

Association of Bay Area Governments

**Financial Statements
For the Year Ended June 30, 2021**

Association of Bay Area Governments
Financial Statements
For the Year Ended June 30, 2021
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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 Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the ABAG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2021, and the changes in its 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.

Other Matters

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, although not a part of the basic financial statements, is required by 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. The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 18, 2021 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 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.

Crowe LLP

San Francisco, California
November 18, 2021

Association of Bay Area Governments

Financial Statements for the Year Ended June 30, 2021

Management's Discussion and Analysis (unaudited)

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, 2021. 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 92 percent of ABAG revenue. So far, these project grants have shown no sign of slowing down, which is good for the overall success of ABAG.

While the current pandemic has certainly had its share of operational and financial challenges, ABAG continues to conduct important local programs and enhance financial performance. Examples from FY 2021:

- The BayREN Energy Program received another round of funding bringing total grant revenue to \$59 million since fiscal year 2019.
- The SFEP program received another round of funding bringing total grant revenue to \$26 million since fiscal year 2019.
- ABAG was awarded a Regional Early Action Planning Grant (REAP) for \$23.9 million during fiscal year 2021. The award included an advance of \$5.9 million which paid during fiscal year 2021.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2021
Management's Discussion and Analysis (unaudited)

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.

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 has negative net position of approximately \$7.7 million for FY 2021, a decrease of \$1.8 million compared to FY 2020. The primary contributor to the decrease in net position was 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:

	2021	2020
Assets		
Current and other assets	\$ 25,574,434	\$ 18,774,294
Capital assets	4,771,050	5,103,423
Total assets	30,345,484	23,877,717
Deferred outflows of resources	3,128,066	5,024,437
Liabilities		
Other liabilities	21,169,683	14,380,484
Long term liabilities	19,042,901	18,654,150
Total liabilities	40,212,584	33,034,634
Deferred inflows of resources	950,609	1,723,444
Net position:		
Net investment in capital assets	4,771,050	5,103,423
Unrestricted (deficit)	(12,460,693)	(10,959,347)
Total net position	\$ (7,689,643)	\$ (5,855,924)

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Management's Discussion and Analysis (unaudited)

Total assets increased by \$6.5 million in fiscal year 2021. The increase in total assets was primarily due to increase in cash from the state grant advance.

Compared to fiscal year 2020, total liabilities increased by \$7.2 million. The increase was primarily due to increase in unearned revenue at year end from the state grant advance.

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:

	2021	2020
Operating revenues		
Membership dues	\$ 2,410,210	\$ 2,887,875
Conference registration	22,000	281,605
Other operating revenues	158,326	59,538
Total operating revenues	<u>2,590,536</u>	<u>3,229,018</u>
Operating expenses		
Contracted salaries and benefits	2,339,501	2,490,428
Professional fees	634,070	668,244
Other operating expenses	1,037,865	1,218,182
Total operating expenses	<u>4,011,436</u>	<u>4,376,854</u>
Operating loss	<u>(1,420,900)</u>	<u>(1,147,836)</u>
Nonoperating revenues/(expenses)		
Grants	29,248,167	29,488,661
Contracted salaries and benefits	(2,292,276)	(2,375,755)
Professional fees	(25,971,309)	(26,373,035)
Other nonoperating revenues	105,759	1,111,576
Other nonoperating expenses	(1,503,160)	(1,269,871)
Total nonoperating revenues (expenses)	<u>(412,819)</u>	<u>581,576</u>
Change in net position	<u>(1,833,719)</u>	<u>(566,260)</u>
Net position - beginning	<u>(5,855,924)</u>	<u>(5,289,664)</u>
Net position - ending	<u>\$ (7,689,643)</u>	<u>\$ (5,855,924)</u>

Total operating revenue decreased by \$0.6 million in fiscal year 2021. The decrease in total operating revenue was primarily due to a decrease in ABAG membership dues.

ABAG's total operating expenses decreased by \$0.4 million or 8.3 percent. The decrease in operating expenses was mainly due to decrease in contracted salaries and benefits, professional fees, membership payments as well as conference and meeting costs.

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Total nonoperating revenue consists of grant revenue and other nonoperating revenues. In fiscal year 2021 ABAG's nonoperating revenue decreased by \$ 1.2 million, mainly due to the decrease in grant revenue and contribution from FAN.

ABAG's total non-operating expenses decreased by \$0.2 million from fiscal year 2020. The decrease in total non-operating expenses was mainly due to the decrease in contracted salaries and benefits and professional fees related to grant funded project expenses.

Overall total nonoperating revenue/expenses decreased by \$1 million for fiscal year 2021.

