

# Association of Bay Area Governments

## Finance Committee

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November 16, 2023

Agenda Item 6.a.

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### ABAG Financial Statements and Accompanying Reports

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#### Subject:

Report on the Association of Bay Area Governments (ABAG) Financial Statements and Accompanying Reports for Fiscal Year 2022-2023

#### Background:

Staff requests that the ABAG Finance Committee recommend that the ABAG Executive Board accept the attached audited Financial Statements and Accompanying Reports for the Fiscal Year ended June 30, 2023 and accept the staff recommendation to reappoint Crowe LLP for the FY 2024 audit. The Financial Statements are audited by Crowe LLP.

Crowe LLP will make a presentation relating to the audit results, required communications and the Report on Federal Awards. Staff will make a presentation on the ABAG Financial Statements.

There are several documents that make up the year-end Financial Statements and Accompanying Reports. These reports are presented by Crowe LLP.

#### FY 2022-23 ABAG Audit Results and Required Communications

The audit opinion is “unmodified” with no “material” or “significant deficiency” in internal controls.

#### Reports on Federal Awards in Accordance with Office of Management and Budget (OMB) Uniform Guidance for the Year Ended June 30, 2023

Crowe LLP prepares this report on expenses and financial controls as they relate to federal grants. No federal findings were noted or instances of non-compliance or material weakness.

#### FY 2022-23 ABAG Financial Statements

The ABAG financial statements for FY 2022-23 are comprised of five sections:

- Independent Auditors Report (p. 1)—This is the opinion expressed on internal controls and the financial statements.
- Management’s Discussion and Analysis (MD&A) (p. 4)—The MD&A provides a management overview of the information contained in the financial statements as of June 30, 2023.

## Association of Bay Area Governments

### Finance Committee

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November 16, 2023

Agenda Item 6.a.

#### ABAG Financial Statements and Accompanying Reports

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- Basic Financial Statements (p. 8)—Including:
  - Statement of Net Position or assets over liabilities
  - Statement of Revenue, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to the Financial Statements (p. 12)—Including descriptions of the ABAG as a reporting entity and certain information considered important to understanding the reporting entity and accounting practices related to ABAG
- Required Supplementary Information (p. 33)—Mainly pension and OPEB liabilities
- Other Supplementary Information (p. 38)—Additional accounting information and details of the ABAG Conduit Financing Pool

If you have any questions about this report, please contact Derek Hansel at (415) 778-6730.

#### Issues:

None

**Association of Bay Area Governments**

**Finance Committee**

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November 16, 2023

Agenda Item 6.a.

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ABAG Financial Statements and Accompanying Reports

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**Recommended Action:**

The ABAG Finance Committee is requested to accept the staff report and recommend ABAG Executive Board acceptance of the Financial Statements and Accompanying Reports for Fiscal Year 2022-23 and the reappointment of the firm Crowe LLP for the Fiscal Year 2023-24 annual external audit.

**Attachments:**

- A. Presentation FY 2022-23 ABAG Audit Results and Required Communication
- B. Presentation ABAG Financial Reports
- C. FY 2022-23 ABAG Financial Statements
- D. Reports on Federal Awards in Accordance with Office of Management and Budget (OMB) Uniform Guidance for the Year Ended June 30, 2023

**Reviewed:**

Andrew B. Fremier

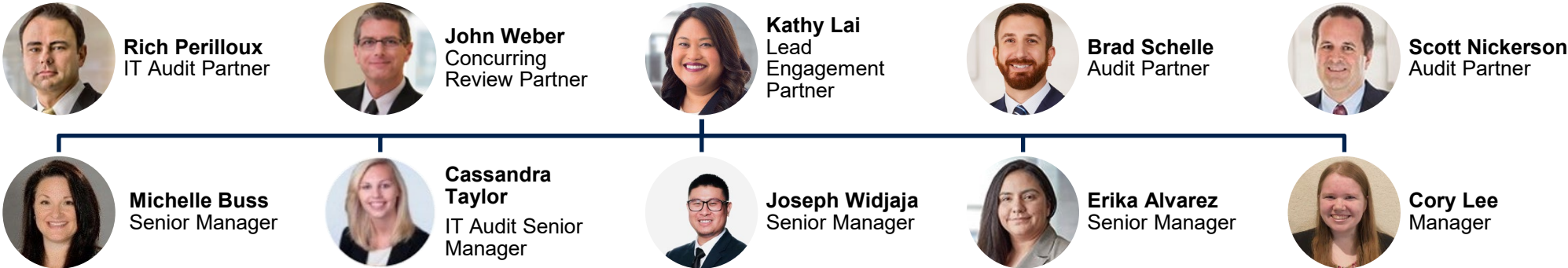


# Association of Bay Area Governments

Audit Results and Required Communications

November 16, 2023

# Client Service Team



**Tony Boras**  
GASB Technical Reviewer

**Bert Nuehring**  
Consulting Partner

**Chris Moore**  
Derivatives Partner

**Brian Archambeault**  
Uniform Guidance Technical Reviewer

**Erik Nylund**  
Consulting Managing Director

**Matt Geerdes**  
Accounting Advisory



# Agenda

**1**

Audit Objectives

**2**

Audit Results

**3**

Required  
Communications

# Audit Objectives



# Engagement Objectives

- The objective of an audit of financial statements is to express an opinion that the financial statements are in accordance with accounting principles generally accepted in the United States.
- The audit of financial statements will be performed in accordance with auditing standards generally accepted in the United States (GAAS) and generally accepted Government Auditing Standards (GAGAS).
- Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud.
- Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Management is responsible for the design and the effectiveness of internal controls.



# Audit Results

# Financial Statement Audit Reports



- Independent Auditor’s Report on the financial statements as of and for the year ending June 30, 2023.

Entity	Opinion
ABAG	Unmodified

- We did not identify any significant deficiencies or material weaknesses during our audit.



# Other Reporting- Compliance

## Uniform Guidance Report

- Major Program:
  - The San Francisco Bay Water Quality Improvement Fund.
  - Capitalization Grants for Clean Water Revolving Fund.
- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance.
  - No federal findings noted.
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
  - No instances of non-compliance or other matters noted.
  - No material weakness noted.

# Required Communications



# Required Communications - 1

- Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Management has disclosed the summary of significant accounting policies in footnote 1 of each report.
- Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments.





# Required Communications - 2

- Adoption of New Accounting Standards:
  - Conduit Debt (**GASB 91**)
  - Public-private and Public-public Partnership Arrangements and Availability Payment Arrangements (**GASB 94**)
  - Subscription-based Information Technology Arrangements (**GASB 96**)
  - Omnibus 2022 (**GASB 99, paragraphs 26-32**)
  - Implementation Guide 2020-1 (**Update 2020, Certain Questions**)
  - Implementation Guide 2021-1 (**Update 2021, Question 4.22**)





# Required Communications - 3

- Corrected Misstatements: We did not note any material corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- Uncorrected Misstatements: We did not note any material uncorrected misstatements that were brought to the attention of management as a result of our audit procedures.





# Required Communications - 4

We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters





# Questions?



# Thank You

**Katherine V. Lai, CPA, CGMA**

Partner

Kathy.Lai@crowe.com

<https://www.linkedin.com/in/kathylaicpa/>

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# FY 2022- 2023 FINANCIAL REPORTS AND YEAR END AUDIT RESULTS

**November 16, 2023**

**Grace Martinez,**

Section Director Financial  
Reporting & Operational  
Accounting



**ASSOCIATION  
OF BAY AREA  
GOVERNMENTS**

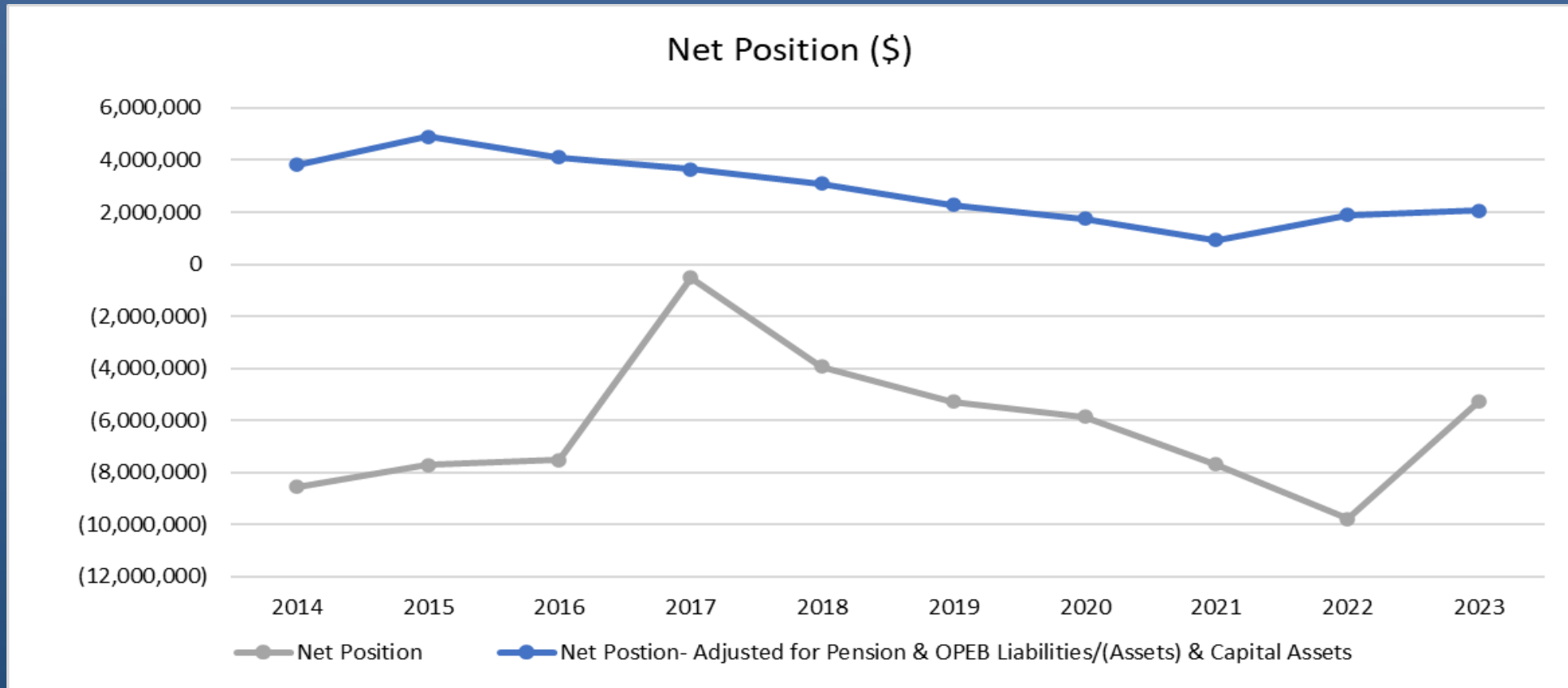
# Financial Highlights

- Total operating revenue increased by \$0.2 million in FY 2023, primarily due to a 6% increase in membership dues and other operating revenues which includes donations and administrative services.
- Total operating expenses decreased by \$7.1 million, primarily due to the decrease in pension expense related to GASB 68 adjustment.
- The BayREN Energy program received grant funding of \$22.5 million in FY 2023.
- The SFEP program received grant funding of \$13.4 million in FY 2023
- ABAG received funding from Regional Early Action Planning Grant (REAP) of \$11.3 million in FY 2023.



