

**BUTTE COUNTY
ASSOCIATION OF GOVERNMENTS**

Audited Financial Statements
and Compliance Reports

June 30, 2019

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

Audited Financial Statements
And Compliance Reports

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Butte County Association of Governments
Chico, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Butte County Association of Governments (Association), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Association'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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Association as of June 30, 2019, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the Planning and Administration Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Butte County Association of Governments

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Schedule of the Proportionate Share of the Net Pension Liability – Miscellaneous (Unaudited), Schedule of Contributions to the Pension Plan – Miscellaneous Plan (Unaudited), Schedule of Contributions to OPEB Plan and Schedule of Changes in the Net OPEB Liability and Related Ratios information as listed in the accompanying 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's basic financial statements. The supplementary information on pages 47 to 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements as listed in the table of contents. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 supplementary information and schedule of expenditures of federal awards are 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 February 5, 2020 on our consideration of the Association'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, including the Transportation Development Act and other State Guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 5, 2020

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

The discussion and analysis of the financial performance of the Butte County Association of Governments (Association) provides an overview of the Association's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at financial performance as a whole. Users of these financial statements should read this discussion and analysis in conjunction with the financial statements following this section to enhance their understanding of the Association's financial performance.

Financial Highlights

- Government-wide assets of the Association exceeded its liabilities at the close of the most recent fiscal year by \$31,047,254 (net position). The Association's total net position increased by \$4,130,427 largely due to the reimbursement of prior incurred costs related to the New Markets Tax Credit agreements.
- Governmental funds reported a combined ending fund balances of \$4,199,896. \$3,921,439 represents Transportation Development Act (TDA) funds available for future TDA claims. Unassigned fund balance of \$264,294, largely made up of Local Transportation Funds, makes up less than 10% of current planning expenditures.
- Proprietary funds report an ending fund balance of \$10,889,105, which is largely made up of the investment in capital assets. This fund decreased in the current year by \$1,195,974, due to the accumulation of depreciation on capital assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's financial statements. The financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Association's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the Association's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event takes place regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and outflows in future fiscal years, such as note receivable, future pension and other post-employment health benefits (OPEB).

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019

Overview of the Financial Statements (continued)

Both of the government-wide financial statements distinguish functions that are either primarily financed with intergovernmental revenues (*governmental activities*) or from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*).

Governmental Activities - The Association's governmental activities include the planning and administration activities of the Metropolitan Planning Organization (MPO) and the Regional Transportation Planning Agency (RTPA). The Association is responsible for oversight of the State Transit Improvement Plan (STIP), and the allocation of Transportation Development Act (TDA) funds and Regional Surface Transportation Planning (RSTP) funds to the local jurisdictions.

Business-type activities - The Association's business-type activities consists of the policy board and administration of the Butte Regional Transit (BRT) system.

The Government-wide Financial Statements are presented on pages 13-14.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Association maintains four major governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* for each of the major funds.

Governmental funds – Governmental funds are used to account for activities that are similar in nature to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating the Association's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental funds *Statement of Revenues, Expenditures and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association adopted an annual budget for the Planning and Administration Fund only. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the adopted budget.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Overview of the Financial Statements (continued)

The Governmental Funds Financial Statements are presented on pages 15-18 of this report.

The Association maintains one major proprietary fund. Information is presented in the proprietary fund *Statement of Net Position*, the *Statement of Revenues, Expenditures and Changes in Net Position* and the *Statement of Cash Flows*.

Proprietary funds –Proprietary funds are used in the same manner as *business-type activities* that operate on an accrual basis of accounting. They provide the same type of information as in the government-wide financial statements, only in more detail. The Association maintains the following type of proprietary fund:

Enterprise fund – Enterprise funds account for activities in which the public is charged a fee for goods or services. The Association uses an enterprise fund to account for the operations of Butte Regional Transit (BRT).

The Enterprise Fund Financial Statements are presented on pages 19-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 22-46 of this report.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Government-wide Financial Analysis

Statement of Net Position - The following table shows the comparative net position for governmental and business-type activities.

| BUTTE COUNTY ASSOCIATION OF GOVERNMENTS STATEMENT OF NET POSITION | | | | | | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | Governmental activities | | Business-type activities | | Total | |
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Assets and Deferred Outflows: | | | | | | |
| Current and other assets | \$ 6,184,238 | \$ 6,288,812 | \$ 7,010,939 | \$ 6,495,162 | \$ 13,195,177 | \$ 12,783,974 |
| Long term assets | 11,364,500 | 15,481,100 | - | - | 11,364,500 | 15,481,100 |
| Capital assets, net | 2,104,301 | 1,169,816 | 11,919,079 | 10,738,615 | 14,023,380 | 11,908,431 |
| Deferred outflow- pensions | 433,703 | 344,589 | - | - | 433,703 | 344,589 |
| Total assets | <u>20,086,742</u> | <u>23,284,317</u> | <u>18,930,018</u> | <u>17,233,777</u> | <u>39,016,760</u> | <u>40,518,094</u> |
| Liabilities and Deferred Inflow: | | | | | | |
| Current liability | 4,200,114 | 2,122,246 | 3,047,472 | 1,353,002 | 7,247,586 | 3,475,248 |
| Long-term liability | 1,016,503 | 962,289 | 3,797,467 | 4,991,670 | 4,813,970 | 5,953,959 |
| Deferred inflow- pension | 38,377 | 41,633 | - | - | 38,377 | 41,633 |
| | <u>5,254,994</u> | <u>3,126,168</u> | <u>6,844,939</u> | <u>6,344,672</u> | <u>12,099,933</u> | <u>9,470,840</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 2,104,301 | 1,169,816 | 11,919,079 | 10,738,615 | 14,023,380 | 11,908,431 |
| Restricted | 1,389,007 | 3,921,901 | 9,347 | 6,746 | 1,398,354 | 3,928,647 |
| Unrestricted | 11,338,440 | 15,066,432 | 156,653 | 143,744 | 11,495,093 | 15,210,176 |
| Total net position | <u>\$ 14,831,748</u> | <u>\$ 20,158,149</u> | <u>\$ 12,085,079</u> | <u>\$ 10,889,105</u> | <u>\$ 26,916,827</u> | <u>\$ 31,047,254</u> |

The Association's net position reflects \$11,908,431 of net investment in capital assets. The largest portion, \$10,738,615 is made up of the busses and transit stations used by Butte Regional Transit. The remaining \$1,169,816 of capital assets listed in the governmental activities include office equipment placed in service in the facility and land held for mitigation purposes.

Restricted net position of \$3,928,647 includes \$2,803,257 of TDA funds awaiting apportionment to the jurisdictions, \$1,118,644 restricted for transit capital and \$6,746 of interest earned on grant funds.

The unrestricted net position, \$15,210,176, may be used to meet the Association's ongoing obligations to citizens and creditors. Unrestricted net position includes the note receivable of \$15,481,100 that is part of the New Markets Tax Credit funding arrangement for the transit facility construction, as described in Note E. After removing the long-term note receivable, the Association would have shown a deficit of \$270,924. The implicit deficit in net position is a result of booking long-term liabilities for pension and health benefits per Governmental Accounting Standards Board (GASB) requirements. For further information on the noncurrent liabilities, see Note J in the Financial Statements.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Government-wide Financial Analysis (continued)

Statement of Activities - The following table indicates the comparative changes in net position for governmental and business-type activities.

| BUTTE COUNTY ASSOCIATION OF GOVERNMENTS STATEMENT OF ACTIVITIES | | | | | | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | Governmental activities | | Business-type activities | | Total | |
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Program Expenses | | | | | | |
| Planning and administration | \$ 2,332,877 | \$ 2,356,632 | \$ - | \$ - | \$ 2,332,877 | \$ 2,356,632 |
| Transportation claimants | 13,054,859 | 11,268,520 | - | - | 13,054,859 | 11,268,520 |
| Transit Operations | - | - | 11,197,154 | 10,947,534 | 11,197,154 | 10,947,534 |
| Total expenses | <u>15,387,736</u> | <u>13,625,152</u> | <u>11,197,154</u> | <u>10,947,534</u> | <u>26,584,890</u> | <u>24,572,686</u> |
| Revenues and Transfers | | | | | | |
| Program revenues: | | | | | | |
| Operating grants and contributions | 4,249,729 | 3,653,295 | 8,043,929 | 7,607,246 | 12,293,658 | 11,260,541 |
| Capital grants and contributions | 878,778 | 5,369,280 | 4,616,067 | 541,030 | 5,494,845 | 5,910,310 |
| Charges for services | - | - | 1,640,161 | 1,561,959 | 1,640,161 | 1,561,959 |
| General revenues: | | | | | | |
| Tax based revenue | 10,829,176 | 11,716,637 | - | - | 10,829,176 | 11,716,637 |
| Investment earnings | 195,663 | 227,502 | 33,050 | 48,719 | 228,713 | 276,221 |
| Loss on sale of assets | - | - | - | (265) | - | (265) |
| Net Transfer/Contributions | <u>(220,773)</u> | <u>(2,015,161)</u> | <u>(285,852)</u> | <u>(7,129)</u> | <u>(506,625)</u> | <u>(2,022,290)</u> |
| Total revenues | <u>15,932,573</u> | <u>18,951,553</u> | <u>14,047,355</u> | <u>9,751,560</u> | <u>29,979,928</u> | <u>28,703,113</u> |
| Change in Net Position | 544,837 | 5,326,401 | 2,850,201 | (1,195,974) | 3,395,038 | 4,130,427 |
| Net Position- beginning | <u>14,286,911</u> | <u>14,831,748</u> | <u>9,234,878</u> | <u>12,085,079</u> | <u>23,521,789</u> | <u>26,916,827</u> |
| Net Position- ending | <u>\$ 14,831,748</u> | <u>\$ 20,158,149</u> | <u>\$ 12,085,079</u> | <u>\$ 10,889,105</u> | <u>\$ 26,916,827</u> | <u>\$ 31,047,254</u> |

Governmental Activities

Planning and administration expenses of \$2,356,632 are primarily driven by the federal and state responsibilities required as the Metropolitan Planning Organization (MPO) and the Regional Transportation Planning Agency (RTPA) for Butte County. Transportation and transit planning projects for the year totaled \$1.56 million in expense. Road construction, design and mitigation projects totaled \$181 thousand for the year. General and administrative expense, including pension and health benefit expense, makes up the remaining balance.

Expenses related to ongoing transit facility construction projects are not included in program expense on the statement of activities. For government-wide purposes, construction in progress is considered a non-depreciable asset on the statement of net position. Revenue funding current year construction in progress totaled \$1,252,680 and is included in capital grants and contributions on the statement of activities.

In the current fiscal year, the Association contributed approximately \$2,022,290 of assets related to the construction in progress to the Butte Regional Transportation Corporation, a non-profit organization that facilitates funding for local public transportation projects. For further detail on the asset transfer see Note F.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Government-wide Financial Analysis (continued)

Transportation claimants include BRT and the cities, town and county of Butte. In the current year claimants received \$11,268,520 in state exchange, Transportation Development Act (TDA) and State of Good Repair (SGR) funds. Tax-based revenues increased significantly in the current year due to increases in local sales tax collections and increasing State Transit Assistance (STA) related to the passage of the Road Repair and Accountability Act of 2017 (SB1). Federal regional surface transportation plan (RSTP) funds are exchanged each year for more flexible state highway funds, which are considered operating contributions.

Business-type Activities

Business-type activities in the government-wide financial statements reflect the same information found in the Association's enterprise fund financial statement, but in a more consolidated format. Due to TDA regulations, there can be no earnings on operations funded with TDA, thus the transactions resulting in a \$1.20 million decrease in net position are largely related to the purchase, disposal, and depreciation of transit fixed assets, which are discussed in the capital asset section below. Transit operations are further discussed in the enterprise fund analysis below.

