



**Audited Financial Statements**  
***As of and For the Year Ended June 30, 2023***  
***with Independent Auditor's Report***

**San Gabriel Valley Council of Governments**  
**Audited Financial**  
**Statements as of and for the**  
**Year *Ended June 30, 2023 with***  
***Independent Auditor's Report***

# San Gabriel Valley Council of Governments

## Basic Financial Statements

For the year ended June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SGVCOG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the SGVCOG, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SGVCOG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SGVCOG's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

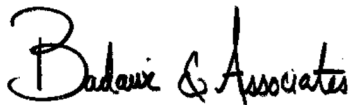
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension plan information, and OPEB plan information on pages 5-13 and pages 48-52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

To the Members of the Governing Board  
of San Gabriel Valley Council of Governments  
Monrovia, California  
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of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024 on our consideration of the SGVCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SGVCOG's internal control over financial reporting and compliance.



Badawi & Associates, CPAs  
Berkeley, California  
February 26, 2024

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# San Gabriel Valley Council of Governments

## Management's Discussion and Analysis

### Year ended June 30, 2023

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Our discussion and analysis of the San Gabriel Valley Council of Governments (SGVCOG) financial performance presents an overview of SGVCOG's financial activities during the year ended June 30, 2023. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 11). The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

#### **Background**

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

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

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

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

#### **Financial Highlights**

##### Primary Government

SGVCOG's financial highlights as of and for the year ended June 30, 2023, are as follows:

- Net position decreased by \$50.9 thousand, a decrease of 2% from the previous year.
- Total Operating revenues and expenses increased by \$3,575 thousand (34%) and \$4,190 thousand (42%), respectively, from the previous year. This was mainly attributable to the Stormwater Program, Homelessness Program, Regional Early Action Program (REAP), and Open Street Program activities.

**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2023**

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Component Unit

ACE's financial highlights as of and for the year ended June 30, 2023, are as follows:

- Net position decreased by \$2,092 thousand, a decrease of 7% from the previous year.
- Construction in progress increased by \$70.0 million, an increase of 14% from the previous year.
- Total revenues decreased by \$33.6 million, a decrease of 25% from the previous year.
- Total project expenses decreased by \$28.1 million, a decrease of 21% from the previous year.

**Overview of Financial Statements**

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

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

Various disclosures accompany the financial statements in order to provide a full picture of SGVCOG's finances. The notes to the financial statements are on pages 23-46.

**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2023**

**Financial Analysis**

Primary Government

*Condensed Statements of Net Position*

The following table summarizes the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of SGVCOG's primary government as of June 30, 2023, and 2022:

	June 30		Variance	
	2023	2022	Amount	%
Assets	\$ 11,744,811	\$ 9,628,633	\$ 2,116,178	22%
Deferred Outflow of resources	884,001	558,630	325,371	58%
Total assets and deferred outflows of resources	12,628,812	10,187,263	2,441,549	24%
Liabilities	9,561,951	7,255,077	2,306,874	32%
Deferred inflows of resources	371,907	186,369	185,538	100%
Total liabilities and deferred inflows of resource	9,933,858	7,441,446	2,492,412	33%
Net position				
Net investment in capital assets	206,667	-	206,667	
Restricted	2,344,184	2,284,671	59,513	3%
Unrestricted	144,103	461,146	(317,043)	-69%
	2,694,954	2,745,817	(50,863)	-2%

Assets increased in 2023 by \$2,116 thousand or 22%, and liabilities increased by \$2,307 thousand or 32%. The increase in assets is primarily due to purchases of depreciable assets and an increase in prepayments of grant fundings. The increase in liabilities is largely due to the increase in unearned revenues and lease liabilities.

As previously discussed, net position can serve as an indicator of financial health. The SGVCOG's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,694,954 and \$2,745,817 as of June 30, 2023, and 2022, respectively.

**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2023**

*Condensed Statements of Activities*

The following table presents the SGVCOG's revenues, expenses, and changes in net position for the years ended June 30, 2023, and 2022:

	June 30		Variance	
	2023	2022	Amount	%
<b>OPERATING REVENUES:</b>				
Dues:				
Membership	\$ 855,175	\$ 510,356	\$ 344,819	68%
Transportation	140,956	400,284	(259,328)	-65%
	<u>996,131</u>	<u>910,640</u>	<u>85,491</u>	<u>9%</u>
Grants and matches from other governments:				
Bike Share Program	-	2,239,359	(2,239,359)	-100%
Stormwater Program	6,800,157	174,468	6,625,689	3798%
Vehicle Miles Traveled Study	102,071	157,151	(55,080)	-35%
Coyote Management	90,000	103,333	(13,333)	-13%
Homelessness Program	2,180,467	195,088	1,985,379	1018%
Housing Homeless	-	3,161,624	(3,161,624)	-100%
Southern California Edison - Energywise	284,502	264,202	20,300	8%
Measure M Program	14,808	43,825	(29,017)	-66%
SGVRHT Trust	328,000	320,000	8,000	3%
Rio Hondo	233,494	1,954,240	(1,720,746)	-88%
Wildfire Program	126,072	19,588	106,484	544%
Mission to Mission - MTA	43,922	323,545	(279,623)	-86%
Workforce Development	330,553	-	330,553	100%
REAP	783,952	164,607	619,345	376%
Regional Food Recovery	281,773	338,495	(56,722)	-17%
SGV Slow Street	295,282	6,143	289,139	4707%
ULAR Fire Effects	208,263	-	208,263	100%
Food Insecurity	104,705	-	104,705	100%
Housing Linkage	78,051	-	78,051	100%
Broadband	17,916	-	17,916	100%
Community Wildfire	3,879	-	3,879	100%
Arroyo Fest	45,262	-	45,262	100%
E SGV Multimodal Improvement	105,375	-	105,375	100%
Heart of the Foothill	496,739	-	496,739	100%
Other Grand And Matches	501	-	501	100%
Total operating revenues	<u>13,951,875</u>	<u>10,376,308</u>	<u>3,575,567</u>	<u>34%</u>