# Net position

(Assets+ Deferred Outflows) minus (Liabilities + Deferred Inflows)



Note:

1. Negative net positions are mainly the result of recognition of the net pension/OPEB liabilities
2. Gain of \$4.96 million from the sale of the Oakland office condominium in FY2017
3. Increases of \$2.8 million in net pension & OPEB related liabilities in FY2018
4. Decreases of \$4.5 million in net pension & OPEB related liabilities in FY2023

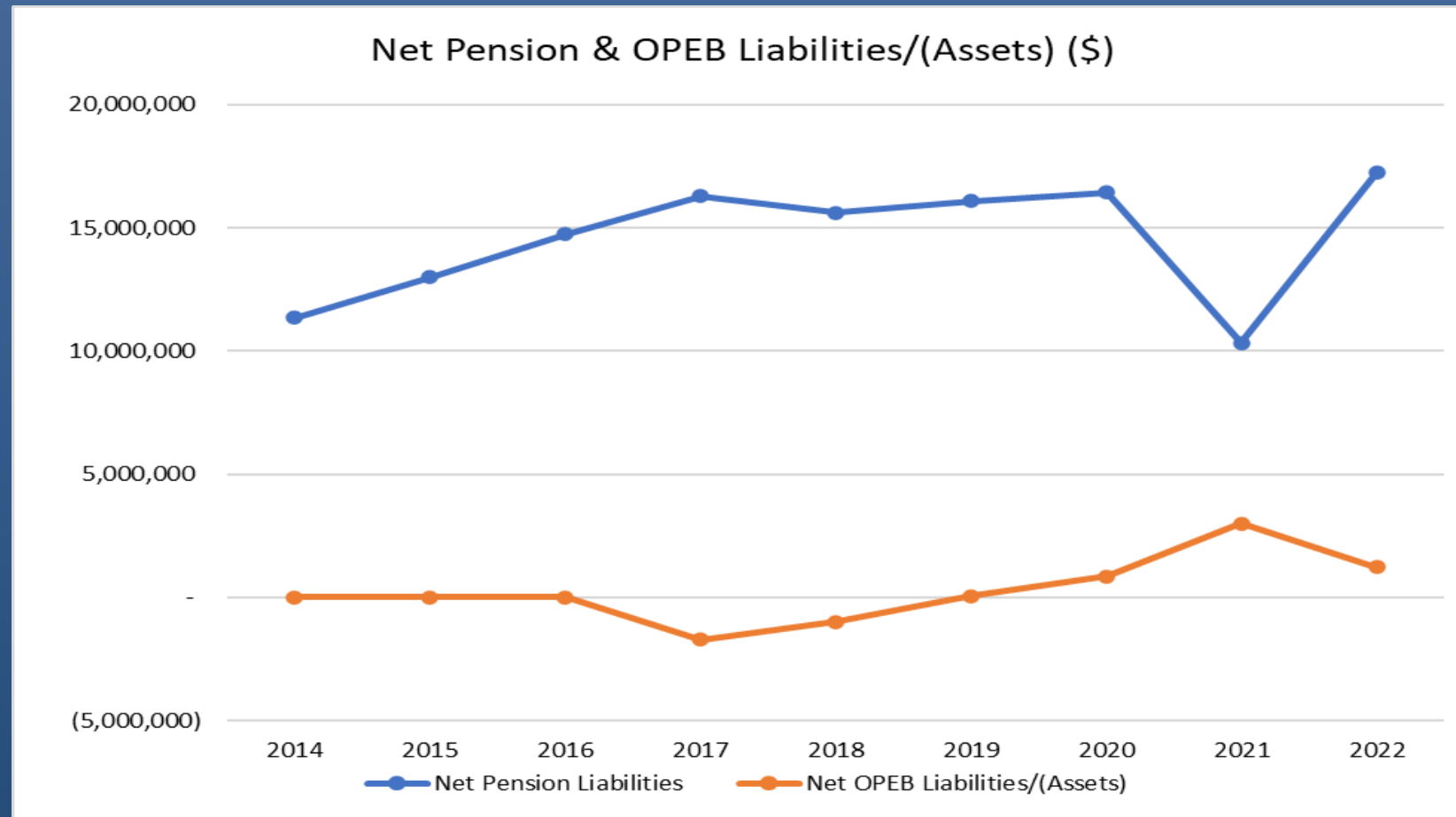
# Membership Dues



Note:

1. Increased consistently over the years to cover operating costs.
2. In FY 2019 & FY2010, the County members agreed to a supplemental assessment of \$535,000.

# Net Pension & OPEB Liability/(Assets)



## Notes:

1. A positive difference of \$9.0 million between projected and actual earnings on pension investments in FY 2021.
2. A negative difference of \$4.9 million between projected and actual earnings on pension investments & changes of assumptions in FY 2022.
3. Net investment loss of \$1.3 million for OPEB assets in FY2022.



# Actions Requested from the Committee

- Accept the staff report and recommend ABAG Executive Board acceptance of the audited Financial Statements and Accompanying Reports for the Fiscal Year ended June 30, 2023
- Accept the staff recommendation to reappoint Crowe LLP for the FY 2024 audit

# **Association of Bay Area Governments**

**Financial Statements  
For the Year Ended June 30, 2023**

**Association of Bay Area Governments**  
**Financial Statements**  
**For the Year Ended June 30, 2023**  
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## INDEPENDENT AUDITOR'S REPORT

Members of the Executive Board of the  
Association of Bay Area Governments  
San Francisco, California

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

#### ***Opinions***

We have audited the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments ("ABAG"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the ABAG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments, as of June 30, 2023, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ABAG's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 other supplementary information 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 November 1, 2023 on our consideration of the ABAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ABAG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ABAG's internal control over financial reporting and compliance.

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

Crowe LLP

San Francisco, California  
November 1, 2023

# Association of Bay Area Governments

## Financial Statements for the Year Ended June 30, 2023

### Management's Discussion and Analysis (unaudited)

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#### Management's Discussion and Analysis

This section presents an overview of the financial activities of the Association of Bay Area Governments (ABAG) and its blended component units for the year ended June 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

ABAG was created by local governments to meet their planning and research needs related to land use, environmental and water resource protection, disaster resilience, energy efficiency and hazardous waste mitigation. In addition to the planning function, ABAG runs two major grant funded programs: San Francisco Estuary Partnership (SFEP) and Bay Area Regional Energy Network (BayREN).

SFEP was established in 1988 by the State of California and the U.S. Environmental Protection Agency under the Clean Water Act's National Estuary Program, after the San Francisco Estuary was designated as an *estuary of national significance*. SFEP manages multiple projects designed to improve the health of the Estuary through the *Estuary Blueprint*, a comprehensive, collective vision for the Estuary's future. SFEP receives funding from federal, state and local agencies for regional-scale restoration, water quality improvement, and resilience-building projects.

BayREN is a collaboration of the nine counties that make up the San Francisco Bay Area. Led by ABAG, BayREN's energy efficiency programs help Bay Area residents and communities become more energy efficient. BayREN is primarily funded through a Public Purpose Program (PPP) Surcharge included on the utility bills of gas and electric ratepayers. The California Public Utilities Commission (CPUC) allocates PPP funding for state-mandated assistance programs for low income customers, energy efficiency programs, and public-interest research and development.

#### A. Financial Highlights

ABAG's federal, state, and local grants, which are the principal revenue sources of ABAG make up over 91 percent of ABAG revenue. Project grants have continued to increase year over year, contributing to the overall success of ABAG.

Highlights in FY 2023 are as follows:

- The BayREN Energy program received grant funding of \$22.5 million in FY 2023.
- The SFEP program received grant funding of \$13.4 million in FY 2023.
- ABAG received funding from Regional Early Action Planning Grant (REAP) of \$11.3 million in FY 2023.

#### B. Overview of the Financial Statements

The ABAG's Financial Statements include the *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* reports assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference as net position. The *Statement of Revenues, Expenses and Changes in Net Position* consists of operating revenues and expenses and non-operating revenues and expenses. The *Statement of Cash Flows* are presented using the direct method.



**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2023**  
**Management's Discussion and Analysis (unaudited)**

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The Financial Statements provide information about the financial activities of ABAG's funds. The ABAG fund is presented as a major fund; ABAG Finance Corporation and BALANCE Foundation are presented as non-major funds in an aggregate amount in a separate column.

**C. Financial Analysis**

ABAG deficit net position of approximately \$5.3 million for FY 2023, decreased by \$4.5 million compared to FY 2022. The decrease was primarily due to the ongoing unfunded pension cost related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Statement of Net Position

The following table is a summary of ABAG's Statement of Net Position as of June 30 for the last two fiscal years:

	2023	2022
<b>Assets</b>		
Current and other assets	\$ 30,435,296	\$ 32,692,105
Capital assets	4,240,796	4,438,677
Total assets	<u>34,676,092</u>	<u>37,130,782</u>
Deferred outflows of resources	<u>7,682,663</u>	<u>2,808,888</u>
<b>Liabilities</b>		
Other liabilities	26,746,438	23,977,193
Long term liabilities	17,633,476	14,160,837
Total liabilities	<u>44,379,914</u>	<u>38,138,030</u>
Deferred inflows of resources	<u>3,257,283</u>	<u>11,579,685</u>
<b>Net position:</b>		
Net investment in capital assets	4,240,796	4,438,677
Unrestricted (deficit)	(9,519,238)	(14,216,722)
Total net position	<u>\$ (5,278,442)</u>	<u>\$ (9,778,045)</u>

Total assets decreased by \$2.5 million in FY 2023. The decrease in total assets was primarily due to decrease in net OPEB asset.