Governmental Funds Financial Analysis

As of June 30, 2019, the Association's governmental funds reported combined ending fund balance of \$4,199,896. The focus of the Association's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The Association maintains four major governmental funds.

Planning and Administration

The Planning and Administration Fund, the main operating fund for the BCAG transportation planning responsibilities, has an ending fund balance of \$277,995. As a measure of the fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures not including capital outlay to assess the Association's net resources available for spending at the end of the fiscal year. Unassigned fund balance of \$264,294 represents 9.7% of current planning expenditures and includes the carryover of LTF planning funds and state planning, programming and monitoring (PPM) funds used for match requirements. Unassigned fund balance is also affected by over/under absorbed indirect costs. During the current fiscal year, indirect costs were over recovered by \$100,619, which reduces the total under recovery for the two-year carryover period to \$163,259. This amount will continue to be recuperated through future years indirect cost rates.

The Planning and Administrative Fund final budget and actual amounts are shown on the *Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual*. The Planning and Administration Fund final expenditure budget of \$5,406,925 was adopted by the Board in April of 2019. There are two notable budget adjustments from the original adoption in May of 2018; the current year allocation of \$185,943 of sustainable transportation planning grant that is funded through the Road Repair and Accountability Act of 2017 (SB1) and the addition of \$510,000 of FHWA Planning funds transferred by Caltrans to BCAG from Kings County Association of Government (KCAG). Both funding sources will go towards the review of post Camp Fire planning measures. All other adjustments were for the purpose of bringing estimates in line with actual costs and funding agreements.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Governmental Funds Financial Analysis (continued)

Actual salary and service expenditures in the Planning and Administration Fund were less than final budget; these expenditures tend to be overbudgeted for flexibility of use. Capital outlay was also less than the final budgeted amount due to overestimate of construction progress. The combined effect is a 26.5% decrease in the overall actual Planning and Administrative expenditures. The *Schedule of Revenues, Expenditures and Changes in Fund Balance by Activity* in the Supplementary Information shows budget to actual amounts by work element (project).

Local Transportation Fund and State Transit Assistance

These two funds were created by the California Transportation Development Act (TDA) of 1971 to improve existing public transportation and encourage regional transportation coordination. They are restricted for transit or transportation and are ultimately for the benefit of the claimants; Butte Regional Transit, the cities, town and county of Butte. BCAG also receives an annual allocation for the purpose of transportation planning and TDA administration.

Apportionments of TDA funds are dependent on the level of funding received from the state. Local Transportation Funds, which come from ¼ cent of the state sales tax collected within Butte County, have increased by 11.8% from the prior year funding level. State Transit Assistance, which is derived from the statewide sales tax on diesel fuel, has been in decline over the last several years but has increased significantly in the past year due to the influx of funds related to the Road Repair and Accountability Act of 2017 (SB1). Allocations of TDA are approved by the BCAG Board each year based upon the claimant's request for funds, which are reviewed by the Association's staff for compliance with TDA regulations.

The current year LTF fund balance increase of \$1,997,401 is largely due to increased revenue related to a jump in local sales after the Camp Fire, and the addition of \$800,000 in fund balance apportioned for future bus replacement.

State Highway

Federal regional surface transportation program funds are exchanged each year for more flexible state highway funds and are disbursed to the cities, town and county. Current year apportionments and allocations of \$2.6 million have remained consistent over the past several years. Fund balance of \$462 represents unallocated interest.

Enterprise Fund Financial Analysis

The Association's enterprise fund provides the same type of information found in the government-wide financial statements, business-type activities, but in more detail. The enterprise fund, Butte Regional Transit (BRT), reports the activities of the consolidated county-wide transit system administered by the Association, established July 1, 2005. The enterprise fund reflected a decrease in fund balance of \$1,195,974. Transportation Development Act (TDA) regulations prohibits earnings on operations funded with TDA, thus the transactions resulting in this net change are largely related to the purchase, disposal, and depreciation of transit fixed assets, which are discussed in further detail below in the investment in capital asset section.

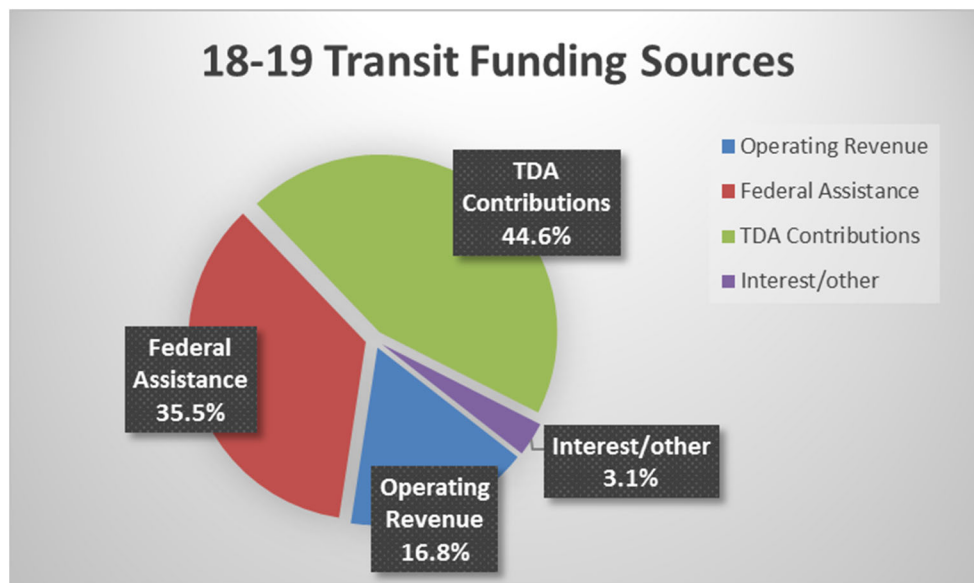
**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Enterprise Fund Financial Analysis (continued)

The current year was largely impacted by the effects of the Camp Fire on November 8, 2018 which devastated the Town of Paradise, one of the rural service areas for the system. Service hours for the rural fixed route were reduced by 12.6% and rural paratransit service hours were reduced 34.7% compared to the prior year.

Butte Regional Transit served 949,871 passengers on fixed route services and 141,247 on the paratransit dial-a-ride service, designated for seniors and the disabled. This is a 12.0% decline in fixed route passengers and a 16.1% decrease in paratransit service over the prior year. Transit operating expenditures less depreciation (which is included in the net investment in assets) totaled \$9,270,309. This was \$989,929 less than the budgeted amount for the year, largely owing to reductions in rural service.

Total operating revenues, which is primarily passenger fares, covers 16.8% of total operating expense (less depreciation). The remaining operations expense is largely paid by Federal Transit Administration (FTA) grants and State TDA funding as pictured below. Farebox collection, which offsets operating expense, was 6% lower than the budgeted forecast. Federal assistance increased in the current year due to higher apportionments. Local contributions of TDA from the jurisdictions balance out the annual budget. With the increase of federal funds, and reduced operating expense, the local contributions were 25.8% lower than expected.



The California Transportation Development Act requires minimum farebox collections as a percentage of operating expenditures that must be maintained to ensure funding. Urban fixed route service must maintain a 20% ratio of revenues to operating expense, while rural fixed route and paratransit must maintain a ratio of 10%. For fiscal year 2018-19, BRT met the minimum requirements as shown in Note S in the financial statements.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Investment in Capital Assets

As of June 30, 2019, the Association's investment in capital assets for its governmental and business-type activities amounted to \$11,908,431, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, structures and improvements, vehicles and equipment. Capital assets are not booked in governmental funds but are recorded in the government-wide financial statements. Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------|-------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Land | \$ 570,000 | \$ 570,000 | \$ - | \$ - | \$ 570,000 | \$ 570,000 |
| Construction in Progress | 769,610 | - | - | - | 769,610 | - |
| Structures and Improvements | - | - | 1,277,558 | 1,244,740 | 1,277,558 | 1,244,740 |
| Vehicles and Equipment | 764,691 | 599,816 | 10,641,521 | 9,493,875 | 11,406,212 | 10,093,691 |
| Total, net of depreciation | <u>2,104,301</u> | <u>1,169,816</u> | <u>11,919,079</u> | <u>10,738,615</u> | <u>14,023,380</u> | <u>11,908,431</u> |

During the year, BRT purchased six StarCraft paratransit busses for \$402,080, which were funded with FTA 5310 capital grants through a state purchase contract. BRT also purchased \$134,984 of security related equipment with FTA 5339 Discretionary grants and CA Prop 1B funding passed through the California Office of Emergency Services (OES). Annual depreciation of assets offset these additions for a decrease of \$1,180,463 in net investment in capital assets for the Business-type Activities. Further discussion of capital assets can be found in the capital asset Note F in the financial statements.

Net investments in capital assets of the Governmental Activities was reduced \$934,485, related to annual depreciation expense on office equipment and contributions of prior year solar panel construction in progress to Butte Regional Transportation Corporation (BRTC), a separate non-profit formed to receive New Market Tax Credit program funding. Assets contributed to the BRTC will be leased by the Association while the New Market Tax Credit subsidy program is in effect. See Note K in the financial statements for further discussion of the operating lease and Note A for discussion of the BRTC entity.

Economic Factors and Next Year's Budgets and Rates

As the Association heads into the 2020 calendar year, California's economy remains stronger than all but four nations and has a budget surplus of nearly \$30 billion. The 2020 forecast for the state's economy shows a slowing in growth but it is expected to outperform the nation's overall economic growth. California's employment forecast is predicted to have average growth of around 2% in 2020 with the highest growth to be in the logistics and tech sectors.

California's transportation funding outlook for 2020 continues to look stable as a result of the continued revenues that are provided through California SB 1, the gas tax increase that was approved by the Legislature in 2017.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2019**

Economic Factors and Next Year's Budgets and Rates (continued)

SB 1 provides steady long-term transportation funding for local streets, roads and state highways and other transportation programs which have needed funding for several years now. SB 1, which increased the tax on gasoline and diesel fuel, generates approximately \$5.2 billion a year statewide, and approximately \$12-15 million annually for the streets, roads and transit in Butte County. In addition, there are several competitive annual grant programs funded by SB 1 for which the cities, county, BRT and BCAG can apply.

The outlook on federal transportation funding is uncertain as we move into 2020. The Trump Administration has been indicating that they would like to pass a large transportation infrastructure bill, however, there is no indication of a bi-partisan proposal in either the House or Senate. 2020 will be the final year of the five-year surface transportation bill "Fixing Americas Surface Transportation Act (FAST)" signed in December 2015. The Fast Act provides \$305 billion over the five-year period for highway, transit and railway programs. During 2020, funding levels will remain consistent with the first three years of the legislation unless additional appropriations are made.

During the 2020 fiscal year BCAG will continue work on the Post Camp Fire Planning project which is looking at the changes to population, traffic and employment since the Camp Fire in 2018. This study is necessary to reassess and identify the base planning assumptions that are the foundation for BCAG's state and federal transportation planning and programming requirements. Other implications that resulted from the Camp Fire are the influx of additional population and traffic, housing and apartment shortages in Chico, Oroville and Gridley, that resulted from the sudden shift of population and loss of homes in Paradise after the fire. This project is largely funded with SB 1 and additional FHWA funding approved through Caltrans.

In summary, the transportation funding programs that support the Association's capital projects and other transportation programs will be stable during the coming year and foreseeable future. Since passage of SB 1 in 2017, Butte County cities and the county have a stable transportation funding source for the foreseeable future, to better plan for projects, and will receive annual allocations of funding to start repairing local streets and roads. BCAG will also continue our Post Camp Fire Planning work in cooperation with the cities and county to evaluate the impacts of the Camp Fire and how that disaster changed our planning assumptions for future transportation planning and programming.

