budget and percent of fiscal budget is presented herein.

	Q2 Actual 2019-20 (Operating)	FY 2019 Revised Budget 2019-20	Year-To-Date % of Budget 2019-20	Q2 Actual 2019-20 (Non-Capital Projects)	FY 2019 Revised Budget 2019-20	Year-To-Date % of Budget 2019-20
Membership Dues	\$ 393,155	\$ 779,898	50%	-	-	0%
Hero Program	653	3,200	20%	-	-	0%
Transportation Administration (Local)	50,725	101,569		-	-	0%
Interest	4,737	1,000	474%	-	-	0%
Grants & Special Projects	-	-	0%	811,100	1,644,789	49%
Total Revenue	\$ 449,270	\$ 885,667	51%	\$ 811,100	\$1,644,789	49%
Personnel	\$ 8,895	\$ 395,946	2%	-	131,982	0%
Committee & Employee Expenses	23,553	61,060	39%	-	11,140	0%
Professional Services	110,386	285,656	39%	-	20,617	0%
Other Expenses	63,039	96,499	65%	-	35,801	0%
Total Indirect Expenses	\$ 205,873	\$ 839,161	25%	\$ -	\$ 199,540	0%
Personnel	\$ -	\$ -	0%	325,133	227,460	143%
Program Management	-	-	0%	449,766	1,217,789	37%
Total Direct Expenses	\$ -	\$ -	0%	774,899	1,445,249	54%
Total Expenditures	205,873	839,161	25%	774,899	1,644,789	47%
Net Income (Loss)	\$ 243,397	\$ 46,506	N/A	36,201	-	N/A

V. List of Exhibits

ACE – Exhibit V – Expenditures vs. Reimbursements as of December 31, 2019

ACE – Exhibit VII – Treasury/ Banking Investments, Investments Portfolio and
Summary as of December 31, 2019

COG –2020 2nd Quarter Reports as of December 31, 2019 – Comparative
Summary Balance Sheet, Grants Receivable Aging Detail, CitiCard
Charges and Budget Report

Reimbursement Status (\$ 000)							
Projects	ITD Expenditures	Received	Current / 30 Days or less	Aged Receivable	To Be Billed	MTA Retention	
At Grade Crossing	3,995.63	\$ 3,704	\$ -	\$ -	\$ 286	\$ 6	
Durfee	42,126.89	36,622	-	-	5,158	347	
Fairway Drive	134,665.66	117,667	-	-	16,823	176	
Fairway-Lemon Betterment	21,895.10	19,000	5,274	-	(2,378)	-	
Fullerton	80,132.99	76,926	-	-	2,722	484	
Montebello	24,487.44	18,965	-	-	5,472	51	
Maple Ave.	603.43	575	-	-	25	3	
Montebello At Grade	237.01	192	-	-	45	0	
Nogales (LA)	119,622.02	116,510	-	-	2,652	460	
Puente Ave.	88,352.11	87,909	-	-	350	94	
SG Trench	293,387.30	292,768	-	-	574	46	
Temple	94,722.34	94,503	-	-	-	219	
Turnbull Cyn.	6,858.35	4,852	-	-	1,798	209	
Baldwin	70,365.10	70,363	-	-	-	2	
Brea Canyon	73,458.64	73,459	-	-	-	-	
Crossing Safety / IRRIS	34,342.54	34,343	-	-	-	-	
EE/Reservoir	78,959.76	78,960	-	-	-	-	
Hamilton	1,789.07	1,789	-	-	-	-	
Nogales (AH)	49,796.80	49,797	-	-	-	-	
Ramona	53,090.77	53,091	-	-	-	-	
Sunset	93,793.78	93,794	-	-	-	-	
Sub-total Projects	\$ 1,366,687	\$ 1,325,791	5,274	-	33,526	2,096	
Project Administration	9,110	8,901	-	-	209	-	
Total ACE	1,375,797	1,334,692	5,274	-	33,735	2,096	
Non-Grade Separation							
Rio Hondo	236	226	-	-	10	-	
57/60 Project	152	-	-	-	152	-	
	1,376,185	1,334,918	5,274	-	33,897	2,096	

	<u>12.31.2019</u>	Change	<u>09.30.2019</u>
<u>Cash on hand</u>			
Operating Account	\$ 2,928,596	\$ 406,798	\$ 2,521,798
Money Market Account (2)	8,444,938	(5,827,632)	14,272,570
Money Market (UPRR Contributions)	1,766,212	(5,993,669)	7,759,881
Total cash on hand	<u>13,139,746</u>	<u>(11,414,503)</u>	<u>24,554,249</u>
<u>Investments</u>			
LAIF	1,669,660	10,222	1,659,439
CBT - Fixed Income at cost	33,835,144	(9,792,719)	43,627,863
Total investments	<u>35,504,805</u>	<u>(9,782,497)</u>	<u>45,287,302</u>
<u>Current - 30 days or less</u>	<u>5,273,500</u>	-	-
<u>Aged Receivable</u>	-	-	-
<u>To Be Billed</u>	33,526,339	15,758,720	17,767,619
<u>MTA Retention</u>	2,096,206	93,361	2,002,845
Total Exhibit V	<u>40,896,045</u>	<u>15,852,081</u>	<u>19,770,465</u>
Other receivables, unsold surplus properties, and deferred costs	16,376,127	(853,296)	17,229,423
Total Cash, Cash Equivalent & Receivables	<u>105,916,723</u>	<u>(6,198,216)</u>	<u>106,841,438</u>
<u>Liabilities</u>			
Payables & other Accruals	3,229,655	(646,472)	3,876,127
Unearned revenues	44,573,079 (a.)	(9,940)	44,583,019
MTA Working Capital Loan	45,000,000	-	45,000,000
Total liabilities	<u>92,802,733</u>	<u>(656,412)</u>	<u>93,459,146</u>
Fund balance			
Resources net of actual liabilities	13,113,989	(268,304)	13,382,293
Less estimated:			
CalPERS - Hypothetical termination liability	6,347,036 (b.)	-	6,347,036
Resources net of estimated liabilities	<u>\$ 6,766,953 (c.)</u>	<u>\$ (268,304)</u>	<u>\$ 7,035,257</u>

- a.) Represents surplus property appraised value, net proceeds from sale of ROW surplus properties, advanced UPRR funding, disallowed retention, and Betterment funds billed in advance to City of Industry for Fairway Drive and Fullerton projects, as well as Rio Hondo payments from cities.
- b.) Updated based on CalPERS's annual valuation report as of June 30, 2017.
- c.) Decrease represents increase in 06/30/2018 hypothetical termination liability and effect of prior year's deficiency of expenses over revenues

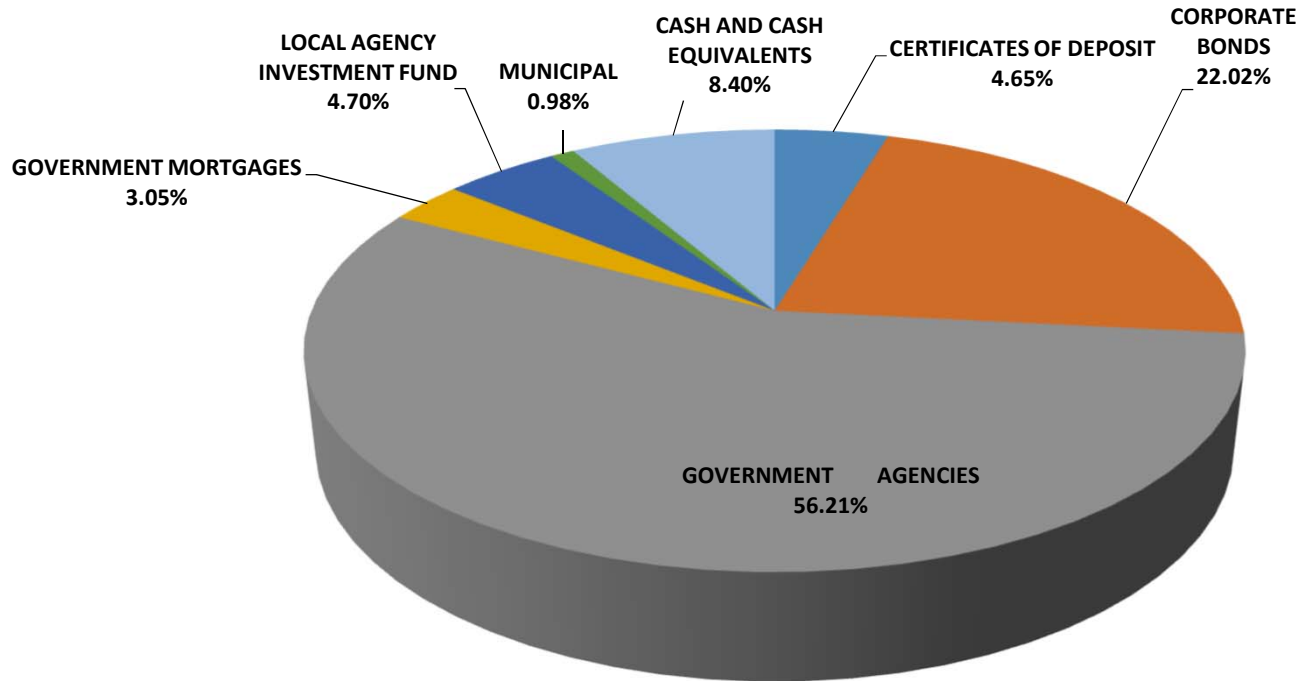
Deposit/ Investment Amount 12.31.19	% of Invest- ments		Maximum Maturity	Maximum Percent of Portfolio	Maximum Investment in One Issuer
Bank Deposits					
		Ace deposits are held by Citizens Business Bank (CBB) under a deposit agreement in amounts not to exceed \$50 million. Under the agreement, CBB maintains collateral deposits of at least 110% of the value of all ACE deposits at Bank of New York Mellon in eligible securities. The CBB deposits accounts are:			
\$ 2,928,596		Checking Account			
10,211,150		Money Market Accounts (3) *			
13,139,746		Total Deposits			
Permitted Investments **					
19,955,664	56.21%	Government Securities (1.00 - 5.01 years)	5 years	50%	15%<=
7,816,610	22.02%	Corporate Bonds (1.30 - 4.99 years)	5 years	30%	10%<=
1,084,086	3.05%	Gov't Mortgages (4.13 - 4.80 years)	5 years	15%	None stated
347,843	0.98%	Municipals (1.94 - 4.27 years)	None stated	None stated	None stated
1,650,310	4.65%	CDs (3.50 - 5.00 years)	5 years	30%	10%<=
2,980,631	8.40%	Cash and Cash Equivalents	None stated	None stated	None stated
33,835,144	95.30%	Subtotal Investments - Book value *			
1,669,660	4.70%	State's Local Agency Investment Fund	None stated	None stated	None stated
35,504,805	100.00%	Total Investments			
\$ 48,644,551		Total			



**Alameda Corridor - East Construction Project
Office of ACE Construction Authority Finance Director/Treasurer**

ASSET ALLOCATION

Assets (Dollars)	Current Par Value	Current Book Value	Market Value	Mkt/Book
CERTIFICATES OF DEPOSIT	1,650,000	1,650,310	1,650,683	100.02%
CORPORATE BONDS	7,808,000	7,816,610	7,867,240	100.65%
GOVERNMENT AGENCIES	19,889,432	19,955,664	19,950,465	99.97%
GOVERNMENT MORTGAGES	982,688	1,084,086	999,928	92.24%
LOCAL AGENCY INVESTMENT FUND	1,669,660	1,669,660	1,669,660	100.00%
MUNICIPALS	350,000	347,843	352,335	101.29%
CASH AND CASH EQUIVALENTS	2,980,631	2,980,631	2,980,631	100.00%
Totals (Dollars)	35,330,411	35,504,805	35,470,942	99.90%



Fixed Income Composition by Book Value

Par Value: Or face value is the amount of money redeemed to the bondholder once the bonds matures

Book Value : Is the par value or face value plus any unamortized premiums or less any unamortized discounts.