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 \$5,103,423 in fiscal year 2020 to \$4,771,050 in fiscal year 2021 due to asset depreciation of \$332,373. For additional information on ABAG's capital assets, refer to Note 4.

F. Economic Factors

The Bay Area economy ended a nine-year economic expansion during fiscal year 2020 with a sudden "crash" at the end of fiscal year 2020. While the "crash" was the steepest drop in GDP since the Great Depression, the economy technically recovered, surpassing the pre-pandemic level by December 2020. Immediate economic impacts include:

- Sales tax revenue was projected to fall 14% from the fiscal year 2020 total, falling for the first time in nine straight fiscal years. Instead, the increase in internet sales combined with a federal court decision that removed the federal prohibition on the assessment of state sales tax produced revenue of over \$14 million, almost exactly the level of fiscal year 2020.
- Unemployment in the Bay Area dipped below 3% in June 2019 and increased to over 9.6% by June 2020. Unemployment remains stubbornly high in California, exceeding 7.7%, and well above the national trend of 5.2%.
- With office vacancy rates at 20% or pre-pandemic levels, future office occupancy is uncertain given the level of remote workers in the Bay Area. As such, the continuing impact of the pandemic may not be known until workers return to the office.

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Management's Discussion and Analysis (unaudited)

- Signs of an improving economy include strength in housing prices and construction, however the short recession did nothing to improve the critically low supply of affordable housing in the San Francisco Bay area.

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, 2021

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
ASSETS			
Current Assets:			
Cash	\$ 17,625,737	\$ 44,110	\$ 17,669,847
Account receivable	508,190	-	508,190
Accrued interest	520	-	520
Loan receivable	67,297	-	67,297
Receivable from federal	597,563	-	597,563
Receivable from state	2,980,321	-	2,980,321
Receivable from local	155,329	-	155,329
Prepaid items	1,153,535	-	1,153,535
Total current assets	23,088,492	44,110	23,132,602
Non-current Assets			
Loan receivable	1,577,585	-	1,577,585
Capital assets, net of accumulated depreciation/ amortization	4,771,050	-	4,771,050
Net OPEB asset	864,247	-	864,247
Total non-current assets	7,212,882	-	7,212,882
TOTAL ASSETS	30,301,374	44,110	30,345,484
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	2,961,076	-	2,961,076
Deferred outflows from OPEB	166,990	-	166,990
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,128,066	-	3,128,066
LIABILITIES			
Current Liabilities:			
Accounts payable	4,375,910	-	4,375,910
Accrued liabilities	30,700	-	30,700
Retention payable	726,081	-	726,081
Unearned revenue	12,949,526	-	12,949,526
Due to other government	3,087,466	-	3,087,466
Total current liabilities	21,169,683	-	21,169,683
Non-current Liabilities:			
Unearned revenue	191,420	-	191,420
Advance from PG&E	2,410,000	-	2,410,000
Net pension liability	16,441,481	-	16,441,481
Total non-current liabilities	19,042,901	-	19,042,901
TOTAL LIABILITIES	40,212,584	-	40,212,584
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	950,609	-	950,609
TOTAL DEFERRED INFLOWS OF RESOURCES	950,609	-	950,609
NET POSITION			
Net investment in capital assets	4,771,050	-	4,771,050
Unrestricted	(12,504,803)	44,110	(12,460,693)
TOTAL NET POSITION	\$ (7,733,753)	\$ 44,110	\$ (7,689,643)

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, 2021

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
OPERATING REVENUES:			
Membership dues	\$ 2,410,210	\$ -	\$ 2,410,210
Conference registration	22,000	-	22,000
Other operating revenues	158,315	11	158,326
TOTAL OPERATING REVENUES	2,590,525	11	2,590,536
OPERATING EXPENSES			
Contracted salaries and benefits	2,339,501	-	2,339,501
Professional fees	630,320	3,750	634,070
Conference and meeting costs	1,320	-	1,320
Building assessments	359,000	-	359,000
Committee members' stipend	118,650	-	118,650
Insurance	115,639	-	115,639
Memberships	30,750	-	30,750
Depreciation expense	332,373	-	332,373
Overhead	14,046	-	14,046
Other operating expenses	66,087	-	66,087
TOTAL OPERATING EXPENSES	4,007,686	3,750	4,011,436
OPERATING LOSS	(1,417,161)	(3,739)	(1,420,900)
NONOPERATING REVENUES AND (EXPENSES)			
Federal grants	1,945,340	-	1,945,340
State grants	26,134,955	-	26,134,955
Local grants	1,167,872	-	1,167,872
Contracted salaries and benefits	(2,292,276)	-	(2,292,276)
Professional fees	(25,971,309)	-	(25,971,309)
Interest income	5,759	-	5,759
Contribution from BATA	100,000	-	100,000
Contribution to MTC	(530,000)	-	(530,000)
Other nonoperating expenses	(973,160)	-	(973,160)
TOTAL NONOPERATING REVENUES (EXPENSES)	(412,819)	-	(412,819)
CHANGE IN NET POSITION	(1,829,980)	(3,739)	(1,833,719)
Net Position, beginning of year	(5,903,773)	47,849	(5,855,924)
Net Position, end of year	\$ (7,733,753)	\$ 44,110	\$ (7,689,643)