**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2023**

OPERATING EXPENSES:				
Administrative	1,141,263	181,410	959,853	529%
Bike Share Program	-	2,382,008	(2,382,008)	-100%
Vehicle Miles Traveled Study	102,071	157,151	(55,080)	-35%
Stormwater Program	6,514,021	1,747,497	4,766,524	273%
Homelessness Program	2,180,428	3,214,347	(1,033,919)	-32%
Transportation	140,956	60,563	80,393	133%
MTA Open Street Program	489,408	(132,487)	621,895	-469%
Energywise	284,502	264,202	20,300	8%
Coyote Management	90,000	103,333	(13,333)	-13%
Housing Homeless	-	279,585	(279,585)	-100%
Measure M Program	15,309	43,825	(28,516)	-65%
SGVRHT Trust	1,320		1,320	100%
Rio Hondo	233,494	391,716	(158,222)	-40%
Strategy Plan EAP	326,680	320,000	6,680	2%
Wildfire Program	126,072	19,588	106,484	544%
Mission to Mission MTA	43,922	323,545	(279,623)	-86%
SGV Slow Street	295,282	6,143	289,139	4707%
Workforce Development	330,553	-	330,553	100%
REAP	783,952	164,607	619,345	376%
Regional Food Recovery	281,773	338,495	(56,722)	-17%
ULAR Fire Effects	208,263		208,263	100%
E SGV Multimodal Improvement	105,375		105,375	100%
Food Insecurity	104,705		104,705	100%
Housing Linkage	78,051		78,051	100%
HOTF	7,330		7,330	100%
Broadband	17,916		17,916	100%
Community Wildfire Protection	3,879		3,879	100%
Arroyo Fest	45,262		45,262	100%
Other Direct program expenses	104,008		104,008	100%
Total operating expenses	<u>14,055,795</u>	<u>9,865,528</u>	<u>4,190,267</u>	42%
Operating Income (Loss)	<u>(103,920)</u>	<u>510,780</u>	<u>(614,700)</u>	-120%
NONOPERATING REVENUES (EXPENSES)				
Investment income	53,096	(124,431)		0%
Interest expense	(39)	(157)	118	-75%
Total nonoperating income	<u>53,057</u>	<u>(124,588)</u>	<u>118</u>	0%
Change in net position	(50,863)	386,192	(614,582)	-159%
Net position, beginning of year	<u>2,745,817</u>	<u>2,359,625</u>	<u>386,192</u>	16%
Net position, end of year	<u>2,694,954</u>	<u>2,745,817</u>	<u>(228,390)</u>	-8%

During fiscal year 2023, total operating revenues increased by 34% from the previous year. As mentioned above, this was mainly attributable to the activity increase in the Stormwater Program, Homelessness, Regional Early Action Program (REAP), and Open Street Program.

Revenues for SGVCOG consist primarily of dues from 31 member cities, two Los Angeles County supervisorial districts, and a Joint Power Authority of the water agencies, which represents three municipal

**San Gabriel Valley Council of Governments**  
**Management’s Discussion and Analysis**  
**Year ended June 30, 2023**

water districts, cost reimbursable grants from the Stormwater program, Food recovery program, REAP, Open & Slow Street program, Homelessness program, Vehicle Miles Traveled Study program, Southern California Edison (SCE), a local utility, and grant matching funds from Los Angeles County MTA. The total grants and matches from other governments were \$13,951,875 in FY2023 compared to \$10,376,308 in FY2022, an increase of \$3,575,567 or 34%.

Operating expenses were \$14,055,795 in FY2023 compared to \$9,865,528 in FY2022, an increase of \$4,190,267 or 42%. The increase is primarily attributable to the Stormwater, Open & Slow Street, and Homelessness Programs.

Component Unit (ACE)

*Condensed Statements of Net Position*

The following table summarizes the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of ACE as of June 30, 2023, and 2022:

	June 30		Variance	
	2023	2022	Amount	%
Current and other assets	\$ 60,881,479	\$ 112,099,342	\$ (51,217,863)	-46%
Net pension assets	-	1,633,222	(1,633,222)	-100%
Capital assets	1,602,633	-	1,602,633	100%
Construction in progress	580,722,702	510,757,461	69,965,241	14%
Less: Due to member cities and Union Pacific Railroad	(580,722,702)	(510,757,461)	(69,965,241)	14%
Total Assets	<u>62,484,112</u>	<u>113,732,564</u>	<u>(51,248,452)</u>	-45%
Deferred outflow of resources	1,325,555	2,094,937	(769,382)	-37%
Liabilities	(35,381,375)	(85,329,591)	49,948,216	-59%
Deferred inflow of resources	(519,256)	(496,729)	(22,527)	5%
Net Position	<u>27,909,036</u>	<u>30,001,181</u>	<u>(2,092,145)</u>	-7%

**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2023**

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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 45% to \$ 51.2 million, mainly due to loan repayment to Metro Transportation Authority.

Construction in progress increased by 14% to \$580.7 million, primarily because of the 57/60 Diamond Bar Project, and the Fullerton Grade Separation Project.

Unbilled receivables decreased by 34% to \$23.0 million due to the completion of the Durfee and Fairway Projects.

**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2023**

*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, 2023, and 2022.

Total net position decreased by \$2.1 million or 7% for the year ended June 30, 2023. The decrease was due to adjustments of retirement expenses resulting from the change in the valuation of pension-related accounts.

	June 30		Variance	
	2023	2022	Amount	%
Project expenses				
Direct (Construction)	\$ 100,704,532	\$ 130,334,139	\$ (29,629,607)	-23%
Indirect expenses charged to operations	3,610,743	2,049,596	1,561,147	76%
Total project expenses	<u>104,315,275</u>	<u>132,383,735</u>	<u>(28,068,460)</u>	-21%
Operating revenues				
Grant reimbursements	67,709,753	73,215,356	(5,505,603)	-8%
Other operating revenues	33,942,871	62,005,735	(28,062,864)	-45%
Total revenues	<u>101,652,624</u>	<u>135,221,091</u>	<u>(33,568,467)</u>	-25%
Loss from operations	(2,662,651)	2,837,356	(5,500,007)	-194%
Nonoperating income (expense)				
Interest Income	413,567	(1,021,392)	1,434,959	-140%
Interest expense	(933,061)	(203,205)	(729,856)	359%
Gain on sale of property	1,090,000	0	1,090,000	
Total nonoperating income	<u>570,506</u>	<u>(1,224,597)</u>	<u>1,795,103</u>	-147%
Change in net position	(2,092,145)	1,612,759	(3,704,904)	-230%
Net position, beginning of year, as restated	<u>30,001,181</u>	<u>28,388,422</u>	<u>1,612,759</u>	6%
Net position, end of year	<u><u>27,909,036</u></u>	<u><u>30,001,181</u></u>	<u><u>(2,092,145)</u></u>	-7%



**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2023**

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**Capital Assets**

Primary Government

The SGVCOG had \$1,602,633 invested in capital assets, net of depreciation, as of June 30, 2023. The assets are from purchases of office furniture, leasehold improvement, equipment, and from GASB 87 lease asset.