Market Value: Is the current price at which the bond is trading

Mkt/Book: Measures the market value over the book value of a bond.

Cusip	Name	Coupon	Yield to Maturity	Purchase Date	Maturity Date	Current Price	Par Value	Market Value	Current Book Value
3130A8EN9	Federal Home Loan Bank	1.64	1.659	6/14/2016	6/14/2021	99.907	100,000	99,907	100,000
3130A8NT6	Federal Home Loan Bank	1.48	1.552	7/28/2016	7/13/2021	99.657	200,000	199,314	200,000
3130A9GS4	Federal Home Loan Bank	1.70	1.724	10/12/2016	10/12/2021	99.887	600,000	599,322	600,000
3130AA2S6	Federal Home Loan Bank	1.80	1.842	11/30/2016	11/26/2021	99.802	300,000	299,406	299,727
3137FEU99	Federal Home Loan Bank	3.45	2.782	12/27/2019	9/25/2024	102.963	76,554	78,822	78,694
3130AHPM9	Federal Home Loan Bank	2.05	2.078	12/16/2019	12/16/2024	99.868	1,000,000	998,680	1,000,000
3130ADMJ8	Federal Home Loan Bank	2.38	1.712	12/16/2019	2/8/2021	100.752	130,000	130,978	131,079
3133EGEX9	Federal Farm Credit Bank	1.67	1.763	12/13/2019	6/14/2021	99.863	200,000	199,726	199,820
3133EFZ91	Federal Farm Credit Bank	1.62	1.730	4/12/2016	4/12/2021	99.474	500,000	497,370	499,545
3133EJ2R9	Federal Farm Credit Bank	2.75	2.139	12/14/2018	12/14/2020	101.192	200,000	202,384	199,724
3134G93Q8	Freddie Mac	1.68	1.726	8/25/2016	8/25/2021	99.779	400,000	399,116	400,000
3134G95L7	Freddie Mac	1.60	1.713	8/25/2016	8/25/2021	99.462	700,000	696,234	700,000
3134GAEE0	Freddie Mac	1.50	1.581	9/30/2016	3/30/2021	99.648	1,000,000	996,480	999,480
3134GAHK3	Freddie Mac	1.60	1.631	9/30/2016	9/30/2021	99.851	800,000	798,808	799,480
3134GUZX1	Freddie Mac T	2.07	2.069	12/23/2019	12/23/2024	100.006	1,000,000	1,000,060	1,000,000
3134GUWX4	Freddie Mac	1.90	1.902	12/5/2019	9/5/2023	99.992	1,000,000	999,920	1,000,000
3134GUGV6	Freddie Mac	2.00	2.022	10/15/2019	10/15/2021	99.957	500,000	499,785	500,000
3134GUFS4	Freddie Mac	2.05	2.051	10/7/2019	10/7/2021	99.998	400,000	399,992	400,000
3134GUXG0	Freddie Mac	1.75	1.750	12/3/2019	12/3/2020	100.000	3,150,000	3,150,000	3,149,985
3134GUUC2	Freddie Mac	1.75	1.747	11/26/2019	11/26/2021	100.005	500,000	500,025	500,000
3134GUYW4	Freddie Mac	2.13	2.159	12/30/2019	12/30/2024	99.838	700,000	698,866	700,000
3134GARB2	Freddie Mac	1.60	1.656	10/27/2016	10/27/2021	99.732	300,000	299,196	300,000
3137B04Y7	FHLMC Series KSMC Class	2.62	2.276	9/19/2018	1/25/2023	101.397	680,000	689,496	664,063
31381SVN9	Fannie Mae Pool FN 469621	3.65	2.416	10/30/2019	11/1/2021	102.405	197,596	202,348	203,833
3138L4N58	Fannie Mae Pool AM4011	3.67	2.124	12/9/2019	7/1/2023	105.275	475,000	500,056	499,883
3138L7GY6	Fannie Mae Pool AM6514	3.26	2.259	9/10/2019	9/1/2024	104.690	311,987	326,620	330,024
3138EJNY0	Fannie Mae Pool AL2206	3.73	2.652	9/18/2019	7/1/2022	102.872	300,447	309,075	307,488
3134GTNB5	Freddie Mac	2.70	2.637	5/28/2019	5/28/2024	100.293	100,000	100,293	99,950
3136AHAG5	Fannie Mae	3.33	2.148	11/12/2019	10/25/2023	104.452	167,848	175,320	174,666
3135G0N66	Fannie Mae	1.40	1.477	8/25/2016	8/25/2021	99.631	400,000	398,524	400,000
3136G1C98	Fannie Mae	1.42	1.425	5/11/2016	2/5/2020	99.982	150,000	149,973	150,227
3136G35G6	Fannie Mae	1.55	1.602	9/23/2016	9/23/2021	99.749	1,000,000	997,490	999,720
3136G37G4	Fannie Mae	1.60	1.638	9/30/2016	9/30/2021	99.817	900,000	898,353	899,487
3136G4GF4	Fannie Mae	1.55	1.605	10/31/2016	10/28/2021	99.735	200,000	199,470	200,000
3136G3XZ3	Fannie Mae	1.50	1.569	7/28/2016	7/28/2021	99.670	300,000	299,010	300,000
3136G4EV1	Fannie Mae	1.63	1.672	10/28/2016	10/28/2021	99.777	250,000	249,443	249,898
3136G3C78	Fannie Mae	1.55	1.603	7/28/2016	7/28/2021	99.744	200,000	199,488	200,000
880591EL2	Tenn Valley Authority DTD	3.88	3.329	9/19/2016	2/15/2021	102.223	500,000	511,115	518,892
56.21% Government Securities (1.00 - 5.01 years)							19,889,432	19,950,465	19,955,664
87164YML5	Synchrony Bank DTD	1.55	1.576	6/29/2016	6/29/2021	99.873	250,000	249,683	249,463
05580ACZ5	BMW Bk North, America DTD	2.20	2.105	10/8/2015	9/30/2020	100.446	250,000	251,115	249,950
140420YS3	Capital One Bank Medium	1.60	1.594	5/4/2016	5/4/2021	100.029	250,000	250,073	250,178
619165GX5	Morton Community Bank	1.60	1.608	12/16/2016	6/16/2020	99.973	200,000	199,946	200,000
254672W20	Discover Bank DTD	1.85	1.803	12/14/2016	12/14/2020	100.182	200,000	200,364	200,000
9497485W3	Wells Fargo Bank CD	1.75	1.775	6/17/2016	6/17/2021	99.879	250,000	249,698	250,720
949763AZ9	Wells Fargo Bank	1.65	1.666	9/14/2016	9/14/2021	99.922	250,000	249,805	250,000
4.65% CDs (3.50 - 5.00 years)							1,650,000	1,650,683	1,650,310
94988J5L7	Wells Fargo Bank NA	2.40	2.388	9/28/2018	1/15/2020	100.015	250,000	250,038	249,253
291011BC7	Emerson Electric Co	4.25	3.285	9/28/2018	11/15/2020	101.973	280,000	285,524	282,958
911312AMB	United Parcel Service DTD	3.13	2.846	6/10/2016	1/15/2021	101.194	185,000	187,209	189,237
440452AE0	Hormel Foods Corp	4.13	3.535	1/31/2017	4/15/2021	102.287	500,000	511,435	512,906
14912L6U0	Caterpillar Financial Serv Corp	1.70	1.731	9/9/2016	8/9/2021	99.856	1,746,000	1,743,486	1,738,545
02665WBG5	American Honda Finance	1.70	1.733	9/15/2016	9/9/2021	99.842	1,400,000	1,397,788	1,392,034
06406RAA5	Bank of NY Mellon Corp	2.60	2.228	10/18/2017	2/7/2022	101.521	1,011,000	1,026,377	1,018,079
166764AT7	Chevron	2.41	2.109	7/26/2017	3/3/2022	101.321	370,000	374,888	372,072
244199BE4	Deere & Co	2.60	2.191	7/26/2017	6/8/2022	101.881	150,000	152,822	151,545
037833DC1	Apple Inc	2.10	1.835	9/25/2018	9/12/2022	101.008	500,000	505,040	484,252
69371RN93	PACCAR Financial Corp	2.80	1.982	9/12/2019	3/1/2021	101.178	300,000	303,534	303,483
05531FBJ1	BB&T Corporation	2.20	2.003	9/16/2019	3/16/2023	100.664	1,000,000	1,006,640	999,260
68389XAU9	Oracle Corporation DTD	3.40	2.179	9/10/2019	7/8/2024	105.569	116,000	122,460	122,987
22.02% Corporate Bonds (1.30 - 4.99 years)							100,759	7,808,000	7,867,240
31407RTU8	Fannie Mae Pool #838563	5.00	4.174	4/29/2016	10/1/2020	103.308	12,003	12,400	12,746
3137A6B27	Freddie Mac	4.33	4.035	9/7/2016	10/25/2020	101.125	153,077	154,799	169,102
3137A8PP7	Freddie Mac	4.19	3.783	9/7/2016	12/25/2020	101.588	321,608	326,714	355,226
3137ABFH9	Freddie Mac	3.99	3.528	9/7/2016	6/25/2021	102.019	496,000	506,015	547,013
3.05% Gov't Mortgages (4.13 - 4.80 years)							101,754	982,688	999,928
13066YTZ2	California State Dept of Water Resources PW/	2.00	1.867	1/22/2018	5/1/2022	100.545	150,000	150,818	147,804
13063DFZ6	California State Dept of Water Resources PW/	2.60	2.482	4/25/2018	4/1/2020	100.221	100,000	100,221	100,037
13063DGA0	California State Dept of Water Resources PW/	2.80	2.341	4/25/2018	4/1/2021	101.296	100,000	101,296	100,002
0.98% Municipals (1.94 - 4.27 years)							100,667	350,000	352,335
31607A208	Fidelity Prime Mon Mar-Ins	1.00		10/7/2015		100.000	2,980,631	2,980,631	2,980,631
8.40% Cash and Cash Equivalents							2,980,631	2,980,631	2,980,631
TOTAL (Dollars)							\$ 33,660,751	\$ 33,801,282	\$ 33,835,194

SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS

Comparative Summary Balance Sheet

As of December 31, 2019

	12.31.2019	Change	09.30.19
CBB - Checking	\$ 1,797,540	\$ (1,302,319)	\$ 3,099,859
CBB- 242-034-325 CD	55,702	14	55,688
CBB - 2766 Savings	1,592	1	1,591
CBB -242-034-953 CD	54,934	14	54,920
CBB - 242-300-597 Money Market	5,628,206	5,628,206	-
Petty Cash	400	-	400
LAIF	240,819	1,474	239,345
LAIF Maket Value	86	-	86
	<u>7,779,277</u>	<u>4,327,389</u>	<u>3,451,889</u>
Cash and equivalents			
Member Receivable	52,780	(28,296)	81,076
Grants/Contracts Receivable	402,490	(26,279)	428,769
Sponsorships Receivable	-	-	-
Rental Deposit Receivable	5,489	-	5,489
Unbilled Grant Receivable	444,887	323,421	121,466
Receivables - other	213,789	50,943	162,846
	<u>1,119,435</u>	<u>319,788</u>	<u>799,646</u>
Receivables			
Prepays and deferrals	156,261	2,492	153,769
Total assets	<u>9,054,973</u>	<u>4,649,669</u>	<u>4,405,304</u>
Accounts Payable	117,733	117,733	-
Citi Bank Card	1,852	(3,105)	4,957
Payroll Payable	(7)	(3)	(4)
Accrued Vacation	34,928	2,469	32,459
Unearned Revenues - Member Cities Dues	439,524	(196,577)	636,101
Unearned Revenues - Housing/Homelessness	5,625,000	5,625,000	-
Accruals, deferrals and other payables	1,335,216	(1,160,856)	2,496,072
	<u>7,554,247</u>	<u>4,384,662</u>	<u>3,169,585</u>
Total liabilities			
Net Position, beginning of period **	1,221,127	(0)	1,221,127
Change in net position	279,599	265,009	14,590
Net Position, end of period	<u>\$ 1,500,725</u>	<u>\$ 265,009</u>	<u>\$ 1,235,717</u>



