SGVCOG

San Gabriel Valley Council of Governments

Audited Financial Statements
(Primary Government)
As of and for the Year Ended June 30, 2016
with Report of Independent Auditors

An independently owned member
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RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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Audited Financial Statements
(Primary Government)
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Vasquez & Company LLP
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Report of Independent Auditors

Members of the Governing Board
San Gabriel Valley Council of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the primary government of San Gabriel Valley Council of Governments (the SGVCOG) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SGVCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the primary government of San Gabriel Valley Council of Governments, as of June 30, 2016, and the 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.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the San Gabriel Valley Council of Governments, which consists of all funds and departments that comprise San Gabriel Valley Council of Governments' legal entity. These primary government financial statements do not include financial data for the San Gabriel Valley Council of Governments' component unit, the Alameda Corridor - East Construction Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the SGVCOG's primary government. As a result, the primary government's financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the San Gabriel Valley Council of Governments, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the San Gabriel Valley Council of Governments, as of and for the year ended June 30, 2016, and our report thereon, dated January 30, 2017, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the required supplementary information on pages 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017 on our consideration of San Gabriel Valley Council of Governments' 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 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 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 San Gabriel Valley Council of Governments internal control over financial reporting and compliance.

Vasquez & Company LLP

Los Angeles, California
January 30, 2017

The management's discussion and analysis of the San Gabriel Valley Council of Governments (the SGVCOG) financial performance presents an overview of the SGVCOG's financial activities for the year ended June 30, 2016. This discussion was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

Background

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

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

Overview of Basic 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 assets and liabilities of the SGVCOG. 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, and 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, liabilities and deferred inflows/outflows of resources. The recorded activities include all revenues from dues and operating expenses related to the operation of the SGVCOG. In addition, all of the SGVCOG's revenues and expenses related to its other programs and services are reflected in the statements.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements are on pages 11-24.

Financial Analysis

Statements of Net Position

The following table summarizes the assets, liabilities and net position of the SGVCOG as of June 30, 2016 and 2015:

	June 30		Variance	
	2016	2015	Amount	%
Current assets	**$ 917,083**	$ 778,098	$ 138,985	18%
Deferred outflows of resources	**48,112**	23,254	24,858	107%
Total assets and deferred outflows of resources	**965,195**	801,352	163,843	20%
Current liabilities	**146,522**	236,431	(89,909)	-38%
Deferred inflows of resources	**23,578**	8,172	15,406	189%
Total liabilities and deferred inflows of resources	**170,100**	244,603	(74,503)	-30%
Net position				
Restricted	**110,248**	110,138	110	0%
Unrestricted	**684,847**	446,611	238,236	53%
Total net position	**$ 795,095**	$ 556,749	$ 238,346	43%

Current assets increased this year by $138,985, or 18%, and current liabilities decreased by $89,909 or 38%. The increase in current assets is primarily due to a $272,226 increase in cash and cash equivalents. The decrease in current liabilities is primarily due to a decrease in accounts payable related to prior year over payments of $43,694 for MS4 – National Pollutant Discharge Elimination System which was reimbursed in the current year and $45,000 which was properly reclassified to cities membership dues in fiscal year June 30, 2016.

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 $795,095 and $556,749 as of June 30, 2016 and 2015, respectively.

Statements of Revenues, Expenses and Changes in Net Position

The following table presents the SGVCOG's revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015:

	Year ended June 30		Variance	
	2016	2015	Amount	%
Operating revenues				
Dues:				
General Fund	**$ 566,734**	$ 498,552	$ 68,182	14%
Transportation	**200,196**	177,507	22,689	13%
	766,930	676,059	90,871	13%
Grants and matches from other governments:				
Los Angeles County Metropolitan Transportation Authority	**89,378**	85,421	3,957	5%
Southern California Edison - Energywise	**173,822**	138,106	35,716	26%
Southern California Edison - California Energy Efficiency Strategic Plan Implementation	**115,946**	184,360	(68,414)	-37%
Western Riverside Council of Governments - California HERO	**20,334**	16,380	3,954	24%
LA Permit Group - MS4 NPDES Permit	**-**	32,475	(32,475)	-100%
Local Government Commission - CivicSpark	**-**	8,400	(8,400)	-100%
Others	**-**	78	(78)	-100%
Total operating revenues	**1,166,410**	1,141,279	25,131	2%
Operating expenses				
Administrative	**570,248**	508,775	61,473	12%
Energywise	**173,822**	106,930	66,892	63%
Transportation	**120,060**	232,935	(112,875)	-48%
California Energy Efficiency Strategic Plan Implementation	**115,947**	174,105	(58,158)	-33%
Miscellaneous	**-**	11,610	(11,610)	-100%
Total operating expenses	**980,077**	1,034,355	(54,278)	-5%
Operating income	**186,333**	106,924	79,409	74%
Nonoperating income				
Other income	**50,933**	-	50,933	100%
Interest income	**1,080**	1,114	(34)	-3%
Total nonoperating income	**52,013**	1,114	50,899	4569%
Change in net position	**238,346**	108,038	130,308	121%
Net position, beginning of year	**556,749**	448,711	108,038	24%
Net position, end of year	**$ 795,095**	$ 556,749	$ 238,346	43%

In FY 2016, total operating revenues increased by 2% from the previous year. The increase was mainly attributable to the implementation of an annual Consumer price index(CPI) adjustment to the base fee of cities membership dues.

Revenues for SGVCOG in 2016 consist primarily of dues from 31 member cities, three Los Angeles County supervisorial districts, and a Joint Power Authority of the water agencies, which represents three municipal water districts, cost reimbursable grants from Southern California Edison (SCE), a local utility, grant matching funds from Los Angeles County Metropolitan Transportation Authority, and fees on the aggregate cost for the bonds issued to fund installation of renewable energy efficiency improvements from the Home Energy Renovation Opportunity (HERO) program. Grants and matches from other governments and SCE were $399,480 in FY2016 compared to $465,220 in FY 2015, a decrease of $65,740, or 14%. This decrease was mostly due to reduction in program activity for California Energy Efficiency Strategic Plan Implementation - Phase 3. This program was completed in September 2016.

Total operating expenses were $980,077 in FY2016 compared to $1,034,355 in FY2015, a decrease of $54,278, or 5%. This decrease is primarily attributable to delays in filling vacant positions which resulted in a reduction of grant reimbursable expenses.

Non-operating income of $ 52,013 consists of investment income and other income from a claim settlement in FY 2016 compared to $1,114 for FY 2015, an increase of $50,899, or 4569%. This increase was attributable to a $52,013 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016.

Next Year's Budget

The budget for fiscal year 2017 assumes that the on-hand net position as of June 30, 2016, will be required and available to fulfill the program and administrative expense requirements.

Further Information

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

San Gabriel Valley Council of Governments
Statement of Net Position
June 30, 2016

ASSETS		
Current assets		
Cash and cash equivalents	$	704,507
Member dues receivable		800
Grants receivable		137,980
Other receivables		58,282
Prepaid expenses		14,107
Net pension asset		1,407
Total current assets		917,083
Capital assets		
Office equipment		8,645
Less accumulated depreciation		(8,645)
Capital assets, net		-
Total assets		917,083
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension		48,112
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses		97,363
Unearned revenues		49,159
Net pension liability		-
Total current liabilities		146,522
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension		23,578
NET POSITION		
Net investment in capital assets		
Restricted for :		
Water Quality Improvement		55,507
MS4-National Pollutant Discharge Elimination System		54,741
Unrestricted		684,847
Net position	$	795,095

See notes to financial statements.

Operating revenues		
Dues:		
General Fund	$	566,734
Transportation		200,196
		766,930
Grants and matches from other governments:		
Los Angeles County Metropolitan Transportation Authority		89,378
Southern California Edison - Energywise		173,822
Southern California Edison - California Energy Efficiency Strategic Plan Implementation		115,946
Western Riverside Council of Governments - California HERO		20,334
LA Permit Group - MS4 NPDES Permit		-
Local Government Commission - CivicSpark		-
Others		-
Total operating revenues		1,166,410
Operating expenses		
Administrative		570,248
Energywise		173,822
Transportation		120,060
California Energy Efficiency Strategic Plan Implementation		115,947
Miscellaneous		-
Total operating expenses		980,077
Operating income		186,333
Nonoperating income		
Other income		50,933
Interest income		1,080
Total nonoperating income		52,013
Change in net position		238,346
Net position, beginning of year		556,749
Net position, end of year	$	795,095

See notes to financial statements.

San Gabriel Valley Council of Governments
(Primary Government)
Statement of Cash Flows
Year ended June 30, 2016

Cash flows from operating activities		
Cash receipts from cities	$	820,739
Cash receipts from all other services		577,792
Cash paid for operating expenses		(519,128)
Cash paid for employee compensation and related costs		(608,107)
Net cash provided by operating activities		271,296
Cash flows from investing activities		
Cash receipts from interest		930
Cash provided by investing activitites		930
Change in cash and cash equivalents		272,226
Cash and cash equivalents - beginning of year		432,281
Cash and cash equivalents - end of year	$	704,507
Reconciliation of operating income to net cash used in operating activities:		
Operating income	$	186,333
Adjustment to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Member dues receivable		4,650
Other receivables		(6,823)
Grants receivable		185,135
Prepaid expenses		2,769
Deferred outflows of resources		(24,858)
Accounts payable and accrued expenses		(138,530)
Unearned revenues		49,159
Net pension liability		(1,945)
Deferred inflows of resources		15,406
Net cash provided by operating activities	$	271,296

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES

Organization and Activities

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

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

The Reporting Entity

These financial statements do not include a component unit, the Alameda Corridor - East Construction Authority (ACE) and do not purport to, and do not, present the financial position of the reporting entity of San Gabriel Valley Council of Governments as of June 30, 2016, the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

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

The following are SGVCOG's major revenue sources:

County of Los Angeles (LA) – Energy Upgrade - Funds that enable single-family homeowners to make upgrades to reduce energy use, conserve resources and create more comfortable and efficient homes.

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

Southern California Edison – 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.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Basis of Accounting (Continued)

County of Los Angeles – Municipal Separate Storm Sewer System (MS4) – National Pollutant Discharge Elimination System (NPDES) - Funds to assist LA Permit Group to comply with the LA County MS4 NPDES Permit. The LA Permit Group is comprised of approximately 50 municipalities in Los Angeles County and was created to work collaboratively to negotiate the LA County MS4 NPDES Permit.

Southern California Edison – California Energy Efficiency Strategic Plan Implementation Phase 3 - Funds for the implementation of certain energy efficiency programs under the Decision 12-11-015 of the California Public Utilities Commission including the Energy Leader Partnership Program.

Cash and Cash Equivalents

SGVCOG considers money market funds and all equivalent liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants Receivable

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

Capital assets - Office Equipment

Office equipment is carried at historical cost. Depreciation is provided using the straight-line method over the individual assets' estimated useful life, usually five years for computers, copiers and other electronic equipment, ten years for cabinets, desks and furniture.

Pension

SGVCOG adopted GASB Statement No, 68, *Accounting and Financial Reporting for Pensions* during the fiscal year ended June 30, 2015. 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.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016 consist of the following:

Deposits with financial institution	$	476,074
Short-term investments		228,433
Total cash and cash equivalents	$	704,507

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

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

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

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type		Total		12 Months or less
LAIF	$	228,433	$	228,433
	Total $	228,433	$	228,433

Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Credit Risk

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

Investment Type		Amount	Minimum Legal Rating		Rating as of Year End Not Rated
LAIF	$	228,433	N/A	$	228,433
Total	$	228,433		$	228,433

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, 2016, the SGVCOG had no investments in any one issuer (other than U.S. external investment pools) that represent 5% or more of total SGVCOG investments.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

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

The California Government Code and SGVCOG's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure local government units' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, the SGVCOG's cash in bank balances were fully covered by the deposit insurance of the Federal Depository Insurance Corporation (FDIC).

The SGVCOG is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2016, the total market value of LAIF, including accrued interest was approximately $75.497 billion. The fair value of the SGVCOG's investment in this pool is $228,433 at June 30, 2016 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.