Component Unit

ACE had \$1,602,633 invested in capital assets, net of depreciation, as of June 30, 2023.

**Economic Factors and Next Year's Budget**

Primary Government

The budget for fiscal year 2024 assumes that the on-hand net position as of June 30, 2023, will be required and available to fulfill the program and administrative expense requirements.

Component Unit

Budget expenses in fiscal year 2024 increased 19% over 2023 due to the new 57/60 Diamond Bar Project.

**Further Information**

This report has been designed to provide SGVCOG's stakeholders a general overview of the SGVCOG's financial condition and related issues. Inquiries should be directed to the Director of Finance, 1333 S. Mayflower Avenue, Suite 360, Monrovia, CA 91706.

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# **BASIC FINANCIAL STATEMENTS**

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**San Gabriel Valley Council of Governments**  
**Statement of Net Position**  
**June 30, 2023**

	SGVCOG	ACE	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 4,941,583	\$ 12,573,269	\$ 17,514,852
Restricted cash and investments	147,261	1,174,090	1,321,351
Grants receivable	2,887,733	6,824,119	9,711,852
Unbilled receivables	977,382	22,984,876	23,962,258
Internal balances	619,559	(619,559)	-
Retention receivable	(75)	5,792,123	5,792,048
Interest receivable	-	13,633	13,633
Prepaid expenses	11,083	382,209	393,292
Due from other governments	442,864	-	442,864
Property held for resale	-	8,153,338	8,153,338
Under-recovery of indirect costs	-	3,603,381	3,603,381
<b>Total current assets</b>	<b>10,027,390</b>	<b>60,881,479</b>	<b>70,908,869</b>
Noncurrent assets:			
Depreciable capital assets	1,602,633	1,602,633	3,205,266
Construction in progress	-	580,722,702	580,722,702
Less due to member cities and Union Pacific Railroad	-	(580,722,702)	(580,722,702)
<b>Total noncurrent assets</b>	<b>1,602,633</b>	<b>1,602,633</b>	<b>3,205,266</b>
<b>Total assets</b>	<b>11,630,023</b>	<b>62,484,112</b>	<b>74,114,135</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	881,952	1,322,927	2,204,879
Deferred outflows of resources related to OPEB	2,049	2,628	4,677
<b>Total deferred outflows of resources</b>	<b>884,001</b>	<b>1,325,555</b>	<b>2,209,556</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expense	2,981,139	21,542,291	24,523,430
Accrued retention payable	-	1,483,886	1,483,886
Unearned revenue	4,666,883	10,424,855	15,091,738
Lease liabilities	66,646	66,647	133,293
<b>Total current liabilities</b>	<b>7,714,668</b>	<b>33,517,679</b>	<b>41,232,347</b>
Noncurrent liabilities:			
Compensated absences	114,906	140,493	255,399
Lease Liabilities	1,329,320	1,329,319	2,658,639
Net pension liability	110,672	166,008	276,680
Total OPEB Liability	177,597	227,876	405,473
<b>Total noncurrent liabilities</b>	<b>1,732,495</b>	<b>1,863,696</b>	<b>3,596,191</b>
<b>Total liabilities</b>	<b>9,447,163</b>	<b>35,381,375</b>	<b>44,828,538</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pension	193,920	290,880	484,800
Deferred inflows of resources related to OPEB	177,987	228,376	406,363
<b>Total deferred inflows of resources</b>	<b>371,907</b>	<b>519,256</b>	<b>891,163</b>
<b>NET POSITION</b>			
Net investment in capital assets	206,667	206,667	413,334
Restricted	2,344,184	26,281,732	28,625,916
Unrestricted	144,103	1,420,637	1,564,740
<b>Total net position</b>	<b>\$ 2,694,954</b>	<b>\$ 27,909,036</b>	<b>\$ 30,603,990</b>

See accompanying Notes to Basic Financial Statements.

**San Gabriel Valley Council of Governments**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2023**

	SGVCOG	ACE	Total
<b>OPERATING REVENUES:</b>			
Dues:			
Membership	\$ 855,175	\$ -	\$ 855,175
Transportation	140,956	-	140,956
Total dues	996,131	-	996,131
Grants and matches from other governments:			
Stormwater Program	6,800,157	-	6,800,157
Vehicle Miles Travelled Study	102,071	-	102,071
Coyote Management	90,000	-	90,000
Homelessness Program	2,180,467	-	2,180,467
Southern California Edison - Energywise	284,502	-	284,502
Measure M Program	14,808	-	14,808
SGVRHT Trust	328,000	-	328,000
Rio Hondo	233,494	-	233,494
Wildfire Program	126,072	-	126,072
Mission to Mission-MTA	43,922	-	43,922
Workforce Development	330,553	-	330,553
REAP	783,952	-	783,952
Regional Food Recovery	281,773	-	281,773
SGV Slow Street	180,494	-	180,494
ULAR Fire Effects	208,263	-	208,263
Food Insecurity	104,705	-	104,705
Housing Linkage	78,051	-	78,051
Broadband	17,916	-	17,916
Community Wildfire Protection	3,879	-	3,879
Arroyo Fest	45,262	-	45,262
E SGV Multimodal Improvement	105,375	-	105,375
Heart of the Foothill	496,739	-	496,739
Other Grant and Matches	501	67,076,687	67,077,188
Construction project reimbursements	-	633,066	633,066
Other operating construction revenues	-	33,942,871	33,942,871
<b>Total operating revenues</b>	<b>13,837,087</b>	<b>101,652,624</b>	<b>115,489,711</b>