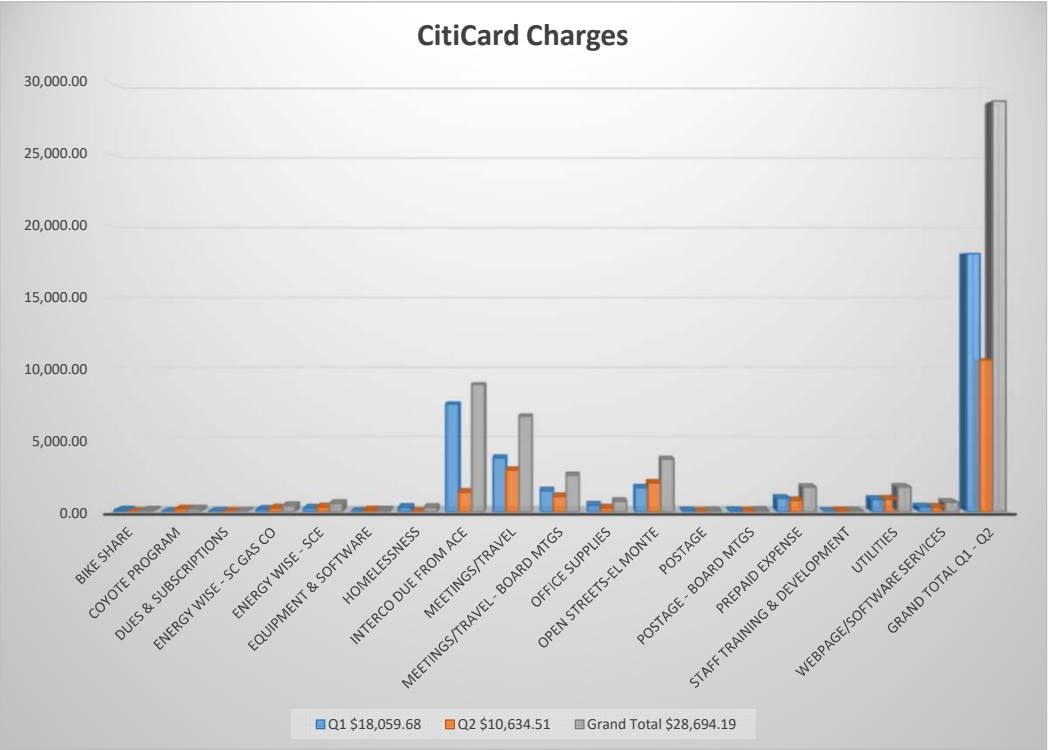
**San Gabriel Valley Council of Governments
Grants Receivable Aging Summary
As of December 31, 2019**

Month	SC Edison - Energy Wise	SC Gas - Energy Wise	SC Gas - EAP	LA County - Homelessnes s Planing Grant	Various Cities - CIMP & EWMP	Various Cities - Service Delivery Cost Study	Various Cities - Coyote Mgmt Implementati on Plan	MTA - Open Streets	Totals	Notes
Apr-19	-	-	1,421	-	-	-			1,421	
May-19	-	-	-	13,167	-	-			13,167	
Jun-19	-	-	-	13,167	-	29,025			42,192	Service Delivery rcv'd 2/11/20 \$7,875
Jul-19	-	-	-	13,167	-				13,167	
Aug-19	-	-	-	13,167					13,167	
Sep-19	-	1,979	-	13,167					15,146	SC Gas rcv'd 2/4/20 \$1,979
Oct-19	-	2,561	-	*					2,561	SC Gas rcv'd 2/4/20 \$2,561
Nov-19	3,275	2,610	-	*			30,000		35,885	SC Gas rcv'd 2/4/20 \$2,610 Coyote rcv'd 2/11/20 & 2/25/20 \$30k
Dec-19	2,440	2,563	-	*			20,000	240,782	265,785	SC Gas rcv'd 2/4/20 \$2,563 Coyote rcv'd 1/22/20 & 2/11/20 \$20k
	\$ 5,715	\$ 9,713	\$ 1,421	\$ 65,833	\$ -	\$ 29,025	\$ 50,000	\$ 240,782	\$ 402,490	

*pending new agreement

San Gabriel Valley Council of Governments
 Credit Charges July 1, 2019 - December 31, 2019

Category	Q1	Q2	Grand Total
Bike Share	109.48	0.00	109.48
Coyote Program	0.00	198.62	198.62
Dues & Subscriptions	15.99	0.00	15.99
Energy Wise - SC Gas Co	166.35	260.36	426.71
Energy Wise - SCE	249.52	339.54	589.06
Equipment & Software	0.00	113.88	113.88
Homelessness	299.68	0.00	299.68
Interco Due from ACE	7,562.13	1,376.94	8,939.07
Meetings/Travel	3,780.06	2,924.58	6,704.64
Meetings/Travel - Board Mtgs	1,479.59	1,072.03	2,551.62
Office Supplies	458.22	259.08	717.30
Open Streets-El Monte	1,670.00	2,021.79	3,691.79
Postage	55.00	0.00	55.00
Postage - Board Mtgs	66.15	36.75	102.90
Prepaid Expense	946.72	783.70	1,730.42
Staff Training & Development	0.00	49.00	49.00
Utilities	861.13	876.06	1,737.19
Webpage/Software Services	339.66	322.18	661.84
Grand Total Q1 - Q2	18,059.68	10,634.51	28,694.19



SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS
Consolidated Budget to Actual
 FY 2020 First Quarter Report
 As of December 31, 2019

	Jul 19 - Dec 19 Actual (Operating)	FY 2020 Budget	% of Budget	Jul 19 - Dec 19 Actual (Non-Capital Projects)	FY 2020 Budget	% of Budget
1	Revenue					
2	Operating					
3	\$ 393,155	\$ 779,898	50%			
4	653	3,200	20%			
5	50,725	101,569	50%			
6	4,737	1,000	474%			
7	<u>\$ 449,271</u>	<u>\$ 885,667</u>	<u>51%</u>			
8						
9	Non-Capital Projects					
10				811,100	1,644,789	49%
11	<u>\$ -</u>	<u>\$ -</u>	<u>0%</u>	<u>\$ 811,100</u>	<u>\$ 1,644,789</u>	<u>0%</u>
12	<u>\$ 449,271</u>	<u>\$ 885,667</u>	<u>0%</u>	<u>\$ 811,100</u>	<u>\$ 1,644,789</u>	<u>49%</u>
13						
14	Expenditure					
15	Indirect Expenses					
16	8,895	395,946	2%		131,982	0%
17	23,553	61,060	39%	-	11,140	0%
18	110,386	285,656	39%	-	20,617	0%
19	63,039	96,499	65%	-	35,801	0%
20	<u>\$ 205,873</u>	<u>\$ 839,161</u>	<u>25%</u>	<u>\$ -</u>	<u>\$ 199,540</u>	<u>0%</u>
21						
22	Direct Expenses					
23			0%	325,133	227,460	143%
24			0%	449,766	1,217,789	37%
25	<u>\$ -</u>	<u>\$ -</u>	<u>0%</u>	<u>\$ 774,899</u>	<u>\$ 1,445,249</u>	<u>54%</u>
26	<u>\$ 205,873</u>	<u>\$ 839,161</u>	<u>25%</u>	<u>\$ 774,899</u>	<u>\$ 1,644,789</u>	<u>47%</u>
27	<u>\$ 243,398</u>	<u>\$ 46,506</u>	<u>N/A</u>	<u>\$ 36,201</u>	<u>\$ -</u>	<u>N/A</u>

**** Includes Bike Share**

REPORT

DATE: June 1, 2020
TO: Executive Committee
FROM: Marisa Creter, Executive Director
RE: **FY 2018-2019 FINANCIAL AUDIT**

RECCOMENDED ACTION

Receive and file.

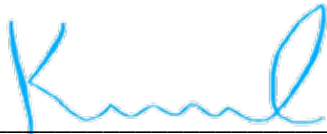
BACKGROUND

The SGVCOG's auditors Vasquez & Company LLP completed a comprehensive audit of the financial statements for the SGVCOG for fiscal year ending June 30, 2019. The following attachments outline the auditor's full report

- Attachment A – FY 2018-19 Financial Statement (Primary Government/SGVCOG)
- Attachment B – FY 2018-19 Financial Statement (ACE)

Representatives from Vasquez & Company LLP will present the audit report to the Executive Committee, and Governing Board Members.

Prepared by:



Katie Ward
Senior Management Analyst

Approved by:



Marisa Creter
Executive Director

ATTACHMENTS

Attachment A – FY 2018-19 Financial Statement (Primary Government/SGVCOG)
Attachment B – FY 2018-19 Financial Statement (ACE)

Attachment A



SGVCOG

San Gabriel Valley Council of Governments

**Audited Financial Statements
(Primary Government)
*As of and for the Year Ended June 30, 2019
with Report of Independent Auditors***

**San Gabriel Valley Council of Governments
Audited Financial Statements
(Primary Government)
*As of and for the Year Ended June 30, 2019
with Report of Independent Auditors***

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Report of Independent Auditors

Members of the Governing Board San Gabriel Valley Council of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the primary government of San Gabriel Valley Council of Governments (SGVCOG), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise SGVCOG's basic financial statements.

Management's Responsibility on the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the primary government of San Gabriel Valley Council of Governments as of June 30, 2019, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the San Gabriel Valley Council of Governments, which consists of all funds and departments that comprise San Gabriel Valley Council of Governments' legal entity. These primary government financial statements do not include financial data for the San Gabriel Valley Council of Governments' component unit, the Alameda Corridor - East Project, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the SGVCOG's primary government. As a result, the primary government's financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the San Gabriel Valley Council of Governments as of June 30, 2019, the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of San Gabriel Valley Council of Governments as of and for the year ended June 30, 2019, and our report thereon, dated May 28, 2020, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the required supplementary information on pages 24 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
May 28, 2020**

Our discussion and analysis of the San Gabriel Valley Council of Governments (the "SGVCOG") financial performance presents an overview of the SGVCOG's financial activities during the fiscal year ended June 30, 2019. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 7). The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

Background

The 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, the 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.

Overview of Financial Statements

In FY 2019, operating revenues increased by 16% from the previous year. The increase was mainly attributable to the new Bike Share and Stormwater grant revenues earned in 2019.

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

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

Various disclosures accompany the financial statements in order to provide a full picture of the SGVCOG's finances. The notes to the financial statements are on pages 10-23.

**San Gabriel Valley Council of Governments
(Primary Government)
Management's Discussion and Analysis
Year ended June 30, 2019**

Financial Analysis

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 the SGVCOG as of June 30, 2019 and 2018:

	June 30		Variance	
	2019	2018	Amount	%
Assets	\$ 2,990,009	\$ 1,729,391	\$ 1,260,618	73%
Deferred outflows of resources	133,634	226,431	(92,797)	-41%
Total assets and deferred outflows of resources	<u>3,123,643</u>	<u>1,955,822</u>	<u>1,167,821</u>	60%
Liabilities	1,722,720	823,220	899,500	109%
Deferred inflows of resources	38,618	72,904	(34,286)	-47%
Total liabilities and deferred inflows of resources	<u>1,761,338</u>	<u>896,124</u>	<u>865,214</u>	97%
Net position				
Restricted	110,578	110,469	109	0%
Unrestricted	1,251,727	949,229	302,498	32%
Total net position	<u>\$ 1,362,305</u>	<u>\$ 1,059,698</u>	<u>\$ 302,607</u>	29%

Assets increased this year by \$1,260,618 or 73%, and liabilities increased by \$899,500 or 109%. Increase in assets was largely due to higher cash and cash equivalents and grants receivable balances in 2019. The increase in assets was offset by the higher balance in liabilities from the new Bike Share program whose payment was advanced by SGVCOG's component unit ACE.