NOTE 3 ADMINISTRATIVE EXPENSES

The following provides the components of administrative expenses for the year ended June 30, 2016:

Salaries and employee benefits	$	342,451
Consultant fee		44,684
Rent		39,473
Accounting and audit fees		23,789
Meetings		18,733
Legal fees		15,915
Information technology		11,981
Repairs and maintenance		11,000
Stipends		7,346
Printing/publications		4,804
Utilities		3,395
Insurance		3,339
Dues and subscriptions		2,658
Supplies		2,412
Miscellaneous		38,268
Total	$	570,248

NOTE 4 EMPLOYEE BENEFIT PLAN

A. General Information about the Pension Plans

Plan Description

SGVCOG's employee benefit plan was assigned to its component unit, ACE. SGVCOG does not have employees enrolled under the Classic Plan and SGVCOG employees currently represent 75% share of the PEPRA Plan. 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 and ACE resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Classic participants (defined as eligible participants prior to January 1, 2013) are required to contribute 6.50% of their annual covered salary. New participants (defined as eligible employees brought into CalPERS membership for the first time on or after January 1, 2013 PEPRA) contribute at least half the normal cost rate as determined by CalPERS. SGVCOG contributes the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2016 for PEPRA to which SGVCOG participates, are summarized as follows:

	Miscellaneous Plan
	PEPRA
Hire date	On or after Jan. 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits , as a % of eligible compensation	1.0% to 2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	6.25%

Contributions

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

NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

		Miscellaneous Plan PEPRA
Contributions - employer	$	8,824

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

As of June 30, 2016, SGVCOG reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

Miscellaneous (PEPRA)	$	(1,407)
Total net pension liability (asset)	$	(1,407)

SGVCOG's net pension liability for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. SGVCOG's proportion of the net pension liability was based on a projection of the SGVCOG's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, which is actuarially determined.

NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)

Effective for measurement period 2015, CalPERS provides the GASB Statement No. 68 Accounting Valuation Report for the miscellaneous risk pool and allocation methodology to be used by participants in the risk pool. The schedules of employer allocation include three ratios. It includes 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 is allocated based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2014 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, 2014 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities. All other pension amounts (deferred outflows/inflows of resources and pension expense) are allocated based on the legally or statutorily required employer contributions for the fiscal year ended June 30, 2015, including reported contribution adjustments and suspended payroll information.

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

	2016 Miscellaneous Plan PEPRA
Total pension liability	0.00000158
Plan fiduciary net position	0.00000215
All other pension amounts (deferred outflows/inflows of resources and pension expense)	0.00004000

NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)

At June 30, 2016, SGVCOG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016 Miscellaneous Plan PEPRA	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 20,593	$ -
Differences between actual and expected experience	566	-
Changes in assumption		(5,351)
Changes in employer's proportion	9,669	-
Differences between the employer's contribution and the employer's proportionate share of contributions	3,569	(1,830)
Net differences between projected and actual earnings on pension plan investments	13,715	(16,397)
Total	$ 48,112	$ (23,578)

	2015 Miscellaneous Plan PEPRA	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 17,254	$ -
Net difference between actual and pension plan's proportionate share of aggregate employer contributions	6,000	-
Ajdustments due to differences in proportions	-	(7,992)
Net differences between projected and actual earnings on pension plan investments	-	(180)
Total	$ 23,254	$ (8,172)

$20,593 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ending June 30	Amount
2017	$ (757)
2018	(615)
2019	(43)
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by entry age and service
(2) Net of pension plan investment and administrative expenses, including inflation
(3) Derived using CalPERS' Membership Data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[a]	Real Return Years 11+[b]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infras tructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

[a] An expected inflation of 2.5% used for this period.

[b] An expected inflation of 3.0% used for this period.

NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

The following presents 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 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:

		Miscellaenous PEPRA
1% Decrease		6.65%
Net Pension Liability	$	(2,360)
Current Discount Rate		7.65%
Net Pension Liability (asset)	$	(1,407)
1% Increase		8.65%
Net Pension Liability	$	(620)

C. Pension Plan Fiduciary Net Position

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

D. Payable to the Pension Plan

At June 30, 2016, SGVCOG did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 5 ALAMEDA CORRIDOR - EAST CONSTRUCTION AUTHORITY (ACE)

In June 2013, ACE entered into a promissory note to borrow up to $45,000,000, in variable rate, from the Los Angeles County Metropolitan Transportation Authority to be used as working capital. The note payable outstanding as of June 30, 2016 amounted to $45,000,000. Interest rates vary according to market conditions and have ranged from 0.6288% to 0.6840%. Proceeds of the borrowings have been used to pay for construction activities.

NOTE 6 RELATED PARTY TRANSACTION

For the year ended June 30, 2016, SGVCOG paid ACE a total of $68,958 for transportation technical support, administrative support, and accounting support, and $2,368 for travel expenses.

NOTE 7 CONTINGENCIES

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

NOTE 8 COMMITMENTS

The SGVCOG has entered into an office space lease agreement covering the period from January 1, 2013 to December 31, 2017.

Future minimum rental payments including tenant improvements are as follows:

Year ending June 30		Amount
2017	$	64,895
2018		32,936
Total	$	97,831

NOTE 9 OTHER INCOME

Other income for the year ended June 30, 2016 includes $50,933 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016. Such amount is recorded as a component of other receivables as of June 30, 2016.

NOTE 10 SUBSEQUENT EVENTS

SGVCOG has evaluated events subsequent to June 30, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 30, 2017, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2016	2015
	Miscellaneous Plan PEPRA	Miscellaneous Plan PEPRA
Proportion of the net pension liability	0.000158%	0.00001%
Proportionate share of the net pension liability (asset)	$ (1,407)	$ 538
Covered-employee payroll [1]	$ 164,916	$ 155,191
covered-employee payroll	-0.85%	0.35%
percentage of the plan's total pension liability	108.71%	83.02%
Plan's proportionate share of aggregate employer contributions [2]	$ 15,076	$ 88

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

Notes to Schedule

1 Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

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

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

	2016 Miscellaneous Plan PEPRA	2015 Miscellaneous Plan PEPRA
Actuarially determined contributions	$ 8,824	$ 8,214
Contributions in relation to the actuarially determined contributions	(8,824)	(8,214)
Contribution deficiency (excess)	$ -	$ -
Covered-Employee Payroll	$ 164,916	$ 155,191
Contributions as a percentage of covered-employee payroll	5.35%	5.29%

Notes to Schedule:

Valuation date	June 30, 2014
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal
Amortization method / Period	Level percent of payroll
Remaining amortization period	15 years as of valuation date
Asset valuation method	5 year Smoothed Market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense and administrative expenses including inflation.
Retirement age	55 years
Mortality	Derived using CalPERS Membership Data for all funds

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

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Report of Independent Auditors 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*

Members of the Governing Board
San Gabriel Valley Council of Governments

We have audited, in accordance with 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 (the SGVCOG), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Gabriel Valley Council of Governments' basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Gabriel Valley Council of Governments' 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 San Gabriel Valley Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of San Gabriel Valley Council of Governments' 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 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 weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Gabriel Valley Council of Governments' financial statements are free of 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.

Vasquez & Company LLP

Los Angeles, California
January 30, 2017

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Alameda Corridor – East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Audited Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2016
with Report of Independent Auditors

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Certified Public Accountants and Business Consultants

Alameda Corridor – East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Audited Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2016
with Report of Independent Auditors

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Report of Independent Auditors

The Honorable Members of the Board of Directors
Alameda Corridor – East Construction Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Alameda Corridor - East Construction Authority (ACE), a component unit of San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ACE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Alameda Corridor – East Construction Authority as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11 and the required supplementary information on pages 34 – 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

The statement of revenues, expenditures and changes in fund balance – budget to actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenditures and changes in fund balance – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of ACE'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 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 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 ACE's internal control over financial reporting and compliance.

Vasquez & Company LLP

Los Angeles, California
January 30, 2017

The management's discussion and analysis (MD&A) of the financial performance and activity of the Alameda Corridor – East Construction Authority (ACE) provides an overview of ACE's financial statements for the year ended June 30, 2016. This discussion was prepared by management and should be read in conjunction with the accompanying financial statements and notes which follow this section.

Train counts through the Valley are projected to nearly double by the year 2035 as increasing numbers of freight trains carry freight to and from the nation's busiest container ports in San Pedro Bay. Construction has been completed on nine rail-roadway grade separations. Seven additional grade separations and a rail diversion project are under construction. Three grade separation projects are in design along with improved pedestrian and vehicle safety gate at another eight crossings. Safety improvements have been completed at 39 at-grade crossings.

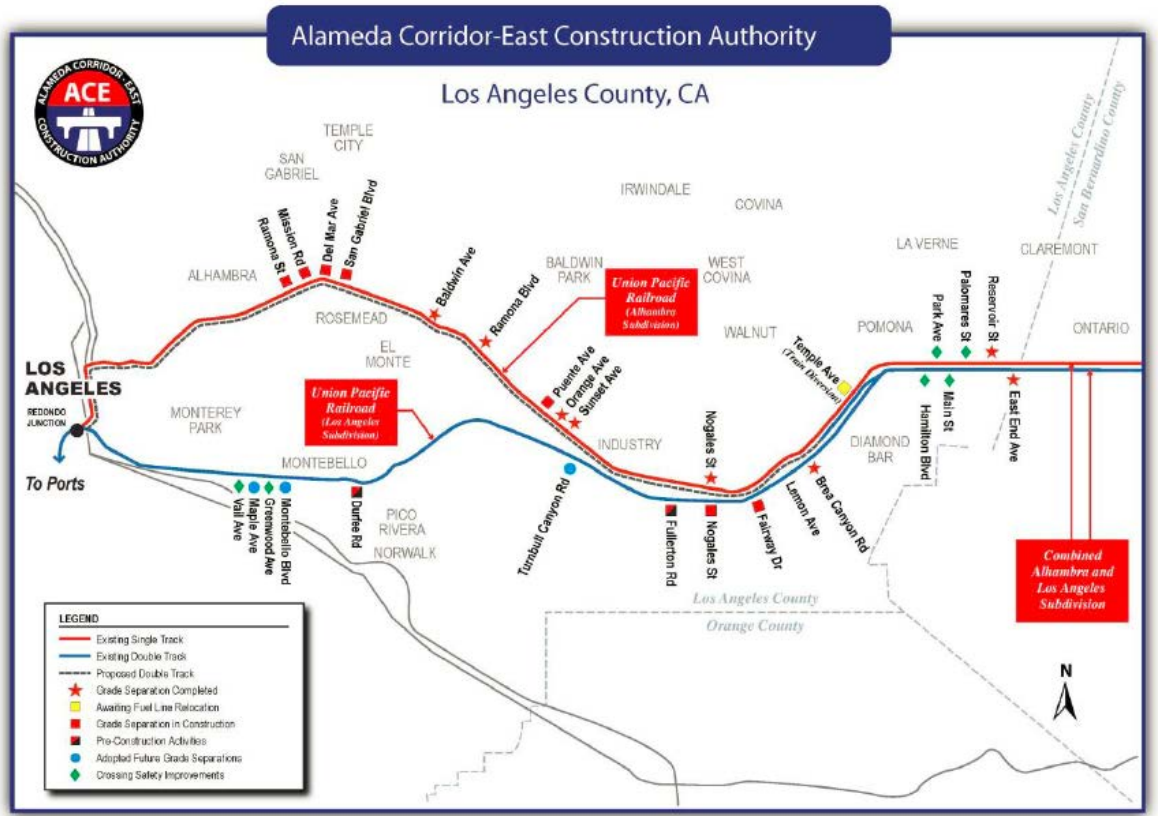
The cost estimate as of June 30, 2016 for the completed safety improvements and 14 grade separations either completed or going into construction is $1.653 billion.

Projects under construction include the Nogales Street, Fairway Drive, and Puente Avenue grade separations; the San Gabriel Trench; and the Temple Avenue rail diversion project. Going to construction in 2016 will be the Fullerton Road and Durfee Avenue grade separation projects. Currently in design is the Montebello Corridor Project and the At-Grade Crossing Safety Improvements.