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows
For the Year Ended June 30, 2021

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 2,415,339	\$ 11	\$ 2,415,350
Other operating cash receipts	258,632	-	258,632
Cash payments to suppliers and contractors for goods and services	7,020	(3,750)	3,270
Other operating cash payments	(545,589)	-	(545,589)
Cash payments for retirees benefits	(1,460,939)	-	(1,460,939)
Net cash provided by operating activities	674,463	(3,739)	670,724
Cash flows from non-capital financing activities			
Federal grants	2,651,498	-	2,651,498
State grants	35,728,643	-	35,728,643
Local grants	1,172,600	-	1,172,600
Contracted salaries and benefits	(1,128,725)	-	(1,128,725)
Professional fees	(28,678,925)	-	(28,678,925)
Contribution from BATA	200,000	-	200,000
Contribution to MTC	(530,000)	-	(530,000)
Other nonoperating expenses	(1,006,958)	-	(1,006,958)
Net cash provided by non-capital financing activities	8,408,133	-	8,408,133
Cash flows from investing activities			
Interest and dividends received	13,258	-	13,258
Net cash provided by investing activities	13,258	-	13,258
Net increase/(decrease) in cash	9,095,854	(3,739)	9,092,115
Balances - beginning of year	8,529,883	47,849	8,577,732
Balances - end of year	\$ 17,625,737	\$ 44,110	\$ 17,669,847

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2021

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (1,417,161)	\$ (3,739)	\$ (1,420,900)
Adjustments to reconcile operating net cash used in operating activities:			
Depreciation and amortization	332,373	-	332,373
Net effect of changes in:			
Due from other government	5,535	-	5,535
Due to other government	1,020,491	-	1,020,491
Accounts receivable	49,430	-	49,430
Loan receivable	67,847	-	67,847
Prepaid items	(163)	-	(163)
Net OPEB assets	(796,122)	-	(796,122)
Deferred outflows from pension	1,075,508	-	1,075,508
Deferred outflows from OPEB	820,863	-	820,863
Net pension liability	358,352	-	358,352
Deferred inflows from pension	(671,843)	-	(671,843)
Deferred inflows from OPEB	(100,992)	-	(100,992)
Accounts payable	(74,939)	-	(74,939)
Accrued liabilities	5,284	-	5,284
Net cash provided by operating activities	\$ 674,463	\$ (3,739)	\$ 670,724

See accompanying notes to financial statements

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2021
Notes to Financial Statements

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, The 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 the two agencies 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 Board of Directors, 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 a blended component unit.

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.

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ii) Balance Foundation (BALANCE)

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

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. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 19, 2019. ABAG adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard has no impact on ABAG's financial statements.

Association of Bay Area Governments
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GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improve the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. ABAG adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard has no impact on ABAG's financial statements.

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. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 92, *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The initial requirements of this Statement are effective as follows: (a) The requirements in paragraphs 4, 5, 11, and 13 are effective upon issuance. (b) The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2021. (c) The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2021. (d) The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods

Association of Bay Area Governments

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beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Management is currently evaluating the effect of paragraph 11b, 13, and 14. The adoption of the remaining paragraphs had 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. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement in ABAG's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this statement are effective as follows; (a) The requirement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this statement are effective as follows: (a) The requirement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. (b) The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. (c) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. ABAG adopted paragraphs 4 and 5 of this statement in fiscal year 2020. The adoption of paragraphs 4 and 5 did not have any material impact on ABAG's financial statements. Management is evaluating the effect of the remaining paragraphs 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, restricted and unrestricted. Net position is reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation. There is no amount reported in restricted net position at year-end.

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E. Cash and Investments

Under the Contract for Services, MTC invests ABAG's available cash in accordance with the adoption of MTC's investment policy and with under 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 bond
- 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 and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investments that meet the following definitions:

- Readily convertible to known amounts of cash.

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- 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.

G. Prepaid Items

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

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.