As previously discussed, net position can serve as an indicator of financial health. The SGVCOG's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,362,305 and \$1,059,698 as of June 30, 2019 and 2018, respectively.

**San Gabriel Valley Council of Governments
(Primary Government)
Management's Discussion and Analysis
Year ended June 30, 2019**

Statements of Revenues, Expenses and Changes in Net Position

The following table presents the SGVCOG's revenues, expenses and changes in net position for the years ended June 30, 2019 and 2018:

	<u>Years ended June 30,</u>		<u>Variance</u>	
	<u>2019</u>	<u>2018</u>	<u>Amount</u>	<u>%</u>
Operating revenues				
Dues:				
General Fund	\$ 443,814	\$ 414,757	\$ 29,057	7%
Transportation	310,193	346,041	(35,848)	-10%
	<u>754,007</u>	<u>760,798</u>	<u>(6,791)</u>	<u>-1%</u>
Sponsorships	35,075	56,676	(21,601)	-38%
Grants and matches from other governments:				
Los Angeles County Metropolitan Transportation Authority	97,549	93,569	3,980	4%
Southern California Edison - Energywise	68,989	132,566	(63,577)	-48%
California Energy Efficiency Strategic Plan Implementation	54,897	26,272	28,625	109%
Southern California Gas - Energywise	50,361	131,206	(80,845)	-62%
Bike Share Program	1,265,014	-	1,265,014	100%
Homelessness Program	158,000	644,400	(486,400)	-75%
MTA Open Street Program	-	548,705	(548,705)	-100%
Stormwater Program	224,150	-	224,150	100%
Cost Comparison / Joint Study Program	94,500	-	94,500	100%
Others	36,244	55,895	(19,651)	-35%
Total operating revenues	<u>2,838,786</u>	<u>2,450,087</u>	<u>388,699</u>	<u>16%</u>
Operating expenses				
Administrative	761,890	811,104	(49,214)	-6%
Energywise	50,663	101,407	(50,744)	-50%
Transportation	131,040	122,947	8,093	7%
California Energy Efficiency Strategic Plan Implementation	21,523	9,755	11,768	121%
Bike Share Program	1,265,014	-	1,265,014	100%
Homelessness Program	132,635	573,823	(441,188)	-77%
MTA Open Street Program	4,991	548,705	(543,714)	-99%
Stormwater Program	124,868	-	124,868	100%
Cost Comparison / Joint Study Program	18,173	-	18,173	100%
Others	31,185	41,730	(10,545)	-25%
Total operating expenses	<u>2,541,982</u>	<u>2,209,471</u>	<u>332,511</u>	<u>15%</u>
Operating income	<u>296,804</u>	<u>240,616</u>	<u>56,188</u>	<u>23%</u>
Nonoperating income				
Interest income	5,803	3,402	2,401	71%
Total nonoperating income	<u>5,803</u>	<u>3,402</u>	<u>2,401</u>	<u>71%</u>
Change in net position	<u>302,607</u>	<u>244,018</u>	<u>58,589</u>	<u>24%</u>
Net position, beginning of year	<u>1,059,698</u>	<u>815,680</u>	<u>244,018</u>	<u>30%</u>
Net position, end of year	<u>\$ 1,362,305</u>	<u>\$ 1,059,698</u>	<u>\$ 302,607</u>	<u>29%</u>

During fiscal year 2019, total operating revenues increased by 16% from the previous year. The increase was mainly attributable to the new Bike Share and Stormwater grant revenues earned in 2019.

Revenues for SGVCOG consist primarily of dues from 30 member cities, three Los Angeles County supervisorial districts, and a Joint Power Authority of the water agencies, which represents three municipal water districts, cost reimbursable grants from the Bike Share program, Stormwater program, Homelessness program, Southern California Edison (SCE), a local utility, grant matching funds from Los Angeles County MTA, and fees on the aggregate cost for the bonds issued to fund installation of renewable energy efficiency improvements from the Home Energy Renovation Opportunity (HERO) program. Grants and matches from other governments and Sponsorships were \$2,084,779 in FY2019 compared to \$1,689,289 in FY2018, an increase of \$395,490 or 23%. The increase was mostly due to the new Bike Share and Stormwater grant revenues earned in FY2019.

Operating expenses were \$2,541,982 in FY2019 compared to \$2,209,471 in FY 2018, an increase of \$332,511 or 15%. The increase is primarily attributable to program expenses from the new Bike Share and Stormwater programs.

Next Year's Budget

The budget for fiscal year 2020 assumes that the on-hand net position as of June 30, 2019 will be required and available to fulfill the program and administrative expense requirements.

Further Information

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

San Gabriel Valley Council of Governments
 (Primary Government)
 Statement of Net Position
 June 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$	1,471,827
Grants receivable		1,342,618
Other receivables		104,056
Prepaid expenses		12,022
		Total current assets
		2,930,523

Noncurrent assets

Net pension asset		59,486
		Total noncurrent assets
		59,486

		Total assets
		2,990,009

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pension		133,634
		133,634

LIABILITIES

Current liabilities

Accounts payable and accrued expenses		68,536
Unearned revenues		395,160
Due to ACE		1,224,048
		Total current liabilities
		1,687,744

Noncurrent liabilities

Compensated absences		34,976
		Total noncurrent liabilities
		34,976

		Total liabilities
		1,722,720

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension		38,618
		38,618

NET POSITION

Restricted for :

Water Quality Improvement		55,673
MS4-National Pollutant Discharge Elimination System		54,905
Unrestricted		1,251,727
		Net position \$
		1,362,305

See notes to financial statements.

**San Gabriel Valley Council of Governments
(Primary Government)
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2019**

Operating revenues

Dues:	
General Fund	\$ 443,814
Transportation	310,193
	754,007
Sponsorships	35,075
Grants and matches from other governments:	
Los Angeles County Metropolitan Transportation Authority	97,549
Southern California Edison - Energywise	68,989
California Energy Efficiency Strategic Plan Implementation	54,897
Southern California Gas - Energywise	50,361
Homelessness Program	158,000
Western Riverside Council of Governments - California HERO	5,059
Measure M Program	31,185
Bike Share Program	1,265,014
Stormwater Program	224,150
Cost Comparison / Joint Study	94,500
Total operating revenues	2,838,786

Operating expenses

Administrative	761,890
Energywise	50,663
Transportation	131,040
California Energy Efficiency Strategic Plan Implementation	21,523
Homelessness Program	132,635
MTA Open Street Program	4,991
Measure M Program	31,185
Bike Share Program	1,265,014
Stormwater Program	124,868
Cost Comparison / Joint Study Program	18,173
Total operating expenses	2,541,982

Operating income 296,804

Nonoperating income

Interest income	5,803
Total nonoperating income	5,803

Change in net position 302,607

Net position, beginning of year 1,059,698

Net position, end of year \$ 1,362,305

See notes to financial statements.

San Gabriel Valley Council of Governments
(Primary Government)
Statement of Cash Flows
Year ended June 30, 2019

Cash flows from operating activities	
Cash receipts from cities	\$ 1,072,637
Cash receipts from all other services	1,009,386
Cash paid for operating expenses	(2,887,676)
Cash paid for employee compensation and related costs	(298,964)
Net cash used in operating activities	<u>(1,104,617)</u>
Cash flows from noncapital financing activities	
Advances from ACE	<u>1,222,824</u>
Cash provided by noncapital financing activities	<u>1,222,824</u>
Cash flows from investing activities	
Interest received	<u>5,229</u>
Cash provided by investing activities	<u>5,229</u>
Change in cash and cash equivalents	
123,436	
Cash and cash equivalents - beginning of year	
<u>1,348,391</u>	
Cash and cash equivalents - end of year \$ <u><u>1,471,827</u></u>	

Reconciliation of operating income to net cash used in operating activities:

Operating income	\$ 296,804
Adjustment to reconcile operating income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Other receivables	(89,671)
Grants receivable	(985,722)
Prepaid expenses	(1,729)
Deferred outflows of resources	92,797
Accounts payable and accrued expenses	(610,623)
Unearned revenues	318,630
Compensated absences	7,602
Net pension liability (asset)	(98,419)
Deferred inflows of resources	(34,286)
Net cash used in operating activities	<u>\$ (1,104,617)</u>

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES

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.

The Reporting Entity

The accompanying financial statements do not include the financial statements of a component unit, the Alameda Corridor - East Project (ACE) and do not purport to, and do not, present the financial position of the reporting entity of San Gabriel Valley Council of Governments as of June 30, 2019, the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The following are SGVCOG's major revenue components:

California Energy Efficiency Strategic Plan Implementation - Funds for the implementation of certain energy efficiency programs under the Decision 09-09-47 and 12-11-015 of the California Public Utilities Commission including the Energy Leader Partnership Program.

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

Cash and Cash Equivalents

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.

Grants Receivable

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

Office Equipment

Office equipment is carried at historical cost. Depreciation is provided using the straight-line method over the individual assets' estimated useful life, usually five years for computers, copiers and other electronic equipment, ten years for cabinets, desks and furniture. As of June 30, 2019, the cost of the office equipment has been fully depreciated.

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.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of estimates in many areas. Estimates used in these financial statements relate primarily to fixing estimated useful lives to depreciable assets. Based upon the preceding information, estimates do not have a material effect on these financial statements.

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2019, SGVCOG adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

GASB statement No. 83

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "*Certain Asset Retirement Obligations*." This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for financial statements for the fiscal year beginning after June 15, 2018, and did not impact SGVCOG.

GASB statement No. 88

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*." The Statement's objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for financial statements for the fiscal year beginning after June 15, 2018, and did not impact SGVCOG.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019 consist of the following:

Deposits with financial institution	\$	1,233,916
Short-term investments		237,911
Total cash and cash equivalents	\$	<u>1,471,827</u>

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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

The table below 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 SCE	None	20%	10%
State of CA Local Agency Investment Fund (LAIF)	None	None	None
Mortgage-backed Securities	5 years	15%	None

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 due over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of 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.

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or less</u>
LAIF	\$ 237,911	\$ 237,911
Total	\$ 237,911	\$ 237,911

Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations

The SGVCOG has no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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	Amount	Minimum Legal Rating	Rating as of Year End Not Rated
LAIF	\$ 237,911	N/A	\$ 237,911
Total	\$ 237,911		\$ 237,911

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, 2019, the SGVCOG had no investments in any one issuer (other than U.S. external investment pools) that represent 5% or more of total SGVCOG investments.

Custodial Credit Risk

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

The California Government Code and 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, 2019, the SGVCOG's cash in bank balance of \$1,243,141 exceeded the \$250,000 deposit insurance of the Federal Depository Insurance Corporation (FDIC) by \$993,141.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk (Continued)

The SGVCOG is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2019, the total market value of LAIF, including accrued interest was approximately \$106 billion. The fair value of the SGVCOG's investment in this pool is \$237,911 at June 30, 2019 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.

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.

SGVCOG's investments in LAIF are not measured within the fair value hierarchy.

NOTE 3 EMPLOYEE BENEFIT PLAN

A. General Information about the Pension Plans

Plan Description

SGVCOG's employee benefit plan was assigned to its component unit, ACE. SGVCOG has employees enrolled under the Classic and PEPRA Plans. SGVCOG currently contributes about 4% to the Classic Plan and about 73% to the PEPRA Plan. All qualified permanent and probationary employees are eligible to participate in ACE'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 and ACE resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 3 EMPLOYEE BENEFIT PLAN (CONTINUED)

Plan Description (continued)

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

Certain information presented in the accompanying financial statements and under this note disclosure represent amounts paid by and allocated to SGVCOG only.

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.