Project Progress During FY 2016

Project	06/15	09/15	12/15	03/16	06/16
At-Grade Crossing (212)	Design				
Durfee (208)	Design / ROW Acquisitions				
Fairway Drive (204)	ROW Acquisitions / Construction				
Fullerton (207)	Design / ROW Acquisitions / Construction				
Montebello (209)	Design				
Puente Avenue (202)	ROW Acquisitions / Construction				
Nogales - LA (250)	Construction				
S.G. Trench (201)	Construction				
Temple/Pomona (119)	Construction				
Turnbull Canyon (212)	Design				

Project Map


Alameda Corridor-East Construction Authority
Los Angeles County, CA
ACE
TEMPLE CITY
SAN GABRIEL
ALHAMBRA
ROSEMEAD
EL MONTE
MONTEREY PARK
MONTEBELLO
PICO RIVERA
NORWALK
IRWINDALE
COVINA
BALDWIN PARK
WEST COVINA
WALNUT
INDUSTRY
POMONA
LA VERNE
GLAREMONT
ONTARIO
DIAMOND BAR
LOS ANGELES
REDONDO JUNCTION
To Ports
Ramona St
Mission Rd
Del Mar Ave
San Gabriel Blvd
Baldwin Ave
Ramona Blvd
Puente Ave
Orange Ave
Sunset Ave
Temple Ave
Park Ave
Palomares St
Reservoir St
Hamilton Blvd
Main St
East End Ave
Nogales St
Lemon Ave
Brea Canyon Rd
Fairway Dr
Fullerton Rd
Turnbull Canyon Rd
Durfee Rd
Vail Ave
Maple Ave
Greenwood Ave
Montebello Blvd
Union Pacific Railroad (Alhambra Subdivision)
Union Pacific Railroad (Los Angeles Subdivision)
Combined Alhambra and Los Angeles Subdivision
Los Angeles County
San Bernardino County
Orange County
LEGEND
Existing Single Track
Existing Double Track
Proposed Double Track
Grade Separation Completed
Awaiting Fuel Line Relocation
Grade Separation in Construction
Pre-Construction Activities
Adopted Future Grade Separations
Crossing Safety Improvements
N

As of June 30, 2016, the following funding had been committed to the ACE project:

	ACE Funding Commitments ($ millions)	
Federal		
TEA-21 Earmark	$ 132.6	
Annual Appropriations (FY 2000-10)	21.5	
SAFETEA-LU Earmark	67.3	
Rail-Highway Crossing Program	10.0	
ISTEA (Nogales LA)	6.9	
CMAQ (Nogales LA)	6.3	
Total Federal		$ 244.7
State		
Trans. Imp. Program (FY 2000-04)	39.0	
PUC Grade Separation Fund	10.0	
Trans. Cong. Relief Prog. (TCRP)	130.3	
Trade Corr. Impr. Fund (TCIF)	420.5	
Hwy. Rail Crossing Safety Act (HRCSA)	43.9	
Total State		$ 643.7
L.A. County MTA		
17% - Match	259.9	
FY 2007 Call-for-projects	28.8	
Measure R	400.0	
Total L.A. County MTA		$ 688.7
City/County Funds/MWD Funds		12.1
Railroad Contributions		33.9
City/Railroad/Betterments/Property Sales		29.5
Total ACE Project Funding		**$ 1,652.7**

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

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

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

Financial Highlights

For the year ended June 30, 2016:

- Net position increased by $2.5 million, an increase of 21.6%.
- Construction in progress increased by $62.9 million, an increase of 11.9%.
- Total revenues decreased by $0.3 million, a decrease of 0.2%.
- Total project expenses increase by $3.1 million, an increase of 2.3%.

Overview of Basic Financial Statements

ACE's basic financial statements consist of three components: (1) Authority-wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Basic Financial Statements.

Government-wide Financial Statements

The authority-wide financial statements found on pages 12 and 13 are designed to give readers a broad overview of ACE's financial position. These include all of ACE's assets and liabilities, deferred inflows/outflows of resources, revenues and expenses. The accounting basis is full accrual (similar to private sector companies) where ACE's revenues and expenses are reported as the causal event occurs, instead of when the revenue was received or expense paid.

The "Statement of Net Position" presents information on all of ACE's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position (or equity in the private sector). While large net position might indicate that a governmental agency has not spent all available revenues and other resources, negative net position indicates that the agency has overspent. It is management's position to maintain sufficient net position to compensate for any disallowed costs, but to allocate any surplus to construction activities. ACE's net position is classified in the following categories: net investment in capital assets and unrestricted.

The "Statement of Activities" presents ACE's revenues and expenses for the year ended on June 30, 2016. The statement has three primary areas: *project expenses*, *program revenues*, and *change in net position*. Project expenses are broken out into direct (those expenses that can be identified directly to individual projects) and indirect.

Fund Financial Statements

The fund financial statements can be found on pages 12 and 13 of this report. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

ACE, unlike cities, county or state governments, has one activity – construction. All of ACE's activities are recorded in the Capital Projects Fund.

Differences between the two sets of financial statements generally relate to capital assets and depreciation, debt issuance and repayment, and pension-related account balances.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the authority-wide financial statements and the governmental funds financial statements. The notes can be found on pages 14 through 33 of this report.

Condensed Statements of Net Position

The following table shows the condensed statements of net position as of June 30, 2016 and 2015:

	June 30		Variance	
	2016	2015	Amount	%
Current and other assets	**$ 93,669,646**	$ 88,561,367	$ 5,108,279	5.8%
Capital assets	**24,923**	24,841	82	0.3%
Construction in progress	**592,444,003**	529,573,361	62,870,642	11.9%
Less due to member cities and Union Pacific Railroad	**(592,444,003)**	(529,573,361)	(62,870,642)	11.9%
Total assets	**93,694,569**	88,586,208	5,108,361	5.8%
Deferred outflows of resources	**1,000,636**	797,532	203,104	25.5%
Total liabilities	**79,965,009**	77,509,175	2,455,834	3.2%
Deferred inflow of resources	**827,531**	444,373	383,158	86.2%
Net Position	**$ 13,902,665**	$ 11,430,192	$ 2,472,473	21.6%

Total current and other assets increased by 5.8% to $93.7 million, mainly due to increases in cash and investments, grants receivable, and unbilled grants receivable consistent with increased project activity.

Due to increased grant reimbursable expenses and increased billing efforts, grants receivable increased by 15.5% to $18.6 million and unbilled grants receivable decreased by 16% to $24.3 million, respectively.

Construction in progress increased by 11.9% to $592.4 million, primarily as a result of increased construction activity on Fairway Drive, Puente Avenue, and San Gabriel Trench; and increased right of way acquisitions activity on the Durfee project. As of June 30, 2016, projects under construction include the Nogales Street, Fairway Drive, Puente Avenue, Fullerton Road, and Durfee Avenue grade separation projects; the San Garbiel Trench; and the Temple Avenue rail diversion project. Projects in the design phase as of June 30, 2016 are the Montebello Corridor Project and the At Grade Crossing Safety Improvement Project.

Total liabilities increased by 3.2% ($2.5 million) to $80.0 million primarily as a result of a $10.9 million increase in unearned revenue which was partially offset by a $7.3 million decrease in accounts payable and accrued expenses.

Unearned revenue increased 212.8% to $16.1 million, mainly due to recognition of revenue for additional Baldwin Avenue project surplus properties now in escrow, betterment funds received in advance for the Fairway Drive project, returned right of way property condemnation deposit for Nogales that will be applied to 2017 grant reimbursable expense.

Condensed Statements of Activities

The following table shows the condensed statements of activities for the years ended June 30, 2016 and 2015.

Total net position increased by $2.5 million or 21.6% for the year ended June 30, 2016. This increase was primarily related to $3.1 million increase in project expenses realted to increased project activity in the current year.

	Years ended June 30		Variance	
	2016	**2015**	Amount	%
Project Expenses				
Direct (Construction)	**$132,103,266**	$128,506,162	$ 3,597,104	2.8%
Indirect expenses charged to operations	**2,025,888**	2,551,424	(525,536)	-20.6%
Total project expenses	**134,129,154**	131,057,586	3,071,568	2.3%
Operating revenues				
Grant reimbursements	**133,732,844**	131,098,676	2,634,168	2.0%
Other operating revenues	**2,763,634**	5,703,121	(2,939,487)	-51.5%
Total revenues	**136,496,478**	136,801,797	(305,319)	-0.2%
Income/(loss) from operations	**2,367,324**	5,744,211	(3,376,887)	-58.8%
Nonoperating income (expense)				
Financing income	**499,752**	430,691	69,061	16.0%
Financing expense	**(394,603)**	(464,451)	69,848	-15.0%
Net financing income (loss)	**105,149**	(33,760)	138,909	-411.5%
Change in net position	**2,472,473**	5,710,451	(3,237,978)	-56.7%
Net position at beginning of year	**11,430,192**	5,719,741	5,710,451	99.8%
Net position at end of year	**$ 13,902,665**	$ 11,430,192	$ 2,472,473	21.6%

Capital Assets

ACE had $24,923 invested in capital assets, net of depreciation, as of June 30, 2016 consisting of leasehold improvements and equipment.

Economic Factors and New Year's Budget

Budgeted expenditures in FY 2017 are down to $132.8 million from what was budgeted in FY 2016, $158.5 million, as construction expenses and right of way budgeted expenses were reduced to reflect the completion of some projects, and the early start of others.

Requests for Information:

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

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Net Position
June 30, 2016

	Capital Projects Fund	Adjustments	Government Activities Statement of Net Position
ASSETS			
Current assets			
Cash and investments	$ 43,498,834	$ -	$ 43,498,834
Grants receivable	18,633,901	-	18,633,901
Unbilled grants receivable	24,318,084	-	24,318,084
Notes receivable	300,000	-	300,000
Interest receivable	2,155	-	2,155
Retention receivable	1,821,141	-	1,821,141
Prepaid expenses	280,226	-	280,226
Property held for sale	4,259,269	-	4,259,269
Under-recovery of indirect cost	556,036	-	556,036
Total current assets	93,669,646	-	93,669,646
Noncurrent assets			
Capital assets - Leasehold improvement and equipment	-	24,923	24,923
Construction in progress	-	592,444,003	592,444,003
Less due to member cities and Union Pacific Railroad	-	(592,444,003)	(592,444,003)
Total noncurrent assets	-	24,923	24,923
Total assets	93,669,646	24,923	93,694,569
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution	-	421,250	421,250
Net difference between actual and plan's proportionate share of aggregate employer contribution	-	579,386	579,386
Total deferred outflows of resources	-	1,000,636	1,000,636
LIABILITIES			
Liabilities			
Accounts payable and accrued expense	16,565,784	-	16,565,784
Accrued retention payable	1,304,267	-	1,304,267
Unearned revenue	16,053,098	-	16,053,098
Compensated absences	207,282	-	207,282
Metro note payable	45,000,000	-	45,000,000
Net pension liability	-	834,578	834,578
Total liabilities	79,130,431	834,578	79,965,009
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	-	575,525	575,525
Changes in assumption	-	187,803	187,803
Differences between the employer's contribution and the employer's proportionate share of contributions		64,203	64,203
Total deferred outflows of resources	-	827,531	827,531
FUND BALANCES/NET POSITION			
Fund balance			
Nonspendable for:			
Prepaid expenses	280,226		
Assigned:			
Pension unfunded accrued liability	835,047		
Capital projects	13,423,942		
Total fund balance	$ 14,539,215		
Net position			
Net investment in capital assets		24,923	24,923
Unrestricted		(661,473)	13,877,742
Total net postion		$ (636,550)	$ 13,902,665

See notes to financial statements.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Activities
Year ended June 30, 2016

	Capital Projects Fund	Adjustments	Statement of Activities
Project Expenses			
Direct (Construction)	$ 132,126,961	$ (23,695)	$ 132,103,266
Indirect expenses charged to operations	2,025,806	82	2,025,888
Total project expenses	134,152,767	(23,613)	134,129,154
Operating revenues			
Grant reimbursements	133,732,844	-	133,732,844
Other operating revenues	2,763,634	-	2,763,634
Total revenues	136,496,478	-	136,496,478
Income from operations	2,343,711	23,613	2,367,324
Nonoperating income (expense)			
Financing income	499,752	-	499,752
Financing expense	(394,603)	-	(394,603)
Net nonoperating income (expense)	105,149	-	105,149
Excess of revenues over expenditures/Change in net position	2,448,860	23,613	2,472,473
Fund balance/Net Position at beginning of year	11,430,192	-	11,430,192
Fund balance/Net Position at end of year	$ 13,879,052	$ 23,613	$ 13,902,665

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Alameda Corridor - East Construction Authority (ACE) is a component unit of the San Gabriel Valley Council of Governments (SGVCOG).

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

Basis of Accounting

Authority-wide financial statements are reported using the full accrual basis of accounting. The statement of activities presents changes in net position (This is equivalent to a statement of income and statement of changes in equity in for-profit entities). Revenues are recorded when earned and expenses are recognized at the time of the causal event.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures are generally recorded when a liability is incurred.