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I. Due to/from Other Government

The due to other government consists of payables to MTC.

J. 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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

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, 2019. CalPERS then rolled forward the total pension liability to June 30, 2020, and this is the basis for measuring ABAG's net pension liability reported at June 30, 2021.

Following the staff consolidation on July 1, 2017 and the retirement of the last ABAG employee, 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 6.

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

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

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, 2021 was determined using the actuarial valuation of June 30, 2019 and measurement date of June 30, 2020.

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 7.

L. Unearned Revenue

The unearned revenue consists of the funds advanced by Caltrans for the San Pablo Spine Project, CPUC grant (passing through PG&E) for the BayREN Programs, Santa Clara Valley Water District for the professional staff support, Bay Area Quality Management District for the Heat Pump Water Heater Market Transformation Project, and State Coastal Conservancy for the Bay Trail projects.

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M. Advance from PG&E

PG&E advanced funds from CPUC grant (passing through PG&E) for the BayRen Multifamily Loan Program.

N. 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 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 6 and 7 for additional information.

O. 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.

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P. 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.

Q. Contribution to Metropolitan Transportation Commission (MTC)

Contribution to MTC consists of the contribution amount approved by the ABAG General Assembly.

R. Recent Event

During FY 2020, a novel strain of coronavirus spread around the world and was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California declared a statewide shelter-in-place order which was subsequently rescinded in June 2021. The statewide shelter-in-place order had no appreciable effect on the operations and business results of the ABAG business operations. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

2. NET POSITION

ABAG has a negative net position of \$7,689,643 for fiscal year 2021. The change in negative position is mainly the result of recognition of the GASB 68 pension expense of \$2,329,094. 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 be reduced annually based on the current CalPERS amortization schedule.

3. CASH

A. The composition of cash at June 30, 2021 is as follows:

Cash at banks	\$ 17,312,591
Government Pools	
Local Agency Investment Fund	357,256
Total cash	<u>\$ 17,669,847</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.

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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, 2021 is as follows:

	<u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance June 30, 2021</u>
Capital assets being depreciated:				
Facilities and improvements	\$ 5,488,962	\$ -	\$ -	\$ 5,488,962
Furniture and equipment	373,204	-	-	373,204
Capitalized software	190,030	-	-	190,030
Total capital assets being depreciated	<u>6,052,196</u>	<u>-</u>	<u>-</u>	<u>6,052,196</u>
Less accumulated depreciation for:				
Facilities and improvements	658,675	219,558	-	878,233
Furniture and equipment	242,590	65,307	-	307,897
Capitalized software	47,508	47,508	-	95,016
Total accumulated depreciation	<u>948,773</u>	<u>332,373</u>	<u>-</u>	<u>1,281,146</u>
Total capital assets, being depreciated, net	<u>\$ 5,103,423</u>	<u>\$ (332,373)</u>	<u>\$ -</u>	<u>\$ 4,771,050</u>

5. 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. The ABAG Leasing Pool is no longer issuing new project debt and will allow the existing pool to run out.

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A summary of the outstanding balances of the ABAG's Conduit Financing Programs as of June 30, 2021 is as follows:

	Ending Balance June 30, 2021
California Redevelopment Bonds	\$ 4,790,000
California Capital Projects Bonds	3,110,000
Total	<u>\$ 7,900,000</u>

6. 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 California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the state of California. The Plan consists of 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

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.

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The Plan's provisions and benefits in effect at June 30, 2021, 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 \$1,567,077 in fiscal year 2021. ABAG did not make contributions for the normal cost portion in fiscal year 2021 because ABAG did not have active employees during fiscal year 2021.

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

As of June 30, 2021, ABAG reported a net pension liability for its proportionate share of the net pension liability as \$16,441,481.

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, 2020, 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, 2019 rolled forward to June 30, 2020 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

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determined. ABAG's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 as follows:

	Miscellaneous Plan
Proportion - June 30, 2019	0.4016 %
Proportion - June 30, 2020	0.3898 %
Change - Increase (Decrease)	(0.0118)%

For the year ended June 30, 2021, ABAG recognized pension expense of \$2,329,094. At June 30, 2021, ABAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,567,077	\$ -
Difference between actual and expected experience	847,277	-
Changes in assumption	-	(117,267)
Net difference in actual and proportionate contribution	58,302	(56,371)
Net difference between projected and actual earnings on investments	488,420	-
Adjustments due to differences in proportion	-	(776,971)
Total	\$ 2,961,076	\$ (950,609)

The \$1,567,077 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, 2022. 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:

Year Ended June 30	Annual Amortization
2022	\$ (306,242)
2023	236,532
2024	278,840
2025	234,260

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Actuarial Assumptions

For the measurement period ended June 30, 2020, the total pension liability was determined using the annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	7.15%
Inflation	2.5%
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 2.5% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.5% thereafter

* The mortality table used was developed based on CalPERS-specific data. 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 improvements using 90% of Scale MP-2016 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 December 2017 that can be found on the CalPERS website: www.calpers.ca.gov.