The Plans' provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
	Prior to	On or after
	Jan. 1, 2013	Jan. 1, 2013
Hire date	Jan. 1, 2013	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 - 55	52 - 67
Monthly benefits , as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.90%	6.25%
Required employer contribution rates	8.89%	6.84%

NOTE 3 EMPLOYEE BENEFIT PLAN (CONTINUED)

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 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions made to the Plan were as follows:

	Miscellaneous	
	Plan	
Contributions - employer	\$ 35,496	

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

As of June 30, 2019, SGVCOG reported net pension liabilities (assets) for its proportionate share of the net pension liabilities (assets) of the Plan as follows:

	Proportionate	
	Share of Net	
	Pension	
	Liabilities	
	(Assets)	
Miscellaneous Plan	\$ (59,486)	
Total Net Pension Liabilities (Assets)	\$ (59,486)	

SGVCOG's net pension liabilities (assets) for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liabilities (assets) of the Plan are measured as of June 30, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. SGVCOG's proportion of the net pension liabilities (assets) was based on a projection of the SGVCOG's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, which is actuarially determined.

NOTE 3 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

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, 2017 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, 2017 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

SGVCOG's proportionate share for pension items as provided by CalPERS are as follows:

	2019
Total pension liability and other pension amounts	0.0005967
Plan fiduciary net position	0.0008206

At June 30, 2019, SGVCOG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 35,496	\$ -
Differences between actual and expected experience	(2,282)	777
Changes in assumption	(6,782)	1,662
Changes in employer's proportion	-	(40,763)
Differences between the employer's contribution and the employer's proportionate share of contributions	107,202	-
Net differences between projected and actual earnings on pension plan investments	-	(294)
Total	\$ 133,634	\$ (38,618)

NOTE 3 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

\$35,496 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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	Amount
<u>June 30</u>	<u> </u>
2020	\$ 20,975
2021	22,769
2022	15,241
2023	535

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality (4)	(2)
Post-Retirement Benefit Increase	(3)

(1) Varies by entry age and service

(2) Derived using CalPERS' Membership Data for all funds

(3) Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

(4) The mortality table used was developed based on CalPERS-specific data. The includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

NOTE 3 EMPLOYEE BENEFIT PLAN (CONTINUED)

Long-term Expected Rate of Return

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

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

The expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

Discount Rate

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

NOTE 3 EMPLOYEE BENEFIT PLAN (CONTINUED)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents SGVCOG's proportionate share of the collective net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what 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:

		<u>Miscellaneous Plan</u>
1% Decrease		6.15%
Net Pension Liability	\$	58,169
Current Discount Rate		7.15%
Net Pension Liability (Asset)	\$	(59,486)
1% Increase		8.15%
Net Pension Liability (Asset)	\$	(156,608)

C. Pension Plan Fiduciary Net Position

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

D. Payable to the Pension Plan

At June 30, 2019, SGVCOG did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

NOTE 4 RELATED PARTY TRANSACTIONS

For the year ended June 30, 2019, SGVCOG paid ACE a total of \$70,458 for transportation technical, administrative, and accounting support, and travel expenses. As of June 30, 2019, SGVCOG owed ACE \$1,224,048.

NOTE 5 CONTINGENCIES

The SGVCOG is involved in claims 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.

NOTE 6 COMMITMENTS

The SGVCOG has entered into an office space lease agreement covering the period from July 1, 2018 to April 30, 2021.

Future minimum rental payments including tenant improvements are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2020	\$ 69,780
2021	<u>60,011</u>
Total	<u>\$ 129,791</u>

NOTE 7 SUBSEQUENT EVENTS

SGVCOG has evaluated events or transactions that occurred subsequent to the balance sheet date through May 28, 2020, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that, except as noted below, no other subsequent matters required disclosure or adjustment to the accompanying financial statements.

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

To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. Management believes that financial impact, if any, will not materially affect the June 30, 2019 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**San Gabriel Valley Council of Governments
(Primary Government)
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years***

Reporting Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>Miscellaneous Plan</u>	<u>Miscellaneous Plan</u>	<u>Miscellaneous Plan</u>	<u>Miscellaneous Plan</u>	<u>Miscellaneous Plan</u>
Proportion of the net pension liability (asset)	-0.01829%	0.00874%	0.02803%	0.03744%	0.00001%
Proportionate share of the net pension liability (asset)**	\$ (59,486)	\$ 38,933	\$ 85,698	\$ (1,407)	\$ 538
Covered - employee payroll ^{(1)**}	\$ 294,201	\$ 586,768	\$ 358,859	\$ 164,916	\$ 155,191
Proportionate share of the net pension liability (asset) as percentage of covered-employee payroll**	-20.22%	6.64%	23.88%	-0.85%	0.35%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	105.77%	96.11%	87.02%	87.61%	83.02%
Plan's proportionate share of aggregate employer contributions ^{(2)**}	\$ 35,496	\$ 27,794	\$ 21,399	\$ 15,076	\$ 88

** Plan pertains to the Miscellaneous Plan of ACE and SGVCOG. Information presented in the financial statements represent amounts allocated to SGVCOG.

Notes to Schedule

Certain information presented above and in the financial statements represent amounts allocated to SGVCOG.

¹ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

² The plan's proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

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

See report of independent auditors.

**San Gabriel Valley Council of Governments
(Primary Government)
Schedule of Pension Contributions
Last Ten Years***

Reporting Year	<u>2019</u> <u>Miscellaneous</u> <u>Plan</u>	<u>2018</u> <u>Miscellaneous</u> <u>Plan</u>	<u>2017</u> <u>Miscellaneous</u> <u>Plan</u>	<u>2016</u> <u>Miscellaneous</u> <u>Plan</u>	<u>2015</u> <u>Miscellaneous</u> <u>Plan</u>
Actuarially determined contributions	\$ 59,706	\$ 58,845	\$ 66,429	\$ 8,824	\$ 8,214
Contributions in relation to the actuarially determined contributions	(59,706)	(58,845)	(66,429)	(8,824)	(8,214)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 294,201	\$ 586,768	\$ 358,859	\$ 164,916	\$ 155,191
Contributions as a percentage of covered-employee payroll	20.29%	10.03%	18.51%	5.35%	5.29%

Notes to Schedule:

Valuation date June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization method / Period	Level percent of payroll
Remaining amortization period	15 years as of valuation date
Asset valuation method	5 year Smoothed Market
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15%, net of pension plan investment expense
Retirement age	55 years
Mortality	Derived using CalPERS Membership Data for all funds

* Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

See report of independent auditors.



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Attachment B



Alameda Corridor – East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Audited Financial Statements
As of and for the Year Ended June 30, 2019
with Report of Independent Auditors

Alameda Corridor – East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Audited Financial Statements
As of and for the Year Ended June 30, 2019
with Report of Independent Auditors

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
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Report of Independent Auditors

The Honorable Members of the Board of Directors Alameda Corridor – East Project

Report on the Financial Statements

We have audited the accompanying financial statements of Alameda Corridor - East Project (ACE), a component unit of San Gabriel Valley Council of Governments (SGVCOG), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise ACE's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alameda Corridor – East Project as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Alameda Corridor – East Project (ACE), a component unit of San Gabriel Valley Council of Governments (SGVCOG) and do not purport to, and do not, present fairly the financial position of the reporting entity of SGVCOG as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 and the required supplementary information on pages 31–32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Vasquez & Company LLP".

**Glendale, California
May 28, 2020**

**Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019**

The management's discussion and analysis (MD&A) of the financial performance and activity of the Alameda Corridor – East Project (ACE) provides an overview of ACE financial statements for the year ended June 30, 2019. This discussion was prepared by management and should be read in conjunction with the accompanying financial statements and notes, which follow this section.

Background

The San Gabriel Valley Council of Governments (SGVCOG) created ACE in 1998. ACE is a single purpose construction authority established to implement a construction program intended to mitigate the adverse impacts at rail-roadway crossings in the San Gabriel Valley of increasing rail traffic along the nationally significant Alameda Corridor East Trade Corridor. Train counts through the Valley are projected to nearly double by the year 2035 as increasing numbers of freight trains carry freight to and from the nation's busiest container ports in San Pedro Bay.

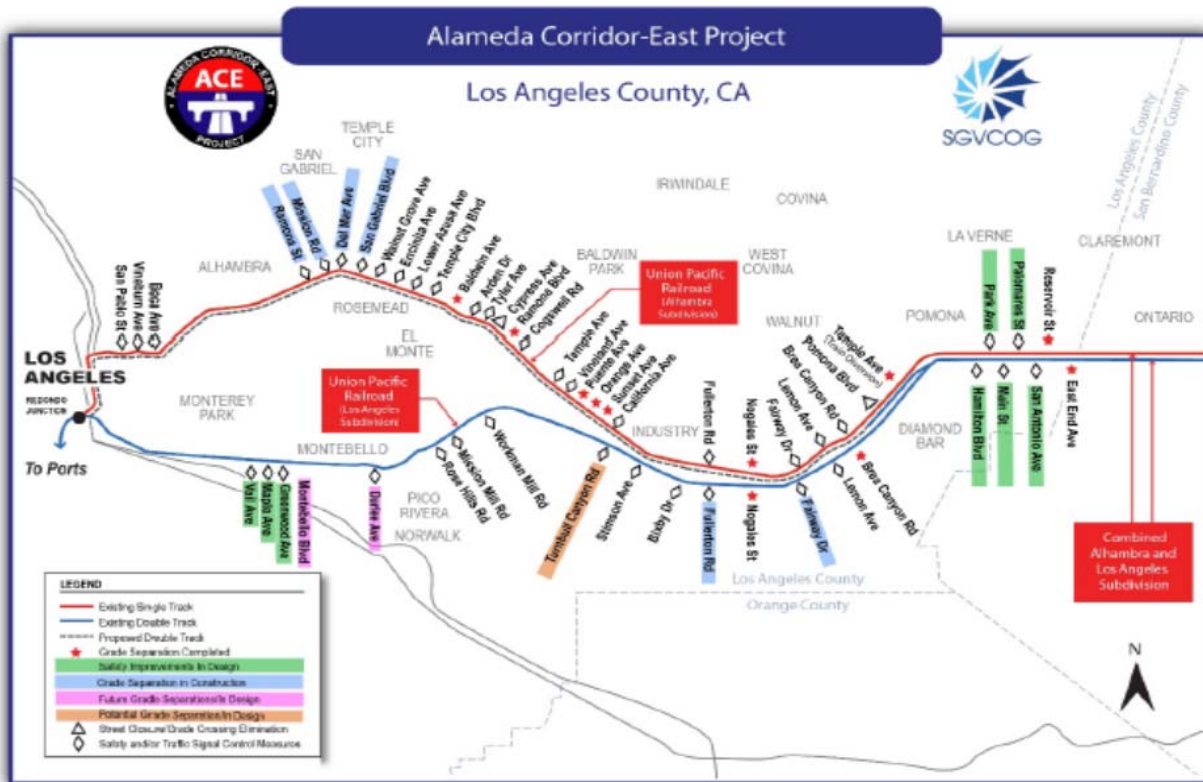
The ACE Project is a comprehensive program of constructing grade separations, where the road goes over or under the railroad, and safety and mobility upgrades at fifty-two crossings in the San Gabriel Valley. Construction has been completed on nine rail-roadway grade separations. Seven additional grade separations and a rail diversion project are under construction. Three grade separation projects are in design along with improved pedestrian and vehicle safety gate at another eight crossings. Safety improvements have been completed at 39 at-grade crossings.

The cost estimate as of June 30, 2019 for the completed safety improvements and 14 grade separations either completed or going into construction is \$1.781 billion.

Projects under construction include the Fullerton Road, Fairway Drive, and Puente Avenue grade separations; the San Gabriel Trench; and the Temple Avenue rail diversion project. Going to construction in 2020 will be the Durfee Avenue grade separation project. Currently in design is the Rio Hondo Project, Montebello Corridor Project, the Turnbull Canyon Road Grade Separation Project, and the At-Grade Crossing Safety Improvements.