ACE recognizes grant revenues to the extent reimbursable obligations are earned on or before June 30, 2016, and are therefore the same under both modified accrual and full accrual basis.

Description of Funds

ACE uses funds and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

<u>Governmental Fund</u>

The Capital Projects Fund accounts for the activity of obtaining support from governmental groups, determining funding and specifications for structures needed and to fund the contracts for the grade crossing improvements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples are inventories, prepaid expenses, long-term receivables, or non-financial assets held for resale unless the proceeds are restricted, committed or assigned.

Restricted fund balance includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors ("Board"), ACE's highest level of decision-making authority. The Board may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment. ACE does not have any fund balance that meets this classification as of June 30, 2016.

Assigned fund balance consists of funds that are set aside for specific purposes by ACE's Board or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance is the residual classification for all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board delegates the authority to assign fund balance to the Chief Executive Officer for purposes of reporting in the annual financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACE considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. ACE considers unrestricted fund balances to have been spent when expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of ACE to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

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

Cash Equivalents
Cash equivalents are those short-term investments readily converted into cash. Deposits with the State of California's Local Agency Investment Fund (LAIF) Operating Fund and the bond portfolio managed by Citizens' Business Bank are considered cash equivalents.

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

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

Captail assets - Leasehold Improvements and Equipment
Equipment and other improvements that can be capitalized in the authority-wide financial statements are recorded as expenditures in the Capital Projects Fund. The threshold for capitalization is $5,000 in accordance with federal guidelines. On the authority- wide financial statements, such items that meet the capitalization threshold are recorded as capital assets and are depreciated based upon their estimated useful lives on a straight-line basis. Useful lives of capital assets categories are as follows:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold Improvements and Equipment (Continued)

Under GASB Statement No. 34, construction in progress is prepared on the statement of net position as an asset. Therefore, construction costs would normally be capitalized and excluded from the statement of activities. However, the grant reimbursements generated by construction would be included in the statement of activities 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 activities as a loss. The net effect would be to produce widely fluctuating net position and fund balances depending on whether ACE was constructing (surplus) or transferring assets to member cities (deficit). Therefore, ACE elected to treat construction in progress as a matching asset and liability. 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 activities.

Pension

ACE adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year ended June 30, 2015. 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 ACE's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Use of Estimates

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

Property Held for Sale

The property held for sale is recorded at the lower of acquisition cost or estimated net realizable value. At June 30, 2016, property held for resale was $4,259,269.

NOTE 2 CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Cost:				
Leasehold Improvements	$ 19,762	$ -	$ -	$ 19,762
Computer Equipment:				
Hardware	201,679	12,462	-	214,141
Software	114,483	-	-	114,483
Website	3,393	-	-	3,393
Telephone Equipment	12,086	-	-	12,086
Office Furniture	31,972	-	-	31,972
Total cost	383,375	12,462	-	395,837
Less accumulated depreciation for:				
Leasehold Improvements	19,762	-	-	19,762
Computer Equipment:				
Hardware	180,794	10,622	-	191,416
Software	110,527	1,758	-	112,285
Website	3,393	-	-	3,393
Telephone Equipment	12,086	-	-	12,086
Office Furniture	31,972	-	-	31,972
Total accumulated depreciation	358,534	12,380	-	370,914
Capital assets, net	$ 24,841	$ 82	$ -	$ 24,923

Depreciation expense included in indirect expenses for the year ended June 30, 2016 amounted to $12,380.

NOTE 3 CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consist of the following:

Cash in bank	$ 667,252
Pooled funds	1,583,187
Money market funds	20,463,613
Investments	20,784,781
Total cash and cash equivalents	$ 43,498,833

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the Code or the Policy.

The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed in	Maximum Investment One Issuer
U.S Government Agencies	5 years	33%	15%
Medium-term Notes (Corporate Bonds)	5 years	27%	10%
Mortgage-backed Securities	5 years	13%	None
Certificate of Deposits	5 years	8%	10%
Money Market Funds	None	8%	None
State of CA Local Agency Investment Fund (LAIF)	None	7%	None
Municipals	None	4%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that ACE manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of ACE's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of ACE's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
LAIF	$ 1,583,187	$ 1,507,194	$ 45,912	$ 30,081	$ -
Money Market Funds	20,463,613	20,463,613	-	-	-
Federated Prime Obligations	1,800,442	1,800,442	-	-	-
Government Agencies	7,324,558	-	-	7,324,558	-
Certificates of Deposit	1,882,762	1,882,762	-	-	-
Corporate Bonds	6,008,905	-	-	6,008,905	-
Government Mortgages	2,787,203	-	-	2,787,203	-
Municipals Obligations	911,657	-	-	911,657	-
Total	$ 42,762,327	$ 25,654,011	$ 45,912	$ 17,062,404	$ -

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Disclosures Relating to Credit Risk

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

		Minimum	Rating as of June 30, 2016			
Investment Type	Total	Legal Rating	AAA	AA	A	Not Rated
LAIF	$ 1,583,187	N/A	$ -	$ -	$ -	$ 1,583,187
Money Market Funds	20,463,613	A	20,463,613	-	-	-
Federated Prime Obligations	1,800,442	N/A	-	-	-	1,800,442
Government Agencies	7,324,558	A	-	7,324,558	-	-
Certificates of Deposit	1,882,762	N/A	-	-	-	1,882,762
Corporate Bonds	6,008,905	A	-	-	6,008,905	-
Government Mortgages	2,787,203	A	-	2,787,203	-	-
Municipals Obligations	911,657	A	268,419	643,238	-	-
Total	$ 42,762,327		$ 20,732,032	$ 10,754,999	$ 6,008,905	$ 5,266,391

Concentration of Credit Risk

ACE's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code. As of June 30, 2016, ACE had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of ACE's total investments other than funds held by the trustees.

Custodial Credit Risk

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The Code and the Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, ACE's deposit of $43,498,834 with financial institutions is in excess of federal depository insurance limits but are held in collateralized accounts.

As of June 30, 2016, the following investment types were held by the same broker-dealer (counterparty) that was used by ACE to buy the securities:

Investment Type	Reported Amount
Money Market Funds	$ 20,463,613

Investments in State Investment Pool

ACE is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code under the oversight of the Treasurer of the State of California. At June 30, 2016, the total fair value of LAIF, including accrued interest was approximately $75.497 billion. The fair value of ACE's investment in this pool is $1,584,171 at June 30, 2016 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.

NOTE 4 METRO PROMISSORY NOTE PAYABLE

In June 2013, ACE entered into a promissory note to borrow up to $45,000,000, in variable rate, from the Metro to be used as working capital. The note payable balance outstanding at June 30, 2016 amounted to $45,000,000. Interest rates vary according to market conditions and have ranged from 0.6288% to 0.6840%. Proceeds from the note payable have been used to pay for construction activities. Because this is a revolving construction fund provided by Metro to facilitate the payment to the project contractors of ACE, this note payable is not considered to be long-term debt.

NOTE 4 METRO PROMISSORY NOTE PAYABLE (CONTINUED)

The principal amount of the loan is to be 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 CP costs and any fees are unsecured and due on September 9, 2023, ten years after the first drawdown date. Because this is a revolving construction fund provided by Metro to facilitate the payment to the project contractors of ACE, this loan is not considered as a long-term debt.

NOTE 5 GRANTS RECEIVABLE PROJECTS

During the year ended June 30, 2016, 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 Metro. 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, 2016 are shown net of disallowed costs. CalTRANS approved, under Uniform Guidance section 2 CFR 200.516, an indirect overhead allocation formula of 84.3% of total direct salaries and fringe benefit costs. Indirect costs incurred charged to grants for the year ended June 30, 2016 were $1,615,432.

NOTE 6 EMPLOYEE BENEFIT PLANS

A. General Information about the Pension Plans

Plan Description

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

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Classic participants (defined as eligible participants prior to January 1, 2013) are required to contribute 7% of their annual covered salary. New participants (defined as eligible employees brought into CalPERS membership for the first time on or after January 1, 2013 PEPRA) contribute at least half the normal cost rate as determined by CalPERS. ACE 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.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Hire date	Prior to Jan. 1, 2013	On or after Jan. 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.25%
Required employer contribution rates	11.032%	6.25%

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Contributions

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Contributions - employer	$ 306,775	$ 11,765

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

As of June 30, 2016, ACE reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

Miscellaneous (Classic)	$ 835,047
Miscellaneous (PEPRA)	(469)
Total Net Pension Liability	$ 834,578

ACE's net pension liability (asset) for each Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability (asset) of each Plan is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. ACE's proportion of the net pension liability was based on a projection of the ACE's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, which is actuarially determined.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Effective for measurement period 2015, CalPERS provides the GASB Statement No. 68 Accounting Valuation Report for the miscellaneous risk pool and allocation methodology to be used by participants in the risk pool. The schedules of employer allocation include three ratios. It includes 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 is allocated based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2014 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, 2014 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities. All other pension amounts (deferred outflows/inflows of resources and pension expense) are allocated based on the legally or statutorily required employer contributions for the fiscal year ended June 30, 2015, including reported contribution adjustments and suspended payroll information.

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

	2016 Miscellaneous Plan	
	Classic	PEPRA
Total pension liability	0.00049430	0.00000158
Plan fiduciary net position	0.00054212	0.00000215
All other pension amounts (deferred outflows/inflows of resources and pension expense)	0.00104292	0.00004000

At June 30, 2016, ACE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

	2016			
	Miscellaneous Plan			
	Classic		PEPRA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 414,398	$ -	$ 6,852	$ -
Differences between actual and expected experience	19,663	-	188	-
Changes in assumption	-	(186,019)	-	(1,784)
Changes in employer's proportion	3,245	-	3,223	-
Differences between the employer's contribution and the employer's proportionate share of contributions	70,502	(63,593)	1,190	(610)
Net differences between projected and actual earnings on pension plan investments	476,802	(570,059)	4,573	(5,466)
Total	$ 984,610	$ (819,671)	$ 16,026	$ (7,860)

	2015			
	Miscellaneous Plan			
	Classic		PEPRA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 682,291	$ -	$ 4,164	$ -
Net difference between actual and pension plan's proportionate share of aggregate employer contributions	109,670	-	1,407	-
Ajdustments due to differences in proportions	-	(93,627)	-	(1,875)
Net differences between projected and actual earnings on pension plan investments	-	(348,829)	-	(42)
Total	$ 791,961	$ (442,456)	$ 5,571	$ (1,917)

$421,250 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending	Amount
2017	$ (81,655)
2018	(82,767)
2019	(87,219)
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by entry age and service
(2) Net of pension plan investment and administrative expenses, including inflation
(3) Derived using CalPERS' Membership Data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[a]	Real Return Years 11+[b]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	0.55%	-1.05%
Total	100%		

[a] An expected inflation of 2.5% used for this period.

[b] An expected inflation of 3.0% used for this period.

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

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

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

	Miscellaneous Plan	
	Classic	**PEPRA**
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 1,400,432	$ (787)
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 835,047	$ (469)
1% Increase	8.65%	8.65%
Net Pension Liability	$ 368,256	$ (207)

C. Pension Plan Fiduciary Net Position

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

D. Payable to the Pension Plan

At June 30, 2016, ACE did not have outstanding balance for contributions to the pension plan required for the year ended June 30, 2016.

E. Deferred Compensation Plan

ACE has entered into a salary reduction deferred compensation plan for its employees. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may withdraw their participation at any time by giving written notice at least a week in advance prior to the effective date of the withdrawal. At June 30, 2016, plan assets with a total fair value of $1,235,452 were held by independent trustees. Accordingly, such amounts are not reflected in the accompanying basic financial statements.

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

NOTE 7 COMMITMENTS AND CONTINGENCIES

As discussed in Note 5, ACE receives reimbursement type grants from federal, state and local sources. Certain expenditures are not subject to reimbursement. Also, there may be disallowed costs. Management's experience in this regard indicates disallowances, if any, will not be material.