Requests for Information

This financial report is designed to provide citizens, taxpayers, creditors and investors with a general overview of the Association's finances and to show accountability for the funds that it receives. If you have any questions about this report or need additional financial information, contact Butte County Association of Governments, 326 Huss Drive, Suite 150, Chico, California, 95928.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2019

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 3,575,367 | \$ 2,443,915 | \$ 6,019,282 |
| Receivables | 2,929,744 | 3,419,577 | 6,349,321 |
| Internal balances | (230,000) | 230,000 | - |
| Prepaid expenses | 13,701 | 76,109 | 89,810 |
| Restricted cash | - | 325,561 | 325,561 |
| Notes receivable- long term | 15,481,100 | - | 15,481,100 |
| Nondepreciated capital assets | 570,000 | - | 570,000 |
| Depreciated capital assets, net | 599,816 | 10,738,615 | 11,338,431 |
| Total assets | <u>22,939,728</u> | <u>17,233,777</u> | <u>40,173,505</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Post employment benefits | 30,000 | - | 30,000 |
| Employee pensions | 314,589 | - | 314,589 |
| | <u>344,589</u> | <u>-</u> | <u>344,589</u> |
| LIABILITIES | | | |
| Payables | 2,048,850 | 1,353,002 | 3,401,852 |
| Unearned revenues | 40,066 | 4,991,670 | 5,031,736 |
| Noncurrent liabilities | | | |
| Due within one year | 33,330 | - | 33,330 |
| Due in more than one year | 962,289 | - | 962,289 |
| Total liabilities | <u>3,084,535</u> | <u>6,344,672</u> | <u>9,429,207</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Post employment benefits | 5,860 | - | 5,860 |
| Employee pensions | 35,773 | - | 35,773 |
| | <u>41,633</u> | <u>-</u> | <u>41,633</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,169,816 | 10,738,615 | 11,908,431 |
| Restricted for transit / transportation | 3,921,901 | 6,746 | 3,928,647 |
| Unrestricted | 15,066,432 | 143,744 | 15,210,176 |
| Total net position | <u>\$ 20,158,149</u> | <u>\$ 10,889,105</u> | <u>\$ 31,047,254</u> |

The notes to the basic financial statements are
an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Fiscal Year ended June 30, 2019

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|---------------|
| PROGRAM EXPENSES | | | |
| Governmental activities: | | | |
| Planning and administration | \$ 2,356,632 | \$ - | \$ 2,356,632 |
| Transportation claimants | 11,268,520 | - | 11,268,520 |
| Total governmental activities | 13,625,152 | - | 13,625,152 |
| Business-type activities: | | | |
| Transit operations | - | 10,947,534 | 10,947,534 |
| Total program expenses | 13,625,152 | 10,947,534 | 24,572,686 |
| PROGRAM / OPERATING REVENUES | | | |
| Operating grants and contributions | 3,653,295 | 7,607,246 | 11,260,541 |
| Capital grants and contributions | 5,369,280 | 541,030 | 5,910,310 |
| Charges for services | - | 1,561,959 | 1,561,959 |
| Total program/operating revenues | 9,022,575 | 9,710,235 | 18,732,810 |
| Net program (expense) revenues | (4,602,577) | (1,237,299) | (5,839,876) |
| GENERAL REVENUES AND TRANSFERS | | | |
| State shared revenue - sales and use taxes | 11,716,637 | - | 11,716,637 |
| Investment earnings | 227,502 | 48,719 | 276,221 |
| Loss on sale of assets | - | (265) | (265) |
| Transfer to governmental activities | 7,129 | (7,129) | - |
| Contribution of assets | (2,022,290) | - | (2,022,290) |
| Total general revenues | 9,928,978 | 41,325 | 9,970,303 |
| Change in net position | 5,326,401 | (1,195,974) | 4,130,427 |
| Net position - beginning | 14,831,748 | 12,085,079 | 26,916,827 |
| Net position - ending | \$ 20,158,149 | \$ 10,889,105 | \$ 31,047,254 |

The notes to the basic financial statements are
an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

| | Major Funds | | | | Non-Major Fund | Total Governmental Funds |
|--|--------------------------------|---------------------|---------------------------------|--------------------------------|----------------------------|--------------------------------|
| | Planning and Administration | State Highway | Local Transportation Fund | State Transit Assistance | State of Good Repair | |
| Assets | | | | | | |
| Cash and investments | \$ 207,554 | \$ 1,629,169 | \$ 1,471,464 | \$ 2,086 | \$ 265,094 | \$ 3,575,367 |
| Interest receivable | 1,228 | 462 | 2,693 | 518 | 952 | 5,853 |
| Prepaid costs | 13,701 | - | - | - | - | 13,701 |
| Accounts receivable | 149,821 | - | - | - | - | 149,821 |
| Due from other governments | 496,884 | - | 1,690,244 | 534,150 | 52,792 | 2,774,070 |
| Total assets | \$ 869,188 | \$ 1,629,631 | \$ 3,164,401 | \$ 536,754 | \$ 318,838 | \$ 6,518,812 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Warrants payable | \$ 7,215 | \$ - | \$ 2,523 | \$ - | \$ - | \$ 9,738 |
| Accounts payable | 257,597 | - | - | - | - | 257,597 |
| Salaries and benefits payable | 56,315 | - | - | - | - | 56,315 |
| Due to other funds | 230,000 | - | - | - | - | 230,000 |
| Due to other governments | - | 1,629,169 | - | 95,837 | 194 | 1,725,200 |
| Unearned revenue | 40,066 | - | - | - | - | 40,066 |
| Total liabilities | 591,193 | 1,629,169 | 2,523 | 95,837 | 194 | 2,318,916 |
| Fund Balances: | | | | | | |
| Nonspendable- prepaid costs | 13,701 | - | - | - | - | 13,701 |
| Restricted - apportioned for transit capital | - | - | 800,000 | - | 318,644 | 1,118,644 |
| Restricted - transit/ transportation | - | 462 | 2,361,878 | 440,917 | - | 2,803,257 |
| Unassigned | 264,294 | - | - | - | - | 264,294 |
| Total fund balances | 277,995 | 462 | 3,161,878 | 440,917 | 318,644 | 4,199,896 |
| Total liabilities and fund balances | \$ 869,188 | \$ 1,629,631 | \$ 3,164,401 | \$ 536,754 | \$ 318,838 | \$ 6,518,812 |

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION:**

| | |
|---|----------------------|
| Fund balances - total governmental funds | \$ 4,199,896 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Long term note receivable used in governmental activities are not available to pay current expenditures and therefore, are not reported in the governmental funds. | |
| Note receivable | 15,481,100 |
| Capital assets and capital assets under construction used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. | |
| Nondepreciated capital assets | 570,000 |
| Depreciated capital assets, net of depreciation | 599,816 |
| Pension/OPEB changes to be recognized in the future as pension/OPEB expense are reported as deferred outflows of resources on the statement of net position | 344,589 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. | |
| Net pension liability | (803,040) |
| Net OPEB obligation | (125,919) |
| Compensated absences | (66,660) |
| Pension/OPEB changes to be recognized in the future as pension/OPEB expense are reported as deferred inflows of resources on the statement of net position | (41,633) |
| Net position of governmental activities | \$ 20,158,149 |

The notes to the basic financial statements are
an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year ended June 30, 2019

| | Major Funds | | | | Non-Major Fund | Total Governmental Funds |
|---|-----------------------------|------------------|---------------------------|--------------------------|----------------------|--------------------------|
| | Planning and Administration | State Highway | Local Transportation Fund | State Transit Assistance | State of Good Repair | |
| Revenues: | | | | | | |
| Sales and use taxes | \$ - | \$ - | \$ 9,390,569 | \$ 2,009,312 | \$ 316,756 | \$ 11,716,637 |
| State highway funds | - | 2,628,766 | - | - | - | 2,628,766 |
| Federal grants | 1,162,529 | - | - | - | - | 1,162,529 |
| State grants | 274,334 | - | - | - | - | 274,334 |
| Local reimbursements | 1,415,886 | - | - | - | - | 1,415,886 |
| Interest and other | 210,425 | 2,373 | 10,224 | 2,626 | 1,854 | 227,502 |
| Total revenues | 3,063,174 | 2,631,139 | 9,400,793 | 2,011,938 | 318,610 | 17,107,044 |
| Expenditures: | | | | | | |
| Allocations: | | | | | | |
| Butte Regional Transit | - | - | 400,000 | - | - | 400,000 |
| County of Butte | - | 1,001,517 | 2,293,337 | 670,063 | - | 3,964,917 |
| City of Biggs | - | 16,931 | 69,148 | - | - | 86,079 |
| City of Chico | - | 982,326 | 2,654,716 | 683,315 | - | 4,320,357 |
| City of Gridley | - | 80,459 | 250,746 | - | 194 | 331,399 |
| City of Oroville | - | 209,803 | 521,583 | 134,254 | - | 865,640 |
| Town of Paradise | - | 339,650 | 763,862 | 196,616 | - | 1,300,128 |
| Salaries and benefits | 1,505,129 | - | - | - | - | 1,505,129 |
| Services and supplies | 1,215,379 | - | - | - | - | 1,215,379 |
| Capital outlay | 1,252,680 | - | - | - | - | 1,252,680 |
| Total expenditures | 3,973,188 | 2,630,686 | 6,953,392 | 1,684,248 | 194 | 15,241,708 |
| Excess (deficiency) of revenues over (under) expenditures | (910,014) | 453 | 2,447,401 | 327,690 | 318,416 | 2,183,946 |
| Other financing sources (uses): | | | | | | |
| Transfer in | 450,000 | - | - | - | - | 450,000 |
| Transfer out | - | - | (450,000) | - | - | (450,000) |
| Total other financing sources (uses) | 450,000 | - | (450,000) | - | - | - |
| Net change in fund balances | (460,014) | 453 | 1,997,401 | 327,690 | 318,416 | 2,183,946 |
| Fund balances - beginning | 738,009 | 9 | 1,164,477 | 113,227 | 228 | 2,015,950 |
| Fund balances - ending | \$ 277,995 | \$ 462 | \$ 3,161,878 | \$ 440,917 | \$ 318,644 | \$ 4,199,896 |

The notes to the basic financial statements are an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
For the Fiscal Year ended June 30, 2019

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES:**

| | |
|---|--------------|
| Net change in fund balances - total governmental funds | \$ 2,183,946 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Following are the changes to capital assets in the governmental activities. | |
| Depreciation expense | (172,004) |
| Capital outlay | 1,252,680 |
| Contribution of assets, net capital assets received | (2,015,161) |
| Non-cash reimbursements from New Market Tax Credit financing are not recognized in the governmental funds because they do not represent current financial resources. | |
| | 4,116,600 |
| The Statement of Activities is a government-wide statement which requires the elimination of intra-agency transactions reported in the individual Fund financial statements. | |
| General revenues | (575,540) |
| Planning and Administration expenses | 575,540 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Deferred outflows of resources related to post employment benefits | - |
| Deferred outflows of resources related to employee pensions | (89,114) |
| Change in compensated absences | (3,007) |
| Change in post employment benefits | 13,179 |
| Change in employee pension obligation | 42,538 |
| Deferred inflows of resources related to post employment benefits | (4,992) |
| Deferred inflows of resources related to employee pensions | 1,736 |
| Change in net position of governmental activities | \$ 5,326,401 |

The notes to the basic financial statements are
an integral part of this statement.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
PLANNING AND ADMINISTRATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year ended June 30, 2019**