**San Gabriel Valley Council of Governments**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2023**

	SGVCOG	ACE	Total
<b>OPERATING EXPENSES:</b>			
Administrative	1,141,263	-	1,141,263
Vehicle Miles Travelled Study	102,071	-	102,071
Stormwater Program	6,514,021	-	6,514,021
Homeless Program	2,180,428	-	2,180,428
Transportation	140,956	-	140,956
MTA Open Street Program	489,408	-	489,408
Energywise	284,502	-	284,502
Coyote Management	90,000	-	90,000
Measure M Program	15,309	-	15,309
SGVRHT Trust	1,320	-	1,320
Rio Hondo	233,494	-	233,494
Strategy Plan EAP	326,680	-	326,680
Wildfire Program	126,072	-	126,072
Mission to Mission MTA	43,922	-	43,922
SGV Slow Street	180,494	-	180,494
Workforce Development	330,553	-	330,553
REAP exp	783,952	-	783,952
Regional Food Recovery	281,773	-	281,773
ULAR Fire Effects	208,263	-	208,263
E SGV Multimodal Improvement	105,375	-	105,375
Food Insecurity	104,705	-	104,705
Housing Linkage	78,051	-	78,051
HOTF	7,330	-	7,330
Broadband	17,916	-	17,916
Community Wildfire Protection	3,879	-	3,879
Arroyo Fest	45,262	-	45,262
Direct construction project expenses	104,008	100,704,532	100,808,540
Indirect construction project expenses charged to operations	-	3,610,743	3,610,743
<b>Total operating expenditures</b>	<b>13,941,007</b>	<b>104,315,275</b>	<b>118,256,282</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(103,920)</b>	<b>(2,662,651)</b>	<b>(2,766,571)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	53,096	413,567	466,663
Interest expense	(39)	(933,061)	(933,100)
Gain on sale of property	-	1,090,000	1,090,000
<b>Total nonoperating revenues (expenses)</b>	<b>53,057</b>	<b>570,506</b>	<b>623,563</b>
<b>Change in net position</b>	<b>(50,863)</b>	<b>(2,092,145)</b>	<b>(2,143,008)</b>
<b>NET POSITION:</b>			
Beginning of year	2,745,817	30,001,181	32,746,998
End of year	<b>\$ 2,694,954</b>	<b>\$ 27,909,036</b>	<b>\$ 30,603,990</b>

See accompanying Notes to Basic Financial Statements.

# San Gabriel Valley Council of Governments

## Statement of Cash Flows

For the year ended June 30, 2023

	SGVCOG	ACE	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from construction activities	\$ -	\$ 108,133,259	\$ 108,133,259
Cash receipts from cities	996,131	-	996,131
Cash receipts from all other services	10,360,356	-	10,360,356
Cash paid for operating expenses	(12,950,400)	(104,473,568)	(117,423,968)
Cash paid for employee compensation and related costs	(779,812)	(1,039,962)	(1,819,774)
<b>Net cash provided by (used in) operating activities</b>	<b>(2,373,725)</b>	<b>2,619,729</b>	<b>246,004</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund advances	(658,555)	658,555	-
Principal paid on MTA promissory note payable	-	(30,000,000)	(30,000,000)
Interest paid on MTA promissory note payable	-	(911,683)	(911,683)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(658,555)</b>	<b>(30,253,128)</b>	<b>(30,911,683)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest paid	(39)	(21,378)	(21,417)
Principal paid on leases	(11,344)	(11,344)	(22,688)
Acquisition of capital assets	(299,331)	(332,845)	(632,176)
Proceeds from sale of capital assets	-	4,105,000	4,105,000
Interest received	53,557	403,129	456,686
<b>Net cash provided by (used in) capital and financing activities</b>	<b>(257,157)</b>	<b>4,142,562</b>	<b>3,885,405</b>
<b>Net cash flows</b>	<b>(3,289,437)</b>	<b>(23,490,837)</b>	<b>(26,780,274)</b>
<b>CASH AND INVESTMENTS - Beginning of year</b>	<b>8,378,281</b>	<b>37,238,196</b>	<b>45,616,477</b>
<b>CASH AND INVESTMENTS - End of year</b>	<b>\$ 5,088,844</b>	<b>\$ 13,747,359</b>	<b>\$ 18,836,203</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (103,920)	\$ (2,662,651)	\$ (2,766,571)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	104,008	104,008	208,016
Changes in assets, liabilities, deferred outflows, and deferred inflows			
(Increase) decrease in:			
Grants receivable	(2,451,057)	11,647,347	9,196,290
Unbilled receivable	(566,565)	11,857,364	11,290,799
Retention receivable	609	(994,850)	(994,241)
Prepaid expenses	(4,370)	367,375	363,005
Due from other government	(442,864)	-	(442,864)
Under-recovery of indirect cost	-	1,220,187	1,220,187
Net pension asset	434,147	1,633,222	2,067,369
Deferred outflows of resources related to pension	(325,788)	769,307	443,519
Deferred outflows of resources related to OPEB	417	75	492
Increase (decrease) in:			
Accounts payable and accrued expense	144,413	(4,289,550)	(4,145,137)
Accrued retention payable	-	(1,171,056)	(1,171,056)
Unearned revenue	979,277	(16,029,226)	(15,049,949)
Due to other governments	(394,707)	-	(394,707)
Compensated absences	55,726	55,324	111,050
Deferred inflows of resources related to pension	84,225	(121,781)	(37,556)
Deferred inflows of resources related to OPEB	101,313	144,308	245,621
Net pension Liability	110,672	166,008	276,680
Total OPEB Liability	(99,261)	(75,682)	(174,943)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (2,373,725)</b>	<b>\$ 2,619,729</b>	<b>\$ 246,004</b>

See accompanying Notes to Basic Financial Statements.



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# NOTES TO BASIC FINANCIAL STATEMENTS

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**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**1. SUMMARY OF SIGNIFICANT POLICIES**

**A. Organization and Activities**

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

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

**B. Reporting Entity**

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

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

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

- Restructure ACE so it will be an ongoing operation as a division of SGVCOG, and not expire at the end of its mission (currently estimated to be in fiscal year 2023-28).
- Expand the jurisdiction of ACE as a construction and projects entity that can serve all of the San Gabriel Valley.
- Restructure the ACE Board so that it has representation from the entire San Gabriel Valley and revise its role so it is no longer a separate Board with management control over ACE but instead will be a standing committee advisory to the Governing Board regarding the ACE operation.
- Integrate SGVCOG and ACE staff under a single personnel system reporting to the Executive Director of SGVCOG.

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

**C. Basis of Accounting**

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

**C. Basis of Accounting, Continued**

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

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on resources through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of resources that do not meet the definition of “restricted” or “net investment in capital assets.”

The following are the major revenue components of the SGVCOG:

Homelessness – 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.

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.

SCAG REAP (Local) - The SGVCOG was awarded funding from the Southern California Association of Government (SCAG) Regional Early Action Program (REAP) Subregional Partnership Program. REAP is intended to help accelerate housing production throughout the SCAG region, which includes the San Gabriel Valley, and have a net positive effect on housing supply by increasing housing planning, meeting the sixth cycle regional housing needs assessment (RHNA). The SGVCOG is currently working to implement the following activities: Surplus Land Inventory, SGVRHT Funding/Implementation Strategy, Affordable Housing Incubator, Housing Leadership Academy, and San Gabriel Valley Regional Land Trust.