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

Lease

ACE occupies its office from Metropolitan Life Insurance Company subject to a lease expiring April 30, 2018. The monthly base rent, as defined in the lease agreement, follows:

Period from / to	Monthly Rent	Annual Amount
May 1, 2016 to April 30, 2017	$ 20,227	$ 242,727
May 1, 2017 to April 30, 2018	20,834	250,009
	Total lease commitments	$ 492,736

Escrow Agreements for Contract Retention

Pursuant to contracts entered into between ACE and several of its contractors, funds are deposited with an Escrow Agent. The Escrow Agent holds the funds for the benefit of the contractors until the escrow is terminated. The Escrow Agent, contractor or ACE may terminate this Escrow Agreement, with or without cause, by providing 30 days prior written notice to the other parties. In the event of termination of this Escrow Agreement, all the funds on deposit shall be paid to ACE and any accrued interest less escrow fees shall be paid to the contractor. ACE has recognized expenditures related to contract retention payments totaling $13,098,174 for fiscal year ended June 30, 2016. Funds are deposited in several escrow accounts until release to the contractor is authorized.

NOTE 8 CONSTRUCTION IN PROGRESS AND TRANSFER OF COMPLETED PROJECTS

Except for minor acquisitions that may be sold by ACE when no longer needed, all of the construction projects, when completed, will be deeded and transferred to the UPRR and the cities in which they are located at no cost to the acquirer. At June 30, 2016, $1,056,203 of costs was accumulated on projects in process and $463,758,906 had been transferred to UPRR and impacted cities.

Under the modified accrual basis of accounting project expenditures would be reported as expenditures in the year incurred. On the authority-wide financial statements conforming to GASB 34 reporting on these transactions would result in (accumulating such costs as construction in progress (i.e., treated as a cash flow expenditure 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. In both cases, net position would greatly fluctuate, depending on the timing of construction and transfer of the completed projects.

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

NOTE 9 SUBSEQUENT EVENTS

ACE has evaluated events subsequent to June 30, 2016 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 30, 2017, the date the financial statements were available to be issued. Based upon this evaluation, there were no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2016	
	Miscellaneous Plan	
	Classic	PEPRA
Proportion of the net pension liability	0.04943%	0.000158%
Proportionate share of the net pension liability	$ 835,047	$ (469)
Covered - employee payroll [1]	$ 2,769,467	$ 55,122
Proportionate share of the net pension liability as percentage of covered-employee payroll	30.15%	-0.85%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	87.61%	108.71%
Plan's proportionate share of aggregate employer contributions [2]	$ 393,080	$ 15,076

	2015	
	Miscellaneous Plan	
	Classic	PEPRA
Proportion of the net pension liability	0.01668%	0.00001%
Proportionate share of the net pension liability	$ 1,038,037	$ 126
Covered - employee payroll [1]	$ 2,764,711	$ 176,748
Proportionate share of the net pension liability as percentage of covered-employee payroll	37.55%	0.07%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	83.03%	83.02%
Plan's proportionate share of aggregate employer contributions [2]	$ 137,329	$ 88

Notes to Schedule

[1] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

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

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

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

	2016	
	Miscellaneous Plan	
	Classic	PEPRA
Actuarially determined contributions	$ 306,775	$ 11,765
Contributions in relation to the actuarially determined contributions	(306,775)	(11,765)
Contribution deficiency (excess)	$ -	$ -
Covered-Employee Payroll	$ 2,769,467	$ 55,122
Contributions as a percentage of covered-employee payroll	11.08%	21.34%

	2015	
	Miscellaneous Plan	
	Classic	PEPRA
Actuarially determined contributions	$ 286,167	$ 10,141
Contributions in relation to the actuarially determined contributions	(286,167)	(10,141)
Contribution deficiency (excess)	$ -	$ -
Covered-Employee Payroll	$ 2,764,711	$ 176,748
Contributions as a percentage of covered-employee payroll	10.35%	5.74%

Notes to Schedule:

Valuation date June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization method / Period	Level percent of payroll
Remaining amortization period	15 years as of valuation date
Asset valuation method	5 year Smoothed Market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense and administrative expenses including inflation.
Retirement age	55 years
Mortality	Derived using CalPERS Membership Data for all funds

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

SUPPLEMENTARY INFORMATION

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Project Fund - Budget to Actual
Year ended June 30, 2016

	Budgeted Amounts			Variance
	Original	Amended Final	Actual Amounts	Positive (Negative)
Revenues				
Reimbursements				
Federal grants	$ 20,064,980	$ 20,064,980	$ 10,393,488	$ (9,671,492)
State grants	112,220,688	112,220,688	96,454,462	(15,766,226)
Local grants	51,775,678	51,775,678	26,489,622	(25,286,056)
Betterment - Other	1,116,854	1,116,854	2,748,531	1,631,677
Total revenues	185,178,201	185,178,201	136,086,103	(49,092,097)
Operating expenditures				
Construction				
Design	9,844,425	9,844,425	5,057,021	4,787,404
Right-of-way acquisition	37,252,004	37,252,004	16,936,140	20,315,864
Construction management	11,421,337	11,421,337	16,778,061	(5,356,724)
Construction	123,128,000	123,128,000	91,113,859	32,014,141
Betterments	647,703	647,703	2,241,881	(1,594,178)
Total construction	182,293,469	182,293,469	132,126,962	50,166,507
Indirect				
Personnel				
Salaies and wages	1,445,212	1,445,212	1,487,085	(41,873)
Fringe benefits	768,100	768,100	748,764	19,336
Employee related expenses	36,600	36,600	33,795	2,805
Professional services				
Auditing/accounting	50,000	50,000	40,700	9,300
Legal	25,000	25,000	42,794	(17,794)
Brokerage	65,000	65,000	41,773	23,227
Insurance	102,967	102,967	264,836	(161,869)
Equipment expense	75,478	75,478	111,867	(36,389)
Office rental expense	236,834	236,834	237,047	(213)
Office operations	70,740	70,740	52,164	18,576
Other	8,800	8,800	5,302	3,498
Applied (under) indirect expense	-	-	(1,450,694)	1,450,694
Total indirect	2,884,732	2,884,732	1,615,433	1,269,299
Total operating expenditures	185,178,201	185,178,201	133,742,395	51,435,806
Excess revenues over expenditures	-	-	2,343,708	(100,527,903)
Other financing sources (uses)				
Investment revenue	423,900	423,900	499,752	75,852
Interest and related expenses	(324,000)	(324,000)	(394,600)	(70,600)
Non-project reimbursable funds	340,297	340,297	341,454	1,157
Non-project reimbursable expense	(340,297)	(340,297)	(341,454)	(1,157)
Intercompany revenue	-	-	68,920	68,920
Intercompany expense	-	-	(68,920)	(68,920)
Net other financing sources (uses)	99,900	99,900	105,152	5,252
Change in fund balance	99,900	99,900	2,448,860	(100,522,651)
Fund balance at beginning of year	12,090,355	12,090,355	12,090,355	-
Fund balance at end of year	$ 12,190,255	$ 12,190,255	$ 14,539,215	$ (100,522,651)

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Report of Independent Auditors 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*

The Honorable Members of the Board of Directors
Alameda Corridor – East Construction Authority

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 Alameda Corridor – East Construction Authority (ACE), a component unit of San Gabriel Valley Council of Governments, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ACE's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACE'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 ACE's internal control. Accordingly, we do not express an opinion on the effectiveness of ACE'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 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 over financial reporting 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 weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACE'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.

Vasquez & Company LLP

Los Angeles, California
January 30, 2017

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SGVCOG

San Gabriel Valley Council of Governments

Audited Financial Statements and Supplementary Information

Year Ended June 30, 2016

with Report of Independent Auditors

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

San Gabriel Valley Council of Governments
Audited Financial Statements
and Supplementary Information
Year Ended June 30, 2016
with Report of Independent Auditors

Vasquez & Company LLP
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Report of Independent Auditors

Members of the Governing Board
San Gabriel Valley Council of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SGVCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of San Gabriel Valley Council of Governments as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the required supplementary information on pages 38-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management discussion and analysis and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SGVCOG's basic financial statements. SGVCOG's discretely presented component unit's statement of revenues, expenditures and changes in fund balance – budget to actual on page 40, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statement of revenues, expenditures and changes in fund balance – budget to actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenditures and changes in fund balance – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of San Gabriel Valley Council of Governments' 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 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 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 San Gabriel Valley Council of Governments' internal control over financial reporting and compliance.

Vasquez & Company LLP

Los Angeles, California
January 30, 2017

Our discussion and analysis of the San Gabriel Valley Council of Governments (the SGVCO) financial performance presents an overview of the SGVCOG's financial activities during the year ended June 30, 2016. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 12). The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

Background

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

In 1998, the SGVCOG created the Alameda Corridor - East Construction Authority (ACE) (discretely presented component unit) 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.

Financial Highlights

In FY 2015-16, SGVCOG's operating revenues increased by 2% from the previous year. The increase was mainly attributable to the implementation of an annual CPI adjustment to the base fee of cities membership dues.

<u>Component Unit</u>

ACE's financial highlights for the year ended June 30, 2016:

- Net position increased by $2.5 million, an increase of 21.6%.
- Construction in progress increased by $62.9 million, an increase of 11.9%.
- Total revenues decreased by $0.3 million, a decrease of 0.2%.
- Total project expenses increase by $3.1 million, an increase of 2.3%.

Overview of Financial Statements

The SGVCOG's basic financial statements consist of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Basic Financial Statements.

Government-wide Financial Statements

The government-wide financial statements found on pages 12 and 13 are designed to give readers a broad overview of the SGVCOG and its discretely presented component unit's financial position. These include all of the SGVCOG and its discretely presented component unit's assets and liabilities, deferred inflows/outflows of resources, revenues and expenses. The accounting basis is full accrual (similar to private sector companies) where the SGVCOG and its discretely presented component unit's revenues and expenses are reported as the causal event occurs, instead of when the revenue was received or expense paid.

The "Statement of Net Position" presents all of the SGVCOG and its discretely presented component unit's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position (or equity in the private sector). While large net position might indicate that a governmental agency has not spent all available revenues and other resources, negative net position indicates that the agency has overspent. It is management's position to maintain sufficient net position to compensate for any disallowed costs, but to allocate any surplus to construction activities.

The "Statement of Activities" presents the SGVCOG and its discretely presented component unit's revenues and expenses for the year ended on June 30, 2016.

Fund Financial Statements

The fund financial statements can be found on pages 12 and 13 of this report. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

ACE, unlike cities, county or State governments, has one activity – construction. All of ACE's activities are classified as a Construction (Capital Projects) Fund with the exception of the amount invested in a deferred compensation plan funded solely by staff.

Differences between the two sets of financial statements are normally determined by the complexity of the reporting agency and usually revolve around different treatments for capital assets and depreciation, and debt issuance and repayment. ACE's focus on a single activity results in the two statements being very similar.

Notes to the Basic Financial Statements

This report includes notes to the basic financial statements. They provide additional information that is important to a complete understanding of the data contained in the government-wide and fund financial statements. The notes can be found on pages 15 through 37 of this report.

Financial Analysis

Primary Government

Condensed Statements of Net Position

The following table summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of SGVCOG's primary government as of June 30, 2016 and 2015:

	June 30		Variance	
	2016	2015	Amount	%
Current assets	**$ 917,083**	$ 778,098	$ 138,985	18%
Deferred outflows of resources	**48,112**	23,254	24,858	107%
Total assets and deferred outflows of resources	**965,195**	801,352	163,843	20%
Current liabilities	**146,522**	236,431	(89,909)	-38%
Deferred inflows of resources	**23,578**	8,172	15,406	189%
Total liabilities and deferred inflows of resources	**170,100**	244,603	(74,503)	-30%
Net position				
Restricted	**110,248**	110,138	110	0%
Unrestricted	**684,847**	446,611	238,236	53%
Total net position	**$ 795,095**	$ 556,749	$ 238,346	43%

Current assets increased this year by $138,985, or 18%, and current liabilities decreased by $89,909 or 38%. The increase in current assets is primarily due to a $272,226 increase in cash and cash equivalents. The decrease in current liabilities is primarily due to a decrease in accounts payable related to prior year over payments of $43,694 for MS4 – National Pollutant Discharge Elimination System which was reimbursed in the current year and $45,000 which was properly reclassified to cities membership dues in fiscal year June 30, 2016.

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 $795,095 and $556,749 as of June 30, 2016 and 2015, respectively.