Total liabilities increased by \$6.2 million in FY 2023. The increase was primarily due to an increase in net pension liabilities and outstanding vendor invoices.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2023**  
**Management's Discussion and Analysis (unaudited)**

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*Statement of Revenues, Expenses, and Changes in Net Position*

The following table is a summary of ABAG's Statement of Revenues, Expenses, and Changes in Net Position for the last two fiscal year ended June 30:

	2023	2022
<b>Operating revenues</b>		
Membership dues	\$ 2,591,503	\$ 2,447,663
Other operating revenues	76,422	36,814
Total operating revenues	<u>2,667,925</u>	<u>2,484,477</u>
<b>Operating expenses</b>		
Contracted salaries and benefits	2,172,273	2,087,047
Pension & OPEB expense adjustments	(5,014,499)	2,178,373
Professional fees	601,034	713,264
Other operating expenses	1,176,886	1,019,274
Total operating expenses	<u>(1,064,306)</u>	<u>5,997,958</u>
Operating income/( loss)	<u>3,732,231</u>	<u>(3,513,481)</u>
<b>Nonoperating revenues/(expenses)</b>		
Grants	47,663,500	38,797,304
Contracted salaries and benefits	(2,978,993)	(2,583,612)
Professional fees	(25,846,924)	(31,742,436)
Allocations to other agencies	(17,242,883)	(3,470,295)
Other nonoperating revenues	513,124	1,335,459
Other nonoperating expenses	(1,340,452)	(911,341)
Total nonoperating revenues (expenses)	<u>767,372</u>	<u>1,425,079</u>
Change in net position	<u>4,499,603</u>	<u>(2,088,402)</u>
Net position - beginning	<u>(9,778,045)</u>	<u>(7,689,643)</u>
Net position - ending	<u>\$ (5,278,442)</u>	<u>\$ (9,778,045)</u>

Total operating revenue increased by \$0.2 million in FY 2023. The increase is primarily due to a 6% increase in membership dues and other operating revenues which includes donations and administrative services.

Total operating expenses decreased by \$7.1 million. The decrease in operating expense is primarily due to the decrease in pension expense related to GASB 68 adjustment.

Total nonoperating revenue consists of grant revenue and other nonoperating revenues. In FY 2023 ABAG's grant revenue increased by \$8.1 million, mainly due to the increase in grant revenue from California Public Utilities Commission (CPUC), Department of Water Resource (DWR), and REAP.

ABAG's total non-operating expenses increased by \$8.7 million in FY 2023. The increase in total non-operating expenses was mainly due to the increase in contracted professional fees and allocations to other agencies related to grant funded project expenses.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2023**  
**Management's Discussion and Analysis (unaudited)**

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**D. Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis and the financial statements.

**E. Capital Asset Administration**

ABAG's capital assets include building facilities, furniture and equipment, and capitalized software. ABAG reports its capital assets on an accrual basis. ABAG's investment in capital assets decreased from \$4,438,677 in FY 2022 to \$4,240,796 in FY 2023 primarily due to asset depreciation of \$405,438. For additional information on ABAG's capital assets, refer to Note 4.

**F. Economic Factors**

While the general economic picture nationally and regionally has largely stabilized and recovered from the challenges posed by the COVID-19 pandemic, there are a number of headwinds that ABAG must face as we consider FY 2023-24 and beyond.

These headwinds include:

- Inflation, which has been running very high for the past 2 ½ years.
- Higher interest rates, partly driven by increases in short-term interest rates by the Federal Reserve, and partly by the market reaction to both inflation generally and the Federal Reserve's actions.
- The crisis in confidence associated with regional banks and their potential failure. This issue has already caused the failure of two banks in the Bay Area (Silicon Valley Bank and First Republic Bank).

The change in economic condition had no appreciable effect on the operation and business results of ABAG.

**Requests for information**

This financial report is intended to provide citizens, taxpayers, creditors, and stakeholders with a general overview of the ABAG's finances. Questions about this report may be directed to the MTC Finance Department, at 375 Beale Street, Suite 800, San Francisco, California 94105.

**Association of Bay Area Governments**  
**Statement of Net Position**  
**June 30, 2023**

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 4,847,742	\$ 33,810	\$ 4,881,552
Cash and cash equivalents - restricted	9,762,047	-	9,762,047
Account receivable	498,705	-	498,705
Accrued interest	69,075	-	69,075
Loan receivable	67,296	-	67,296
Receivable from federal	1,350,004	-	1,350,004
Receivable from state	8,971,875	-	8,971,875
Receivable from local	20,653	-	20,653
Due from other government	287,567	-	287,567
Prepaid items	1,842,913	-	1,842,913
Total current assets	<u>27,717,877</u>	<u>33,810</u>	<u>27,751,687</u>
Non-current Assets			
Loan receivable	1,443,175	-	1,443,175
Capital assets, net of accumulated depreciation/amortization	4,240,796	-	4,240,796
Net OPEB asset	1,240,434	-	1,240,434
Total non-current assets	<u>6,924,405</u>	<u>-</u>	<u>6,924,405</u>
<b>TOTAL ASSETS</b>	<u>34,642,282</u>	<u>33,810</u>	<u>34,676,092</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	7,032,536	-	7,032,536
Deferred outflows from OPEB	650,127	-	650,127
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>7,682,663</u>	<u>-</u>	<u>7,682,663</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	11,020,859	100	11,020,959
Accrued liabilities	57,169	-	57,169
Retention payable	1,265,212	-	1,265,212
Unearned revenue	9,686,313	-	9,686,313
Advance from PG&E	1,610,000	-	1,610,000
Due to other government	3,106,785	-	3,106,785
Total current liabilities	<u>26,746,338</u>	<u>100</u>	<u>26,746,438</u>
Non-current Liabilities:			
Unearned Revenue	139,665	-	139,665
Due to other governments	250,000	-	250,000
Net pension liability	17,243,811	-	17,243,811
Total non-current liabilities	<u>17,633,476</u>	<u>-</u>	<u>17,633,476</u>
<b>TOTAL LIABILITIES</b>	<u>44,379,814</u>	<u>100</u>	<u>44,379,914</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows from pension	3,257,283	-	3,257,283
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,257,283</u>	<u>-</u>	<u>3,257,283</u>
<b>NET POSITION</b>			
Net of investment in capital assets	4,240,796	-	4,240,796
Unrestricted	(9,552,948)	33,710	(9,519,238)
<b>TOTAL NET POSITION</b>	<u>\$ (5,312,152)</u>	<u>\$ 33,710</u>	<u>\$ (5,278,442)</u>

See accompanying notes to financial statements



**Association of Bay Area Governments**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023**

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>OPERATING REVENUES:</b>			
Membership dues	\$ 2,591,503	\$ -	\$ 2,591,503
Other operating revenues	76,422	-	76,422
<b>TOTAL OPERATING REVENUES</b>	<b>2,667,925</b>	<b>-</b>	<b>2,667,925</b>
<b>OPERATING EXPENSES</b>			
Contracted salaries and benefits	2,172,273	-	2,172,273
Pension & OPEB expense adjustments	(5,014,499)	-	(5,014,499)
Professional fees	595,884	5,150	601,034
Conference and meeting costs	14,632	-	14,632
Building assessments	385,999	-	385,999
Committee members' stipend	103,848	-	103,848
Insurance	192,020	-	192,020
Memberships	39,180	-	39,180
Depreciation and amortization	405,438	-	405,438
Overhead	12,282	-	12,282
Other operating expenses	23,387	100	23,487
<b>TOTAL OPERATING EXPENSES</b>	<b>(1,069,556)</b>	<b>5,250</b>	<b>(1,064,306)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>3,737,481</b>	<b>(5,250)</b>	<b>3,732,231</b>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>			
Federal grants	3,119,167	-	3,119,167
State grants	44,033,412	-	44,033,412
Local grants	510,921	-	510,921
Contracted salaries and benefits	(2,978,993)	-	(2,978,993)
Professional fees	(25,846,924)	-	(25,846,924)
Allocations to other agencies	(17,242,883)	-	(17,242,883)
Interest income	84,188	-	84,188
Contribution from BATA	141,369	-	141,369
Contribution from MTC	287,567	-	287,567
Other nonoperating expenses	(1,340,452)	-	(1,340,452)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>767,372</b>	<b>-</b>	<b>767,372</b>
<b>CHANGE IN NET POSITION</b>	<b>4,504,853</b>	<b>(5,250)</b>	<b>4,499,603</b>
<b>Net Position, beginning of year</b>	<b>(9,817,005)</b>	<b>38,960</b>	<b>(9,778,045)</b>
<b>Net Position, end of year</b>	<b>\$ (5,312,152)</b>	<b>\$ 33,710</b>	<b>\$ (5,278,442)</b>

See accompanying notes to financial statements

**Association of Bay Area Governments**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>Cash flows from operating activities</b>			
Cash receipts from customers	\$ 2,591,656	\$ -	\$ 2,591,656
Other operating cash receipts	144,635	-	144,635
Cash payments to suppliers and contractors for goods and services	(543,267)	(5,150)	(548,417)
Other operating cash payments	(943,518)	-	(943,518)
Cash payments for retirees benefits	(1,635,028)	-	(1,635,028)
<b>Net cash used in operating activities</b>	<b>(385,522)</b>	<b>(5,150)</b>	<b>(390,672)</b>
<b>Cash flows from non-capital financing activities</b>			
Federal grants	2,428,745	-	2,428,745
State grants	36,712,392	-	36,712,392
Local grants	870,445	-	870,445
Contracted salaries and benefits	(1,920,922)	-	(1,920,922)
Professional fees	(22,787,205)	-	(22,787,205)
Allocations to other agencies	(17,602,357)	-	(17,602,357)
Contribution from BATA	141,369	-	141,369
Contribution from MTC	103,797	-	103,797
Other nonoperating expenses	(1,337,836)	-	(1,337,836)
<b>Net cash used in non-capital financing activities</b>	<b>(3,391,572)</b>	<b>-</b>	<b>(3,391,572)</b>
<b>Cash flows from capital and related financing activities</b>			
Cash payments for acquisition of capital assets	(207,557)	-	(207,557)
<b>Net cash used in capital and related financing activities</b>	<b>(207,557)</b>	<b>-</b>	<b>(207,557)</b>
<b>Cash flows from investing activities</b>			
Interest and dividends received	19,087	-	19,087
<b>Net cash provided by investing activities</b>	<b>19,087</b>	<b>-</b>	<b>19,087</b>
<b>Net decrease in cash</b>	<b>(3,965,564)</b>	<b>(5,150)</b>	<b>(3,970,714)</b>
<b>Balances - beginning of year</b>	<b>18,575,353</b>	<b>38,960</b>	<b>18,614,313</b>
<b>Balances - end of year</b>	<b>\$ 14,609,789</b>	<b>\$ 33,810</b>	<b>\$ 14,643,599</b>

See accompanying notes to financial statements

**Association of Bay Area Governments**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2023**

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>Reconciliation of operating income/(loss) to net cash provided by operating activities</b>			
Operating income/(loss)	\$ 3,737,481	\$ (5,250)	\$ 3,732,231
<b>Adjustments to reconcile operating net cash used in operating activities:</b>			
Depreciation and amortization	405,438	-	405,438
<b>Net effect of changes in:</b>			
Due to other government	61,354	-	61,354
Accounts receivable	38,336	-	38,336
Loan receivable	67,114	-	67,114
Prepaid items	3,264	-	3,264
Net OPEB assets	1,752,074	-	1,752,074
Deferred outflows from pension	(4,223,648)	-	(4,223,648)
Deferred outflows from OPEB	(650,127)	-	(650,127)
Net pension liability	6,918,235	-	6,918,235
Deferred inflows from pension	(7,107,958)	-	(7,107,958)
Deferred inflows from OPEB	(1,214,444)	-	(1,214,444)
Accounts payable	19,261	100	19,361
Accrued liabilities	646	-	646
Retention payable	607,452	-	607,452
Advance from PG&E	(800,000)	-	(800,000)
<b>Net cash used in operating activities</b>	<b>\$ (385,522)</b>	<b>\$ (5,150)</b>	<b>\$ (390,672)</b>
<b>Significant noncash capital and related financing activities</b>			
Acquisition of SBITA assets	\$ 207,557	\$ -	\$ 207,557
SBITA liability	(207,557)	-	(207,557)

See accompanying notes to financial statements

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2023**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Association of Bay Area Governments (ABAG) was established in 1961 pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500, et seq by agreement among its member counties and cities of the San Francisco Bay Area. ABAG's purpose is to serve as a permanent forum to study and discuss matters of mutual interest and concern to member jurisdictions, develop policies and action plans, and provide services and undertake actions addressing such matters.