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

**C. Basis of Accounting, Continued**

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

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

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

**D. Budgetary Reporting**

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

**E. Cash and Investments**

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

**F. Grants Receivable**

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

**G. Grant Revenues and Expenditures**

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

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

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

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

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

**I. Construction in Progress**

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

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

Pursuant to GASB Statement Nos. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities, SGVCOG and ACE recognize deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets by the government that is applicable to a future reporting period. Refer to Note 9 and 10 for the list of deferred outflows and deferred inflows of resources that SGVCOG and ACE have recognized as of June 30, 2023.

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

**K. Pension**

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

**L. Other Postemployment Benefits (OPEB)**

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

**M. Use of Estimates**

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

**N. Property Held for Sale**

The property held for sale is recorded at the lower of acquisition cost or estimated net realizable value. At June 30, 2023, property held for resale was \$8,153,338.

**O. Implementation of New Accounting Pronouncements**

During the fiscal year ended June 30, 2023, SGVCOG adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

- GASB Statement 91, Conduit Debt Obligations – The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement did not apply to the SGVCOG for the current fiscal year.

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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

**O. Implementation of New Accounting Pronouncements, Continued**

- GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this Statement did not apply to the SGVCOG for the current fiscal year.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements – The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement did not apply to the SGVCOG for the current fiscal year.

**2. CASH AND INVESTMENTS**

Cash and cash equivalents as of June 30, 2023 are as follows:

<u>SGVCOG</u>	
Deposits with financial institution	\$ 1,908,616
Investments	2,786,328
LAIF	<u>246,639</u>
Subtotal	<u>4,941,583</u>
 <u>ACE</u>	
Cash in bank	2,924,377
LAIF	1,710,010
Money market funds	7,865,853
Investments	<u>73,029</u>
Subtotal	<u>12,573,269</u>
Total unrestricted cash and investments	<u>\$ 17,514,852</u>
 <u>SGVCOG</u>	
Restricted cash - money market funds	\$ 5,130
Investment held in pension trust	<u>142,131</u>
Subtotal	<u>147,261</u>
 <u>ACE</u>	
Investment held in pension trust	<u>1,174,090</u>
Total restricted cash and investments	<u>\$ 1,321,351</u>



**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**2. CASH AND INVESTMENTS, Continued**

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

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

Primary government:

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

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

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**2. CASH AND INVESTMENTS, Continued**

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

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

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
<u>SGVCOG</u>				
LAIF	\$ 246,639	\$ 246,639	\$ -	\$ -
Money Market Funds	5,130	5,130	-	-
Liquidity Funds	1,004,324	1,004,324	-	-
Government Agencies	1,523,609	439,058	585,331	499,220
Corporate Bonds	228,735	48,945	179,790	-
Municipal Bonds	29,660	29,660	-	-
Total for SGVCOG	3,038,097	1,773,756	765,121	499,220
<u>ACE</u>				
LAIF	1,710,010	1,710,010	-	-
Money Market Funds	7,865,853	7,865,853	-	-
Liquidity Funds	73,029	73,029	-	-
Total for ACE	9,648,892	9,648,892	-	-
Total investments	\$ 12,686,989	\$ 11,422,648	\$ 765,121	\$ 499,220

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

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
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**2. CASH AND INVESTMENTS, Continued**

**D. Credit Risk**

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

Investment Type		Minimum Legal Rating	Rating as of June 30, 2022					Not Rated
			AAA	AA+	A+	A	AA-	
<u>SGVCOG</u>								
LAIF	\$ 246,639	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246,639
Money Market Funds	5,130	A	5,130	-	-	-	-	-
Liquidity Funds	2,527,933	N/A	-	1,523,609	-	-	-	1,004,324
Government Agencies	228,735	A	-	-	48,945	179,790	-	-
Corporate Bonds	-	A	-	-	-	-	-	-
Municipals	29,660	A	-	-	-	-	29,660	-
Subtotal	<u>3,038,097</u>		<u>5,130</u>	<u>1,523,609</u>	<u>48,945</u>	<u>179,790</u>	<u>29,660</u>	<u>1,250,963</u>
<u>ACE</u>								
LAIF	1,710,010	N/A	-	-	-	-	-	1,710,010
Money Market Funds	7,865,853	A	7,865,853	-	-	-	-	-
Liquidity Funds	73,029	N/A	-	-	-	-	-	73,029
Government Agencies	-	A	-	-	-	-	-	-
Corporate Bonds	-	A	-	-	-	-	-	-
Municipals	-	A	-	-	-	-	-	-
Subtotal	<u>9,648,892</u>		<u>7,865,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,783,039</u>
Total	<u>\$ 12,686,989</u>		<u>\$ 7,870,983</u>	<u>\$ 1,523,609</u>	<u>\$ 48,945</u>	<u>\$ 179,790</u>	<u>\$ 29,660</u>	<u>\$ 3,034,002</u>

**E. Concentrations of Credit Risk**

The investment policy of the SGVCOG contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2023, the SGVCOG and ACE (a division of SGVCOG) have no investments in any one issuer (other than money market funds and external investment pools) that represent 10% or more of total SGVCOG and ACE’s (a division of SGVCOG) investments.

**F. Custodial Credit Risk**

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**2. CASH AND INVESTMENTS, Continued**

**F. Custodial Credit Risk, Continued**

The California Government Code and SGVCOG's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure local government units' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, the SGVCOG's cash in bank balances of \$1,908,616 exceeded the \$250,000 deposit insurance of the Federal Deposit Insurance Corporation (FDIC) by \$1,658,616. Similarly, ACE's deposit of \$2,924,377 with financial institutions is in excess of federal depository insurance limits, yet these funds are held in collateralized accounts.

**G. Investments in State Investment Pool**

The SGVCOG and ACE are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

The fair value of the SGVCOG's investment in this pool is \$246,639 at June 30, 2023 based upon the SGVCOG's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). LAIF's (and the SGVCOG's) exposure to risk (credit, market or legal) is not currently available.

The fair value of ACE's investment in this pool is \$1,710,010 at June 30, 2023 based upon ACE's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). LAIF's (and ACE's) exposure to risk (credit, market or legal) is not currently available.