Condensed Statements of Activities

The following table presents the SGVCOG's revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015:

	Years ended June 30		Variance	
	2016	2015	Amount	%
Operating revenues				
Dues:				
General Fund	$ 566,734	$ 498,552	$ 68,182	14%
Transportation	200,196	177,507	22,689	13%
	766,930	676,059	90,871	13%
Grants and matches from other governments:				
Los Angeles County Metropolitan Transportation Authority	89,378	85,421	3,957	5%
Southern California Edison - Energywise	173,822	138,106	35,716	26%
Southern California Edison - California Energy Efficiency Strategic Plan Implementation	115,946	184,360	(68,414)	-37%
Western Riverside Council of Governments - California HERO	20,334	16,380	3,954	24%
LA Permit Group - MS4 NPDES Permit	-	32,475	(32,475)	-100%
Local Government Commission - CivicSpark	-	8,400	(8,400)	-100%
Others	-	78	(78)	-100%
Total operating revenues	1,166,410	1,141,279	25,131	2%
Operating expenses				
Administrative	570,248	508,775	61,473	12%
Energywise	173,822	106,930	66,892	63%
Transportation	120,060	232,935	(112,875)	-48%
California Energy Efficiency Strategic Plan Implementation	115,947	174,105	(58,158)	-33%
Miscellaneous	-	11,610	(11,610)	-100%
Total operating expenses	980,077	1,034,355	(54,278)	-5%
Operating income	186,333	106,924	79,409	74%
Nonoperating income				
Other income	50,933	-	50,933	100%
Interest income	1,080	1,114	(34)	-3%
Total nonoperating income	52,013	1,114	50,899	4569%
Change in net position	238,346	108,038	130,308	121%
Net position, beginning of year	556,749	448,711	108,038	24%
Net position, end of year	$ 795,095	$ 556,749	$ 238,346	43%

Revenues for SGVCOG in 2016 consist primarily of dues from 31 member cities, three Los Angeles County supervisorial districts, and a Joint Power Authority of the water agencies, which represents three municipal water districts, cost reimbursable grants from Southern California Edison (SCE), a local utility, grant matching funds from Los Angeles County Metropolitan Transportation Authority, and fees on the aggregate cost for the bonds issued to fund installation of renewable energy efficiency improvements from the Home Energy Renovation Opportunity (HERO) program. Grants and matches from other governments and SCE were $399,480 in FY2016 compared to $465,220 in FY 2015, a decrease of $65,740, or 14%. This decrease was mostly due to reduction in program activity for California Energy Efficiency Strategic Plan Implementation - Phase 3. This program was completed in September 2016.

Total operating expenses were $980,077 in FY2016 compared to $1,034,355 in FY2015, a decrease of $54,278, or 5%. This decrease is primarily attributable to delays in filling vacant positions which resulted in a reduction of grant reimbursable expenses.

Non-operating income of $ 52,013 consists of investment income and other income from a claim settlement in FY 2016 compared to $1,114 for FY 2015, an increase of $50,899, or 4569%. This increase was attributable to a $52,013 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016.

Component Unit

Condensed Statements of Net Position

	June 30		Variance	
	2016	2015	Amount	%
Current and other assets	**$ 93,669,646**	$ 88,561,367	$ 5,108,279	5.8%
Capital assets	**24,923**	24,841	82	0.3%
Construction in progress	**592,444,003**	529,573,361	62,870,642	11.9%
Less due to member cities and Union Pacific Railroad	**(592,444,003)**	(529,573,361)	(62,870,642)	11.9%
Total assets	**93,694,569**	88,586,208	5,108,361	5.8%
Deferred outflows of resources	**1,000,636**	797,532	203,104	25.5%
Total liabilities	**79,965,009**	77,509,175	2,455,834	3.2%
Deferred inflow of resources	**827,531**	444,373	383,158	86.2%
Net Position	**$ 13,902,665**	$ 11,430,192	$ 2,472,473	21.6%

All organizations are 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 activities. However, the grant reimbursements generated by

construction would be included in the statement of activities as revenue. ACE is obligated to transfer components of completed projects to the 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 activities as a loss. The net effect would be to produce widely fluctuating net position and fund balances depending on whether ACE was constructing (surplus) or transferring assets to member cities (deficit).

Therefore, ACE elected to treat construction in progress as a matching asset and liability. 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 activities.

Total current and other assets increased by 5.8% to $93.7 million, mainly due to increases in cash and investments, grants receivable, and unbilled grants receivable consistent with increased project activity.

Due to increased grant reimbursable expenses and increased billing efforts, grants receivable increased by 15.5% to $18.6 million and unbilled grants receivable decreased by 16% to $24.3 million, respectively.

Construction in progress increased by 11.9% to $592.4 million, primarily as a result of increased construction activity on Fairway Drive, Puente Avenue, and San Gabriel Trench; and increased right of way acquisitions activity on the Durfee project. As of June 30, 2016, projects under construction include the Nogales Street, Fairway Drive, Puente Avenue, Fullerton Road, and Durfee Avenue grade separation projects; the San Garbiel Trench; and the Temple Avenue rail diversion project. Projects in the design phase as of June 30, 2016 are the Montebello Corridor Project and the At Grade Crossing Safety Improvement Project.

Total liabilities increased by 3.2% ($2.5 million) to $80.0 million primarily as a result of a $10.9 million increase in unearned revenue which was partially offset by a $7.3 million decrease in accounts payable and accrued expenses.

Unearned revenue increased 212.8% to $16.1 million, mainly due to recognition of revenue for additional Baldwin Avenue project surplus properties now in escrow, betterment funds received in advance for the Fairway Drive project, returned right of way property condemnation deposit for Nogales that will be applied to 2017 grant reimbursable expense.

The FY 2016 Budget for operating expenditures was $185.2 million compared to $173.4 million in FY 2015. Total actual operating expenditures are $134.1 million compared to $131.1 million in FY 2015.

ACE and Metro entered into an agreement to provide ACE $45M subordinate Proposition C Sales Tax Revenue Revolving Obligation Construction Fund which replaced the Grants Anticipation Notes as the primary bridge funding.

The project revenues continue to closely track the expenditures. ACE's policy is to avoid where possible costs not reimbursable under state and federal guidelines; Metro also provides project funds and, under separate agreement, continues to fund certain administrative expenses not reimbursable under federal and state regulations; cities requesting work in excess of CalTRANS' guidelines (referred to as betterments) are paid for by the requesting city.

Condensed Statements of Activities

The following table shows the condensed statements of activities for the years ended June 30, 2016 and 2015.

Total net position increased by $2.5 million or 21.6% for the year ended June 30, 2016. This increase was primarily related to $3.1 million increase in project expenses related to increased project activity in the current year.

	Years ended June 30		Variance	
	2016	**2015**	Amount	%
Project Expenses				
Direct (Construction)	**$132,103,266**	$128,506,162	$ 3,597,104	2.8%
Indirect expenses charged to operations	**2,025,888**	2,551,424	(525,536)	-20.6%
Total project expenses	**134,129,154**	131,057,586	3,071,568	2.3%
Operating revenues				
Grant reimbursements	**133,732,844**	131,098,676	2,634,168	2.0%
Other operating revenues	**2,763,634**	5,703,121	(2,939,487)	-51.5%
Total revenues	**136,496,478**	136,801,797	(305,319)	-0.2%
Income from operations	**2,367,324**	5,744,211	(3,376,887)	-58.8%
Nonoperating income (expense)				
Financing income	**499,752**	430,691	69,061	16.0%
Financing expense	**(394,603)**	(464,451)	69,848	-15.0%
Net financing income (loss)	**105,149**	(33,760)	138,909	-411.5%
Change in net position	**2,472,473**	5,710,451	(3,237,978)	-56.7%
Net position at beginning of year	**11,430,192** *	5,719,741	5,710,451	99.8%
Net position at end of year	**$ 13,902,665**	$ 11,430,192	$ 2,472,473	21.6%

*The net position as of June 30, 2015 includes the effect of the implementation of GASB 68.

Capital Assets

Primary Government

The SGVCOG had $0 invested in capital assets, net of depreciation, as of June 30, 2016 and 2015. The capital assets are fully depreciated as of June 30, 2016 and 2015.

The SGVCOG's capital assets consist of office equipment only. Capital assets are purchased with governmental resources.

Component Unit
ACE had $24,923 invested in capital assets, net of depreciation, as of June 30, 2016 consisting of leasehold improvements and equipment.

Economic Factors and Next Year's Budget

Primary Government
The budget for fiscal year 2017 assumes that the on-hand net position as of June 30, 2016, will be required and available to fulfill the program and administrative expense requirements.

Component Unit
Budgeted expenditures in FY 2017 are down to $132.8 million from what was budgeted in FY 2016, $158.5 million, as construction expenses and right of way budgeted expenses were reduced to reflect the completion of some projects, and the early start of others.

Further Information

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

	Primary Government	Component Unit		
	Business-type Activities	Capital Project Fund	Adjustment	Total
ASSETS				
Current assets				
Cash and investments	$ 704,507	$ 43,498,834	$ -	$ 43,498,834
Member receivable	800	-	-	-
Grants receivable	137,980	18,633,901	-	18,633,901
Unbilled receivables	-	24,318,084	-	24,318,084
Notes receivables	-	300,000	-	300,000
Other receivable	58,282	2,155	-	2,155
Retention receivable	-	1,821,141	-	1,821,141
Prepaid expenses	14,107	280,226	-	280,226
Property held for sale	-	4,259,269	-	4,259,269
Net pension asset	1,407	-	-	-
Under-recovery of indirect costs	-	556,036	-	556,036
Total current assets	917,083	93,669,646	-	93,669,646
Noncurrent assets				
Leasehold improvements and equipment	8,645	-	395,838	395,838
Less accumulated depreciation and amortization	(8,645)	-	(370,915)	(370,915)
Construction in progress	-	-	592,444,003	592,444,003
Less due to member cities and Union Pacific Railroad	-	-	(592,444,003)	(592,444,003)
Total assets	917,083	93,669,646	24,923	93,694,569
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pension	48,112	-	1,000,636	1,000,636
LIABILITIES				
Current liabilities				
Accounts payable and accrued expense	97,363	16,565,784	-	16,565,784
Accrued retention payable	-	1,304,267	-	1,304,267
Unearned revenue	49,159	16,053,098	-	16,053,098
Compensated absences	-	207,282	-	207,282
Metro promissory note loan	-	45,000,000	-	45,000,000
Net pension liability	-	-	834,578	834,578
Total current liabilities	146,522	79,130,431	834,578	79,965,009
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	23,578	-	827,531	827,531
FUND BALANCES/NET POSITION				
Fund balance				
Nonspendable for:				
Prepaid expenses		280,226		
Assigned:				
CalPERS unfunded liability		835,047		
Capital project fund		13,423,942		
Total fund balance		14,539,215		
Net position				
Invested in capital assets	-		24,923	24,923
Restricted	110,248		-	-
Unrestricted	684,847		(661,473)	13,877,742
Total net position	$ 795,095		$ (636,550)	$ 13,902,665
Total liabilities and fund balance		$ 93,669,646		

See notes to financial statements.

San Gabriel Valley Council of Governments
Statement of Activities
Year ended June 30, 2016

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Primary Government Business-type Activities: Net (Expense) Revenue and Changes in Net Position	Component Unit: Deficiency of Revenues over Expenditures	Component Unit: Adjustments	Component Unit: Net (Expense) Revenue and Changes in Net Position
Primary government:									
Business-type activities:									
General government	$ 570,248	$ -	$ 566,734	$ -	$ -	$ (3,514)			
Transportation	120,060	-	200,196	-	-	80,136			
Los Angeles County Metropolitan Transportation Authority	-	-	-	89,378	-	89,378			
California Energy Efficiency Strategic Plan Implementation	115,947	-	-	115,947	-	-			
South California Edison - Energywise	173,822	-	-	173,822	-	-			
Others	-	-	-	20,333	-	20,333			
Total business-type activities	$ 980,077	$ -	$ 766,930	$ 399,480	$ -	186,333			
Component unit:									
Project expenses	$ 132,126,961	$ 2,025,806	$ -	$ -	136,496,478	-	$ 2,343,711	$ 23,613	$ 2,367,324
Financing expense	394,603	-	-	-	-	-	(394,603)	-	(394,603)
Total component unit	$ 132,521,564	$ 2,025,806	$ -	$ -	$ 136,496,478	-	1,949,108	23,613	1,972,721
General revenues:									
Interest and other income						52,013	499,752	-	499,752
Change in net position						238,346	2,448,860	23,613	2,472,473
Fund balance/Net position, beginning of year, as restated						556,749	12,090,355	(660,163)	11,430,192
Fund balance/Net positon, end of year						$ 795,095	$ 14,539,215	$ (636,550)	$ 13,902,665

See notes to financial statements.