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET |
|---|-------------------|---------------------|-------------------|-------------------------------|
| | ORIGINAL | FINAL | | |
| Revenues: | | | | |
| Federal | \$ 1,884,711 | \$ 2,369,812 | \$ 1,162,529 | \$ (1,207,283) |
| State | 878,146 | 1,055,943 | 274,334 | (781,609) |
| Local reimbursements | 1,799,097 | 1,799,097 | 1,415,886 | (383,211) |
| Interest | 165,000 | 165,000 | 210,425 | 45,425 |
| Total revenues | <u>4,726,954</u> | <u>5,389,852</u> | <u>3,063,174</u> | <u>(2,326,678)</u> |
| Expenditures: | | | | |
| Salaries and benefits | 1,584,269 | 1,604,211 | 1,505,129 | (99,082) |
| Services and supplies | 1,865,590 | 1,989,310 | 1,215,379 | (773,931) |
| Capital outlay | 1,813,404 | 1,813,404 | 1,252,680 | (560,724) |
| Total expenditures | <u>5,263,263</u> | <u>5,406,925</u> | <u>3,973,188</u> | <u>(1,433,737)</u> |
| Deficiency of revenues under expenditures | <u>(536,309)</u> | <u>(17,073)</u> | <u>(910,014)</u> | <u>(892,941)</u> |
| Other financing sources: | | | | |
| Transfer in | 450,000 | 450,000 | 450,000 | - |
| Total other financing sources | <u>450,000</u> | <u>450,000</u> | <u>450,000</u> | <u>-</u> |
| Net change in fund balance | <u>(86,309)</u> | <u>432,927</u> | <u>(460,014)</u> | <u>\$ (892,941)</u> |
| Fund balance - beginning | <u>738,009</u> | <u>738,009</u> | <u>738,009</u> | |
| Fund balance - ending | <u>\$ 651,700</u> | <u>\$ 1,170,936</u> | <u>\$ 277,995</u> | |

The notes to the basic financial statements are
an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
BUTTE REGIONAL TRANSIT ENTERPRISE FUND
June 30, 2019

ASSETS:

| | |
|---|-----------------------|
| Cash and investments | \$ 2,443,915 |
| Interest receivable | 10,282 |
| Accounts receivable | 124,519 |
| Due from other funds | 230,000 |
| Due from other governments | 3,284,776 |
| Prepaid expense | 76,109 |
| Restricted Cash | 325,561 |
| Capital Assets, net of accumulated depreciation | <u>10,738,615</u> |
| Total assets | <u>17,233,777</u> |

LIABILITIES:

| | |
|-----------------------|----------------------|
| Warrants payable | 589,867 |
| Accounts payable | 763,135 |
| Unearned revenue | <u>4,991,670</u> |
| Total liabilities | <u>6,344,672</u> |

NET POSITION:

| | |
|----------------------------------|--------------------------|
| Net investment in capital assets | 10,738,615 |
| Restricted grant interest | 6,746 |
| Unrestricted | <u>143,744</u> |
| Total net position | <u>\$ 10,889,105</u> |

The notes to the basic financial statements are
an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
BUTTE REGIONAL TRANSIT ENTERPRISE FUND
For the Fiscal Year ended June 30, 2019

| | |
|-------------------------------------|----------------------|
| OPERATING REVENUES | |
| Revenue from fares | \$ 1,528,906 |
| Other revenues | <u>33,053</u> |
| Total operating revenues | 1,561,959 |
| OPERATING EXPENSES | |
| Administration | 406,953 |
| ADA certification | 47,898 |
| Insurance | 386,405 |
| Vehicle maintenance | 32,961 |
| Materials and equipment | 29,387 |
| Purchased transportation | 6,662,582 |
| Fuel | 1,045,507 |
| Miscellaneous operating | 288,983 |
| Building operations & maintenance | 369,633 |
| Depreciation | <u>1,677,225</u> |
| Total operating expenses | <u>10,947,534</u> |
| OPERATING LOSS | (9,385,575) |
| NONOPERATING REVENUES (EXPENSES) | |
| Federal transit assistance | 3,287,316 |
| Local government contributions | 4,134,025 |
| State operating grants | 185,905 |
| Interest income | 48,719 |
| Sale of fixed assets | <u>(265)</u> |
| Total nonoperating revenues | <u>7,655,700</u> |
| LOSS BEFORE CAPITAL CONTRIBUTIONS | (1,729,875) |
| CAPITAL CONTRIBUTIONS | |
| Local government contributions | 8,727 |
| State capital grant | 116,343 |
| Federal capital contributions | <u>415,960</u> |
| Total capital contributions | <u>541,030</u> |
| OTHER FINANCING USES | |
| Transfer to governmental activities | <u>(7,129)</u> |
| CHANGE IN NET POSITION | (1,195,974) |
| NET POSITION - BEGINNING | <u>12,085,079</u> |
| NET POSITION - ENDING | <u>\$ 10,889,105</u> |

The notes to the basic financial statements are
an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

**STATEMENT OF CASH FLOWS
BUTTE REGIONAL TRANSIT ENTERPRISE FUND
For the Fiscal Year ended June 30, 2019**

| | |
|---|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from customers and users | \$ 1,520,335 |
| Payments to suppliers and claimants | (8,869,063) |
| Payments for interfund services used | <u>(575,540)</u> |
| Net cash used by operating activities | <u>(7,924,268)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Operating grants received | 8,138,056 |
| Cash received from (paid to) other funds | <u>(30,000)</u> |
| Net cash provided by noncapital financing activities | <u>8,108,056</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Capital acquisitions | (1,674,666) |
| Proceeds from sales | 39,582 |
| Capital grants | 438,108 |
| Capital contributions | <u>684,336</u> |
| Net cash used by capital and related financing activities | <u>(512,640)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest received | <u>49,501</u> |
| Net cash provided by investing activities | <u>49,501</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (279,351) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>3,048,827</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 2,769,476</u></u> |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | |
| Donated Capital Assets | <u>\$ 7,129</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating loss | <u>\$ (9,385,575)</u> |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 1,677,225 |
| Changes in assets and liabilities: | |
| Accounts receivable | (48,523) |
| Prepaid expense | (8,173) |
| Warrants payable | 589,581 |
| Accounts payable | (755,702) |
| Unearned revenue | <u>6,899</u> |
| Total adjustments | <u>1,461,307</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u><u>\$ (7,924,268)</u></u> |

The notes to the basic financial statements are an integral part of this statement.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Butte County Association of Governments (the Association) was formed in 1969 as a Joint Powers Agency (JPA), between the cities, town and county of Butte. The Board of Directors (Board) is comprised of one appointed councilperson from each of the cities of Biggs, Chico, Gridley, Oroville and the Town of Paradise and each of the five members of the County's Board of Supervisors.

The Association is the federally designated Metropolitan Planning Organization (MPO) for Butte County, created to ensure regional cooperation in transportation planning. It is also recognized under California Government Code Section 29532 as the Regional Transportation Planning Agency (RTPA). Responsibilities of the Association are outlined in a Memorandum of Understanding (MOU) with the California Department of Transportation and include the development and adoption of transportation policy; review and coordination of transportation planning; a Regional Transportation Plan; a Regional and Federal Transportation Improvement Program; air quality conformity determinations; and regional housing needs study. These activities enable local jurisdictions within the county to qualify for a variety of state and federal funding for transportation projects.

Effective July 1, 2005, the Association also assumed responsibility for the Butte Regional Transit (BRT) system, a consolidated public transit system serving the cities, town and county. The Association is responsible for transit policy and administration, including preparation of the annual B-Line Service Plan & Budget and National Transit Data (NTD) reporting.

The Association is also responsible for the administration of certain state programs relating to transportation. These funds are apportioned and allocated to local jurisdictions based on the related statutes and regulations. Disbursements by the County Auditor's Office are made in accordance with the Association's annual allocation instructions. Further description of these programs is given below with the respective major fund purpose.

The Association does not exercise control over any other governmental agency or authority. The Association is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Association has established relations with Butte Regional Transportation Corporation (BRTC), a non-profit public benefit corporation, established to support transportation needs in Butte County. BRTC is a legally separate entity that is not included in the Association reporting entity because the Association does not have sufficient influence over the activities of the BRTC. The Association has contributed the operations facility and land to BRTC who then used the property as collateral to enter into loan agreements with community development entities (CDEs) to provide funding for construction of the Butte Regional Transit operations facility. BRTC leases the facilities to the Association, as described in Note K in the financial statements.

After March 10, 2023 the Association will have the option to acquire 100% interest in Chase New Markets Tax Credit (NMTC) BCAG Transportation Center Investment Fund, LLC referenced in Note E. At such time, the Association would own the assets in this Investment Fund, including its interest in the CDEs that hold the loans made to BRTC. The Association may then choose to dissolve the loans to BRTC and may take ownership of the facility improvements funded with proceeds from the loans.

After March 10, 2026, the Association will have the options to acquire 100% interest in Chase NMTC BCAG Phase 2 Investment Fund, LLC referenced in Note E. At such time, the Association would own the assets in this Investment Fund, including its interest in the CDE that holds the loans made to BRTC. The Association may then choose to dissolve the loans to BRTC and may take fee simple ownership of the completed facility.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

In following with the Governmental Accounting Standards Board (GASB) Statement 34, the Association applies two financial statement presentations to the current year data: a consolidated government-wide presentation and an individual fund-based presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 90 days of the end of the current fiscal period for all revenues other than grant revenues. A one-year period is used for revenue recognition for all grant revenues. Revenues considered susceptible to accrual primarily include sales tax revenues, state and federal revenues, and interest. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Proprietary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting, as with government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from non-operating items. There are two types of proprietary funds, internal service funds and enterprise funds for service provided to the public for a fee. For the Association's enterprise fund, the principal operating revenues are bus fares and advertising fees. Operating expenses for the enterprise fund include the cost of transit service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. *Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector business. The statement of net position and statement of activities report information on all the activities of the Association. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Association's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Program revenues represent grants and contributions that are restricted to meeting the operational requirements of the Association's activities. Taxes and other items not properly included among program revenues are reported instead as general revenues.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fund Financial Statements

Fund financial statements show the activities of a grouping of related accounts, or fund that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Association fund financial statements include governmental and proprietary funds which are similar in nature to the governmental and business-type activities in the government-wide statements.

The Association considers the following governmental funds as major:

Planning and Administration Special Revenue Fund – used to account for transportation planning and administration activities of the Metropolitan Planning Organization (MPO) and the Regional Transportation Planning Agency (RTPA) which are funded from various federal, state and local sources.

State Highway Special Revenue Fund – used to account for the exchange of federal Regional Surface Transportation Program (RSTP) funds for more flexible state highway funds. These funds are allocated to the cities, town and county of Butte and are eligible for activities defined under Article XIX of the California state constitution, including planning, construction and maintenance of public streets and roads.

Local Transportation Special Revenue Fund – created pursuant to the Transportation Development Act (TDA) of 1971 to account for the proceeds of $\frac{1}{4}$ cent of the state's $7\frac{1}{2}$ percent retail sales tax collected within Butte County and distributed by the California Board of Equalization. These funds are allocated to the Association and the County Auditor's Office for administration and planning, and to BRT, the cities, town and county of Butte for transit service. Additional funding can be used by the cities, town and county for local streets and roads, once transit needs have been met.

State Transit Assistance Special Revenue Fund – created pursuant to the TDA to account for the allocations received from the State for transportation planning and mass transportation purposes. Funds are derived from the statewide sales tax on diesel fuel and passed through the State Controller's Office. These funds are allocated to the cities, town and county of Butte for transit service.

In addition, the Association has one non-major governmental fund:

State of Good Repair Special Revenue Fund – created pursuant to Senate Bill 1 (SB1), the Road Repair and Accountability Act of 2017, to provide funding for transit maintenance, rehabilitation, and capital projects. Funds are derived from a portion of a new Transportation Improvement Fee on vehicle registrations and passed through the State Controller's Office. These funds are allocated to transit operators in the county.

The Association reports one major proprietary fund, which is sub-categorized as an enterprise fund because the source of the revenues collected are derived from the public:

Butte Regional Transit (BRT) Enterprise Fund – accounts for the B-line public transportation operations and capital assets. Funded by fare revenues, local contributions of the cities, town and County from their allocation of TDA funds, and grants from the Federal Transit Administration (FTA).

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Assets, Liabilities and Net Position*

Cash and Investments

The Association maintains specific cash deposits with the County and voluntarily participates in the external investment pool of the County. The Association considers all amounts held in the County's Treasury pool to be cash equivalents.

Due from/to Other Governments

These amounts represent receivables/payables with other federal, state and local governments.