Change of Assumptions

There were no changes of assumptions from the previous measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50 %	4.80 %	5.98 %
Fixed Income	28 %	1.00 %	2.62 %
Inflation Assets	- %	0.77 %	1.81 %
Private Equity	8 %	6.30 %	7.23 %
Real Assets	13 %	3.75 %	4.93 %
Liquidity	1 %	- %	(0.92)%
Total	100 %		

(a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% is used for this period.

(c) An expected inflation of 2.92% is used for this period.

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% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability	\$23,619,364	\$16,441,481	\$10,510,622

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.

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7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

ABAG has contracted with the California Public Employees' Retirement System (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 by ABAG and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709, or from CalPERS website: www.calpers.ca.gov.

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.

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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, 2020, the measurement date, are:

Active employees	-
Inactive employees or beneficiaries currently receiving benefit payments	47
Inactive employees entitled to but not yet receiving benefit payments	12
Total	<u>59</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. For the fiscal year ended June 30, 2021, total ABAG contributions were \$987,853. There was no covered-employee payroll in fiscal year 2021 because of no active employees in fiscal year 2021.

B. Net OPEB Asset

ABAG's net OPEB asset was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2019
Contribution Policy	Contributes full ADC
Discount Rate	6.75%
General Inflation	2.75%
Expected Long-Term Rate of Return on Investment	Same as discount rate. Contributions projected to keep sufficient plan assets to pay all benefit from trust.
Medical Trend Rate	Non-Medicare 7.25% for 2021 decreasing to an ultimate rate of 4% in 2076; Medicare 6.30% for 2021, 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-2019

Association of Bay Area Governments
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PEMHCA Minimum Increase	4.25% annually
Salary Increases	Aggregate 3% annually
	Merit - CalPERS 1997-2015 Experience Study
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	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.75%

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

*Policy target effective October 1, 2018.

Discount Rate - The discount rate used to measure the total OPEB liability was 6.75 percent the same as the prior valuation discount rate. 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 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.

Association of Bay Area Governments
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D. Changes in Net OPEB Liability/(Asset)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance as of June 30, 2020 (6/30/19 measurement date)	\$ 7,300,729	\$ 7,368,854	\$ (68,125)
Changes for the year			
Service cost	-	-	-
Interest on the total OPEB liability	474,766	-	474,766
Changes in benefit terms	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	987,853	(987,853)
Net investment income	-	288,260	(288,260)
Benefit payments	(534,301)	(534,301)	-
Administrative expenses	-	(5,225)	5,225
Net changes	(59,535)	736,587	(796,122)
Balance at June 30, 2021 (6/30/20 measurement date)	\$ 7,241,194	\$ 8,105,441	\$ (864,247)

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:

	Discount Rate		
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability/(Asset)	\$ (45,804)	\$ (864,247)	\$ (1,545,358)

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:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability/(Asset)	\$ (1,594,921)	\$ (864,247)	\$ 1,580

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Financial Statements for the Year Ended June 30, 2021
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E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, ABAG recognized negative OPEB expense of \$76,251. At June 30, 2021, 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	\$ 166,990	\$ -
Total	<u>\$ 166,990</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
2022	\$ 5,697
2023	47,393
2024	59,163
2025	54,737

8. 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.

9. 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 purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by ABAG from insurance companies. To date, there have been no significant reductions in any of ABAG's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2021
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10. 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 \$171,966 and \$187,034 respectively for fiscal year 2021.

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. ABAG paid MTC \$3,294,520 for administrative support services during fiscal year 2021. On June 11, 2020 ABAG's General Assembly approved the proposed Budget and Work Program for Fiscal Year 2021, which includes a contribution amount of \$530,000 to MTC. In January 2021, ABAG made a contribution of \$530,000 to MTC.

On November 14, 2018, MTC board approved an operational advance to ABAG in the amount not to exceed \$10 million to assist ABAG in its cash flows needs. The advance will be drawn by ABAG as needed. ABAG will be charged 1% fee on any drawn amounts. On October 23, 2019, MTC's board approved an extension of the ABAG Operational Advance for Liquidity and Cash Flow through December 2021, unless reauthorized in advance by MTC and ABAG. MTC authorized up to \$2 million of the operational advance for longer term project loans, and authorized up to \$1 million of the longer term project loans for the ABAG Bay Area Regional Energy Network (BayREN) Water Bill Savings Program. During fiscal year 2021 ABAG utilized the operational advance for the amount of \$2 million. ABAG repaid \$1M of the \$2M advance in fiscal year 2021 and repaid the remaining in July 2021.