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019

Project Progress During FY 2019						
Project	06/18	09/18	12/18	03/19	06/19	09/19
Rio Hondo (220)	Design (25% complete)					
Maple Ave (214)	Design (35% complete)					
At-Grade Crossing (212)	Design (35% complete)					
Turnbull Canyon (210)	Design (65 complete)					
Montebello (209)	Design (65% complete) / ROW Acquisitions					
Durfee (208)	ROW Acquisitions / Construction					
Fairway Drive (204)	ROW Acquisitions / Construction					
Fullerton (207)	ROW Acquisitions / Construction					
Puente Avenue (202)	ROW Acquisitions / Construction					
Nogales - LA (250)	ROW Acquisitions / Construction					
S.G. Trench (201)	Construction Completed					
Temple/Pomona (119)	Construction Completed					



**Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019**

As of June 30, 2019, the following funding had been committed to the ACE project:

	ACE Funding Commitments (\$ millions)	
<u>Federal</u>		
TEA-21 Earmark	\$ 132.6	
Annual Appropriations (FY 2000-10)	21.5	
SAFETEA-LU Earmark	67.4	
Rail-Highway Crossing Program	10.0	
ISTEA (Nogales LA)	6.9	
CMAQ (Nogales LA)	6.3	
Total Federal		\$ 244.7
<u>State</u>		
Trans. Imp. Program (FY 2000-04)	39.0	
PUC Grade Separation Fund	25.0	
Trans. Cong. Relief Prog. (TCRP)	130.3	
Trade Corr. Impr. Fund (TCIF)	422.2	
Hwy. Rail Crossing Safety Act (HRCSA)	46.6	
SB1	78.0	
Total State		741.1
<u>L.A. County MTA</u>		
17% - Match	269.9	
FY 2007 Call-for-projects	28.8	
Measure R	400.0	
Total L.A. County MTA		698.7
City/County Funds/MWD Funds	12.1	
Railroad Contributions	36.4	
City/Railroad/Betterments/Property Sales	57.5	
Total ACE Project Funding		<u>\$ 1,790.5</u>

The committed/pledged amounts may differ slightly from authorized funding due to budgetary holdbacks on multi-year grants, and reflect management's best estimate as to the amount that will be available. Railroad contributions reflect a regulatory ceiling of 5% of construction cost pro-rated over the construction phase of the various projects.

ACE manages its projects to avoid risk wherever possible. All projects are designed to be within the scope allowed by federal, state and local guidelines. The project host city is responsible for paying for any "betterments" not needed for the basic grade separation. In addition, the California Department of Transportation (CalTRANS) must approve each phase - design, right-of-way acquisition and utility relocation, and construction - for reimbursement in advance.

ACE must pay contractors and vendors first before invoicing grantors for reimbursement. Reimbursements are currently running between two to four weeks for CalTRANS (Federal and State funding) and the Los Angeles County Metropolitan Transportation Authority ("LACMTA") (local funding). Working capital therefore remains a major consideration. ACE and LACMTA entered into an agreement to provide ACE \$45M subordinate Proposition C Sales Tax Revenue Revolving Obligation Construction Fund, which replaced the Grants Anticipation Notes as the primary bridge funding.

Financial Highlights

For the year ended June 30, 2019:

- Net position decreased by \$361 thousand, a decrease of 2.4%.
- Construction in progress increased by \$82.9 million, an increase of 10.4%.
- Total revenues decreased by \$17.6 million, a decrease of 17.4%.
- Total project expenses decreased by \$16.9 million, a decrease of 16.7%.

Overview of Basic Financial Statements

The financial statements present the financial picture of ACE from the economic resources measurement focus using the accrual basis of accounting. These statements include all recordable position of ACE 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 ACE'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 ACE'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 and operating expenses related to the construction activities of ACE.

Various disclosures accompany the financial statements in order to provide a full picture of ACE's finances. The notes to the financial statements are on pages 13-30.

**Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019**

Condensed Statements of Net Position

The following table shows the condensed statements of net position for the past two years:

	June 30		Variance	
	2019	2018	Amount	%
Current and other assets	\$ 118,096,596	\$ 120,419,495	\$ (2,322,899)	-1.9%
Capital assets	15,456	21,667	(6,211)	-28.7%
Construction in progress	879,874,869	796,965,084	82,909,785	10.4%
Less due to member cities and Union Pacific Railroad	<u>(879,874,869)</u>	<u>(796,965,084)</u>	<u>(82,909,785)</u>	-10.4%
Total assets	118,112,052	120,441,162	(2,329,110)	-1.9%
Deferred outflows of resources	1,414,919	2,591,612	(1,176,693)	-45.4%
Liabilities	(104,340,139)	(107,321,766)	2,981,627	2.8%
Deferred inflows of resources	<u>(408,883)</u>	<u>(572,427)</u>	163,544	28.6%
Net position	\$ 14,777,949	\$ 15,138,581	\$ (360,632)	-2.4%

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

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

Total assets decreased by 1.9% to \$118.1 million, mainly due to a sale of one of the surplus properties held for sale and consequent use of the proceeds to reduce liabilities.

Construction in progress increased by 10.4% to \$879.9 million, primarily because of increased construction activity on San Gabriel Trench, Montebello, Fairway Drive, and Fullerton Road projects.

Unearned revenue decreased by 2.2% to \$41.9 million, mainly because of recognition to revenue of some surplus assets from the Fullerton Road and Fairway Drive projects.

Unbilled receivables decreased 46% to \$15.6 million due to lower revenues as a result of near completion of some projects.

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019

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, 2019 and 2018.

Total net position decreased by \$361 thousand or 2.4% for the year ended June 30, 2019. The decrease was due to change in reimbursement claim of certain pension contributions made in the fiscal years 2015 through 2019 to reduce unfunded pension liabilities from one-time claim to use of amortization period to recover the total pension payments resulting in lower reimbursement claim of indirect costs.

	Years ended June 30		Variance	
	2019	2018	Amount	%
Project expenses				
Direct (Construction)	\$ 82,090,370	\$ 97,781,428	\$ (15,691,058)	-16.0%
Indirect expenses charged to operations	1,951,846	3,145,443	(1,193,597)	-37.9%
Total project expenses	84,042,216	100,926,871	(16,884,655)	-16.7%
Operating revenues				
Grant reimbursements	83,138,616	99,591,251	(16,452,635)	-16.5%
Other operating revenues	499,443	1,627,977	(1,128,534)	-69.3%
Total revenues	83,638,059	101,219,228	(17,581,169)	-17.4%
Income (loss) from operations	(404,157)	292,357	(696,514)	-238.2%
Nonoperating income (expense)				
Other income	1,286,186	1,488,456	(202,270)	-13.6%
Financing expense	(1,242,661)	(1,472,588)	229,927	-15.6%
Net nonoperating income	43,525	15,868	27,657	174.3%
Change in net position	(360,632)	308,225	(668,857)	-217.0%
Net position at beginning of year	15,138,581	14,830,356	308,225	2.1%
Net position at end of year	\$ 14,777,949	\$ 15,138,581	\$ (360,632)	-2.4%

Capital Assets

ACE had \$15,456 invested in capital assets, net of depreciation, as of June 30, 2019.

Economic Factors and New Year's Budget

Budget expenses in fiscal year 2020 decreased 5% over 2019, as decreases in construction were offset by increases in right-of-way acquisitions. Based on 2020 first quarter expenditures, it is anticipated the 2020 budget will be within 5% of budgeted expenditures.

Requests for Information:

These financial statements are designed to provide citizens, taxpayers, customers, and creditors with a general overview of ACE's finances and to demonstrate accountability for the money it receives. If there are any questions about this report or a need for additional information, please contact ACE, 4900 Rivergrade Road, Suite A120, Irwindale, CA 91706, or call (626) 962-9292.

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Net Position
June 30, 2019

ASSETS

Current assets

Cash and investments	\$	54,952,161
Grants receivable		29,454,572
Unbilled receivable		15,578,889
Notes receivable		150,000
Interest receivable		10,537
Retention receivable		2,007,845
Other receivables		542,593
Due from SGVCOG		1,224,048
Prepaid expenses		243,874
Property held for sale		11,092,243
Under-recovery of indirect cost		2,209,997
Total current assets		117,466,759

Noncurrent assets

Capital assets - Leasehold improvement and equipment		15,456
Construction in progress		879,874,869
Less due to member cities and Union Pacific Railroad		(879,874,869)
Net pension asset		629,837
Total noncurrent assets		645,293
Total assets		118,112,052

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions		1,414,919
Total deferred outflows of resources		1,414,919

LIABILITIES

Current liabilities

Accounts payable and accrued expenses		15,444,050
Accrued retention payable		1,894,846
Unearned revenue		41,866,818
Total current liabilities		59,205,714

Noncurrent liabilities

Compensated absences		134,425
MTA promissory note payable		45,000,000
Total noncurrent liabilities		45,134,425
Total liabilities		104,340,139

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions		408,883
Total deferred outflows of resources		408,883

NET POSITION

Net position

Net investment in capital assets		15,456
Unrestricted		14,762,493
Total net position \$		14,777,949

See notes to financial statements.

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019

Project expenses		
Direct (Construction)	\$	82,090,370
Indirect expenses charged to operations		1,951,846
	Total project expenses	<u>84,042,216</u>
Operating revenues		
Grant reimbursements		83,138,616
Other operating revenues		499,443
	Total revenues	<u>83,638,059</u>
	Loss from operations	(404,157)
Nonoperating income (expense)		
Other income		1,286,186
Financing expense		(1,242,661)
	Net nonoperating income	<u>43,525</u>
		(360,632)
Change in net position		(360,632)
Net position at beginning of year		<u>15,138,581</u>
Net position at end of year	\$	<u>14,777,949</u>

See notes to financial statements.

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities	
Cash receipts from construction activities	\$ 100,004,733
Cash paid for operating expenses	(82,564,157)
Cash paid for employee compensation and related costs	<u>(3,112,180)</u>
Net cash provided by operating activities	<u>14,328,396</u>
 Cash flows from noncapital financing activities	
Advances to SGVCOG	(1,222,824)
Interest paid on MTA promissory note payable	<u>(1,242,661)</u>
Cash used in noncapital financing activities	<u>(2,465,485)</u>
 Cash flows from investing activities	
Interest received	<u>1,283,300</u>
Cash provided by investing activities	<u>1,283,300</u>
Change in cash and investments	13,146,211
Cash and investments - beginning of year	<u>41,805,950</u>
Cash and investments - end of year	<u>\$ 54,952,161</u>

Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (404,157)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,211
Changes in operating assets and liabilities:	
Grants receivable	(11,223,435)
Unbilled receivable	13,288,265
Retention receivable	(635,688)
Other receivables	484,467
Prepaid expenses	24,592
Property held for sale	16,175,148
Under-recovery of indirect cost	(788,692)
Deferred outflows of resources related to pensions	1,176,693
Accounts payable and accrued expenses	(2,163,889)
Accrued retention payable	461,056
Unearned revenue	(933,391)
Compensated absences	(39,708)
Net pension liability (asset)	(935,532)
Deferred inflows of resources related to pensions	<u>(163,544)</u>
Net cash provided by operating activities	<u>\$ 14,328,396</u>

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The accompanying financial statements present only the Alameda Corridor - East Project (ACE) which is a component unit of the San Gabriel Valley Council of Governments (SGVCOG).

SGVCOG created ACE in 1998. ACE is a single purpose construction authority established to implement a construction program intended to mitigate the adverse impacts at rail-roadway crossings in the San Gabriel Valley of increasing rail traffic along the nationally significant Alameda Corridor East Trade Corridor. The ACE Project is a comprehensive program of constructing grade separations, where the road goes over or under the railroad, and safety and mobility upgrades at fifty-two crossings in the San Gabriel Valley.

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

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

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

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

ACE's 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:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

- 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.”

Budgetary Reporting

It is 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, revenues are not budgeted separately, but derived from budgeted expenditures.

Cash Equivalents

Cash equivalents are those short-term investments readily converted into cash. 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.

Grant Revenues and Expenditures

All grant agreements are between the SGVCOG and the granting authorities. ACE has been given authority to obtain and administer funding in the name of SGVCOG. The Los Angeles County Metropolitan Transportation Authority (LACMTA) grant was in existence when ACE was created and all subsequent grants are therefore 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 expenditure and then bill for reimbursement from the grantors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets - Leasehold Improvements and Equipment

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

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

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.