ABAG is governed by a General Assembly comprised of elected officials from member cities and counties. The General Assembly appoints an Executive Board to carry out policy decisions and approve the annual budget.

On April 20, 2017, ABAG Executive Board approved a Contract for Services between ABAG and the Metropolitan Transportation Commission (MTC). As of July 1, 2017, MTC's Executive Director and the staff of MTC perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP). ABAG remains a separate legal entity, governed by its Executive Board, and retains its mission along with all of its statutory roles and responsibilities as the region's Council of Governments.

ABAG is a membership organization that provides a variety of planning and other service programs for its members. ABAG's principal sources of revenue include membership dues, contributions and grants. The accompanying financial statements present the ABAG operation which is the primary activity, along with the financial activities of its component units, which are entities for which ABAG is financially accountable. Although they are separate legal entities, they are presented in the financial statements as blended component units.

***Blended Component Units***

Blended component units are in substance part of ABAG's operations and are reported as an integral part of the financial statements. The following blended component units are described below:

**i) ABAG Finance Corporation (Corporation)**

ABAG Finance Corporation is a non-profit public benefit corporation created on June 24, 1985, to aid members in obtaining financing by acting as a credit pooling conduit. Participating members issue debt, leases, or certificates of participation (COPs) that are pooled as a single issue by the Corporation. Members' payments are pooled to repay the debt and the leased assets become the property of the member when the obligation is retired. The Corporation did not take on any new debt issuances after the staff consolidation on July 1, 2017.

The Corporation is governed by a sub-committee of the ABAG Executive Board, which establishes financing policies and approves each credit pooling arrangement.

**ii) Balance Foundation (BALANCE)**

Bay Area Leaders Addressing the Challenge of the Economy and Environment Foundation (BALANCE) is a non-profit, tax-exempt corporation created on September 22, 1987, to assist Bay Area governments in



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obtaining funds to study, analyze and resolve regional issues. BALANCE is governed by a Board of Directors whose appointment is controlled by ABAG.

**B. Basis of Presentation**

ABAG's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

ABAG presents its financial statements as enterprise funds and reports the following funds:

***Major funds***

Association of Bay Area Governments Fund - this fund accounts for revenues and expenses of the Association of Bay Area Governments.

***Non-major funds***

ABAG Finance Corporation Fund - this fund accounts for revenues and expenses of the ABAG Finance Corporation.

BALANCE Foundation Fund - this fund accounts for revenues and expenses of BALANCE described above.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

ABAG's enterprise fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**New Accounting Pronouncements**

GASB Statement No. 91, *Conduit Debt Obligations*, provides single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. ABAG adopted this standard for fiscal year ended June 30, 2023. ABAG's conduit debt obligations met the definition of conduit debt obligation in paragraph 6 and only has a limited commitment (paragraph 7). The adoption of the standard has no impact on ABAG's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. ABAG adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on ABAG's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription

# Association of Bay Area Governments

## Financial Statements for the Year Ended June 30, 2023

### Notes to Financial Statements

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asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. ABAG adopted this standard for fiscal year ended June 30, 2023. See Note 5 for further information on the impact of the adoption of GASB Statement 96.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective as follows: (a) The requirements in paragraph 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. ABAG adopted paragraphs 26-32 in fiscal year 2022, and paragraphs 11-25 in fiscal year 2023. The adoption of the above requirements has no impact on ABAG's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on ABAG's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on ABAG's financial statements.

#### **D. Net Position**

Net position, presented in the financial statements, represents the residual interest in assets plus deferred outflows of resources after liabilities and deferred inflows of resources are deducted. ABAG's net position consists of three sections:

- Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation and any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. There is net investment in capital assets of \$4,240,796, refer to Note 4.
- Restricted Net Position reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. There is no restricted net position at year end.

**Association of Bay Area Governments**  
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- Unrestricted Net Position represents net position of ABAG that is not included in the determination of net investment in capital assets or the restricted component of net position.

**E. Cash and Investments**

Under the Contract for Services, MTC invests ABAG's available cash in accordance with the provisions of MTC's investment policy and the prudent investor rule. The prudent investor rule states, in essence, that "in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs." This policy affords ABAG a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. ABAG's Administrative Committee adopted MTC's investment policy on June 9, 2017. Investments allowed under MTC's investment policy include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

ABAG applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. ABAG reports its money market securities and short-term investments at cost. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position as interest income.

ABAG considers all balances in demand deposit accounts, money markets funds, and the Local Agency Investment Fund (LAIF) to be cash and classifies all other highly liquid short-term investments as cash equivalents. Highly liquid short-term investments are cash equivalents that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**F. Loan Receivable**

Loan receivable consists of receivable from multifamily building owners who borrow funds through the BayREN Multifamily Capital Advance Financing Program. Each loan term varies from 10 years to 20 years. Loan payments are collected monthly.

**G. Prepaid Items**

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

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**H. Capital Assets**

Capital assets, which include buildings and improvements, furniture and equipment, and software, are reported in the Statement of Net Position. Capital asset acquisitions are recorded at historical cost. ABAG’s intangible assets consist of purchased and licensed commercially available computer software and internally developed software.

Capital assets are defined by ABAG as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. However, capital assets that do not meet the threshold on an individual basis but are material collectively are capitalized. ABAG follows the guidance in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion & Analysis - for State and Local Governments* and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* for recording capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset service lives are not capitalized. Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets.

The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Facilities and improvements	5 – 30
Furniture and equipment	3 - 10
Capitalized software	3 - 6

When assets have been evaluated for impairment, in which the use of capital assets is discontinued or a decision has been made to sell assets and the assets are not continuing to be used, the depreciation and amortization ceases.

**I. Subscription-Based Information Technology Arrangements (SBITAs)**

ABAG has entered into subscription-based contracts to use vendor-provided information technology. ABAG measured the SBITA liability at the present value of payments expected to be made during the SBITA agreement term. Subsequently, the SBITA liability is reduced by the principal portion of the payments made. The SBITA asset is measured at the amount of the initial measurement of the SBITA liability, adjusted for the payments made at or before the agreement commencement date, plus certain initial direct costs. The SBITA asset is amortized on a straight-line basis over the shorter of the SBITA agreement term or the useful life of the SBITA asset.

The key estimates and judgments used to determine the discount rate, SBITA agreement term and SBITA payments are as follows:

- ABAG uses the estimated incremental borrowing rate as the discount rate.
- The SBITA agreement term includes the noncancelable period of the agreement.
- The SBITA payments included in the measurement of the SBITA liability are composed of fixed or variable payments specified on the SBITA agreements.

**J. Due to/from Other Government**

The due to/from other government consists of payables to and receivables from MTC.

For additional information on the due to/from MTC activities in FY 2023, refer to Note 12.

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**K. Retirement Plans**

ABAG provides a defined benefit pension plan, which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (Plan) in the California Public Employees' Retirement System (CalPERS).

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

GASB 68 allows use of a measurement date up to 12 months before the employer's fiscal year end. Accordingly, for financial reporting purposes, the ABAG total pension liability was determined by CalPERS using a valuation date of June 30, 2021. CalPERS then rolled forward the total pension liability to June 30, 2022, and this is the basis for measuring ABAG's net pension liability reported at June 30, 2023.

Following the staff consolidation on July 1, 2017 and the retirement of the last ABAG employee in January 2018, there are no more employees added to the Plan. Future pension liabilities for employees transferred to MTC will be covered by MTC. ABAG remains responsible for its unfunded pension liabilities.

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

For additional information on the Plan, refer to Note 8.

**L. Other Post Employment Healthcare Benefits (OPEB)**

ABAG provides post employments' medical coverage for eligible retired employees and their eligible dependents through the Public Employees' Medical & Hospital Care Act (PEMHCA) governed by CalPERS. Eligible employees are the employees who were hired prior to July 1, 2009. ABAG established a Section 115 benefit trust fund with the California Employers' Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post retirement healthcare trust fund administered by CalPERS. The benefit trust fund is not recorded as a fiduciary fund by ABAG as the underlying assets are not managed by ABAG.

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of ABAG's OPEB Plan and additions to/deletions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 75 requires that reported results must pertain to liability and assets information



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within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

GASB Statement No. 75 allows the use of a measurement date up to twelve months before the employer's fiscal year end. Accordingly, for financial reporting purposes, ABAG's net OPEB asset at June 30, 2023 was determined using the actuarial valuation of June 30, 2021 and measurement date of June 30, 2022.

Following the ABAG/MTC staff consolidation at July 1, 2017 and subsequent retirement of the last ABAG employee in January 2018, there are no more employees added to the ABAG OPEB Plan. Liabilities for consolidated employees now rests with MTC as of July 1, 2017. ABAG remains responsible for its unfunded OPEB liabilities related to ABAG retirees.

For additional information about the Plan, refer to Note 9.

**M. Unearned Revenue**

The unearned revenue consists of the funds advanced by California Department of Transportation (Caltrans) for the San Pablo Spine Project; California Department of Housing and Community Development (HCD) for REAP Program; CPUC grant (passing through PG&E) for the BayREN Programs; Santa Clara Valley Water District for professional staff support; Bay Area Quality Management District for the Palo Alto Horizontal Levee Project; and State Coastal Conservancy for the Bay Trail projects.