Cash flows from operating activities		
Cash receipts from cities	$	820,739
Cash receipts from all other services		577,792
Cash paid for operating expenses		(519,128)
Cash paid for employee compensation and related costs		(608,107)
Net cash provided by operating activities		271,296
Cash flows from investing activities		
Cash receipts from interest		930
Cash provided by investing activitites		930
Change in cash and cash equivalents		272,226
Cash and cash equivalents - beginning of year		432,281
Cash and cash equivalents - end of year	$	704,507
Reconciliation of operating income to net cash used in operating activities:		
Operating income	$	186,333
Adjustment to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Member dues receivable		4,650
Other receivables		(6,823)
Grants receivable		185,135
Prepaid expenses		2,769
Deferred outflows of resources		(24,858)
Accounts payable and accrued expenses		(138,530)
Unearned revenues		49,159
Net pension liability		(1,945)
Deferred inflows of resources		15,406
Net cash provided by operating activities	$	271,296

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES

Organization and activities

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

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

Reporting entity

The accompanying financial statements present the SGVCOG (the primary government) and its component unit, the Alameda Corridor - East Construction Authority (ACE). As defined by GASB Statement No. 14, component units are legally separate entities that are included in the primary government's reporting entity because of the significance of their operating or financial relationships with the primary government. SGVCOG and its component unit are together referred to herein as the *reporting entity*.

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. ACE does not meet the criteria for a blended component because it is a legally separate entity having its own set of Board of Directors, independent of SGVCOG's Governing Board. ACE's Board is responsible for approving its own budget and accounting and finance related activities. SGVCOG has no fiscal responsibility over ACE and there is no financial burden or benefit relationship between the two entities. Accordingly, ACE is reported as a discretely presented component unit in a separate column in the government-wide financial statements to emphasize that it is legally separate from the SGVCOG. Separate financial statements for ACE are issued.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the primary government (the SGVCOG) and its discretely presented component unit (ACE). The financial statements are prepared using the accrual basis of accounting.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement presentation
The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Statement of Activities presents changes in Net Position. (This is equivalent to an Income and Changes in Equity Statement in private sector companies.) Revenues are recorded when earned and expenses are recognized at the time of the causal event.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. ACE recognizes reimbursements from grants as revenues to the extent reimbursing obligations are earned on or before June 30, 2016 and are therefore the same under both modified accrual and full accrual basis. Major interest bearing debt is short-term in nature so there is no difference relating to accrued interest owed.

Based upon the nature of the operations of ACE, only a capital projects fund is utilized (a governmental fund type). Amounts reflected in the adjustment column in the financial statements of ACE represents capital assets and construction in progress (less due to member cities and Union Pacific Railroad) used on governmental activities that are not current financial resources and therefore are not reported as assets in the governmental fund balance and the related depreciation expense on the capital assets reported in the government-wide statement of activities that do not require the use of current financial resources and therefore not reported as an expenditure in the governmental funds.

Description of funds
Proprietary Funds
The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following are revenue components of the SGVCOG:

County of Los Angeles (LA) – Energy Upgrade - Funds that enables single-family homeowners to make upgrades to reduce energy use, conserve resources and create more comfortable and efficient homes.

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

Southern California Edison – 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.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Description of funds (Continued)

Proprietary Funds (Continued)

County of Los Angeles – Municipal Separate Storm Sewer System (MS4) – National Pollutant Discharge Elimination System (NPDES) - Funds to assist LA Permit Group to comply with the LA County MS4 NPDES Permit. The LA Permit Group is comprised of approximately 50 municipalities in Los Angeles County and was created to work collaboratively to negotiate the LA County MS4 NPDES Permit.

Southern California Edison – California Energy Efficiency Strategic Plan Implementation Phase 3 - Funds for the implementation of certain energy efficiency programs under the Decision 12-11-015 of the California Public Utilities Commission including the Energy Leader Partnership Program.

Governmental Fund

Capital Projects Fund - Accounts for the activity of obtaining support from governmental groups, determining funding and specifications for structures needed and to fund the contracts for the grade crossing improvements. This fund accounts for all of the activities of ACE.

Fund balance reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* establishes the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples are inventories, prepaid expenses, long-term receivables, or non-financial assets held for resale unless the proceeds are restricted, committed or assigned.

Restricted fund balance includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the highest level of decision-making authority (Board of Directors).

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Fund balance reporting (Continued)

Assigned fund balance consists of funds that are set aside for specific purposes by ACE Construction Authority's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance is the residual classification for ACE's general fund and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board of Directors, as ACE's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same type of formal action taken to establish the commitment. ACE does not have any fund balance that meet this classification as of June 30, 2016.

The Board of Directors delegates the authority to assign fund balance to the Chief Executive Officer for purposes of reporting in the annual financial statements.

ACE considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. ACE considers unrestricted fund balances to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of ACE to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

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.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

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 bond portfolio managed by Citizens' Business Bank meet are considered cash equivalents.

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

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.

To-date, 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 expend the money and then bill for reimbursement from the grantors.

Leasehold improvements and equipment
Phases of equipment and other improvements that can be capitalized are recorded as expenditures in the capital projects fund of the component unit. The threshold for capitalization has been $5,000 since FY 2005 in accordance with Federal guidelines. On the government- wide financial statements such items that meet the capitalized threshold are recorded as capital assets and are depreciated based upon their estimated useful lives on a straight-line basis. Useful lives of assets categories are as follows:

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

Pension
SGVCOG and ACE adopted GASB Statement No, 68, *Accounting and Financial Reporting for Pensions* during the fiscal year ended June 30, 2015. 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.

NOTE 1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

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.

Property held for sale
The property held for sale is recorded at the lower of acquisition cost or estimated net realizable value.

NOTE 2 CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2016 are as follows:

Primary government:		
Deposits with financial institution	$	476,074
Short-term investments		228,433
Total cash and investments	$	704,507
Component unit:		
Cash in bank	$	667,252
Pooled funds		1,583,187
Money market funds		20,463,613
Investments		20,784,782
Total cash and investments	$	43,498,834

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

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Primary government and component unit:

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

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the reporting entity's investment policy.

The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed in	Maximum Investment One Issuer
U.S Government Agencies	5 years	33%	15%
Medium-term Notes (Corporate Bonds)	5 years	27%	10%
Mortgage-backed Securities	5 years	13%	None
Certificate of Deposits	5 years	8%	10%
Money Market Funds	None	8%	None
State of CA Local Agency Investment Fund (LAIF)	None	7%	None
Municipals	None	4%	None

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the *reporting entity* 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.

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

Primary government:

	Remaining maturity in months	
Investment Type	**Total**	**12 Months or less**
LAIF	$ 228,433	$ 228,433
Total	$ 228,433	$ 228,433

Component unit:

	Remaining maturity in months				
Investment Type	**Total**	**12 Months or less**	**13 to 24 Months**	**25 to 60 Months**	**More than 60 months**
LAIF	$ 1,583,187	$ 1,507,194	$ 45,912	$ 30,081	$ -
Money market funds	20,463,613	20,463,613	-	-	-
Investment contracts	20,715,527	3,683,204	-	17,032,323	
Total	$ 42,762,327	$ 25,654,011	$ 45,912	$ 17,062,404	$ -

Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Primary government:

Investment Type		Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End		
				AAA	AA	Not Rated
LAIF	$ 228,433	N/A	$ -	$ -	$ -	$ 228,433
Total	$ 228,433		$ -	$ -	$ -	$ 228,433

Component unit:

Investment Type		Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A	Not rated
LAIF	$ 1,583,187	N/A	$ -	$ -	$ -	$ 1,583,187
Money market funds	20,463,613	A	20,463,613	-	-	-
Investment contracts	20,715,527	A	268,419	10,754,999	6,008,905	3,683,204
Total	$ 42,762,327		$ 20,732,032	$ 10,754,999	$ 6,008,905	$ 5,266,391

Concentrations of Credit Risk

The investment policy of the SGVCOG and ACE's 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, 2016, the SGVCOG and its component unit have no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total SGVCOG investments.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the *reporting entity'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, 2016, the SGVCOG's cash in bank balances did not exceed the FDIC limit. ACE's deposit of $43,498,834 with financial institutions is in excess of federal depository insurance limits but are held in collateralized accounts.

The SGVCOG and ACE are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2016, the total market value of LAIF, including accrued interest was approximately $75.497 billion.

The fair value of the SGVCOG's investment in this pool is $228,433 at June 30, 2016 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 $1,584,171 at June 30, 2016 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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2016, the following investment types were held by the same broker-dealer (counterparty) that was used by ACE to buy the securities:

Investment Type	Reported Amount
Money Market Funds	$ 20,463,613

NOTE 3 LEASEHOLD IMPROVEMENTS AND EQUIPMENT

The leasehold improvement and equipment of the component unit are recorded at cost and consist of the following:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Cost:				
Leasehold Improvements	$ 19,762	$ -	$ -	$ 19,762
Computer Equipment:				
Hardware	201,679	12,462	-	214,141
Software	114,483	-	-	114,483
Website	3,393	-	-	3,393
Telephone Equipment	12,086	-	-	12,086
Office Furniture	31,972	-	-	31,972
Total cost	383,375	12,462	-	395,837
Less accumulated depreciation for:				
Leasehold Improvements	19,762	-	-	19,762
Computer Equipment:				
Hardware	180,794	10,622	-	191,416
Software	110,527	1,758	-	112,285
Website	3,393	-	-	3,393
Telephone Equipment	12,086	-	-	12,086
Office Furniture	31,972	-	-	31,972
Total accumulated depreciation	358,534	12,380	-	370,914
Capital assets, net	$ 24,841	$ 82	$ -	$ 24,923

Depreciation expense included in indirect expenses for the year ended June 30, 2016 amounted to $12,380.

NOTE 4 RECEIVABLES

Receivables of the component unit as of June 30, 2016, as shown in the government-wide financial statements, in the aggregate, including retention, are as follows:

Receivables		Amount
Grants	$	18,633,901
Notes		300,000
Unbilled		22,039,090
Retention		1,821,141
Interest		2,154
	Total $	42,796,286

NOTE 5 METRO PROMISSORY NOTE PAYABLE

In June 2013, ACE entered into a promissory note to borrow up to $45,000,000, in variable rate, from the Metro to be used as working capital. The note payable balance outstanding at June 30, 2016 and 2015 amounted to $45,000,000. Interest rates vary according to market conditions and have ranged from 0.6288% to 0.6840%. Proceeds from the note payable have been used to pay for construction activities. Because this is a revolving construction fund provided by Metro to facilitate the payment to the project contractors of ACE, this note payable is not considered to be long-term debt.

The principal amount of the loan is to be 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 CP costs and any fees are unsecured and due on September 9, 2023, ten years after the first drawdown date. Because this is a revolving construction fund provided by Metro to facilitate the payment to the project contractors of ACE, this loan is not considered as a long-term debt.

NOTE 6 GRANT ACCOUNTING

During the year ended June 30, 2016, ACE was the recipient, primarily from the Federal Department of Transportation through the California Department of Transportation (Caltrans), of cost reimbursement type grants. There were also California transportation programs paid through Caltrans. Local share was received from Metro. All of 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 some costs incurred are subject to disallowance.

NOTE 6 GRANT ACCOUNTING (CONTINUED)

Receivable amounts at June 30, 2015, are shown net of disallowed costs. Caltrans approved, under Office of Management and Budget (OMB) Circular A-87, an indirect overhead allocation formula of 84.13% of total direct salaries and fringe benefit costs. Indirect costs incurred in the fiscal year ended June 30, 2016 were $1,615,432.

NOTE 7 ADMINISTRATIVE EXPENSES

The following were the administrative expenses of the primary government for the year ended June 30, 2016:

Administrative Expenses		Amount
Salaries and employee benefits	$	342,451
Consultant fee		44,684
Rent		39,473
Accounting and audit fees		23,789
Meetings		18,733
Legal fees		15,915
Information technology		11,981
Repairs and maintenance		11,000
Stipends		7,346
Printing/publications		4,804
Utilities		3,395
Insurance		3,339
Dues and subscriptions		2,658
Supplies		2,412
Miscellaneous		38,268
Total	$	570,248

NOTE 8 RELATED PARTY TRANSACTIONS

The ACE billed SGVCOG a total of $68,958 for transportation technical support, administrative support, and accounting support, and $2,368 for travel expenses.