**H. Fair Value Measurement**

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

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**2. CASH AND INVESTMENTS, Continued**

**H Fair Value Measurement, Continued**

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

Investment Type	June 30, 2023				Total
	Investments that are not subject to the leveling disclosure	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
<u>SGVCOG</u>					
LAIF	\$ 246,639	\$ -	\$ -	\$ -	\$ 246,639
Money Market Funds	-	-	5,130	-	5,130
Liquidity Funds	-	-	1,004,324	-	1,004,324
Government Agencies	-	-	1,523,609	-	1,523,609
Corporate Bonds	-	-	228,735	-	228,735
Municipals	-	-	29,660	-	29,660
Total for SGVCOG	246,639	-	2,791,458	-	3,038,097
<u>ACE</u>					
LAIF	1,710,010	-	-	-	1,710,010
Money Market Funds	-	-	7,865,853	-	7,865,853
Liquidity Funds	-	-	73,029	-	73,029
Total for ACE	1,710,010	-	7,938,882	-	9,648,892
Total investments	\$ 1,956,649	\$ -	\$ 10,730,340	\$ -	\$ 12,686,989

**3. CAPITAL ASSETS**

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Cost:				
Leasehold improvements	\$ 19,762	\$ -	\$ -	\$ 19,762
Computer equipment	349,816	-	-	349,816
Telephone equipment	12,086	-	-	12,086
Office furniture	31,972	598,662	-	630,634
Right-of-use building	-	2,814,619	-	2,814,619
Total cost	413,636	3,413,281	-	3,826,917
Less Accumulated depreciation and amortization for:				
Leasehold improvements	19,762	-	-	19,762
Computer equipment	349,816	-	-	349,816
Telephone equipment	12,086	-	-	12,086
Office furniture	31,972	33,466	-	65,438
Right-of-use building	-	174,549	-	174,549
Total accumulated depreciation and amortization	413,636	208,015	-	621,651
Capital assets, net	\$ -	\$ 3,205,266	\$ -	\$ 3,205,266

Depreciation expense included in indirect expenses for the year ended June 30, 2023 amounted to \$208,015.

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**4. RECEIVABLES**

Receivables as of June 30, 2023, in the aggregate, including retention, are as follows:

Receivables	SGVCOG	ACE	Total
Grants	\$ 2,887,733	\$ 6,824,119	\$ 9,711,852
Unbilled	1,092,170	22,984,876	24,077,046
Retention	(75)	5,792,123	5,792,048
Interest	-	13,633	13,633
Total	<u>\$ 3,979,828</u>	<u>\$ 35,614,751</u>	<u>\$ 39,594,579</u>

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

In June 2013, ACE entered into a promissory note to borrow up to \$45,000,000, in variable rate, from the Los Angeles County Metropolitan Transportation Authority to be used as working capital. Interest rates vary according to market conditions and have ranged from 1.38% to 2.25%. The note payable balance was paid off during fiscal year 2023.

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

**6. GRANTS RECEIVABLE**

During the year ended June 30, 2023, 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, 2023 are shown net of disallowed costs. CalTRANS approved, under Uniform Guidance section 2 CFR 200.516, an indirect overhead allocation formula of 244.26% of total direct salaries and fringe benefit costs. Indirect costs incurred charged to grants for the year ended June 30, 2023 were \$335,916.

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**7. ADMINISTRATIVE EXPENSES**

The following were the administrative expenses of the primary government for the year ended June 30, 2023:

Salaries and wages	\$ 665,575
Fringe benefits	171,188
GASB 68 pension valuation adjustment	303,256
GASB 75 pension valuation adjustment	2,469
Professional services	70,332
Legal	54,444
Rent - other	15,816
Meetings / travel	34,592
Grant writing services	40,000
Printing / publications	6,285
Insurance	3,680
Webpage / software services	60,145
Utilities	2,542
Administrative fees	4,977
Office supplies	5,384
Equipment and soft acquisition	5,058
Dues and subscriptions	9,693
Storage	2,585
Postage	1,018
Miscellaneous	18,140
Administrative expenses charged to grants	<u>(335,916)</u>
	<u>\$ 1,141,263</u>

**8. LEASE LIABILITY (OFFICE BUILDING)**

On November 1, 2023, the SGVCOG entered into a 130-month Lease Agreement as lessee of a site for the office building. The SGVCOG pays the landlord \$22,687 monthly with a 3% increase. An initial lease liability was recorded in the amount of \$2,814,619. As of June 30, 2023, the value of the lease liability is \$2,791,932. The SGVCOG is required to make monthly payments of \$22,687 and increase annually by 3% every month. The lease has an interest rate of 2.157%. The value of the right to use asset as of June 30, 2023 of \$2,814,619 with accumulated amortization of \$174,549 is included in the intangible assets on the capital assets activities table found in Note 3 above.

**San Gabriel Valley Council of Governments**  
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**For the year ended June 30, 2023**

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**8. LEASE LIABILITY (OFFICE BUILDING), Continued**

Annual debt service requirements for the lease is as follow:

Year Ending	Principal	Interest
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 133,293	\$ 99,707
2025	231,644	55,083
2026	245,377	49,951
2027	259,670	44,518
2028	274,543	38,771
2029-2033	1,617,584	95,800
2034	<u>29,820</u>	<u>54</u>
Total	<u>\$ 2,791,932</u>	<u>\$ 383,885</u>

**9. RELATED PARTY TRANSACTIONS**

For the year ended June 30, 2023, SGVCOG paid ACE a total of \$149,395 for transportation technical, administrative, accounting support, and travel expenses. As of June 30, 2023, SGVCOG owed ACE \$618,559.

**10. EMPLOYEE BENEFIT PLAN**

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

Plan Description

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

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

Benefits Provided

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



**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**10. EMPLOYEE BENEFIT PLAN, Continued**

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

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
	Prior to Jan. 1, 2013	On or after 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	50-63	52 - 67
Monthly benefits , as a % of eligible compensation	1.1% to 2.5%	1.0% to 2.5%
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	10.340%	7.590%

**Contributions**

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

For the measurement period ended June 30, 2022, the contributions made to the Plan were as follows:

	Miscellaneous Plan		
	SGVCOG	ACE	Total
Contributions-employer	\$ 138,727	\$ 208,091	\$ 263,948

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

As of June 30, 2023, SGVCOG and ACE (a division of SGVCOG) reported net pension liabilities (assets) for their proportionate shares of the net pension liabilities (assets) of the Plan as follows:

	Proportionate Share of Net Pension Liabilities (Assets)		
	SGVCOG	ACE	Total
Miscellaneous Plan	\$ 110,672	\$ 166,008	\$ 276,680

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**10. EMPLOYEE BENEFIT PLAN, Continued**

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

The net pension liabilities (assets) for the Plan are measured as the proportionate share of the net pension liabilities (assets). The net pension liabilities (assets) of the Plan are measured as of June 30, 2022, 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, 2021 rolled forward to June 30, 2022 using standard update procedures. SGVCOG's and ACE (a division of SGVCOG)'s proportion of the net pension liabilities (assets) were based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, which are actuarially determined.