**N. Advance from PG&E**

PG&E advanced funds from a CPUC grant (passing through PG&E) for the BayRen Multifamily Loan Program. The scope of work ended as of December 31, 2022.

**O. Deferred Outflows/Inflows of Resources on Pensions and Other Post-Employment Benefits (OPEB)**

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension and OPEB liability arising from differences between expected and actual experience with regard to economic or demographic factors. \*
- The effects of changes of assumptions about future economic or demographic factors or of other inputs. \*
- Difference between projected and actual investment earnings on defined benefit pension and OPEB plan investments. \*\*
- Net differences between the ABAG actual contributions and ABAG's proportionate share of the total contributions from employers included in the collective net pension liability. \*
- Change in ABAG's proportion of collective net pension liability. \*

\* The balance on these accounts are recognized in pension and OPEB expenses using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

\*\* The difference between projected and actual earnings amount is recognized in pension and OPEB

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expenses using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report ABAG's contribution to CalPERS subsequent to the measurement date of the net pension and OPEB liability and before the end of the reporting period.

Refer to Note 8 and 9 for additional information.

**P. Allocation to Other Agencies**

Expenses are recorded or accrued related to the period to the extent the invoices are received by ABAG through 60 days after the end of the fiscal year.

**Q. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. Operating and Nonoperating Revenues and Expenses**

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities. All grant related activities including both revenues and expenses are considered nonoperating.

**2. NET POSITION**

ABAG has a negative net position of \$5,278,442 for fiscal year 2023. The negative net position is mainly the result of recognition of the net pension liability of \$17,243,811 at June 30, 2023. Since staff have transitioned from ABAG to MTC employment, ABAG will no longer have any member growth in its pension or OPEB liabilities. The unfunded OPEB liability was fully funded in the fiscal year 2020 allowing ABAG to draw annual retiree medical costs from the existing trust, the California Employers' Retiree Benefit Trust (CERBT). In addition, with no additional employees, the pension liability should generally reduce over time based on the current CalPERS amortization schedule, though fluctuations from year to year will occur based on CalPERS investment performance.

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**3. CASH AND CASH EQUIVALENTS**

**A. The composition of cash and cash equivalents at June 30, 2023 is as follows:**

Cash at banks	\$ 5,950,702
Government Pools	
Local Agency Investment Fund	<u>8,692,897</u>
Total cash and cash equivalents	<u>\$ 14,643,599</u>

The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk of principal. LAIF is unrated.

**B. Deposit Risk Factors**

Custodial credit risk can affect the value of deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, ABAG may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to a limit of \$250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent and having a fair value of 110% to 150% of ABAG's cash on deposit.

**4. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Beginning Balance July 1, 2022	Increase	Decrease	Ending Balance June 30, 2023
Capital assets being depreciated/amortized:				
Facilities and improvements	\$ 5,488,962	\$ -	\$ -	\$ 5,488,962
Furniture and equipment	373,204	-	-	373,204
SBITA Asset	-	207,557	-	207,557
Capitalized software	<u>190,030</u>	<u>-</u>	<u>-</u>	<u>190,030</u>
Total capital assets being depreciated/amortized	<u>6,052,196</u>	<u>207,557</u>	<u>-</u>	<u>6,259,753</u>
Less accumulated depreciation/amortization for:				
Facilities and improvements	1,097,791	219,560	-	1,317,351
Furniture and equipment	373,204	-	-	373,204
SBITAs Asset	-	138,372	-	138,372
Capitalized software	<u>142,524</u>	<u>47,506</u>	<u>-</u>	<u>190,030</u>
Total accumulated depreciation/amortization	<u>1,613,519</u>	<u>405,438</u>	<u>-</u>	<u>2,018,957</u>
Total capital assets, being depreciated/amortized, net	<u>\$ 4,438,677</u>	<u>\$ (197,881)</u>	<u>\$ -</u>	<u>\$ 4,240,796</u>

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**5. SBITA**

ABAG has entered into subscription-based contracts to use vendor-provided information technology. Most SBITAs have initial terms of up to 5 years. At the time of contract commencement or conversion, the term of a SBITA will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. There was no commitment under SBITAs before the commencement of the subscription term.

On June 30, 2023, ABAG had a net SBITA asset of \$69,185, which was reported in capital assets on the Statement of Net Position. There are no future principal and interest payments as of June 30, 2023.

**6. UNEARNED REVENUE**

The unearned revenue consists of grant received in advance of the performance of services. A summary of the outstanding balance of ABAG’s unearned revenue as of June 30, 2023 is as follows:

	Beginning Balance as of July 1, 2022	Addition	Reduction	Ending Balance as of June 30, 2023	Due within one year
Unearned Revenue	\$ 14,393,365	\$ 28,303,993	\$ (32,871,380)	\$ 9,825,978	\$ 9,686,313

**7. CONDUIT FINANCING PROGRAMS FOR MEMBERS**

ABAG assisted members and other borrowers in obtaining financing through the issuance of revenue bonds, special assessment debt, certificates of participation in lease revenues and in straight leasing arrangements.

The underlying liability for the repayment of each of these issues rests with the borrower participating in that issue, and not with ABAG which acts only as a conduit in pooling each issue. For that reason, ABAG has not recorded a liability for these issues.

A summary of the outstanding balances of the ABAG's Conduit Financing Programs as of June 30, 2023 is as follows:

	2023
California Redevelopment Bonds	\$ 3,665,000
California Capital Projects Bonds	2,660,000
Total	<u>\$ 6,325,000</u>

**8. PENSION PLAN**

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

***Plan Description***

The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (Plan) administered by the CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. The Plan consists of

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individual rate plans (benefit tiers) within a miscellaneous risk pools. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous risk pools. Benefit provisions under the Plan are established by State statute and Agency 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: [www.calpers.ca.gov](http://www.calpers.ca.gov)

***Benefits Provided***

The ABAG’s defined benefit pension plan, the Miscellaneous Plan of Association of Bay Area Governments (“the Plan”), provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members (hired before January 1, 2013) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. New members (hired after January 1, 2013) with five years of total service are eligible to retire at age 52 with statutorily reduced benefits.

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

	Miscellaneous Plan	
	Tier I	Tier II
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 Years service	5 Years service
Benefit payments	monthly for life	monthly for life
Retirement age	50- 55	52-62
Monthly benefits, as a percentage of eligible compensation	2.0%-2.5%	1.0%-2%

On July 1, 2017 all ABAG employees except for one, transferred to MTC. The last employee retired in January 2018. There will be no more employees added to the ABAG retirement Plan. ABAG remains responsible for its unfunded pension liabilities related to the legacy employees.

***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 the Plan 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.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded liability and side fund. The ABAG required contribution for the unfunded liability and side fund was \$1,743,993 in fiscal year 2023. ABAG did not make contributions for the normal cost portion in fiscal year 2023 because ABAG did not have active employees during fiscal year 2023.

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

As of June 30, 2023, ABAG reported a net pension liability for its proportionate share of the net pension liability as \$17,243,811.



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ABAG's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2022, 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, 2021 rolled forward to June 30, 2022 using standard update procedures. ABAG's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. ABAG's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2022	0.5437 %
Proportion - June 30, 2023	<u>0.3685 %</u>
Change - Increase (Decrease)	<u>(0.1752)%</u>

For the year ended June 30, 2023, ABAG recognized a pension credit of \$2,669,379 mainly due to a credit recognition of \$2,213,772 from the net difference between projected and actual earnings on investments of \$9,013,681 in FY 2022. At June 30, 2023, ABAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contribution made after the measurement date	\$ 1,743,993	\$ -
Difference between actual and expected experience	346,289	(231,930)
Changes in assumption	1,766,989	-
Net difference in actual and proportionate contribution	16,657	(410,887)
Net difference between projected and actual earnings on investments	3,158,608	-
Adjustments due to differences in proportion	-	(2,614,466)
Total	<u>\$ 7,032,536</u>	<u>\$ (3,257,283)</u>

The \$1,743,993 in the preceding table is reported as deferred outflows of resources related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2024	\$ 11,683
2025	37,914
2026	49,750
2027	1,931,913

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***Actuarial Assumptions***

For the measurement period ended June 30, 2022, the total pension liability was determined using the annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022. The June 30, 2023 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table *	Derived using CalPERS's membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

\* The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvements using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Discount Rate***

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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The expected real rates of return by asset class are as followed:

Asset Class (a)	Assumed Asset Allocation	Real Return (a),(b)
Global Equity - Cap-weighted	30 %	4.54 %
Global Equity - Non-Cap-weighted	12 %	3.84 %
Private Equity	13 %	7.28 %
Treasury	5 %	0.27 %
Mortgage-backed Securities	5 %	0.50 %
Investment Grade Corporates	10 %	4.56 %
High Yield	5 %	2.27 %
Emerging Market Debt	5 %	2.48 %
Private Debt	5 %	3.57 %
Real Assets	15 %	3.21 %
Leverage	(5)%	(0.59)%
Total	100 %	

(a) An expected inflation of 2.30% used for this period.

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

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

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

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Net Pension Liability	\$25,048,280	\$17,243,811	\$10,822,669

**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 that can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov).

**9. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

ABAG has contracted with CalPERS for the purpose of providing medical insurance benefits for eligible retired employees and eligible survivors of retired employees. The Public Employees' Medical & Hospital Care Act (PEMHCA) governs the CalPERS Health Program. ABAG pays PEMHCA an administration fee. Once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

ABAG participates in the California Employers' Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post-retirement healthcare trust established to fund its other post-employment benefits (OPEB). CERBT Fund is a Section 115 trust fund administered by CalPERS, and is managed by an appointed board not under the control of the ABAG Board. This Trust is not considered a component unit

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by ABAG and has been excluded from these financial statements.

***Benefits provided:***

Tier 1 (Hired before July 1, 2009)

- Eligible retirees retired before September 1, 1994: ABAG pays 100% of Kaiser single basic premium for the retirees; and ABAG reimburses retirees for the Medicare Part B deductible upon submission of receipt or proof of payment.
- Eligible retirees retired after September 1, 1994: ABAG pays 100% of Kaiser 2-party basic premium for eligible retired employees; reimbursement for the Medicare Part B deductible will be made to the retirees and spouses upon submission of receipt or proof of payment.
- Same benefit continues to surviving spouse if retiree elects CalPERS survivor annuity.

If retirees enroll in more expensive health plans than the Kaiser basic plan, retirees are responsible to pay for the portion exceeding the premium amount that ABAG pays.

Tier 2 (Hired on or after July 1, 2009)

ABAG contributes \$200/mo for management and \$100/mo for non-management to an individual medical after retirement account (MARA) during employment, and ABAG pays any PEMHCA minimum required by PEMHCA law. ABAG has no further obligation toward retiree health benefits or premiums.