Capital Assets

Capital assets, which include improvements and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Association defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements and equipment are depreciated over the estimated useful lives of the assets (3-12 years) and the Oroville transit center is depreciated over the estimated useful life of 50 years on the straight-line method.

Warrants Payable

Warrants payable represent the amount of checks issued but not yet presented to the County for payment. Such amounts are recorded in the individual funds. When the checks are mailed, expenditures are recorded in the individual funds and an outstanding warrants liability is created, pending clearing of the check at the County.

Compensated Absences

It is the Association's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. If the employee has accrued more than 240 hours of sick leave upon separation in good standing, the employee may be compensated for the portion over 240 hours at half (1/2) the normal rate of pay, up to a maximum of \$3,000. CalPERS members may use their sick leave at retirement as a credit, with 0.004 year of service credit for each unused sick day. Sick leave is included in accrual. All vacation pay is accrued when incurred in the government-wide financial statements. The liability for this amount is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Planning and Administration Fund has been used to liquidate the compensated absences liability.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, which is net of related debt, restricted and unrestricted.

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net position balance.

Restricted – This category represents external restrictions imposed by grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents net position of the Association not restricted for any project or other purpose.

Fund Balance

Fund balance of governmental funds is reported in various categories based upon the nature of the spending constraints of the revenue sources of these funds. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are in nonspendable form (such as prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Association itself, using its highest level of decision-making authority (i.e., board resolution). To be reported as committed, amounts cannot be used for any other purpose unless the Association takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Association intends to use for a specific purpose. Intent can be expressed by the Association's Board or an individual or body to whom the Association's Board has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, the Association considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Association considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Association's Board has provided otherwise in its commitment or assignment actions.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

The statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditures/expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources are related to the Association's pension plan and OPEB plan, as described in Note N and O, respectively.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

The Association obtains an actuarial valuation report every two years. From this report, a supplementary schedule is prepared by the actuary with measurement dates one year in arrears of the financial report date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Association and additions to/deductions from the Association's fiduciary net position have been determined on the same basis as they are reported by the Association. For this purpose, the Association recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Indirect Costs

Expenditures are accumulated and allocated to the projects using an indirect cost rate, pre-approved by the Federal Highway Administration (FHWA), applied on the basis of direct labor costs incurred by the projects.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE B – NEW PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease's guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018.

The Association is currently analyzing the impact of the required implementation of these new statements.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE C – BUDGETARY INFORMATION

The operating budget for the Association's Planning and Administration Fund is adopted as part of the Overall Work Program (OWP) which is approved annually by the Association's Board of Directors (the Board) and Caltrans. The Board also approves the annual B-line (BRT) Service Plan and Budget. The Association does not legally adopt annual budgets for the State Highway Fund, Local Transportation Fund, State Transit Assistance and State of Good Repair Funds, though allocation amounts are approved by the Board of Directors. Amendments which alter total expenditures of a work element budget within the OWP require approval by the Board and Caltrans. Amendments in the Butte Regional Transit Fund require approval of the Board of Directors.

The Planning and Administration Fund Budget and Actual report shows the revenues and expenditures of the original budget, as approved by the Board, and the final budget, which includes modifications of the original budget through amendments approved by the Board during the year.

The Board approved the Butte Regional Transit budget annual operating expenditures with no amendments to the original budget.

NOTE D – CASH AND INVESTMENTS HELD BY COUNTY TREASURER

In accordance with California Government Code, the Association is required to maintain its cash deposits related to its Local Transportation Fund, State Transit Assistance and State of Good Repair allocations with the County Treasurer. The Association maintains cash deposits with Butte County Treasury and voluntarily participates in the external investment pool of the County, which is not rated by national credit rating agencies. At June 30, 2019, the Association's restricted and unrestricted cash deposits of \$6,344,843, most of which is held in the County's investment pool, are valued at cost, which approximates market.

The County is restricted by State code in the types of investments it can make. Further, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than State code as to terms of maturity and types of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, negotiable certificates of deposit, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, medium-term corporate notes, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The weighted average to maturity of the County's investment pool was 669 days.

The fair value of the pooled County Treasury at June 30, 2019 is 100.42% of cost. The value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is materially equivalent to the fair value of the Association's position in the pool. Information regarding the investments within the County's pool, including related risks, can be found in the County's Comprehensive Annual Financial Report (CAFR).

Restricted cash represents cash received from the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by voters as Proposition 1B, and other grant funding that may require separation of funds. Interest earned on these funds is also considered restricted. Grant funds are considered unearned revenue until used for the purpose specified for these funds; accumulated interest associated with these funds are held in the restricted fund balance. See Note P for description of Proposition 1B PTMISEA grant projects.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE E – RECEIVABLES

Receivables as of June 30, 2019, for the Association’s major funds are as follows:

| | Accounts Receivable | Due From Other Governments | Interest Receivable | Total |
|-----------------------------|------------------------|----------------------------------|------------------------|---------------------|
| Planning and Administration | \$ 149,821 | \$ 496,884 | \$ 1,228 | \$ 647,933 |
| State Highway | - | - | 462 | 462 |
| Local Transportation Fund | - | 1,690,244 | 2,693 | 1,692,937 |
| State Transit Assistance | - | 534,150 | 518 | 534,668 |
| State of Good Repair | - | 52,792 | 952 | 53,744 |
| Butte Regional Transit | 124,519 | 3,284,776 | 10,282 | 3,419,577 |
| Receivables | <u>\$ 274,340</u> | <u>\$ 6,058,846</u> | <u>\$ 16,135</u> | <u>\$ 6,349,321</u> |

The Association considers all receivables to be collectible.

LONG TERM NOTES RECEIVABLE

The Association shows long term notes receivable of \$15,481,100 in the Government-wide Statement of Net Position which represents two promissory notes held with investment funds. These notes were secured by a Fund Pledge Agreement for the purpose of establishing a qualified equity investment (QEI) with community development entities (CDE). The CDEs collectively funded subsidized loans to the Butte Regional Transportation Corporation (BRTC) to partially fund the construction of the Butte Regional Transit operations facility and solar installation. The note receivable is reflected in the unrestricted net position in the governmental activities. Details of the notes follow:

On March 10, 2016, the Association and Chase New Markets Tax Credit BCAG Transportation Center Investment Fund, LLC, a Delaware limited liability corporation, entered into an agreement to loan \$11,364,500, with a maturity date of September 1, 2042. From and after the effective date of March 10, 2016, the principal balance shall accrue interest at 1.452%, and such interest shall be payable in arrears, in quarterly installments, commencing on June 10, 2016. Interest payments totaling \$165,013 were received during the year ended June 30, 2019. Principal payments begin March 10, 2024. After March 10, 2023, the tax credits from the investment will be exhausted. At which time, the Association will have the option to acquire 100% of the interest in the Chase New Markets Tax Credit BCAG Transportation Investment Fund, LLC and would then own the interest in the CDEs that hold the loans made to BRTC. The Association may then choose to dissolve the loans and may take ownership of the real and/or personal property funded with proceeds from the loans.

On November 29, 2018, the Association and Chase New Markets Tax Credit BCAG Phase 2 Investment Fund, LLC, a Delaware limited liability corporation, entered into an agreement to loan \$4,116,600 with a maturity date of December 1, 2044. From and after the effective date of November 29, 2018, the principal balance shall accrue interest at 1.0%, and such interest shall be payable in arrears, in quarterly installments, commencing on December 10, 2018. Interest payments totaling \$21,257 were received during the year ended June 30, 2019. Principal payments begin March 10, 2026. After March 10, 2026, the tax credits from the investment will be exhausted. At which time, the Association will have the option to acquire 100% of the interest in the Chase New Markets Tax Credit BCAG Phase 2 Investment Fund, LLC and would then own the interest in the CDEs that hold the loans made to BRTC. The Association may then choose to dissolve the loans and may take fee simple ownership of the completed facility.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE F – CAPITAL ASSETS

As of June 30, 2019, the Association’s investment in capital assets for its governmental and business-type activities totaled \$11,908,431 net of accumulated depreciation. Capital assets are recorded as capital outlay expense in the governmental funds statements but are recorded as capital assets in the government-wide financial statements. A reconciliation to government-wide statements can be found on the governmental funds’ statements.

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|--------------------|-----------------------|----------------------|
| Governmental Activities: | | | | |
| Land | \$ 570,000 | \$ - | \$ - | \$ 570,000 |
| Construction in Progress | 769,610 | 1,252,680 | (2,022,290) | - |
| Nondepreciated Capital Assets: | <u>1,339,610</u> | <u>1,252,680</u> | <u>(2,022,290)</u> | <u>570,000</u> |
| Office Equipment | 1,132,200 | 7,129 | (16,898) | 1,122,431 |
| Accumulated Depreciation | (367,509) | (172,004) | 16,898 | (522,615) |
| Depreciated Capital Assets: | <u>764,691</u> | <u>(164,875)</u> | <u>-</u> | <u>599,816</u> |
| Business-type Activities (BRT): | | | | |
| Construction in Progress | - | 7,129 | (7,129) | - |
| Nondepreciated Capital Assets: | <u>-</u> | <u>7,129</u> | <u>(7,129)</u> | <u>-</u> |
| Structures & Improvements | 1,644,021 | - | (44,478) | 1,599,543 |
| Vehicles & Equipment | 19,881,237 | 537,064 | (876,559) | 19,541,742 |
| Accumulated Depreciation | (9,606,179) | (1,677,225) | 880,734 | (10,402,670) |
| Depreciated Capital Assets: | <u>11,919,079</u> | <u>(1,140,161)</u> | <u>(40,303)</u> | <u>10,738,615</u> |
| Capital Assets, Net | <u>\$ 14,023,380</u> | <u>\$ (45,227)</u> | <u>\$ (2,069,722)</u> | <u>\$ 11,908,431</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--------------------------------|---------------------|
| Governmental Activities | \$ <u>172,004</u> |
| Business-type Activities (BRT) | \$ <u>1,677,225</u> |

The Association moved into the current administration building in March of 2016 and the transit operator moved into the operations and maintenance facility in April of 2016. Construction in progress in the governmental activities and business-type activities are related to installation of solar arrays for the facility and other minor grant funded improvements. Construction in progress of \$1,252,680 in the governmental activities equals the capital outlay in the governmental funds statement of revenues, expenditures and changes in fund balance. At fiscal year end, the Association removed \$2,022,290 from construction in progress and contributed this to Butte Regional Transportation Corporation (BRTC). See Note A for further detail on BRTC. The Association maintains functional control of the assets transferred to BRTC through separate leases for the facility and solar installation as described in Note K. As discussed in Note E, the Association may take ownership of the completed facility after March 10, 2026. In the event that BRTC is dissolved, title to the facility will revert to the Association.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE F – CAPITAL ASSETS (Continued)

Construction in progress in the business-type activities/BRT was transferred to the governmental activities and capitalized as office equipment.

During the fiscal year, BRT added six paratransit busses, LED locator signs at the bus shelters, closed caption television (CCTV) security systems at the maintenance facility and the Chico transit center and minor maintenance equipment. All purchases were made with federal and state grants.

Eleven fixed route busses and nine paratransit busses that had met their FTA determined useful life were removed from service. Capitalized transit structures and improvements with a zero net book value, that are no longer in existence have been removed from the asset register. Equipment with a net book value of zero was removed from the Planning and Administration Fund asset register.

The Association is a fee title holder of land with a cost of \$570,000 to be used in mitigation of future capital projects. The Association is temporarily holding these properties until a suitable third party can be granted all rights to fee title. In mitigation, ecological boundaries may not necessarily coincide with jurisdictional political boundaries.