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 revenues and construction costs are especially vulnerable to such assumptions and accordingly actual results may differ from estimated amounts.

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, 2019, property held for resale was \$11,092,243.

Pensions

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 the Agency's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' 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.

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Notes to Financial Statements
Year Ended June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2019, SGVCOG adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

GASB statement No. 83

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "*Certain Asset Retirement Obligations.*" This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for financial statements for the fiscal year beginning after June 15, 2018, and did not impact ACE.

GASB statement No. 88

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*" The Statement's objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for financial statements for the fiscal year beginning after June 15, 2018, and did not impact ACE.

NOTE 2 CAPITAL ASSETS

Capital assets are recorded at cost and consist of the following:

	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
Cost:				
Leasehold improvements	\$ 19,762	\$ -	-	\$ 19,762
Computer equipment	349,816	-	-	349,816
Telephone equipment	12,086	-	-	12,086
Office furniture	31,972	-	-	31,972
Total cost	<u>413,636</u>	<u>-</u>	<u>-</u>	<u>413,636</u>
Less accumulated depreciation for:				
Leasehold improvements	19,762	-	-	19,762
Computer equipment	328,149	6,211	-	334,360
Telephone equipment	12,086	-	-	12,086
Office furniture	31,972	-	-	31,972
Total accumulated depreciation	<u>391,969</u>	<u>6,211</u>	<u>-</u>	<u>398,180</u>
Capital assets, net \$	<u>21,667</u>	<u>\$(6,211)</u>	<u>-</u>	<u>\$ 15,456</u>

Depreciation expense included in indirect expenses for the year ended June 30, 2019 amounted to \$6,211.

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Notes to Financial Statements
Year Ended June 30, 2019

NOTE 3 CASH AND INVESTMENTS

Cash and investments at June 30, 2019 consist of the following:

Cash in bank	\$	602,007
Pooled funds		1,648,902
Money market funds		25,883,959
Investments		<u>26,817,293</u>
Total cash and investments	\$	<u><u>54,952,161</u></u>

Investments Authorized by the California Government Code and ACE's Investment Policy

The table below identifies the investment types that are authorized for ACE by the California Government Code ("Code") or ACE's investment policy ("Policy"), which is more restrictive. The table also identifies certain provisions of the Code (or the Policy) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements, rather than the general provisions of the Code or the Policy.

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 SCE	None	20%	10%
State's Local Agency Investment Fund	None	None	None
Mortgage-backed Securities	5 years	15%	None

Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
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NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 ACE manages its exposure to interest rate risk is by purchasing a combination of short-term and long-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. Information about the sensitivity of the fair values of ACE's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of ACE's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
LAIF	\$ 1,648,902	\$ 1,648,902	\$ -	\$ -
Money Market Funds	25,883,959	25,883,959	-	-
Fidelity Government Portfolio	1,544,795	1,544,795	-	-
Government Agencies	14,256,015	649,425	3,629,212	9,977,378
Certificates of Deposit	3,164,307	1,280,163	1,391,302	492,842
Corporate Bonds	7,500,001	1,350,948	989,541	5,159,512
Municipals	352,175	100,486	101,561	150,128
Total	\$ <u>54,350,154</u>	\$ <u>32,458,678</u>	\$ <u>6,111,616</u>	\$ <u>15,779,860</u>

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

ACE has no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Code and the Policy and the actual rating at the end of the year for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating As of June 30, 2019			
			AAA	AA	A	Not Rated
LAIF	\$ 1,648,902	N/A	\$ -	\$ -	\$ -	\$ 1,648,902
Money Market Funds	25,883,959	A	25,883,959	-	-	-
Fidelity Government Portfolio	1,544,795	N/A	-	-	-	1,544,795
Government Agencies	14,256,015	A	-	11,894,300	-	2,361,715
Certificates of Deposit	3,164,307	N/A	-	-	903,679	2,260,628
Corporate Bonds	7,500,001	A	-	874,980	6,625,021	-
Municipals	352,175	A	-	352,175	-	-
Total	\$ 54,350,154		\$ 25,883,959	\$ 13,121,455	\$ 7,528,700	\$ 7,816,040

Concentration of Credit Risk

ACE's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code. As of June 30, 2019, ACE had no investments in any one issuer (other than money market funds and external investment pools) that represent 5% or more of ACE's total investments.

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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The Code and the 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 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2019, ACE's deposit of \$3,000,000 with financial institutions is in excess of federal depository insurance limits but are held in collateralized accounts.

As of June 30, 2019, the following investment types were held by the same broker-dealer (counterparty) that was used by ACE to buy the securities:

Investment Type	Reported Amount
Money market funds	\$ <u><u>25,883,959</u></u>

Investments in State Investment Pool

ACE is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code under the oversight of the Treasurer of the State of California. At June 30, 2019, the total fair value of LAIF, including accrued interest was approximately \$106 billion. The fair value of ACE's investment in this pool is \$1,648,902 at June 30, 2019 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.

Fair Value Measurement

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. ACE 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

- 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 .

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

Investment Type	Investments That Are Not Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
LAIF	\$ 1,648,902	\$ -	\$ -	\$ -	\$ 1,648,902
Money Market Funds	-	-	25,883,959	-	25,883,959
Fidelity Government Portfolio	-	-	1,544,795	-	1,544,795
Government Agencies	-	-	14,256,015	-	14,256,015
Certificates of Deposit	-	-	3,164,307	-	3,164,307
Corporate Bonds	-	-	7,500,001	-	7,500,001
Municipals	-	-	352,175	-	352,175
Total	\$ 1,648,902	\$ -	\$ 52,701,252	\$ -	\$ 54,350,154

NOTE 4 LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (LACMTA) PROMISSORY NOTE PAYABLE

In June 2013, ACE entered into a promissory note to borrow up to \$45,000,000, in variable rate, from the LACMTA to be used as working capital. The note payable balance outstanding at June 30, 2019 amounted to \$45,000,000. Interest rates vary according to market conditions and have ranged from 1.77% to 3.05%.

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

NOTE 5 GRANTS RECEIVABLE

During the year ended June 30, 2019, 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, 2019 are shown net of disallowed costs. CalTRANS approved, under Uniform Guidance section 2 CFR 200.516, an indirect overhead allocation formula of 151.4% of total direct salaries and fringe benefit costs. Indirect costs incurred charged to grants for the year ended June 30, 2019 were \$1,951,846.

In June 2019, CalTRANS auditors did not allow one-time payments for the 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.

NOTE 6 EMPLOYEE BENEFIT PLANS

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees of ACE (as a component unit of SGVCOG), are eligible to participate in SGVCOG's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and ACE resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 about 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 PEPR) contribute at least half the normal cost rate as determined by CalPERS. ACE contributes the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

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.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
	Prior to	On or after
	Jan. 1, 2013	Jan. 1, 2013
Hire date		
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 - 55	52 - 67
Monthly benefits , as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.90%	6.25%
Required employer contribution rates	8.89%	6.84%

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. ACE is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions made by ACE to the Plan were as follows:

	Miscellaneous Plan
Contributions - employer	\$ 375,831

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

As a component unit of SGVCOG, ACE was allocated pension liabilities (assets), pension expense and deferred inflows and outflows of resources based on ACE's share of the pension contribution during the fiscal year 2019.

As of June 30, 2019, ACE reported net pension liabilities (assets) for its proportionate shares of the net pension liabilities (assets) of the Plan as follows:

	<u>Miscellaneous Plan</u>
Net Pension Liabilities (Assets) \$	(629,837)

ACE's net pension liabilities (assets) for the Plan are measured as the proportionate share of the net pension liability (asset). The net pension liabilities (assets) of the Plan are measured as of June 30, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. ACE's proportion of the net pension liabilities (assets) was based on a projection of the ACE's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, which is 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, 2017 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, 2017 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

SGVCOG's proportionate share for pension items as provided by CalPERS are as follows:

	2019
Total pension liability and other pension amounts	0.0005967
Plan fiduciary net position	0.0008206

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Year Ended June 30, 2019

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

At June 30, 2019, ACE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 375,831	\$ -
Differences between actual and expected experience	(24,166)	8,223
Changes in assumption	(71,803)	17,598
Changes in employer's proportion	-	(431,590)
Differences between the employer's contribution and the employer's proportionate share of contributions	1,135,057	-
Net differences between projected and actual earnings on pension plan investments	-	(3,114)
Total	\$ 1,414,919	\$ (408,883)

\$375,831 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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	Amount
2020	\$ 222,085
2021	241,080
2022	161,375
2023	5,665

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
 Actuarial Assumptions:	
Investment rate of return	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality (4)	(2)
Post-Retirement Benefit Increase	(3)

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

Long-term Expected Rate of Return

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

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

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Long-term Expected Rate of Return (Continued)

The expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

Discount Rate

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

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

The following presents ACE's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what ACE'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:

		<u>Miscellaneous Plan</u>
1% Decrease		6.15%
Net Pension Liability	\$	615,899
Current Discount Rate		7.15%
Net Pension Liability (Asset)	\$	(629,837)
1% Increase		8.15%
Net Pension Liability (Asset)	\$	(1,658,173)

C. Pension Plan Fiduciary Net Position

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

D. Payable to the Pension Plan

At June 30, 2019, ACE did not have outstanding balance for contributions to the pension plan required for the year ended June 30, 2019.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

E. Deferred Compensation Plan

ACE 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, 2019, plan assets with a total fair value of \$1,834,939 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).

NOTE 7 COMMITMENTS AND CONTINGENCIES

As discussed in Note 5, ACE receives reimbursement type grants from federal, state and local sources. Certain expenditures 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.

In the ordinary course of operations, ACE is the subject of claims and litigations from outside parties. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect ACE's financial position.

Lease

ACE occupies its office from Metropolitan Life Insurance Company subject to a lease expiring April 30, 2021. The monthly base rent and the unused lease commitment, as defined in the lease agreement, follows:

Period from / to	Monthly Rent	Annual Amount
July 1, 2019 to April 30, 2020	\$ 22,056	\$ 220,557
May 1, 2020 to April 30, 2021	22,717	<u>272,608</u>
Total lease commitments	\$	<u><u>493,165</u></u>

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 funds 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 \$523,424 for fiscal year ended June 30, 2019. Funds are deposited in several escrow accounts until release to the contractor is authorized.

NOTE 8 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, 2019, \$879,874,869 of costs was accumulated on projects in process and \$463,758,906 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.

NOTE 9 SUBSEQUENT EVENTS

ACE has evaluated events or transactions that occurred subsequent to the balance sheet date through May 28, 2020, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that, except as noted below, no other subsequent matters required disclosure or adjustment to the accompanying financial statements.

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

To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. Management believes that financial impact, if any, will not materially affect the June 30, 2019 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years***

Reporting Year	2019		2018		2017		2016		2015	
	Miscellaneous Plan		Miscellaneous Plan		Miscellaneous Plan		Miscellaneous Plan		Miscellaneous Plan	
									Classic	PEPRA
Proportion of the net pension liability (asset)	-0.01829%		0.00874%		0.02803%		0.03744%		0.01668%	0.00001%
Proportionate share of the net pension liability (asset)**	\$	(629,837)	\$	344,628	\$	973,847	\$	835,047	\$ 1,038,037	\$ 664
Covered - employee payroll ^{(1)**}	\$	3,115,011	\$	3,464,229	\$	3,422,438	\$	2,824,589	\$ 2,764,711	\$ 176,748
Proportionate share of the net pension liability (asset) as percentage of covered-employee payroll**	-20.22%		9.95%		28.45%		29.56%		37.55%	0.38%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	105.77%		96.11%		87.02%		87.61%		83.03%	83.02%
Plan's proportionate share of aggregate employer contributions ^{(2)**}	\$	375,831	\$	305,695	\$	888,148	\$	834,578	\$ 1,038,037	\$ 126

** Plan pertains to the Miscellaneous Plan of ACE and SGVCOG. Information presented in the financial statements represent amounts allocated to ACE.

Notes to Schedule

- ¹ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
- ² The plan's proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

See report of independent auditors.