***Eligibility***

Employees become eligible to retire directly from ABAG under CalPERS and receive healthcare benefits upon reaching the age of 50 with 5 years of service. Benefits are paid for the lifetime of the retiree or eligible survivor.

Employees covered by benefit terms:

The number of participants eligible to receive benefits at June 30, 2022, the measurement date, are:

Active employees	-
Inactive employees or beneficiaries currently receiving benefit payments	46
Inactive employees entitled to but not yet receiving benefit payments	<u>11</u>
Total	<u>57</u>

***Contribution***

ABAG annually contributes to the Trust fund based on an actuarially determined contribution (ADC) amount for the reporting period determined based on the funding policy and the most recent measurement available. ABAG fulfilled its contribution and has no further obligation for the fiscal year ended June 30, 2023. There was no covered-employee payroll in fiscal year 2023 because of no active employees in fiscal year 2023.

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**B. Net OPEB Asset**

ABAG's net OPEB asset was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021.

**Actuarial Assumptions** - The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2021
Contribution Policy	Contributes full ADC
Discount Rate	6.50% at June 30, 2022
General Inflation	2.75% annually
Expected Long-Term Rate of Return on Investment	Same as discount rate. Expected Association contributions projected to keep sufficient plan asset to pay all benefits from trust
Medical Trend Rate	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Kaiser) - 5% for 2022, decreasing to an ultimate rate of 4% in 2076
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020
PEMHCA Minimum Increase	4.00% annually
Changes of Assumptions	None
Changes of Benefit Terms	None

**Expected Long-Term Rate of Return:**

Asset Class Component	Target Allocation* CERBT-Strategy 1	Expected Real Rate of Return
Global Equity	49%	4.56%
Long US Treasuries	5%	0.29%
Mortgage-Backed Securities	5%	0.49%
Investment Grade Corporates	4%	1.56%
High Yield	4%	3.00%
Sovereigns	5%	2.76%
TIPS	5%	(0.08%)
Commodities	3%	1.22%
REITs	20%	4.06%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.50%

The expected long-term real rates of returns are presented as geometric means.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that ABAG's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was



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applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in a separately issued CERBT financial report that can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov).

**D. Changes in Net OPEB Liability/(Asset)**

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability/(Asset)</u>
Balance as of June 30, 2022 (6/30/21 measurement date)	\$ 6,880,426	\$ 9,872,934	\$ (2,992,508)
Changes for the year			
Service cost	-	-	-
Interest on the total OPEB liability	430,175	-	430,175
Changes in benefit terms	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	-	-
Net investment income	-	(1,318,377)	1,318,377
Benefit payments	(524,697)	(524,697)	-
Administrative expenses	-	(3,522)	3,522
Net changes	<u>(94,522)</u>	<u>(1,846,596)</u>	<u>1,752,074</u>
Balance at June 30, 2023 (6/30/22 measurement date)	<u>\$ 6,785,904</u>	<u>\$ 8,026,338</u>	<u>\$ (1,240,434)</u>

***Sensitivity of the Net OPEB Liability/(Asset) to the Changes in the Discount Rate***

The following presents what ABAG's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	<u>Discount Rate</u>		
	<u>1% Decrease (5.50%)</u>	<u>Current Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Net OPEB Liability/(Asset)	\$ (507,229)	\$ (1,240,434)	\$ (1,854,011)

***Sensitivity of the Net OPEB Liability/(Asset) to the Changes in the Healthcare Cost Trend Rate***

The following presents what ABAG's net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	<u>Healthcare Trend Rate</u>		
	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB Liability/(Asset)	\$ (1,897,170)	\$ (1,240,434)	\$ (466,867)

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**E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2023, ABAG recognized an OPEB credit of \$112,497 due to a credit recognition of \$296,541 from the net difference between projected and actual earnings on investments of \$1,214,444 in FY 2022. At June 30, 2023, ABAG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 650,127	\$ -
Total	<u>\$ 650,127</u>	<u>\$ -</u>

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

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ 107,236
2025	102,810
2026	48,072
2027	392,009

**10. CONTINGENCIES**

ABAG's grant funded projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantors' audits are completed and final rulings by the grantors' administrative departments are obtained. Disallowed expenditures, if any, must be absorbed by ABAG.

ABAG is involved in various claims and litigation that are considered normal to ABAG's activities. In the opinion of ABAG's management, the ultimate resolution of these matters will not have a material adverse effect on ABAG's financial statements.

**11. RISK MANAGEMENT**

ABAG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. ABAG transfers its risks by purchasing commercial insurance through an insurance broker, who obtains the appropriate insurance coverage needed by ABAG from insurance companies. No settlement amounts have exceeded commercial insurance coverage for the past three years. Insurance coverages are subject to market volatility. Therefore, where it makes financial sense, ABAG retains part of all its risk but only after diligent executive review of any risk retention decision.

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**12. RELATED PARTY TRANSACTIONS**

**The 375 Beale Condominium Corporation**

The 375 Beale Condominium Corporation (the “375 Beale Condo”) was incorporated in June 2017 in the state of California under the Non-profit Mutual Benefit Corporation Law. The 375 Beale Condo was formed to provide for the management of the association for the three condominium owners: Bay Area Headquarters Authority (BAHA), Bay Area Air Quality Management District (BAAQMD), and the Association of Bay Area Governments (ABAG), in the property known as 375 Beale Street, San Francisco, California.

375 Beale Condo exercises a custodial responsibility on behalf of the owner occupants and assesses sufficient amounts to meet all required expenditures of the common area and joint used space. The 375 Beale Condo collects two types of assessment fees: common area and shared services. Assessment fees are predetermined yearly by the budget approved by the board. The assessment fees billed to ABAG for common area assessments and shared services assessment fees were \$98,432 and \$287,567 respectively for FY 2023. The common area and services assessments fees is recorded in the building assessments at June 30, 2023.

**Metropolitan Transportation Commission (MTC)**

On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and MTC which states that the MTC Executive Director and MTC staff will perform all of the duties and programmatic work for ABAG. On July 1, 2017 all members of ABAG staff, excluding ABAG's Legal Counsel, who retired on January 5, 2018, were merged into the staff of MTC as new employees of MTC. Total FY 2023 administrative support service of \$4,428,256 is recorded in contracted salaries and benefits, overhead, and other nonoperating expenses at June 30, 2023.

On June 22, 2022, MTC Board approved Resolution No. 4517, in which it authorized MTC to refund ABAG's FY 2023 contribution in the amount of \$287,567 for the FY 2023 shared service cost paid to 375 Beale Condo. This refund is recorded in the due from other governments at June 30, 2023.

On June 17, 2022, ABAG's General Assembly approved the proposed Budget and Work Program for Fiscal Year 2023, which included a contribution amount of \$141,369 from MTC's component unit Bay Area Toll Authority (BATA) to support overhead costs for grant projects in ABAG's SFEP program.

On October 23, 2019, MTC board approved an operational advance to ABAG in the amount not to exceed \$8 million to assist ABAG with its cash flows needs. The advance will be drawn by ABAG as needed. ABAG will be charged a 1% fee on any drawn amounts. MTC authorized up to \$2 million of the operational advance for longer term project loans which included \$1 million for the ABAG Bay Area Regional Energy Network (BayREN) Water Bill Savings Program. On December 8, 2021, the MTC Commission approved an extension of the ABAG Operational Advance for Liquidity and Cash Flow through December 2023. As of June 30, 2023, total outstanding loan that was utilized for the BayREN Water Bill Saving program is \$250,000.

**Advancing California Finance Authority (ACFA)**

The Advancing California Finance Authority (“ACFA”) was created on January 1, 2018, as a joint exercise of powers agency established by ABAG and ACFA's blended component unit ABAG Finance Authority for Nonprofit Corporation (“ABAG FAN”) pursuant to the Chapter 5, Division 7 and Title I of the Government Code Section 6500 of the State of California. ABAG and ABAG FAN are also joint exercise of powers agencies created and existing under the California Joint Exercise of Powers Act, Sections 6500 through 6599.3 (“Joint Powers Act”).

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ABAG FAN assists non-profit corporations and local governments in obtaining financing. Prior to July 1, 2017, ABAG contracted with ABAG FAN to provide administrative support. Since July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement between ABAG and MTC.

**ABAG Publicly Owned Energy Resources (POWER)**

ABAG Publicly Owned Energy Resources (POWER) provides gas energy aggregation services to participating members. Prior to July 1, 2017, ABAG contracted with POWER to provide administrative support. Since July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement.

**San Francisco Bay Restoration Authority (SFBRA)**

The San Francisco Bay Restoration Authority (SFBRA) is a regional entity established by the San Francisco Bay Restoration Authority Act, Government Code section 66700 et seq. that is charged with raising and allocating local resources for the protection and enhancement of tidal wetlands and other wildlife habitat in and surrounding the San Francisco Bay. SFBRA successfully placed the San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration Measure (“Measure AA”), a regional special tax measure, on the June 2016 ballot to raise such funds.

On October 24, 2016, the State Coastal Conservancy (SCC), ABAG and SFBRA entered into a joint powers agreement that provides for SCC and ABAG to perform staff functions for SFBRA (“JPA”). Subsequent to the execution of the JPA, on May 30, 2017 ABAG and MTC entered into the Contract for Services under which MTC assumed staff functions for ABAG, commencing July 1, 2017.

**Bay Area Housing Finance Authority (BAHFA)**

The Bay Area Housing Finance Authority (BAHFA) was established in January 2020 pursuant to the California Government Code Section 64510 (a) (1) to provide a regional financing mechanism for affordable housing production, preservation, and tenant protections in the San Francisco Bay area, including charter cities. BAHFA is governed by the same board that governs MTC. Section 6411 (a)(1) states that Association of Bay Area Government Executive Board is to review and approve the BAHFA regional expenditures plan.

## **Required Supplementary Information**



**Association of Bay Area Governments,  
 Cost-Sharing Defined Benefit Pension Plan  
 Schedule of Changes in the Net Pension Liability and Related Ratios (unaudited)  
 For the Measurement Periods Ended June 30  
 Last Ten Years\***

**Schedule I**

Measurement Date	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Tier I & II 2014	Tier I & II 2015	Tier I & II 2016	Tier I & II 2017	Tier I & II 2018	Tier I & II 2019	Tier I & II 2020	Tier I & II 2021	Tier I & II 2022
Employer's proportion of the collective net pension liability	0.4744 %	0.4738 %	0.4246 %	0.4132 %	0.4016 %	0.4016 %	0.3898 %	0.5438 %	0.3685 %
Employer's proportionate share of the collective net pension liability	\$ 11,135,673	\$ 12,998,297	\$ 14,749,850	\$ 16,288,587	\$ 16,083,129	\$ 16,083,129	\$ 16,441,481	\$ 10,325,576	\$ 17,243,811
Employer's covered payroll **	\$ 6,847,411	\$ 6,198,473	\$ 6,036,594	\$ 5,832,772	\$ 74,655	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	165.87 %	209.70 %	244.34 %	279.26 %	-	-	-	-	-
The pension plan's fiduciary net Position as a percentage of the total pension liability	81.15 %	79.89 %	75.87 %	75.39 %	77.69 %	77.73 %	77.71 %	90.49 %	78.19 %

Notes to Schedule:

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

\*\* The last employee retired in January 2018. There was no active employees thereafter.