NOTE G – PAYABLES

Payables for the Association’s major funds as of June 30, 2019 are as follows:

| | Warrants Payable | Accounts Payable | Salaries and Benefits Payable | Due To Other Governments | Total |
|-----------------------------|---------------------|---------------------|-------------------------------------|--------------------------------|---------------------|
| Planning and Administration | \$ 7,215 | \$ 257,597 | \$ 56,315 | \$ - | \$ 321,127 |
| State Highway | - | - | - | 1,629,169 | 1,629,169 |
| Local Transportation Fund | 2,523 | - | - | - | 2,523 |
| State Transit Assistance | - | - | - | 95,837 | 95,837 |
| State of Good Repair | - | - | - | 194 | 194 |
| Butte Regional Transit | 589,867 | 763,135 | - | - | 1,353,002 |
| Payables | <u>\$ 599,605</u> | <u>\$ 1,020,732</u> | <u>\$ 56,315</u> | <u>\$ 1,725,200</u> | <u>\$ 3,401,852</u> |

NOTE H – INTERFUND / INTERNAL BALANCES

Interfund balances can result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and when the payments between funds are made, also from interfund borrowing. Internal balances of \$230,000 on the government-wide statement balance to zero. This coincides with the Due to Other Funds in the Planning Fund and the Due from Other Funds on the Transit funds. These interfund / internal balances include cash transfers to the Planning and Administrative Fund from the Butte Regional Transit (BRT) Enterprise Fund in the current year for cash flow purposes are reimbursed in the following fiscal year.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE I – INTERAGENCY TRANSACTIONS/ TRANSFERS

Interagency transfers are used to move revenues from a fund that is required by statute to receive them to a fund that statute or budget requires to expend them. During the fiscal year, the Local Transportation Fund transferred \$450,000 to the Planning and Administration Fund as part of the annual allocation of local transportation funds to support transit planning and Transportation Development Act administration.

Butte Regional Transit (BRT) reimburses the Planning and Administrative Fund for the salaries and benefits of the BRT administration/ADA staff, the BRT share of facility maintenance staff and the transit portion of the facility lease for a total of \$575,540 in the fiscal year. The revenue and expense in the Planning and Administration Fund are eliminated from the government-wide Statement of Activities so as not to double count these funds.

NOTE J – NONCURRENT LIABILITIES

Noncurrent liability activity for the fiscal year ended June 30, 2019 in the statement of net position was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---------------------------|------------------------------|-------------------|-------------------|---------------------------|
| Compensated absences | \$ 63,653 | \$ 97,675 | \$ 94,668 | \$ 66,660 |
| Net pension liability | 845,578 | - | 42,538 | 803,040 |
| Net OPEB liability | <u>139,098</u> | <u>21,113</u> | <u>34,292</u> | <u>125,919</u> |
| | 1,048,329 | 118,788 | 171,498 | 995,619 |
| Due within one year | <u>(31,826)</u> | <u>-</u> | <u>-</u> | <u>(33,330)</u> |
| Due in more than one year | <u>\$ 1,016,503</u> | <u>\$ 118,788</u> | <u>\$ 171,498</u> | <u>\$ 962,289</u> |

For further information regarding the pension liability see Note N below. For further information regarding other post-employment benefits (OPEB) see Note O below.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE K – OPERATING LEASE

Butte Regional Transit is committed to a lease agreement, which is cancelable with six months' notice, for the use and maintenance of the Chico Transit Center Building and grounds. The agreement expired March 1, 2019. Lease expenditures were \$12,015 for the year ended June 30, 2019.

The Association amended the September 1, 2016 lease agreement with Butte Regional Transportation Corporation (BRTC) for the BRT operations facility as of November 29, 2018, to include the solar canopy. The Association maintains functional control and responsibility for maintenance. As described in Note E, the Association may take ownership of the facility after March 10, 2026, at which time the lease would be cancelled. Lease payments for the fiscal year ending June 30, 2019 were \$208,500.

Future annual lease commitments under the BRTC facility agreement are as follows:

| <u>Lease Period</u> | <u>Annual Lease Payments</u> |
|----------------------|------------------------------|
| 7/1/2019 - 6/30/2020 | \$ 222,000 |
| 7/1/2020 - 6/30/2021 | 222,000 |
| 7/1/2021 - 6/30/2022 | 222,000 |
| 7/1/2022 - 6/30/2023 | 222,000 |
| 7/1/2023 - 6/30/2024 | 498,000 |
| 7/1/2024 - 6/30/2029 | 4,903,000 |
| 7/1/2029 - 6/30/2034 | 5,355,000 |
| 7/1/2034 - 6/30/2039 | 5,355,000 |
| 7/1/2039 - 6/30/2044 | 5,355,000 |
| 7/1/2044 - 12/1/2048 | 4,819,500 |
| | <u>\$ 27,173,500</u> |

The Association entered into an equipment lease agreement with Butte Regional Transportation Corporation (BRTC) for the BRT solar panels, racking and inverters. The Association maintains functional control and responsibility for maintenance. As described in Note E, the Association may take ownership of the facility after March 10, 2026, at which time the lease would be cancelled. Equipment lease payments for the fiscal year ending June 30, 2019 were \$2,500.

Future annual lease commitments under the BRTC facility agreement are as follows:

| <u>Lease Period</u> | <u>Annual Lease Payments</u> |
|----------------------|------------------------------|
| 7/1/2019 - 6/30/2020 | \$ 5,000 |
| 7/1/2020 - 6/30/2021 | 5,000 |
| 7/1/2021 - 6/30/2022 | 5,000 |
| 7/1/2022 - 6/30/2023 | 5,000 |
| 7/1/2023 - 6/30/2024 | 5,000 |
| 7/1/2024 - 6/30/2029 | 25,000 |
| 7/1/2029 - 6/30/2034 | 25,000 |
| 7/1/2034 - 12/1/2038 | 22,500 |
| | <u>\$ 97,500</u> |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE L – UNEARNED REVENUE

Unearned revenue activity as of June 30, 2019 was as follows:

| Unearned Revenue | <u>Balance</u> | <u>Received/Refunded</u> | <u>Expended</u> | <u>Balance</u> |
|-----------------------------|---------------------|--------------------------|-------------------|---------------------|
| Planning and Administration | | | | |
| Prop 1B- PTMISEA | \$ 77,160 | \$ - | \$ 77,160 | \$ - |
| SR 191-SHOPP | - | 100,000 | 59,934 | 40,066 |
| Butte Regional Transit | | | | |
| Capital reserve | 3,100,463 | 400,000 | 9,363 | 3,491,100 |
| Operations FNRC | - | 6,899 | - | 6,899 |
| Operations carryforward | 369,106 | 1,173,205 | 369,106 | 1,173,205 |
| Prop 1B- CalOES | 167,259 | - | 141,609 | 25,650 |
| LCTOP- commuter service | 160,639 | 294,816 | 160,639 | 294,816 |
| | <u>\$ 3,874,627</u> | <u>\$ 1,974,920</u> | <u>\$ 817,811</u> | <u>\$ 5,031,736</u> |

The largest portion of the BRT unearned revenue balance, \$3,491,100, consists of local transportation fund contributions set aside for the purchase of transit capital assets and utilized for cash flow purposes. These funds will be recognized as earned revenues for eligible capital or grant matching purchases.

Unearned operations revenue of \$1,173,205 represents the contributions by local agencies for transit operations in excess of actual net expense in the fiscal year. These funds are used as a credit towards the required operating contributions in the following fiscal year.

During the fiscal year, a cooperative agreement was signed with Caltrans for securing mitigation property. This agreement provided for an advance of \$100,000. The remaining balance at June 30, 2019 is \$40,066.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE L – UNEARNED REVENUE (Continued)

Also included in unearned revenue are various prefunded capital and operating grants that recognize revenue as expenditures are incurred.

- Approved by voters in 2006, California State Proposition 1B enacted the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act. Through this Act, Butte Regional Transit has received annual bond proceeds from the Transit Security Grant Program administered by the California Office of Emergency Services (CalOES) for transit security and disaster response systems. All funding for this program has been received in prior years. \$141,609 was expended on security items described in the capital asset section as well as operating costs for cameras and other minor security items for the busses and transit center.

- The Association has also received Prop 1B Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) grant funds for design and construction of the transit operations and maintenance facility. The remaining \$77,160 were utilized for installation of the solar panels in the current year. See Note P for further information on PTMISEA grants.

- The Low Carbon Transit Operations Program (LCTOP) created from the Transit, Affordable Housing and Sustainable Communities Program, established by California Senate Bill 862, provides operating and capital assistance to transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. Prior year grant projects include a B-Line express service connecting Oroville to downtown Chico and the Chico Airport Industrial Park. In the current fiscal year, expenditures were \$160,639, which included a “spare the air” free bus service from November 14-30, during the Camp Fire, and again May 7-8. The Association received \$294,816 in the current year to secure a mobile ticketing application for the B-line service and electric bus, which was not expended as of June 30, 2019.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE M – RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association reports all of its non-transit related risk management activities in its Planning and Administration Special Revenue Fund. The Association purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the Association from insurance companies. The contractor providing transit operations services for BCAG is required to maintain insurance coverage related to all transit operations provided. Required minimum levels of coverage are included in the contractual agreement.

The Association obtains insurance coverage relating to workers' compensation claims for Association employees through the State Compensation Insurance Fund. The Association makes quarterly payments based on a percentage of payroll. There is no deductible paid by the Association regarding workers' compensation.

The Association's maximum coverage follows:

| <u>Held by Butte County Association of Governments:</u> | <u>Limits of Insurance</u> |
|---|----------------------------|
| COMMERCIAL GENERAL LIABILITY COVERAGES (all locations) | |
| General aggregate limit | \$ 2,000,000 |
| Each occurrence limit | 1,000,000 |
| Personal & advertising injury | 1,000,000 |
| Damage to rented premises (each occurrence) | 100,000 |
| Excess Liability Each Occurrence/Aggregate | 5,000,000 |
| PERSONAL PROPERTY COVERAGES | |
| <u>Location #1: BCAG Admin/ BRT Operations Facility, 326 Huss Dr, Chico, CA</u> | |
| Blanket building | 21,826,400 |
| Blanket Business personal property | 638,900 |
| Blanket Business Income/Loss of Rents | 195,000 |
| Catastrophe Limit | 22,660,300 |
| <u>Location #2: Chico Transit Center, corner of 2nd & Salem</u> | |
| Business personal property | Included |
| <u>Location #3: Oroville Transit Center, 2465 Spencer Ave</u> | |
| Business personal property | Included |
| Two Restrooms - coverage limit each | Included |
| DIRECTORS AND OFFICERS | 1,000,000 |
| <u>Held by Butte Regional Transit Contractor:</u> | |
| Commercial general liability | 5,000,000 |
| Business automobile insurance | 5,000,000 |
| Umbrella liability | 10,000,000 |
| Workers' compensation and employers liability | 1,000,000 |
| Damage to rented premises | 1,000,000 |
| Medical expense | 10,000 |
| Personal & advertising injury | 5,000,000 |
| Products- Comp/Op AGG | 5,000,000 |

To date there have been no significant reductions in any of the Association's insurance coverages, and no settlement amounts have exceeded commercial insurance coverage in any of the last three years.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE N – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the Association’s cost-sharing multiple employer defined benefit pension plan (the Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Association currently participates in the CalPERS Miscellaneous Plan, with separate contribution rates for employees hired after January 1, 2013 per California Public Employees’ Pension Reform Act of 2013 (PEPRA).