Effective for measurement period 2015, CalPERS provides the GASB Statement No.68 Accounting Valuation Report for the miscellaneous risk pool and allocation methodology to be used by participants in the risk pool. The schedules of employer allocation include allocation for the Total Pension Liability, Plan Fiduciary Net Position and all other pension amounts (e.g. deferred outflows/inflows of resources and pension expense). The Total Pension Liability and other pension amounts are allocated based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2021 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, 2021 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

The SGVCOG's and ACE (a division of SGVCOG)'s proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2021 and 2022 were as follows:

Proportion - June 30, 2021	-0.038226%
Proportion - June 30, 2022	0.002400%
Change - Increase (Decrease)	-0.035480%

At June 30, 2023, SGVCOG and ACE (a division of SGVCOG) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan					
	SGVCOG		ACE		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 138,727	\$ -	\$ 208,091	\$ -	\$ 346,818	\$ -
Differences between actual and expected experience	2,222	1,488	3,334	2,233	5,556	3,721
Changes in assumption	11,341	-	17,011	-	28,352	-
Changes in employer's proportion	709,389	-	1,064,084	-	1,773,473	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	192,432	-	288,647	-	481,079
Net differences between projected and actual earnings on pension plan investments	20,272	-	30,408	-	50,680	-
<b>Total</b>	<b>\$ 881,952</b>	<b>\$ 193,920</b>	<b>\$ 1,322,927</b>	<b>\$ 290,880</b>	<b>\$ 2,204,879</b>	<b>\$ 484,800</b>

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
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**10. EMPLOYEE BENEFIT PLAN, Continued**

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

SGVCOG and ACE (a division of SGVCOG) reported \$138,727 and \$208,091, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	SGVCOG	ACE	Total
2024	\$ 216,928	\$ 325,391	\$ 542,319
2025	198,023	297,034	495,057
2026	121,955	182,932	304,887
2027	12,399	18,212	30,998

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	6.90%
Inflation	2.30%
Salary increases	(1)
Mortality (4)	(2)
Post-Retirement Benefit Increase	(3)

(1) Varies by entry age and service

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

(3) Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

(4) The mortality table used was developed based on CalPERS-specific data. The includes 15 years of mortality improvements using Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the December 2021 experience study report that can be found on the CalPERS website.

**San Gabriel Valley Council of Governments**  
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**10. EMPLOYEE BENEFIT PLAN, Continued**

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

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

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

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

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

Asset Class	Assumed Asset Allocation	Real Return (a,b)
Global Equity-Cap weighted	30.00%	4.45%
Global Equity-non-Cap weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage Backed Securities	5.00%	0.50%
Investment Grade Corporate	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.80%
Private Debt	5.00%	3.75%
Real Estate	15.00%	3.21%
Liquidity	-5.00%	-0.59%
Total	100%	

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

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

**San Gabriel Valley Council of Governments**  
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**10. EMPLOYEE BENEFIT PLAN, Continued**

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

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

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

	Miscellaneous Plan		
	SGVCOG	ACE	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability(Asset)	\$ 866,470	\$ 1,299,704	\$ 2,166,174
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability(Asset)	\$ 110,672	\$ 166,008	\$ 276,680
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability(Asset)	\$ (511,162)	\$ (766,742)	\$ (1,277,904)

**C. Pension Plan Fiduciary Net Position**

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

**D. Payable to the Pension Plan**

At June 30, 2023, SGVCOG and ACE did not have outstanding balance for contribution to the pension plan required for the year ended June 30, 2023.

**E. Deferred Compensation Plan**

ACE (a division of SGVCOG) has entered into a salary reduction deferred compensation plan for its employees. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may withdraw their participation at any time by giving written notice at least a week in advance prior to the effective date of the withdrawal. At June 30, 2023, plan assets totaling \$3,045,993 were held by independent trustees. Accordingly, such amounts are not reflected in the accompanying basic financial statements.

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**11. OTHER POSTEMPLOYMENT BENEFITS PLAN**

**A. Plan Description**

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

As of June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	<u>SGVCOG</u>	<u>ACE</u>	<u>Total</u>
Inactives currently receiving benefits	-	1	1
Inactives entitled to but not yet receiving benefits	2	8	10
Active employees	<u>19</u>	<u>18</u>	<u>37</u>
Total	<u>21</u>	<u>27</u>	<u>48</u>

**B. Contributions**

The contribution requirements of the plan members and the SGVCOG are established and may be amended by the SGVCOG. For the measurement period, contributions totaled \$4,975, which includes \$4,635 implied subsidy benefit payments.

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**11. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued**

**C. Net OPEB Liability**

The SGVCOG’s net OPEB liability as of June 30, 2023 was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability for measurement date June 30, 2023 was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

	Retiree Health Care Plan
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Contribution Policy	No pre-funding
Discount Rate	3.65% at June 30, 2023 (Bond Buyer 20-Bond Index)
	3.54% at June 30, 2022 (Bond Buyer 20-Bond Index)
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 8.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increase	3.50% annually
Participation at Retirement	Actives and surviving spouses: Covered - 80% Waived - 80% Retirees and surviving spouses: Covered - 100% (n/a) Waived - 0%

**D. Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2023 was 3.65 percent. The SGVCOG’s OPEB Plan is a no pre-funding plan and the discount rate was set to the Bond Buyer 20 General Obligation Municipal Bond Index, as of the measurement date.

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**11. OTHER POST EMPLOYMENT BENEFITS PLAN, Continued**

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

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

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2022</b>	\$ 580,416
Changes during the year:	
Service cost	88,340
Interest on the total OPEB liability	23,586
Changes in assumptions	(147,440)
Differences between Expected and actual experience	(134,479)
Benefit payments	(4,950)
Net changes	(174,943)
<b>Balance at June 30, 2023</b>	<b>\$ 405,473</b>

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

The following presents the total OPEB liability of the SGVCOG and ACE (a division unit of SGVCOG) if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	Changes in the Discount Rate		
	SGVCOG	ACE	Total
1% Decrease	2.65%	2.65%	2.65%
Total OPEB Liability	\$ 212,313	\$ 272,421	\$ 484,734
Current Discount Rate	3.65%	3.65%	3.65%
Total OPEB Liability	\$ 177,597	\$ 227,876	\$ 405,473
1% Increase	4.65%	4.65%	4.65%
Total OPEB Liability	\$ 150,029	\$ 192,502	\$ 342,531

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

The following presents the net OPEB liability of the SGVCOG and ACE if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	Changes in the Health Trend Rate		
	SGVCOG	ACE	Total
1% Decrease			
Total OPEB Liability	\$ 141,420	\$ 181,456	\$ 322,876
Current Trend			
Total OPEB Liability	\$ 177,597	\$ 227,876	\$ 405,473
1% Increase			
Total OPEB Liability	\$ 226,231	\$ 290,279	\$ 516,510