ABAG Finance Authority for Non-Profit Corporations (FAN)

ABAG Finance Authority for Non-Profit Corporations (FAN) assists non-profit corporations and local governments in obtaining financing. Prior to July 1, 2017, ABAG contracted with FAN to provide administrative support. As of July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement between ABAG and MTC.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2021
Notes to Financial Statements

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. As of 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.

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)
As of fiscal year ending June 30, 2021
Last Ten Years***

Schedule I

	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Measurement Date	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
Employer's proportion of the collective net pension liability	0.4744 %	0.4738 %	0.4246 %	0.4132 %	0.4141 %	0.4016 %	0.3898 %
Employer's proportionate share of the collective net pension liability	\$ 11,357,673	\$ 12,998,297	\$ 14,749,850	\$ 16,288,587	\$ 15,604,366	\$ 16,083,129	\$ 16,441,481
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 %	209.02 %	N/A	N/A
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 %

Notes to Schedule:

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

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

Changes of Assumptoins: None in 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)
As of fiscal year ending June 30, 2021
Last Ten Years *

Schedule II

	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Tier I & II	Tier I & II	Tier I & II	Tier I & II	Tier I & II	Tier I & II	Tier I & II
Fiscal Year Date	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Actuarially determined contribution	\$ 1,305,738	\$ 491,374	\$ 2,744,108	\$ 1,293,682	\$ 1,391,147	\$ 1,754,472	\$ 1,567,077
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)
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

Notes to Schedule:

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

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

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were derived from the June 30, 2017 funding valuation report and listed in the following table.

Actuarial cost method	Entry age normal cost
Amortization method/period	Level of percentage pay. For details, see June 30, 2017 Funding Valuation Report.
Asset valuation method	Fair value of assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.625%
Salary increase	Varies by entry age and service
Payroll growth	2.875%
Investment rate of return	7.25% 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 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 Year Ended June 30, 2021
Last Ten Years *

Schedule III

Measurement Period	2016-17	2017-18	2018-19	2019-20
Changes in Total OPEB liability				
Service cost	\$ 6,314	\$ -	\$ -	\$ -
Interest on the total OPEB liability	499,585	500,228	499,860	474,766
Difference between actual and expected experience	-	-	(162,855)	-
Changes of assumptions	-	-	(183,250)	-
Benefit payments	(485,483)	(494,650)	(516,714)	(534,301)
Net change in total OPEB liability	20,416	5,578	(362,959)	(59,535)
Total OPEB liability - beginning	7,637,694	7,658,110	7,663,688	7,300,729
Total OPEB liability - ending (a)	<u>\$ 7,658,110</u>	<u>\$ 7,663,688</u>	<u>\$ 7,300,729</u>	<u>\$ 7,241,194</u>
Changes in OPEB fiduciary net position				
Benefit payments	\$ (485,483)	\$ (494,650)	\$ (516,714)	\$ (534,301)
Contribution from employer	774,994	766,499	773,664	987,853
Net investment income	562,294	469,061	438,625	288,260
Administrative expenses	(2,814)	(12,593)	(2,556)	(5,225)
Net change in plan fiduciary net position	848,991	728,317	693,019	736,587
Plan fiduciary net position - beginning	5,098,527	5,947,518	6,675,835	7,368,854
Plan fiduciary net position - ending (b)	<u>\$ 5,947,518</u>	<u>\$ 6,675,835</u>	<u>\$ 7,368,854</u>	<u>\$ 8,105,441</u>
Plan net OPEB liability/(asset) - ending (a) - (b)	<u>\$ 1,710,592</u>	<u>\$ 987,853</u>	<u>\$ (68,125)</u>	<u>\$ (864,247)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	77.66%	87.11%	100.93%	111.94%
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

Notes to Schedule

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

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

There are no changes on discount rate and long-term expected rate of return on Assets.

Mortality projected fully generational with Scale MP-2019 in both June 30, 2020 and June 30, 2019 measurement date. Mortality projected fully generational with Scale MP-2017 in June 30, 2018 measurement date. Medical trend rate for non-medicare decreased to 7.25% from 7.5% for 2021; and medical trend rate for medicare decreased to 6.3% from 6.5% for 2021.