**Alameda Corridor - East Project
(A Component Unit of San Gabriel Valley Council of Governments)
Schedule of Pension Contributions
Last Ten Years***

Reporting Year	2019	2018	2017	2016	2015	
	Miscellaneous Plan**	Miscellaneous Plan**	Miscellaneous Plan**	Miscellaneous Plan**	Miscellaneous Plan Classic**	Miscellaneous Plan PEPRA**
Actuarially determined contributions	\$ 363,686	\$ 450,749	\$ 527,296	\$ 318,540	\$ 286,167	\$ 10,141
Contributions in relation to the actuarially determined contributions	(363,686)	(450,749)	(527,296)	(318,540)	(286,167)	(10,141)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 3,115,011	\$ 3,464,229	\$ 3,422,438	\$ 2,824,589	\$ 2,764,711	\$ 176,748
Contributions as a percentage of covered-employee payroll	11.68%	13.01%	15.41%	11.28%	10.35%	5.74%

** Plan pertains to the Miscellaneous Plan of ACE and SGVCOG

Notes to Schedule:

Valuation date

June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization method / Period	Level percent of payroll
Remaining amortization period	15 years as of valuation date
Asset valuation method	5 year Smoothed Market
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15%, net of pension plan investment expense
Retirement age	55 years
Mortality	Derived using CalPERS Membership Data for all funds

*Fiscal year 2015 was the first fiscal year of implementation, therefore, only five years are shown.

See report of independent auditors.



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REPORT

DATE: June 1, 2020
TO: Executive Committee
FROM: Marisa Creter, Executive Director
RE: **AUDIT STATUS REPORT**

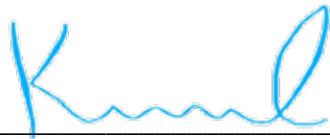
RECOMMENDED ACTION

Receive and file.

BACKGROUND

On an ongoing basis, the SGVCOG conducts audits on the agency's professional services contracts to verify that billable rates are being billed correctly. When discrepancies are discovered, audit staff will withhold disputed amounts from future progress or final retention payments on these contracts. Attachment A summarizes the activities by SGVCOG audit staff through March 31, 2020. Rey Alimoren, the SGVCOG Acting Finance Director, will provide a presentation on this item.

Prepared by:



Katie Ward
Senior Management Analyst

Approved by:



Marisa Creter
Executive Director

ATTACHMENTS

Attachment A – Audit Status Report

Attachment A

CONTRACT AUDIT STATUS REPORT, *through 03/31/2020*

AUDITOR	COMPLETED AUDITS QUARTER/TOTAL	AMOUNT RECOVERED THIS QTR	AMOUNT RECOVERED TOTAL	AUDITS TO BE DONE
MTA (5/01-6/06)	0 / 130	\$ 0	\$ 427,520	0
SGVCOG (4/08-Present)	5 / 208	\$ 271,027	\$ 5,607,192	9*
TOTAL	5 / 338	\$ 271,027	\$ 6,034,712	9

	PREVIOUS QUARTER	ADD(DEDUCT) THIS QUARTER	LESS: COMPLETED	TO BE DONE
Interim	2	0	2	0
Close-out	5	5	2	8
Post Award	7	-5	1	1
Internal Audit	0	0	0	0
TOTAL (SGVCOG)	14	0	5	9

CONTRACT AUDIT STATUS REPORT, 10/01/2019 – 03/31/2020

CONTRACTOR	PROJECT	AUDIT PERIOD	AMOUNT	QUESTIONED COSTS
Parsons Transportation Grp	SG Trench	1/02/16- 12/31/17	\$ 288,115	(\$1,092)
Twinning	SG Trench	12/27/14- 12/31/17	\$ 1,118,063	\$92,790
Railpros	At Grade Crossing	Post Award	\$1,587,351	\$179,329
AECOM	Puente	Closeout	\$3,006,650	-
SWCA	SG Trench	Closeout	\$347,174	-
			TOTAL	\$ 271,027

CONTRACT AUDIT STATUS REPORT, *through 03/31/2020*

RAILPROS (AT GRADE CROSSING)

QUESTIONED COSTS	
Labor:	
Proposed	\$ 1,340,275
Audited	\$ 1,160,946
TOTAL QUESTIONED COST	<u>\$ 179,329</u>



AGENDA AND NOTICE OF THE MEETING OF THE
SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS GOVERNING BOARD
THURSDAY, JUNE 18, 2020 - 4:00 P.M.*
Teleconference Meeting
Livestream Available at: sgvcog.org

SGVCOG Officers

President
Cynthia Sternquist

1st Vice President
Margaret Clark

2nd Vice President
Becky Shevlin

3rd Vice President
Tim Hephburn

Members

Alhambra
Arcadia
Azusa
Baldwin Park
Bradbury
Claremont
Covina
Diamond Bar
Duarte
El Monte
Glendora
Industry
Irwindale
La Cañada Flintridge
La Puente
La Verne
Monrovia
Montebello
Monterey Park
Pomona
Rosemead
San Dimas
San Gabriel
San Marino
Sierra Madre
South El Monte
South Pasadena
Temple City
Walnut
West Covina
First District, LA County
Unincorporated Communities
Fourth District, LA County
Unincorporated Communities
Fifth District, LA County
Unincorporated Communities
SGV Water Districts

Thank you for participating in tonight's meeting. The Governing Board encourages public participation and invites you to share your views on agenda items.

MEETINGS: *Regular Meetings of the Governing Board are held on the third Thursday of each month at 4:00 PM at the Foothill Transit Office (100 South Vincent Avenue, West Covina, CA 91790).* The Governing Board agenda packet is available at the San Gabriel Valley Council of Government's (SGVCOG) Office, 1000 South Fremont Avenue, Suite 10210, Alhambra, CA, and on the website, www.sgvcog.org. Copies are available via email upon request (sgv@sgvcog.org). Documents distributed to a majority of the Board after the posting will be available for review in the SGVCOG office and on the SGVCOG website. Your attendance at this public meeting may result in the recording of your voice.

PUBLIC PARTICIPATION: Your participation is welcomed and invited at all Governing Board meetings. Time is reserved at each regular meeting for those who wish to address the Board. SGVCOG requests that persons addressing the meeting refrain from making personal, slanderous, profane or disruptive remarks.

TO ADDRESS THE GOVERNING BOARD: At a regular meeting, the public may comment on any matter within the jurisdiction of the Board during the public comment period and may also comment on any agenda item at the time it is discussed. At a special meeting, the public may only comment on items that are on the agenda. Members of the public wishing to speak are asked to complete a comment card or simply rise to be recognized when the Chair asks for public comments to speak. We ask that members of the public state their name for the record and keep their remarks brief. There is a three-minute limit on all public comments. Proxies are not permitted, and individuals may not cede their comment time to other members of the public. **The Governing Board may not discuss or vote on items not on the agenda.**

AGENDA ITEMS: The Agenda contains the regular order of business of the Governing Board. Items on the Agenda have generally been reviewed and investigated by the staff in advance of the meeting so that the Governing Board can be fully informed about a matter before making its decision.

CONSENT CALENDAR: Items listed on the Consent Calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion on these items unless a Board member or citizen so requests. In this event, the item will be removed from the Consent Calendar and considered after the Consent Calendar. If you would like an item on the Consent Calendar discussed, simply tell Staff or a member of the Governing Board.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SGVCOG office at (626) 457-1800. Notification 48 hours prior to the meeting will enable the SGVCOG to make reasonable arrangement to ensure accessibility to this meeting.



***MEETING MODIFICATIONS DUE TO THE STATE AND LOCAL STATE OF EMERGENCY RESULTING FROM THE THREAT OF COVID-19:** On March 17, 2020, Governor Gavin Newsom issued Executive Order N-29-20 authorizing a local legislative body to hold public meetings via teleconferencing and allows for members of the public to observe and address the meeting telephonically or electronically to promote social distancing due to the state and local State of Emergency resulting from the threat of the Novel Coronavirus (COVID-19).

To follow the new Order issued by the Governor and ensure the safety of Board Members and staff for the purpose of limiting the risk of COVID-19, in-person public participation at the Governing Board meeting scheduled for June 18, 2020 at 4:00 p.m. will be not be allowed. Members of the public may view the meeting live on the SGVCOG's website. To access the meeting video, log onto www.sgvkog.org, click on the Governing Board Agenda text on the right-hand side of the homepage, then follow prompts to watch the meeting live.

Public comments can be submitted electronically by emailing kward@sgvcog.org at least 1 hour prior to the scheduled meeting time. Emailed public comments will be read into the record and should be limited to 150 words max. If you wish to comment on a specific agenda item, please identify the item in your email. General public comments will be addressed during the general public comment item on the agenda

Any member of the public requiring a reasonable accommodation to participate in this meeting should contact Katie Ward at least 48 hours prior to the meeting at (626) 457-1800 or at kward@sgvcog.org.

Draft

PRELIMINARY BUSINESS

5 MINUTES

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Public Comment (*If necessary, the President may place reasonable time limits on all comments*)
5. Changes to Agenda Order: Identify emergency items arising after agenda posting and requiring action prior to next regular meeting

PRESENTATIONS

15 MINUTES

6. FY 2018-2019 Financial Audit
Recommended Action: Receive and file.

LIAISON REPORTS

7. Gold Line Foothill Extension Construction Authority
8. Foothill Transit
9. Los Angeles County Metropolitan Transportation Authority
10. San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
11. San Gabriel Valley Mosquito & Vector Control District
12. Southern California Association of Governments
13. League of California Cities
14. San Gabriel Valley Economic Partnership
15. South Coast Air Quality Management District

PRESIDENT'S REPORT

5 MINUTES

EXECUTIVE DIRECTOR'S REPORT

10 MINUTES

GENERAL COUNSEL'S REPORT

5 MINUTES

COMMITTEE REPORTS

10 MINUTES

16. Transportation Committee
17. Homelessness Committee
18. Energy, Environment and Natural Resources Committee
19. Water Committee
20. Capital Projects and Construction Committee

CONSENT CALENDAR

5 MINUTES

(It is anticipated that the SGVCOG Governing Board may take action on the following matters)

21. Governing Board Meeting Minutes
Recommended Action: Adopt Governing Board minutes.
22. Monthly Cash Disbursements/Balances/Transfers
Recommended Action: Approve Monthly Cash Disbursements/Balances/Transfers.
23. Committee/TAC/Governing Board Attendance
Recommended Action: Receive and file.
24. 2nd Quarter Financial and Treasurer Reports
Recommended Action: Receive and file.
25. San Gabriel Valley Regional Housing Trust Staffing Agreement
Recommended Action: Authorize the Executive Director to execute an agreement with the San Gabriel Valley Regional Housing Trust to provide staffing.
26. Amendment to Executive Director Employment Agreement
Recommended Action: Authorize the President to execute a Third Amendment to the Agreement for Executive Director services with Marisa Creter.

27. Committee/TAC/Partnership Agency Appointments
Recommended Action: Appoint members to standing SGVCOG Policy Committees, Technical Advisory Committees, and other partnership agency appointments.
28. Pilot Program Recommendations
Recommended Action:
 - (1) *Fund the following pilot programs: Arcadia, Claremont, Covina, La Verne and Monrovia; and*
 - (2) *Re-allocate up to \$310,000 from the Master Leasing Program to the Pilot Programs Program; and*
 - (3) *Re-allocate the remaining funding from the Master Leasing Program to the Regional Coordination Program.*
29. Approval of Contract with the Gordian Group Inc to Administer Job Order Contracting Program
Recommended Action: Authorize the Executive Director to enter into a three (3) year contract with The Gordian Group, Inc. in the amount not to exceed \$5,000,000 for as needed Job Order Contracting services for various small capital projects for the San Gabriel Valley Council of Governments and its member agencies; and refer this contract to the Capital Projects and Construction Committee for oversight.
30. Financial Accounts for the Safekeeping of Property and Official Signatures
Recommended Action: Adopt Resolution No. 20-12 updating authorized official signatures on financial accounts at commercial bank institutes for the safekeeping of property.

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