Benefit provisions under the Plan are established by state statute and BCAG Board 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 at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and their beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA employees) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the 1959 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustment for the plan is applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect July 1, 2018 to June 30, 2019, are summarized as follows:

| Hire date | Miscellaneous | PEPRA |
|---|---|--|
| | Miscellaneous Plan Rate (Prior to January 1, 2013) | Miscellaneous Plan Rate (On or after January 1, 2013) |
| Benefit formula (at full retirement) | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age range for benefit factor | 50 - 63 | 52 - 67 |
| Benefit factor per retirement age | 1.426% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 7.000% | 6.250% |
| Required employer contribution rates | 8.892% | 6.842% |

The Miscellaneous Plan Rate is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary. Minimum contributions for the Plan are determined by CalPERS annually on an actuarial basis and reported in the Annual Valuation Report. The actuarially determined rates are 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. The Association is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the Association’s contributions made to the Miscellaneous Plan were \$123,802, which includes \$39,852 of required contributions to the unfunded accrued liability. Employee contributions, including those made by the Association on behalf of the employees, totaled \$67,877 during the year ended June 30, 2019.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE N – PENSION PLANS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
 The Association records the valuation of the liability of the pension benefit, net of the contributions invested in the Plan, on the government-wide financial statements. A net pension liability included in the non-current liabilities and deferred outflows/inflows of resources are shown on the statement of net position. Pension expense is shown in the planning and administration program expense on the statement of activities.

As of June 30, 2019, the Association reported a net pension liability of \$803,040 for its share of the net pension liability. The Association's net pension liability is measured as the proportionate share of the Plan pool net pension liability as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward to June 30, 2018 using standard update procedures. The Association's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2017 and 2018 was as follows:

| | |
|---------------------------------------|-----------|
| Proportionate share - June 30, 2017 | 0.02145% |
| Proportionate share - June 30, 2018 | 0.02131% |
| Change in Net Pension Liability share | -0.00014% |

For the year ended June 30, 2019, the Association recognized pension expense of \$168,639 and reported the following deferred outflows of resources and deferred inflows of resources related to the Plan:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 123,802 | \$ - |
| Differences between employers contribution and employer's proportionate share of contributions | 13,377 | - |
| Differences between actual and expected experience | 30,811 | (10,485) |
| Changes in assumptions | 91,549 | (22,437) |
| Change in employer's proportion | 51,080 | (2,851) |
| Net differences between projected and actual investment earnings | 3,970 | - |
| Total | \$ 314,589 | \$ (35,773) |

In the deferred outflows of resources above, the \$123,802 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as adjustments to pension expense as follows:

| | | |
|---------------------|--|------------|
| Fiscal Year 2019/20 | | \$ 107,790 |
| Fiscal Year 2020/21 | | 70,742 |
| Fiscal Year 2021/22 | | (16,295) |
| Fiscal Year 2022/23 | | (7,223) |
| | | \$ 155,014 |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE N – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities measured at June 30, 2018 in the CalPERS GASB 68 Accounting Report were determined using the following actuarial assumptions:

| | |
|----------------------------------|---|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| <u>Actuarial Assumptions:</u> | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Projected Salary Increase | Varies by entry age and service |
| Mortality Rate Table | Derived using CalPERS membership data for all funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.5% |

The underlying mortality rate table was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP2016. For more details on this table, please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current member contribution rates and that contributions from employers will be made at the 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.

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

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE N – PENSION PLANS (Continued)

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

| Asset Class | Current Target Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|---------------------|---------------------------------|--------------------------------|-----------------------------|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Sensitive | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Estate | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| Total | <u>100.0%</u> | | |

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Association's proportionate share of the net pension liability, calculated using the discount rate for the Plan, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>Miscellaneous Plan</u> |
|-----------------------|---------------------------|
| 1% Decrease | 6.15% |
| Net Pension Liability | \$1,369,463 |
| Current Discount Rate | 7.15% |
| Net Pension Liability | \$ 803,040 |
| 1% Increase | 8.15% |
| Net Pension Liability | \$ 335,466 |

Pension Plan Fiduciary Net Position: Detailed information about each pension the plans fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Plan Payable: At June 30, 2019, the Association reported no payables to the pension plan.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE O – OTHER POST EMPLOYEE BENEFITS (OPEB)

Effective September 1, 2006, the Association established a post-employment healthcare benefits plan (the Plan) which is contracted with the California Public Employees Retirement System (CalPERS). The Plan is a single-employer defined benefit plan under the Public Employee’s Medical and Hospital Care Act (PEMHCA).

Plan Description: Employees who retire under the provisions of the Associations Retirement Contract with CalPERS may continue to cover themselves and their dependents under the health plan. Medical coverage is provided through CalPERS under the PEMHCA, also referred to as PERS Health. Employees become eligible to retire upon attainment of age 50 and 5 years of service. The retired employee is responsible for the total premium less the minimum statutory amount under PEMHCA contributed by the Association, which is \$139/month for 2019. Additionally, employees with 10 years of continuous service are entitled to twelve months of paid health plan coverage (employee only) at the same rate immediately following retirement as the current employee contribution.

Contributions: To ensure funding availability for these future post-employment benefits, the Association established a trust fund, effective June 24, 2015 with the California Employers’ Benefit Trust (CERBT), a Section 155 trust fund dedicated to prefunding OPEB liabilities for all eligible California public agencies. The contribution requirements are established and may be amended by the Association. The contribution amount to prefund the benefits are determined annually during the budget process, based on actuarially determined rates and availability of funds. For the year ended June 30, 2019, the Association has no outstanding payments to the Plan and contributed \$30,000, which is included in salaries and benefits in the governmental funds and considered a deferred outflow of resources in the statement of net position.

Net OPEB Liability: Net OPEB liability is the difference between the total actuarially determined OPEB liability and the Plan fiduciary net position invested in the CERBT. The Association’s net OPEB liability reported as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. As of the June 30, 2018 measurement date the Association had 12 active full-time employees who were eligible for post-retirement health benefits and no retirees who receive post-retirement health benefits.

Plan Fiduciary Net Position: Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

Components of the net OPEB liability reported at June 30, 2019 were as follows:

| As of Measurement date | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
|-----------------------------------|---------------------------------|--|-------------------------------|
| Balance at June 30, 2017 | \$ 187,682 | \$ 48,584 | \$ 139,098 |
| Change in the year: | | | |
| Service Cost | 14,546 | - | 14,546 |
| Interest | 12,199 | - | 12,199 |
| Changes of assumptions | (5,632) | - | (5,632) |
| Contributions- employer | - | 30,000 | (30,000) |
| Actual investment income | - | 4,343 | (4,343) |
| Administrative expense/Trust fees | - | (51) | 51 |
| Benefit payments | - | - | - |
| Balance at June 30, 2018 | <u>\$ 208,795</u> | <u>\$ 82,876</u> | <u>\$ 125,919</u> |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE O – OTHER POST EMPLOYEE BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------|--|
| Valuation Date | July 1, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry-age level percent of pay |
| Actuarial Assumptions: | |
| Discount rate | 6.75% |
| Return on assets | 6.75% |
| Projected salary increase | 3.0% per annum |
| Healthcare cost trend rate | 5.00% for 2018 and later |
| Pre-retirement Mortality Rate | RP-2014 Employee Mortality table |
| Post-retirement Mortality Rate | RP-2014 Health Annuity Mortality table |
| PEMHCA minimum increase | 3.5% for 2017 and later years |

Retirement and termination assumptions used were based on a best estimate of future experience.

The assumed gross rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

| Asset Class | Percentage of Portfolio | Expected Rate of Return |
|---|----------------------------|----------------------------|
| Global Equity | 59% | 5.5% |
| Fixed Income | 25% | 1.5% |
| Treasury Inflation Protected Securities | 5% | 1.2% |
| Real Estate Investment Trusts | 8% | 3.7% |
| Commodities | 3% | 0.6% |
| | 100% | |

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75%. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and 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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE O – OTHER POST EMPLOYEE BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Association, as well as what the Association's net OPEB 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 discount rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|--------------------|-------------|---------------|-------------|
| | 5.75% | 6.75% | 7.75% |
| Net OPEB Liability | \$ 149,901 | \$ 125,919 | \$ 105,496 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the Association, as well as what the Association's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
|--------------------|-------------|-------------------------------|-------------|
| | 4.00% | 5.00% | 6.00% |
| Net OPEB Liability | \$ 99,523 | \$ 125,919 | \$ 157,858 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the Association recognized OPEB expense of \$21,813 and reported the following deferred outflows and inflows of resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| OPEB contributions subsequent to measurement date | \$ 30,000 | \$ - |
| Changes in assumptions | | 5,063 |
| Net differences between projected and actual investment earnings | | 797 |
| Total | \$ 30,000 | \$ 5,860 |

In the deferred outflows of resources above, the \$30,000 related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as adjustments to OPEB expense as follows:

| | |
|--------------------------------|------------|
| Fiscal Year 2019/20 | \$ (822) |
| Fiscal Year 2020/21 | (822) |
| Fiscal Year 2021/22 | (822) |
| Fiscal Year 2022/23 | (605) |
| Fiscal Year 2023/24 | (571) |
| Fiscal Year 2024/25 to 2027/28 | (2,218) |
| | \$ (5,860) |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE O – OTHER POST EMPLOYEE BENEFITS (Continued)

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

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 9.9 years at June 30, 2017.

NOTE P – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) GRANT VERIFICATION OF EXPENDITURES

In November 2006, California Voters passed a bond measure Proposition 1B, enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$3.6 billion was allocated to PTMISEA to be available to transit operators over a ten-year period. These funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (busses and rail cars) procurement, rehabilitation or replacement. Funds in this account are appropriated annually by the Legislature to the State Controller's Office (SCO) for allocation in accordance with Public Utilities Code formula distributions: 50% allocated to Local Operators based on fare-box revenue and 50% to Regional Entities based on population.

PTMISEA grants were awarded for the construction of the BRT administration and operations facility, the remodel of the old facility to the new BCAG board room and the addition of solar panels to the facility. Bond funds applied to this project total \$8,723,355, from state allocations for fiscal years 2008/09, 2009/10, 2010/11 and 2014/15. \$1,717,305 was received in fiscal year 2011/12, \$4,548,390 was received in fiscal year 2012/13 and \$2,457,660 was received in fiscal year 2014/15.

Grant funds are considered unearned revenue until expenditures are incurred, while accumulated interest is considered restricted fund balance. During fiscal year 2018/19, qualifying expenditures of \$188,226 were verified for use on the installation of the solar panels. This was paid from the remaining balance of grant funds of \$77,160, plus accumulated interest of \$111,066. This project is now complete with a total cost including interest earnings of \$8,834,421.

NOTE Q – CONTINGENT LIABILITIES

The Association receives a significant portion of its revenues from the state of California and federal government agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies and the state controller's office. Any disallowed claims, including amounts already collected, may constitute a liability of the Association. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Association expects such amounts, if any, would be immaterial.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2019

NOTE R – COMMITMENTS

The Association has entered a new contract for transit operations and maintenance service for the period beginning July 1, 2019 through June 30, 2024, with two two-year possible extensions. The maximum amounts payable per fiscal year is as follows:

| | |
|---------------------|--------------|
| Fiscal Year 2019/20 | \$ 7,709,302 |
| Fiscal Year 2020/21 | 7,849,151 |
| Fiscal Year 2021/22 | 8,191,247 |
| Fiscal Year 2022/23 | 8,456,878 |
| Fiscal Year 2023/24 | 8,765,161 |

NOTE S – COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The Transportation Development Act (TDA) is defined at Chapter 4 of the California Public Utilities Code commencing with Section 99200. The Butte Regional Transit Fund is subject to TDA provisions requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the Butte Regional Transit Rural Fixed Route and Para-transit operations must maintain minimum fare ratios of 10%, while the Urban Fixed Route operation must maintain a minimum fare ratio of 20%. The Butte Regional Transit fare ratios, of operating revenues to operating expenses, as calculated below, indicates that all routes were in compliance with the provisions of the TDA for the fiscal year ended June 30, 2019.

| | June 30, 2019 | | | |
|----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| | Rural <u>Fixed Route</u> | Urban <u>Fixed Route</u> | Rural <u>Para-transit</u> | Urban <u>Para-transit</u> |
| Fare revenues | <u>\$ 461,042</u> | <u>\$ 750,702</u> | <u>\$ 105,770</u> | <u>\$ 211,392</u> |
| Operating expenses | \$ 3,248,648 | \$ 4,427,589 | \$ 1,119,261 | \$ 2,149,705 |
| Less: Depreciation Expense | <u>(624,307)</u> | <u>(843,682)</u> | <u>(72,912)</u> | <u>(136,324)</u> |
| Net operating expenses | <u>\$ 2,624,341</u> | <u>\$ 3,583,907</u> | <u>\$ 1,046,349</u> | <u>\$ 2,013,381</u> |
| Fare Ratio | 17.6% | 20.9% | 10.1% | 10.5% |

REQUIRED SUPPLEMENTARY INFORMATION

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year ended June 30, 2019

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-
MISCELLANEOUS PLAN (UNAUDITED)**

| Fiscal year ended | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 |
|---|---------------|---------------|---------------|---------------|---------------|
| Proportion of the net pension liability | 0.02274% | 0.02033% | 0.02080% | 0.02145% | 0.02131% |
| Proportionate share of the net pension liability | \$ 561,981 | \$ 557,623 | \$ 722,431 | \$ 845,578 | \$ 803,040 |
| Covered payroll - measurement date | \$ 815,082 | \$ 900,972 | \$ 894,787 | \$ 955,360 | \$ 1,032,893 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 68.95% | 61.89% | 80.74% | 88.51% | 77.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.02% | 81.71% | 78.03% | 77.88% | 80.82% |
| CalPERS Accounting Report Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 |
| Discount rate/Investment rate of return | 7.50% | 7.65% | 7.65% | 7.15% | 7.15% |

Notes to Schedule:

Change in Benefit Terms: There were no changes in benefits.