Association of Bay Area Governments
Schedule of Employer Contributions - OPEB (unaudited)
For the Year Ended June 30, 2021
Last 10 Years *

Schedule IV

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

Notes to Schedule

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

** The June 30, 2019 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/21 and 6/30/22.

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

Methods and assumptions for 2020-2021 actuarially determined contribution:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level % of Pay
Amortization Method	Level % of pay
Amortization Period	17-year fixed period for 2020/21 (reduced from 18-year, 19-year and 20-year fixed period for 2019/20, 2018/19 and for 2017/18 respectively)
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076; Medicare - 6.3% for 2021, 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-2019

Other Supplementary Information

Association of Bay Area Governments
Schedule of Net Position - ABAG
June 30, 2021

Schedule 1

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Assets					
Current assets:					
Cash	\$ 1,206,968	\$ 1,703,148	\$ 9,333,244	\$ 5,382,377	\$ 17,625,737
Account receivable	508,190	-	-	-	508,190
Accrued interest	520	-	-	-	520
Loan receivable	-	-	67,297	-	67,297
Receivable from federal	-	514,211	56,139	27,213	597,563
Receivable from state	-	2,911,687	-	68,634	2,980,321
Receivable from local	-	135,455	19,874	-	155,329
Prepaid items	24,326	390	1,128,819	-	1,153,535
Total current assets	<u>1,740,004</u>	<u>5,264,891</u>	<u>10,605,373</u>	<u>5,478,224</u>	<u>23,088,492</u>
Non-current assets:					
Loan receivable	-	-	1,577,585	-	1,577,585
Capital assets, net of accumulated depreciation/ amortization	4,771,050	-	-	-	4,771,050
Net OPEB asset	864,247	-	-	-	864,247
Total non-current assets	<u>5,635,297</u>	<u>-</u>	<u>1,577,585</u>	<u>-</u>	<u>7,212,882</u>
Total assets	<u>\$ 7,375,301</u>	<u>\$ 5,264,891</u>	<u>\$ 12,182,958</u>	<u>\$ 5,478,224</u>	<u>\$ 30,301,374</u>
Deferred Outflows of Resources					
Deferred outflows from pension	2,961,076	-	-	-	2,961,076
Deferred outflows from OPEB	166,990	-	-	-	166,990
Total deferred outflows of resources	<u>3,128,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,128,066</u>
Liabilities					
Current liabilities:					
Accounts payable	77,923	2,795,771	1,404,466	97,750	4,375,910
Accrued liabilities	25,024	388	5,288	-	30,700
Retention payable	-	726,081	-	-	726,081
Unearned revenue	-	90,987	8,074,754	4,783,785	12,949,526
Due to other government	1,084,972	1,192,246	213,559	596,689	3,087,466
Total current liabilities	<u>1,187,919</u>	<u>4,805,473</u>	<u>9,698,067</u>	<u>5,478,224</u>	<u>21,169,683</u>
Non-current liabilities:					
Unearned revenue	-	37,019	154,401	-	191,420
Advance from PG&E	-	-	2,410,000	-	2,410,000
Net pension liability	16,441,481	-	-	-	16,441,481
Total non-current liabilities	<u>16,441,481</u>	<u>37,019</u>	<u>2,564,401</u>	<u>-</u>	<u>19,042,901</u>
Total liabilities	<u>17,629,400</u>	<u>4,842,492</u>	<u>12,262,468</u>	<u>5,478,224</u>	<u>40,212,584</u>
Deferred Inflows of Resources					
Deferred inflows from pension	950,609	-	-	-	950,609
Net Position					
Net investment in capital assets	4,771,050	-	-	-	4,771,050
Unrestricted	(12,847,692)	422,399	(79,510)	-	(12,504,803)
Total net position	<u>\$ (8,076,642)</u>	<u>\$ 422,399</u>	<u>\$ (79,510)</u>	<u>\$ -</u>	<u>\$ (7,733,753)</u>

Association of Bay Area Governments
Schedule of Revenues, Expenses and Changes in Net Position - ABAG
For the Year Ended June 30, 2021