Changes of Assumptions: On November 17, 2021, new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. None in 2021, 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.5 percent discount rate.

**Association of Bay Area Governments**  
**Cost-Sharing Defined Benefit Pension Plan**  
**Schedule of Employer Contributions - Pension (unaudited)**  
**For the Fiscal Year Ended June 30**  
**Last Ten Years \***

**Schedule II**

Fiscal Year Date	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Tier I & II Fiscal Year 2014-2015	Tier I & II Fiscal Year 2015-2016	Tier I & II Fiscal Year 2016-2017	Tier I & II Fiscal Year 2017-2018	Tier I & II Fiscal Year 2018-2019	Tier I & II Fiscal Year 2019-2020	Tier I & II Fiscal Year 2020-2021	Tier I & II Fiscal Year 2021-2022	Tier I & II Fiscal Year 2022-2023
Actuarially determined contribution	\$ 1,305,738	\$ 491,374	\$ 2,744,108	\$ 1,293,682	\$ 1,391,147	\$ 1,754,472	\$ 1,567,077	\$ 1,613,506	\$ 1,743,993
Contributions in relation to the actuarially determined contributions	\$ (1,305,738)	\$ (491,374)	\$ (2,744,108)	\$ (1,293,682)	\$ (1,391,147)	\$ (1,754,472)	\$ (1,567,077)	\$ (1,613,506)	\$ (1,743,993)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 6,198,473	\$ 6,036,594	\$ 5,832,772	\$ 74,655	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	21.07 %	8.14 %	47.05 %	1,732.88 %	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

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

\*\* The last employee retired in January 2018. There was no active employees thereafter.

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2021-22 were derived from the June 30, 2019 funding valuation report and listed in the following table.

Actuarial cost method	Entry age normal cost
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report.
Asset valuation method	Fair value of assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.5%
Salary increase	Varies by entry age and service
Payroll growth	2.75%
Investment rate of return	7% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

**Association of Bay Area Governments**  
**Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios (unaudited)**  
**For the Measurement Periods Ended June 30**  
**Last Ten Years \***

**Schedule III**

Measurement Period	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Changes in Total OPEB liability						
Service cost	\$ 6,314	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the total OPEB liability	499,585	500,228	499,860	474,766	472,072	430,175
Difference between actual and expected experience	-	-	(162,855)	-	(458,748)	-
Changes of assumptions	-	-	(183,250)	-	120,982	-
Benefit payments	(485,483)	(494,650)	(516,714)	(534,301)	(495,074)	(524,697)
Net change in total OPEB liability	20,416	5,578	(362,959)	(59,535)	(360,768)	(94,522)
Total OPEB liability - beginning	7,637,694	7,658,110	7,663,688	7,300,729	7,241,194	6,880,426
Total OPEB liability - ending (a)	\$ 7,658,110	\$ 7,663,688	\$ 7,300,729	\$ 7,241,194	\$ 6,880,426	\$ 6,785,904
Changes in OPEB fiduciary net position						
Benefit payments	\$ (485,483)	\$ (494,650)	\$ (516,714)	\$ (534,301)	\$ (495,074)	\$ (524,697)
Contribution from employer	774,994	766,499	773,664	987,853	-	-
Net investment income	562,294	469,061	438,625	288,260	2,266,684	(1,318,377)
Administrative expenses	(2,814)	(12,593)	(2,556)	(5,225)	(4,117)	(3,522)
Net change in plan fiduciary net position	848,991	728,317	693,019	736,587	1,767,493	(1,846,596)
Plan fiduciary net position - beginning	5,098,527	5,947,518	6,675,835	7,368,854	8,105,441	9,872,934
Plan fiduciary net position - ending (b)	\$ 5,947,518	\$ 6,675,835	\$ 7,368,854	\$ 8,105,441	\$ 9,872,934	\$ 8,026,338
Plan net OPEB liability/(asset) - ending (a) - (b)	\$ 1,710,592	\$ 987,853	\$ (68,125)	\$ (864,247)	\$ (2,992,508)	\$ (1,240,434)
Plan fiduciary net position as a percentage of the total OPEB liability	77.66 %	87.11 %	100.93 %	111.94 %	143.50 %	118.30 %
Covered-employee payroll **	6,655,535	126,057	-	-	-	-
Plan net OPEB liability/(asset) of as a percentage of covered-employee payroll	25.70 %	783.66 %	N/A	N/A	N/A	N/A

Notes to Schedule

\* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only six years are shown.

\*\* The last employee retired in January 2018. There were no active employees thereafter.

In 2020-21, the discount rate and long-term expected rate of return on Assets was updated based on newer capital market assumptions of 6.50%.

Mortality projected fully generated with Scale MP-2020 in June 30, 2022 measurement date. Decreased medical trend rate of 5% for Kaiser in 2022, projected decrease to at a rate of 4% in 2076. Medical trend rate for non-medicare decreased to 7% for 2022, projected decrease of 4% in 2076. Medical trend rate for medicare decreased to 5% for 2022, projected to decrease rate of 4% in 2076.

**Association of Bay Area Governments**  
**Schedule of Employer Contributions - OPEB (unaudited)**  
**For the Year Ended June 30**  
**Last 10 Years \***

**Schedule IV**

	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23
Actuarially determined contribution **	\$ 752,000	\$ 93,000	\$ 93,000	\$ (164,000)	\$ (165,000)	\$ (226,000)
Contributions in relation to the actuarially determined contribution	(766,499)	(773,664)	(987,853)	-	-	-
Contribution deficiency (excess)	\$ (14,499)	\$ (680,664)	\$ (894,853)	\$ (164,000)	\$ (165,000)	\$ (226,000)
Covered-employee payroll ***	\$ 126,057	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	608.06 %	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

\* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only six years are shown.

\*\* The June 30, 2021 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/22 and 6/30/23.

\*\*\* The last employee retired in January 2018. There were no active employees thereafter.

Methods and assumptions for 2022-2023 actuarially determined contribution:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, Level % of Pay
Amortization Method	Level % of pay
Amortization Period	16-year fixed (closed) period for 2021/22
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.5%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4.0% in 2076; Medicare - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020

## **Other Supplementary Information**

**Association of Bay Area Governments**  
**Schedule of Net Position - ABAG**  
**June 30, 2023**

**Schedule 1**

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 805,624	\$ 1,045,169	\$ 418,639	\$ 2,578,310	\$ 4,847,742
Cash and cash equivalents - restricted	-	30,013	9,732,034	-	9,762,047
Account receivable	498,705	-	-	-	498,705
Accrued interest	1,919	-	67,156	-	69,075
Loan receivable	-	-	67,296	-	67,296
Receivable from federal	-	1,350,004	-	-	1,350,004
Receivable from state	-	7,154,506	-	1,817,369	8,971,875
Receivable from local	-	(15,215)	35,868	-	20,653
Due from other government	287,567	-	-	-	287,567
Prepaid items	19,524	2,293	1,821,096	-	1,842,913
<b>Total current assets</b>	<b>1,613,339</b>	<b>9,566,770</b>	<b>12,142,089</b>	<b>4,395,679</b>	<b>27,717,877</b>
Non-current assets:					
Loan receivable	-	-	1,443,175	-	1,443,175
Capital assets, net of accumulated depreciation/amortization	4,171,611	-	-	69,185	4,240,796
Net OPEB asset	1,240,434	-	-	-	1,240,434
<b>Total non-current assets</b>	<b>5,412,045</b>	<b>-</b>	<b>1,443,175</b>	<b>69,185</b>	<b>6,924,405</b>
<b>Total assets</b>	<b>7,025,384</b>	<b>9,566,770</b>	<b>13,585,264</b>	<b>4,464,864</b>	<b>34,642,282</b>
<b>Deferred Outflows of Resources</b>					
Deferred outflows from pension	7,032,536	-	-	-	7,032,536
Deferred outflows from OPEB	650,127	-	-	-	650,127
<b>Total deferred outflows of resources</b>	<b>7,682,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,682,663</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	83,623	5,324,027	1,809,394	3,803,815	11,020,859
Accrued liabilities	22,793	3,888	2,973	27,515	57,169
Retention payable	-	1,260,867	-	4,345	1,265,212
Unearned revenue	-	68,944	9,617,369	-	9,686,313
Advance from PG&E	-	-	1,610,000	-	1,610,000
Due to other government	71,714	2,344,350	148,768	541,953	3,106,785
<b>Total current liabilities</b>	<b>178,130</b>	<b>9,002,076</b>	<b>13,188,504</b>	<b>4,377,628</b>	<b>26,746,338</b>
Non-current liabilities:					
Unearned Revenue	-	-	139,665	-	139,665
Due to other governments	-	-	250,000	-	250,000
Net pension liability	17,243,811	-	-	-	17,243,811
<b>Total non-current liabilities</b>	<b>17,243,811</b>	<b>-</b>	<b>389,665</b>	<b>-</b>	<b>17,633,476</b>
<b>Total liabilities</b>	<b>17,421,941</b>	<b>9,002,076</b>	<b>13,578,169</b>	<b>4,377,628</b>	<b>44,379,814</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows from pension	3,257,283	-	-	-	3,257,283
<b>Net Position</b>					
Net investment in capital assets	4,171,611	-	-	69,185	4,240,796
Unrestricted	(10,142,788)	564,694	7,095	18,051	(9,552,948)
<b>Total net position</b>	<b>\$ (5,971,177)</b>	<b>\$ 564,694</b>	<b>\$ 7,095</b>	<b>\$ 87,236</b>	<b>\$ (5,312,152)</b>



**Association of Bay Area Governments**  
**Schedule of Revenues, Expenses and Changes in Net Position - ABAG**  
**For the Year Ended June 30, 2023**