NOTE 9 EMPLOYEE BENEFIT PLAN

A. General Information about the Pension Plans

Plan Description

SGVCOG's employee benefit plan was assigned to its component unit, ACE. SGVCOG does not have employees enrolled under the Classic Plan and currently represent 75% share of the PEPRA Plan.

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

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.

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Hire date	Prior to Jan. 1, 2013	On or after Jan. 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.25%
Required employer contribution rates	11.032%	6.25%

Contributions

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Contributions - employer	$ 306,775	$ 11,765

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

As of June 30, 2016, SGVCOG and ACE reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability (Asset)	
	SGVCOG	ACE
Miscellaneous (Classic)	$ -	$ 835,047
Miscellaneous (PEPRA)	(1,407)	(469)
Total net pension liability (asset)	$ (1,407)	$ 834,578

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

The net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability (asset) of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. SGVCOG's and ACE's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, 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 three ratios. It includes 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 is allocated based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2014 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, 2014 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities. All other pension amounts (deferred outflows/inflows of resources and pension expense) are allocated based on the legally or statutorily required employer contributions for the fiscal year ended June 30, 2015, including reported contribution adjustments and suspended payroll information.

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

	2016 Miscellaneous	
	Classic	PEPRA
Total pension liability	0.00049430	0.00000158
Plan fiduciary net pension	0.00054212	0.00000215
All other pension amounts (deferred outflows/ inflows of resources and pension expense)	0.00104292	0.00004000

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

At June 30, 2016, SGVCOG and ACE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016 Miscellaneous Plan					
	SGVCOG		ACE			
	PEPRA		Classic		PEPRA	
	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	$ 20,593	$ -	$ 414,398	$ -	$ 6,852	$ -
Differences between actual and expected experience	566	-	19,663	-	188	-
Changes in assumption	-	(5,351)	-	(186,019)	-	
Changes in employer's proportion	9,669	-	3,245	-	3,223	(1,784)
Differences between the employer's contribution and the employer's proportionate share of contributions	3,569	(1,830)	70,502	(63,593)	1,190	(610)
Net differences between projected and actual earnings on pension plan investments	13,715	(16,397)	476,804	(570,059)	4,573	(5,466)
	$ 48,112	$ (23,578)	$ 984,612	$ (819,671)	$ 16,026	$ (7,860)

	Miscellaneous Plan					
	SGVCOG		ACE			
	PEPRA		Classic		PEPRA	
	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	$ 17,254	$ -	$ 682,291	$ -	$ 4,164	$ -
Net difference between actual and pension plan's proportionate share of aggregate employer contributions	6,000	-	109,670	-	1,407	-
Ajdustments due to differences in proportions	-	(7,992)	-	(93,627)	-	(1,875)
Net differences between projected and actual earnings on pension plan investments	-	(180)	-	(348,829)	-	(42)
Total	$ 23,254	$ (8,172)	$ 791,961	$ (442,456)	$ 5,571	$ (1,917)

SGVCOG and ACE reported $20,593 and $421,250, 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, 2017.

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

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
2017	$ (757)	$ (81,655)
2018	(615)	(82,767)
2019	(43)	(87,219)
Thereafter	-	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by entry age and service

(2) Net of pension plan investment and administrative expenses, including inflation

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

(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[a]	Real Return Years 11+[b]
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infras tructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

[a] An expected inflation of 2.5% used for this period.

[b] An expected inflation of 3.0% used for this period.

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

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

	Miscellaenous Plan		
	SGVCOG	ACE	
	PEPRA	Classic	PEPRA
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability (Asset)	$ (2,360)	$ 1,400,432	$ (787)
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability (Asset)	$ (1,407)	$ 835,047	$ (469)
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability (Asset)	$ (620)	$ 368,256	$ (207)

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, 2016, SGVCOG and ACE did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Postemployment Benefits

SGVCOG and ACE did not incur any other liabilities during the year 2016 related to postemployment benefits.

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

Deferred Compensation Plan
ACE has entered into a salary reduction deferred compensation plan for its employees. Securities held by the plan are valued at market. 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, 2016, plan assets totaling $1,235,452 were held by independent trustees and, as such, are not reflected in the accompanying basic financial statements.

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

The SGVCOG has entered into an office space lease agreement covering the period from January 1, 2013 to December 31, 2017.

Future minimum rental payments including tenant improvements are as follows:

Year ending June 30		Amount
2017	$	64,895
2018		32,936
Total	$	97,831

Component unit:
As mentioned in Note 6, ACE receives reimbursement type grants from Federal, State and local sources. Certain expenditures are not allowable and not subject to reimbursement. Also, there may be disallowed costs. Management's experience in this regard indicates disallowances, if any, will not be material.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

ACE occupies its office from Metropolitan Life Insurance Company subject to a lease expiring April 30, 2018. The monthly base rent, as defined in the lease agreement, follows:

Period from/to	Monthly Rent	Annual Amount
May 1, 2016 to April 30, 2017	$ 20,227	$ 242,727
May 1, 2017 to April 30, 2018	20,834	250,009
	Total lease commitments	$ 492,736

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 Owner 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 the Owner and any accrued interest less escrow fees shall be paid to the Contractor. ACE has recognized as expenditure retention payments totaling $13,098,174. Funds are deposited in several escrow accounts until release to the Contractor is authorized.

NOTE 11 ACCOUNTING FOR CONSTRUCTION IN PROGRESS AND EVENTUAL DISPOSAL OF 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 to the UPRR and the cities in which they are located at no cost to the acquirer. At June 30, 2016, $1,056,203 of costs was accumulated on projects in process and $463,758,906 had been transferred to the railroad and impacted cities.

Under the governmental funds and modified accrual basis of accounting in FY 2016 project expenditures would be reported as expenditures in the year incurred. On the government-wide financial statements conforming to GASB 34 reporting on these transactions presents a challenge. Accumulating those costs as construction in progress (i.e., treated as a cash flow expenditure and not a current year expense) would substantially overstate income while reporting the disposal and expensing the accumulated costs would distort the cost of operations. In both cases, net position would fluctuate wildly, depending on the timing of construction and disposal.

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. This approach will minimize the effects of both on the acquisition of property for construction and the accumulation of construction costs and their eventual disposal.

NOTE 12 OTHER INCOME

Other income for the year ended June 30, 2016 includes $50,933 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016. Such amount is recorded as a component of other receivables as of June 30, 2016.

NOTE 13 SUBSEQUENT EVENTS

The SGVCOG has evaluated events subsequent to June 30, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 30, 2017, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

	June 30, 2015 (Measurement Date)		
	Miscellaneous Plan		
	SGVCOG	ACE	
	PEPRA	Classic	PEPRA
Proportion of the net pension liability	0.000158%	0.04943%	0.000158%
Proportionate share of the net pension liability	$ (1,407)	$ 835,047	$ (469)
Covered - employee payroll [1]	$ 164,916	$ 2,769,467	$ 55,122
Proportionate share of the net pension liability as percentage of covered-employee payroll	-0.85%	30.15%	-0.85%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	108.71%	87.61%	83.02%
Plan's proportionate share of aggregate employer contributions [2]	$ 15,076	$ 393,080	$ 15,076

	June 30, 2014 (Measurement Date)		
	Miscellaneous Plan		
	SGVCOG	ACE	
	PEPRA	Classic	PEPRA
Proportion of the net pension liability	0.00001%	0.01668%	0.00001%
Proportionate share of the net pension liability	$ 538	$ 1,038,037	$ 126
Covered - employee payroll [1]	$ 155,191	$ 2,764,711	$ 21,557
Proportionate share of the net pension liability as percentage of covered-employee payroll	0.35%	37.55%	0.58%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	83.02%	83.03%	83.02%
Plan's proportionate share of aggregate employer contributions [2]	$ 88	$ 137,329	$ 88

Notes to Schedule

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

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

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

	FY 2014-15		
	Miscellaneous Plan		
	SGVCOG	ACE	
	PEPRA	Classic	PEPRA
Actuarially determined contributions	$ 8,824	$ 306,775	$ 11,765
Contributions in relation to the actuarially determined contributions	(8,824)	(306,775)	(11,765)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 164,916	$ 2,769,467	$ 55,122
Contributions as a percentage of covered-employee payroll	5.35%	11.08%	21.34%

	FY 2013-14		
	Miscellaneous Plan		
	SGVCOG	ACE	
	PEPRA	Classic	PEPRA
Actuarially determined contributions	$ 8,214	$ 286,167	$ 1,927
Contributions in relation to the actuarially determined contributions	(8,214)	(286,167)	(1,927)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 155,191	$ 2,764,711	$ 21,557
Contributions as a percentage of covered-employee payroll	5.29%	10.35%	8.94%

Notes to Schedule:

Valuation date	June 30, 2014
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal
Amortization method / Period	Level percent of payroll
Remaining amortization period	15 years as of valuation date
Asset valuation method	5 year Smoothed Market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense and administrative expenses including inflation
Retirement age	55 years
Mortality	Derived using CalPERS Membership Data for all funds

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

SUPPLEMENTARY INFORMATION

San Gabriel Valley Council of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit
Budget to Actual
Year ended June 30, 2016

	Budgeted Amounts			
	Original	Amended Final	Actual Amounts	Variance Positive (Negative)
Revenues				
Reimbursements				
Federal grants	$ 20,064,980	$ 20,064,980	$ 10,393,488	$ (9,671,492)
State grants	112,220,688	112,220,688	96,454,462	(15,766,226)
Local grants	51,775,678	51,775,678	26,489,622	(25,286,056)
Betterment - Other	1,116,854	1,116,854	2,748,531	1,631,677
Total revenues	185,178,201	185,178,201	136,086,103	(49,092,097)
Operating expenditures				
Construction				
Design	9,844,425	9,844,425	5,057,021	4,787,404
Right-of-way acquisition	37,252,004	37,252,004	16,936,140	20,315,864
Construction management	11,421,337	11,421,337	16,778,061	(5,356,724)
Construction	123,128,000	123,128,000	91,113,859	32,014,141
Betterments	647,703	647,703	2,241,881	(1,594,178)
Total construction	182,293,469	182,293,469	132,126,962	50,166,507
Indirect				
Personnel				
Salaies and wages	1,445,212	1,445,212	1,487,085	(41,873)
Fringe benefits	768,100	768,100	748,764	19,336
Employee related expenses	36,600	36,600	33,795	2,805
Professional services				
Auditing/accounting	50,000	50,000	40,700	9,300
Legal	25,000	25,000	42,794	(17,794)
Brokerage	65,000	65,000	41,773	23,227
Insurance	102,967	102,967	264,836	(161,869)
Equipment expense	75,478	75,478	111,867	(36,389)
Office rental expense	236,834	236,834	237,047	(213)
Office operations	70,740	70,740	52,164	18,576
Other	8,800	8,800	5,302	3,498
Applied (under) indirect expense	-	-	(1,450,694)	1,450,694
Total indirect	2,884,732	2,884,732	1,615,433	1,269,299
Total operating expenditures	185,178,201	185,178,201	133,742,395	51,435,806
Excess revenues over expenditures	-	-	2,343,708	2,343,708
Other financing sources (uses)				
Investment revenue	423,900	423,900	499,752	75,852
Interest and related expenses	(324,000)	(324,000)	(394,600)	(70,600)
Non-project reimbursable funds	340,297	340,297	341,454	1,157
Non-project reimbursable expense	(340,297)	(340,297)	(341,454)	(1,157)
Intercompany revenue	-	-	68,920	68,920
Intercompany expense	-	-	(68,920)	(68,920)
Net other financing sources (uses)	99,900	99,900	105,152	5,252
Change in fund balance	99,900	99,900	2,448,860	2,348,960
Fund balance at beginning of year	12,090,355	12,090,355	12,090,355	-
Fund balance at end of year	$ 12,190,255	$ 12,190,255	$ 14,539,215	$ 2,348,960

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Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Governing Board
San Gabriel Valley Council of Governments

We have audited, in accordance with 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 business-type activities and the discretely presented component unit of the San Gabriel Valley Council of Governments (the SGVCOG) as of and for the year ended June 30, 2016, which collectively comprise the SGVCOG's basic financial statements and have issued our report thereon dated January 30, 2017.

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 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 over financial reporting 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 weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SGVCOG's financial statements are free of 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.

Vasquez & Company LLP

Los Angeles, California
January 30, 2017

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