Schedule 2

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Operating Revenues					
Membership dues	\$ 2,410,210	\$ -	\$ -	\$ -	\$ 2,410,210
Conference registration	-	22,000	-	-	22,000
Other operating revenues	40,682	117,633	-	-	158,315
Total operating revenues	<u>2,450,892</u>	<u>139,633</u>	<u>-</u>	<u>-</u>	<u>2,590,525</u>
Operating Expenses					
Contracted salaries and benefits	2,183,620 *	155,881	-	-	2,339,501
Professional fees	562,091	68,229	-	-	630,320
Conference and meeting costs	-	1,320	-	-	1,320
Building assessments	359,000	-	-	-	359,000
Committee members' stipend	118,650	-	-	-	118,650
Insurance	115,639	-	-	-	115,639
Memberships	26,250	4,500	-	-	30,750
Depreciation expense	332,373	-	-	-	332,373
Overhead	4,513	9,533	-	-	14,046
Other operating expenses	63,776	2,311	-	-	66,087
Total operating expenses	<u>3,765,912</u>	<u>241,774</u>	<u>-</u>	<u>-</u>	<u>4,007,686</u>
Operating Loss	<u>(1,315,020)</u>	<u>(102,141)</u>	<u>-</u>	<u>-</u>	<u>(1,417,161)</u>
Nonoperating Revenues (Expenses)					
Federal grants	-	1,483,475	64,446	397,419	1,945,340
State grants	-	4,528,356	19,860,123	1,746,476	26,134,955
Local grants	-	999,285	168,587	-	1,167,872
Contracted salaries and benefits	-	(1,545,317)	(746,959)	-	(2,292,276)
Professional fees	-	(4,959,904)	(18,867,510)	(2,143,895)	(25,971,309)
Interest income	5,759	-	-	-	5,759
Contribution from BATA	-	100,000	-	-	100,000
Contribution to MTC	(530,000)	-	-	-	(530,000)
Other nonoperating expenses	-	(415,416)	(557,744)	-	(973,160)
Total nonoperating revenues (expenses)	<u>(524,241)</u>	<u>190,479</u>	<u>(79,057)</u>	<u>-</u>	<u>(412,819)</u>
Change in Net Position	<u>(1,839,261)</u>	<u>88,338</u>	<u>(79,057)</u>	<u>-</u>	<u>(1,829,980)</u>
Net position, beginning of year	<u>(6,237,381)</u>	<u>334,061</u>	<u>(453)</u>	<u>-</u>	<u>(5,903,773)</u>
Net position, end of year	<u>\$ (8,076,642)</u>	<u>\$ 422,399</u>	<u>\$ (79,510)</u>	<u>\$ -</u>	<u>\$ (7,733,753)</u>

* includes: recognitions of GASB 68 (pension) and GASB 75 (OPEB) expenses of \$2,252,843, a credit of \$70,000 for OPEB Implicit Subsidy, and other miscellaneous \$777.

Association of Bay Area Governments
Combining Statement of Net Position
Non-Major Enterprise Funds
June 30, 2021

Schedule 3

	<u>Balance Foundation</u>	<u>ABAG Finance Corporation</u>	<u>Total Non- Major Enterprise Funds</u>
Current Assets			
Cash	\$ 26,008	\$ 18,102	\$ 44,110
Total current assets	<u>\$ 26,008</u>	<u>\$ 18,102</u>	<u>\$ 44,110</u>
Net Position			
Unrestricted	<u>26,008</u>	<u>18,102</u>	<u>44,110</u>
Total net position	<u><u>\$ 26,008</u></u>	<u><u>\$ 18,102</u></u>	<u><u>\$ 44,110</u></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, 2021

Schedule 4

	Balance Foundation	ABAG Finance Corporation	Total Non- Major Enterprise Funds
Operating Revenues:			
Other operating revenues	\$ -	\$ 11	\$ 11
Total operating revenues	-	11	11
Operating Expenses:			
Professional fees	1,875	1,875	3,750
Total operating expenses	1,875	1,875	3,750
Operating Loss	(1,875)	(1,864)	(3,739)
Change in Net Position	(1,875)	(1,864)	(3,739)
Net position, beginning of year	27,883	19,966	47,849
Net position, end of year	\$ 26,008	\$ 18,102	\$ 44,110

Association of Bay Area Governments
Schedule of ABAG Conduit Financing Pool
For the Year Ended June 30, 2021

Schedule 5

<u>Transactions</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Original Issuance Balance</u>	<u>Balance 6/30/2021</u>
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	\$ 910,000
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	04/11/2006	09/01/2026	9,605,000	3,425,000
ABAG Lease Revenue Bonds, 2001-2 (California Capital Projects) ⁽¹⁾	01/10/2002	12/01/2025	14,355,000	-
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	07/18/2002	07/01/2032	13,370,000	3,110,000
ABAG 2004 Tax Allocation Revenue Bonds, Series A (California Redevelopment Agency Pool) Series A	12/15/2004	09/01/2035	34,080,000	455,000
Total 5 transactions				<u>\$ 7,900,000</u>

(1) ABAG Lease Revenue Bonds, 2001-2 was fully paid off on June 1, 2021.