**Schedule 2**

	<u>ABAG Admin</u>	<u>ABAG SFEP</u>	<u>ABAG Energy</u>	<u>ABAG Planning</u>	<u>Total Association of Bay Area Governments</u>
<b>Operating Revenues</b>					
Membership dues	\$ 2,591,503	\$ -	\$ -	\$ -	\$ 2,591,503
Other operating revenues	<u>2,308</u>	<u>73,887</u>	<u>227</u>	<u>-</u>	<u>76,422</u>
<b>Total operating revenues</b>	<u>2,593,811</u>	<u>73,887</u>	<u>227</u>	<u>-</u>	<u>2,667,925</u>
<b>Operating Expenses</b>					
Contracted salaries and benefits	2,157,874	14,399	-	-	2,172,273
Pension & OPEB expense adjustments	(5,014,499) *	-	-	-	(5,014,499)
Professional fees	479,312	116,572	-	-	595,884
Conference and meeting costs	12,256	2,376	-	-	14,632
Building assessments	385,999	-	-	-	385,999
Committee members' stipend	83,850	19,998	-	-	103,848
Insurance	192,020	-	-	-	192,020
Memberships	30,000	9,180	-	-	39,180
Depreciation and amortization	267,066	-	-	138,372	405,438
Overhead	7,011	5,271	-	-	12,282
Other operating expenses	<u>11,992</u>	<u>11,395</u>	<u>-</u>	<u>-</u>	<u>23,387</u>
<b>Total operating expenses</b>	<u>(1,387,119)</u>	<u>179,191</u>	<u>-</u>	<u>138,372</u>	<u>(1,069,556)</u>
<b>Operating Income/(Loss)</b>	<u>3,980,930</u>	<u>(105,304)</u>	<u>227</u>	<u>(138,372)</u>	<u>3,737,481</u>
<b>Nonoperating Revenues (Expenses)</b>					
Federal grants	-	3,075,482	-	43,685	3,119,167
State grants	-	10,016,954	22,548,602	11,467,856	44,033,412
Local grants	-	449,901	61,020	-	510,921
Contracted salaries and benefits	-	(1,983,333)	(995,660)	-	(2,978,993)
Professional fees	-	(1,108,337)	(20,869,755)	(3,868,832)	(25,846,924)
Allocations to other agencies	-	(9,833,057)	-	(7,409,826)	(17,242,883)
Interest income	692	-	83,496	-	84,188
Contribution from BATA	-	141,369	-	-	141,369
Contribution from MTC	287,567	-	-	-	287,567
Other nonoperating expenses	<u>-</u>	<u>(588,973)</u>	<u>(744,204)</u>	<u>(7,275)</u>	<u>(1,340,452)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>288,259</u>	<u>170,006</u>	<u>83,499</u>	<u>225,608</u>	<u>767,372</u>
<b>Change in Net Position</b>	4,269,189	64,702	83,726	87,236	4,504,853
<b>Net position, beginning of year</b>	<u>(10,240,366)</u>	<u>499,992</u>	<u>(76,631)</u>	<u>-</u>	<u>(9,817,005)</u>
<b>Net position, end of year</b>	<u>\$ (5,971,177)</u>	<u>\$ 564,694</u>	<u>\$ 7,095</u>	<u>\$ 87,236</u>	<u>\$ (5,312,152)</u>

\*Includes: recognitions of GASB 68 (pension) and GASB 75 (OPEB) expenses of \$4,936,499 and a credit of \$78,000 for OPEB Implicit Subsidy.

**Association of Bay Area Governments**  
**Combining Statement of Net Position**  
**Non-Major Enterprise Funds**  
**June 30, 2023**

**Schedule 3**

	<u>Balance Foundation</u>	<u>ABAG Finance Corporation</u>	<u>Total Non- Major Enterprise Funds</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 20,858	\$ 12,952	\$ 33,810
Total current assets	<u>20,858</u>	<u>12,952</u>	<u>33,810</u>
Accounts payable	<u>50</u>	<u>50</u>	<u>100</u>
Total liabilities	<u>50</u>	<u>50</u>	<u>100</u>
<b>Net Position</b>			
Unrestricted	<u>20,808</u>	<u>12,902</u>	<u>33,710</u>
Total net position	<u>\$ 20,808</u>	<u>\$ 12,902</u>	<u>\$ 33,710</u>

**Association of Bay Area Governments**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Non-Major Enterprise Funds**  
**For the Year Ended June 30, 2023**

**Schedule 4**

	Balance Foundation	ABAG Finance Corporation	Total Non- Major Enterprise Funds
<b>Operating Expenses:</b>			
Professional fees	\$ 2,575	\$ 2,575	\$ 5,150
Other operating expenses	50	50	100
Total operating expenses	<u>2,625</u>	<u>2,625</u>	<u>5,250</u>
<b>Operating Income/(Loss)</b>	<u>(2,625)</u>	<u>(2,625)</u>	<u>(5,250)</u>
<b>Change in Net Position</b>	(2,625)	(2,625)	(5,250)
Net position, beginning of year	<u>23,433</u>	<u>15,527</u>	<u>38,960</u>
Net position, end of year	<u>\$ 20,808</u>	<u>\$ 12,902</u>	<u>\$ 33,710</u>

**Association of Bay Area Governments**  
**Schedule of ABAG Conduit Financing Pool**  
**For the Year Ended June 30, 2023**

**Schedule 5**

Transactions	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2023
ABAG 1994 Tax Allocation Revenue Bonds, Series A and 1994 Subordinated Tax Allocation Revenue Bonds, Series B (California Redevelopment Agency Pool)	06/29/1994	12/15/2024	\$ 43,695,000	\$ 645,000
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	04/11/2006	09/01/2026	9,605,000	2,700,000
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	07/18/2002	07/01/2032	13,370,000	2,660,000
ABAG 2004 Tax Allocation Revenue Bonds, Series A (California Redevelopment Agency Pool) Series A	12/15/2004	09/01/2035	34,080,000	<u>320,000</u>
Total 4 transactions				<u>\$ 6,325,000</u>

# **Association of Bay Area Governments**

**Reports on Federal Awards in Accordance  
with OMB Uniform Guidance  
For the Year Ended June 30, 2023**

**Auditee  
Association of Bay Area Governments**

**EIN  
94-2832478**

**Association of Bay Area Governments**  
**Reports on Federal Awards in Accordance with OMB Uniform Guidance**  
**For the Year Ended June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
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PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Executive Board  
Association of Bay Area Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments ("ABAG") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise ABAG's basic financial statements, and have issued our report thereon dated November 1, 2023.

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

In planning and performing our audit of the financial statements, we considered ABAG's internal control over financial reporting (internal control) as a basis for designing 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 ABAG's internal control. Accordingly, we do not express an opinion on the effectiveness of ABAG's internal control.

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

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

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

As part of obtaining reasonable assurance about whether ABAG'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 financial statements. 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*.

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(Continued)

## 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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and stylized, with the "C" being particularly large and the "LLP" following in a similar cursive style.

Crowe LLP

San Francisco, California  
November 1, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Executive Board  
Association of Bay Area Governments

**Report on Compliance for Each Major Federal Program**

***Opinion on Major Federal Program***

We have audited the Association of Bay Area Governments' ("ABAG") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of ABAG's major federal programs for the year ended June 30, 2023. ABAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ABAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ABAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ABAG's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to ABAG's federal programs.

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(Continued)

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ABAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ABAG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ABAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of ABAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ABAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of ABAG as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise ABAG's basic financial statements. We issued our report thereon dated November 1, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Crowe LLP

San Francisco, California  
November 1, 2023

**Association of Bay Area Governments  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2023**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	Total Federal Expenditures
<b>United States Environmental Protection Agency</b>				
<b>The San Francisco Baywater Quality Improvement Fund</b>				
<b>Direct Awards</b>				
Urban Greening Bay Area W999T53101	66.126		\$ 94,394	\$ 128,434
Transforming Shorelines W99T87701	66.126		135,788	374,976
Water Quality Improvement W998T20401	66.126		20,051	389,353
W998T55001	66.126		-	6,632
<b>Subtotal: ALN 66.126</b>			<b>250,233</b>	<b>899,395</b>
<b>National Estuary Program</b>				
<b>Direct Awards</b>				
Implementation of the Comprehensive Conservation and Management Plan CE99T59901	66.456		121,005	697,438
<b>Subtotal: ALN 66.456</b>			<b>121,005</b>	<b>697,438</b>
<b>Regional Wetland Program Development Grants</b>				
<b>Direct Awards</b>				
Bay Area Wetlands Regional Monitoring Program Plan CD98T45901-0	66.461		-	49,745
Wetlands Protection Development CD99T93501	66.461		119,760	125,779
CD98T29701	66.461		1,113	174,302
<b>Subtotal: ALN 66.461</b>			<b>120,873</b>	<b>349,826</b>
<b>Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements</b>				
<b>Direct Awards</b>				
Brownfields Multipurpose, Assessment, Revolving Loan fund, and Cleanup Cooperative Agreements BF99T61501	66.818		43,685	43,685
<b>Subtotal: ALN 66.818</b>			<b>43,685</b>	<b>43,685</b>
<b>Clean Water State Revolving Fund Cluster</b>				
<b>Pass through from California State Water Resource Board</b>				
Oro Loma Horizontal D2101051	66.458		744,750	840,635
<b>Subtotal: ALN 66.458</b>			<b>744,750</b>	<b>840,635</b>
<b>Total Clean Water State Revolving Fund Cluster</b>			<b>744,750</b>	<b>840,635</b>
<b>Total United States Environmental Protection Agency</b>			<b>1,280,546</b>	<b>2,830,979</b>

(Continued)

**Association of Bay Area Governments  
 Schedule of Expenditures of Federal Awards  
 For the year ended June 30, 2023**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	Total Federal Expenditures
<b>Department of the Interior</b>				
<b>Clean Vessel Act</b>				
<b>Pass through from California State Department of Parks &amp; Recreation</b>				
Clean Vessel Education & Outreach Grant	15.616	C8964463	\$ -	\$ 167,256
	15.616	C8966481	-	117,707
<b>Pass through from Santa Monica Bay Foundation</b>	15.616	C8063453	-	3,225
<b>Subtotal: ALN 15.616</b>			<u>-</u>	<u>288,188</u>
<b>Total Department of Interior</b>			<u>-</u>	<u>288,188</u>
<b>Total Expenditures for Federal Awards</b>			<u>\$ 1,280,546</u>	<u>\$ 3,119,167</u>

See accompanying notes to the schedule of expenditures of federal awards.



**Association of Bay Area Governments**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2023**

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**NOTE 1 – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all expenditures of federal awards of the Association of Bay Area Governments (“ABAG”). ABAG’s reporting entity is defined in Note 1 of ABAG’s Basic Financial Statements.

The Schedule is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in preparation of, the financial statements. Expenditures reported on the Schedule are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 – Indirect Cost Rate**

ABAG applies its predetermined indirect cost rate when charging indirect costs to federal awards rather than the 10% de minimis indirect cost rate described in Section 200.414 of the Uniform Guidance.

ASSOCIATION OF BAY AREA GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2023

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**SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

***Federal Awards:***

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

Assistance Listing Numbers  
66.126

The San Francisco Baywater Quality Improvement Fund

66.458

Clean Water State Revolving Fund

Dollar threshold used to distinguish type A and B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No