**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

**11. OTHER POST EMPLOYMENT BENEFITS PLAN, Continued**

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

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

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

For the fiscal years ended June 30, 2023, the SGVCOG and ACE (a division of SGVCOG) recognized OPEB expense of \$76,145. For the fiscal years ended June 30, 2023, the SGVCOG and ACE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SGVCOG		ACE		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 54,264	\$ -	\$ 69,626	\$ -	\$ 123,890
Changes in assumption	2,049	123,723	2,628	158,750	4,677	282,473
Total	<u>\$ 2,049</u>	<u>\$ 177,987</u>	<u>\$ 2,628</u>	<u>\$ 228,376</u>	<u>\$ 4,677</u>	<u>\$ 406,363</u>

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

Year Ending June 30	SGVCOG	ACE	Total
2024	\$ (15,683)	\$ (20,123)	\$ (13,608)
2025	(15,683)	(20,123)	(13,608)
2026	(15,683)	(20,123)	(13,608)
2027	(15,683)	(20,123)	(13,608)
2028	(15,683)	(20,123)	(13,608)
Thereafter	(97,524)	(125,132)	(222,656)

**12. COMMITMENTS AND CONTINGENCIES**

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

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

**San Gabriel Valley Council of Governments**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2023**

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**12. 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 fund for the benefit of the contractors until the escrow is terminated. The Escrow Agent, contractor or ACE may terminate this Escrow Agreement, with or without cause, by providing 30 days prior written notice to the other parties. In the event of termination of this Escrow Agreement, all the funds on deposit shall be paid to ACE and any accrued interest less escrow fees shall be paid to the contractor. ACE has recognized expenses related to contract retention payments totaling \$9,280,177 for the fiscal year ended June 30, 2023. Funds are deposited in several escrow accounts until release to the contractor is authorized.

**13. CONSTRUCTION IN PROGRESS AND TRANSFER OF COMPLETED PROJECTS**

Except for minor acquisitions that may be sold by ACE when no longer needed, all of the construction projects, when completed, will be deeded and transferred to the UPRR and the cities in which they are located at no cost to the acquirer. At June 30, 2023, \$580,722,702 of costs was accumulated on projects in process and \$1,066,259,389 had been transferred to UPRR and impacted cities.

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

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

**14. SUBSEQUENT EVENTS**

SGVCOG and ACE have evaluated events or transactions that occurred subsequent to the balance sheet date through February 26, 2024, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no subsequent matters required disclosure or adjustment to the accompanying financial statements.

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# REQUIRED SUPPLEMENTARY INFORMATION

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**San Gabriel Valley Council of Governments**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

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

	Measurement Period		
	2022	2021	2020
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Proportion of the net pension liability (asset)	0.00240%	-0.03823%	-0.0275%
Proportionate share of the net pension liability (asset)	\$ 276,680	\$ (2,067,369)	\$ (298,796)
Covered payroll	\$ 3,060,627	\$ 2,724,885	\$ 3,114,693
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	9.04%	-75.87%	-9.59%
Plan's proportionate share of the fiduciary net position as as a percentage of the total pension liability	76.68%	88.29%	75.10%

**Notes to Schedule:**

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

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

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

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<b>Measurement Period</b>					
<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
-0.00494%	-0.00715%	0.00348%	0.01125%	0.01214%	0.00000%
\$ (506,076)	\$ (689,323)	\$ 344,628	\$ 973,847	\$ 833,171	\$ -
\$ 3,409,212	\$ 4,050,997	\$ 3,781,297	\$ 2,989,505	\$ 2,919,902	\$ 2,414,903
-14.84%	-17.02%	9.11%	32.58%	28.53%	0.00%
75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

**San Gabriel Valley Council of Governments**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

*Schedule of Pension Contributions - Last 10 Years\**

	Fiscal Year			
	2023	2022	2021	2020
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Actuarially determined contributions	\$ 346,818	\$ 268,246	\$ 263,948	\$ 455,998
Contributions in relation to the actuarially determined contributions	(346,818)	(268,246)	(263,948)	(455,998)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,051,439	\$ 3,060,627	\$ 2,724,885	\$ 3,114,693
Contributions as a percentage of covered payroll	8.56%	8.76%	9.69%	14.64%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value
Inflation:	2.50%	2.50%	2.50%	2.63%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.00%	7.25%
Retirement age:	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

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

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

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

Fiscal Year				
2019	2018	2017	2016	2015
Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
\$ 411,327	\$ 1,334,594	\$ 1,427,296	\$ 441,843	\$ 696,060
(411,327)	(1,334,594)	(1,427,296)	(441,843)	(696,060)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,409,212	\$ 4,050,997	\$ 3,781,297	\$ 2,989,505	\$ 2,919,902
12.07%	32.94%	37.75%	14.78%	23.84%

6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)	(2)
7.375%	7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)	(4)

**San Gabriel Valley Council of Governments**  
**Required Supplementary Information**  
**For the year ended June 30, 2023**

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

For the Measurement Period Ended:	6/30/2023	6/30/2022	6/30/2021
<b>Total OPEB Liability</b>			
Service cost	\$ 88,340	\$ 120,206	\$ 115,531
Interest	23,586	15,983	13,297
Differences between actual and expected experience	(134,479)	-	-
Changes in assumptions	(147,440)	(174,842)	6,153
Benefit payments	(4,950)	(1,384)	(1,293)
<b>Net change in the total OPEB liability</b>	(174,943)	(40,037)	133,688
<b>Total OPEB liability - beginning</b>	580,416	620,453	486,765
<b>Total OPEB liability</b>	<u>\$ 405,473</u>	<u>\$ 580,416</u>	<u>\$ 620,453</u>
Covered employee payroll	\$ 4,051,439	\$ 3,060,627	\$ 2,862,626
Total OPEB liability as a percentage of covered employee payroll	10.01%	18.96%	21.67%

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



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

*Independent Auditor's Report*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SGVCOG's basic financial statements and have issued our report thereon dated February 26, 2024.

***Report on Internal Control Over Financial Reporting***

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

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

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

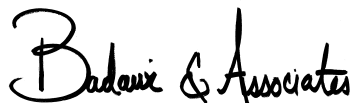
To the Members of the Governing Board  
of San Gabriel Valley Council of Governments  
Monrovia, California  
Page 2

***Report on Compliance and Other Matters***

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

**Purpose of this Report**

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



Badawi & Associates, CPAs  
Berkeley, California  
February 26, 2024