Changes in assumptions: In the 2018 Accounting Report, the demographic assumptions and the inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Omitted years: GASB Statement No. 68 requires 10 years of information with this required supplementary schedule. As this was implemented the year ending June 30, 2015, there was no information available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN-
MISCELLANEOUS PLAN (UNAUDITED)**

| Fiscal year ended | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 |
|---|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution (actuarially determined) | \$ 111,351 | \$ 110,360 | \$ 123,148 | \$ 136,521 | \$ 123,802 |
| Contributions in relation to the actuarially determined contributions | (111,351) | (110,360) | (123,148) | (136,521) | (123,802) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll- fiscal year | \$ 900,972 | \$ 894,787 | \$ 955,360 | \$ 1,032,893 | \$ 990,193 |
| Contributions as a percentage of covered payroll | 12.36% | 12.33% | 12.89% | 13.22% | 12.50% |
| CalPERS Actuarial Valuation Report as of: | June 30, 2012 | June 30, 2013 | June 30, 2014 | June 30, 2015 | June 30, 2016 |

Methods and assumptions in valuation reports used to determine contribution rates:

| | | | | | |
|---|--|------------------------|-------|-------|--------|
| Funding method for retirement program | Entry age normal cost method | | | | |
| Amortization method of unfunded liability | Level percentage of assumed future payroll | | | | |
| Asset valuation method | 15-yr smooth Mkt | Market value of assets | | | |
| Salary growth | Varies by Entry Age and Service | | | | |
| Discount Rate | 7.50% | 7.50% | 7.50% | 7.50% | 7.375% |
| Inflation | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Overall payroll growth for unfunded liability | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

Omitted years: GASB Statement No. 68 requires 10 years of information with this required supplementary schedule. As this was implemented the year ending June 30, 2015, there was no information available prior to this date.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year ended June 30, 2019

OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

| Fiscal year ended | <u>June 30, 2018</u> | <u>June 30, 2019</u> |
|---|----------------------|----------------------|
| Actuarially determined contribution - employer fiscal year | \$ 24,534 | \$ 23,698 |
| Contributions in relation to the actuarially determined contributions | 30,000 | 30,000 |
| Contribution deficiency (excess) | <u>\$ (5,466)</u> | <u>\$ (6,302)</u> |
| | | |
| Covered-employee payroll - employer fiscal year | \$ 1,032,893 | \$ 990,193 |
| | | |
| Contributions as a percentage of covered-employee payroll | 2.90% | 3.03% |
| | | |
| Notes to Contribution Schedule: | | |
| Valuation date | July 1, 2017 | July 1, 2017 |
| Measurement period - fiscal year ended | June 30, 2017 | June 30, 2018 |
| Reporting period - fiscal year ended | June 30, 2018 | June 30, 2019 |

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | | |
|--------------------------------------|------------------------------|----------|
| Actuarial Cost Method | Entry-age normal cost method | |
| Amortization method | Level percentage of payroll | |
| Amortization period of net liability | 20 years | 20 years |
| Healthcare cost trend rates | 6.0% | 5.0% |
| Salary increases | 3.0% | 3.0% |
| Discount rate | 6.5% | 6.75% |

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year ended June 30, 2019

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

| | June 30, 2018 | June 30, 2019 |
|---|---------------|---------------|
| Total OPEB liability: | | |
| Service cost | \$ 14,122 | \$ 14,546 |
| Interest | 10,593 | 12,199 |
| Differences between expected and actual experience | - | - |
| Changes in assumptions | - | (5,632) |
| Changes in benefit terms | - | - |
| Benefit payments | - | - |
| Net change in total OPEB liability | 24,715 | 21,113 |
| Total OPEB liability - beginning | 162,967 | 187,682 |
| Total OPEB liability - ending (a) | \$ 187,682 | \$ 208,795 |
| Plan fiduciary net position: | | |
| Contributions - employer | \$ 15,000 | \$ 30,000 |
| Net investment income | 3,137 | 4,343 |
| Benefit payments | - | - |
| Administrative/ Trust expenses | (27) | (51) |
| Net change in plan fiduciary net position | 18,110 | 34,292 |
| Plan fiduciary net position - beginning | 30,474 | 48,584 |
| Plan fiduciary net position - ending (b) | \$ 48,584 | \$ 82,876 |
| Net OPEB liability - ending (a)-(b) | \$ 139,098 | \$ 125,919 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 25.89% | 39.69% |
| Covered-employee payroll - measurement period | \$ 955,360 | \$ 1,032,893 |
| Net OPEB liability as percentage of covered-employee payroll | 14.56% | 12.19% |
| Annual money-weighted rate of return, net of investment expenses | 6.86% | 10.08% |
| Notes to schedule: | | |
| Valuation date | July 1, 2017 | July 1, 2017 |
| Measurement period - fiscal year ended | June 30, 2017 | June 30, 2018 |
| Reporting period - fiscal year ended | June 30, 2018 | June 30, 2019 |

Benefit changes. None.

Changes in assumptions. Discount rate increased from 6.5% to 6.75%

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SUPPLEMENTARY INFORMATION

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE BY ACTIVITY - BUDGET AND ACTUAL
PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| Work Element Number | Budgeted Amounts | | Actual-Funding Sources | | | | | | | | | | Variance with Final Budget | |
|---|--------------------|-------------------|------------------------|----------------|-------------------------|---------------------|-----------------------|------------------|---------------|----------------|-------------|---------------------|----------------------------------|---------------------|
| | Original | Final | FHWA-PL FTA 5303 | SB1 | LTF/ Interest/ Other | State PPM | US DFW Sec 6 Grant | State Prop 1B | Fed CMAQ | State SHOPP | STIP | NMTC | | Totals |
| | | | | | | | | | | | | | | |
| Revenues: | | | | | | | | | | | | | | |
| Federal | \$ 1,884,711 | \$ 2,369,812 | \$ 784,854 | \$ - | \$ - | \$ - | \$ 364,369 | \$ - | \$ 13,306 | \$ - | \$ - | \$ - | \$ 1,162,529 | \$ (1,207,283) |
| State | 878,146 | 1,055,943 | - | 137,240 | - | - | - | 77,160 | - | 59,934 | - | - | 274,334 | (781,609) |
| Local contributions | 1,799,097 | 1,799,097 | - | - | 756,334 | - | - | - | - | - | - | 659,552 | 1,415,886 | (383,211) |
| Transfers in | 450,000 | 450,000 | - | - | 450,000 | - | - | - | - | - | - | - | 450,000 | - |
| Interest | 165,000 | 165,000 | - | - | 210,425 | - | - | - | - | - | - | - | 210,425 | 45,425 |
| Total revenues | 5,176,954 | 5,839,852 | 784,854 | 137,240 | 1,416,759 | - | 364,369 | 77,160 | 13,306 | 59,934 | - | 659,552 | 3,513,174 | (2,326,678) |
| Expenditures: | | | | | | | | | | | | | | |
| Administration of OWP | 100 | 249,587 | 249,587 | 194,400 | - | 25,187 | 11,113 | - | - | - | - | - | 230,700 | 18,887 |
| Intergovernmental Coordination | 101 | 120,622 | 120,622 | 96,573 | - | 12,512 | - | - | - | - | - | - | 109,085 | 11,537 |
| Regional Transportation Model | 102 | 78,365 | 91,282 | 71,281 | - | 9,235 | - | - | - | - | - | - | 80,516 | 10,766 |
| Regional GIS Coordination | 103 | 63,175 | 63,175 | 38,222 | - | 4,953 | 23,044 | - | - | - | - | - | 66,219 | (3,044) |
| Transportation Air Quality Planning | 104 | 21,874 | 21,874 | 17,872 | - | 2,315 | - | - | - | - | - | - | 20,187 | 1,687 |
| Federal Trans. Improvement Program (FTIP) | 105 | 81,777 | 81,777 | 72,346 | - | 10,350 | - | - | - | - | - | - | 82,696 | (919) |
| Regional Trans. Improvement Program (RTIP) | 106 | 18,621 | 18,621 | 12,384 | - | 1,604 | - | - | - | - | - | - | 13,988 | 4,633 |
| Regional Trans. Plan/Sustain Communities Strategy | 107 | 148,287 | 159,119 | 98,898 | - | - | 12,814 | - | - | - | - | - | 111,712 | 47,407 |
| US Census Data Affiliate Center Administration | 109 | 14,583 | 16,042 | 13,003 | - | 1,685 | - | - | - | - | - | - | 14,688 | 1,354 |
| Intelligent Transport Systems | 110 | 9,311 | 9,311 | 5,422 | - | 703 | - | - | - | - | - | - | 6,125 | 3,186 |
| Butte Regional Conservation Plan | 114 | 612,403 | 669,517 | 60,951 | - | 202,839 | - | 364,369 | - | - | - | - | 628,159 | 41,358 |
| Butte Regional PEV Readiness Plan | 119 | 19,020 | 19,020 | - | - | 14,902 | - | - | - | - | - | - | 14,902 | 4,118 |
| Regional Performance Measures | 120 | 14,583 | 14,583 | 12,910 | - | 3,024 | - | - | - | - | - | - | 15,934 | (1,351) |
| SB1 Sustainable Transportation | 121 | 147,278 | 119,882 | - | 103,871 | 13,458 | - | - | - | - | - | - | 117,329 | 2,553 |
| SB1 Sustainable Transportation | 122 | - | 60,034 | 2,977 | 33,369 | 9,067 | - | - | - | - | - | - | 45,413 | 14,621 |
| SR 70 Ophir Rd Mitigation Project | 208 | 7,500 | 7,500 | - | - | 56 | - | - | - | - | - | - | 56 | 7,444 |
| Singer Creek Mitigation | 212 | 100,000 | 100,000 | - | - | - | - | - | - | - | - | - | - | 100,000 |
| Butte Regional Trans Ops/Maint | 213 | 1,813,404 | 1,813,404 | - | - | 161,499 | - | 77,160 | 6,000 | - | - | 1,008,021 | 1,252,680 | 560,724 |
| SR 70 PA/ED | 214 | 102,516 | 113,516 | - | - | 43,597 | 69,896 | - | - | - | - | - | 113,493 | 23 |
| Paradise Transit Center | 215 | 212,516 | 212,516 | - | - | - | - | - | 7,306 | - | - | - | 7,306 | 205,210 |
| SR 191 Project Mitigation | 216 | 301,110 | 301,110 | - | - | - | - | - | - | 59,934 | - | - | 59,934 | 241,176 |
| TDA Administration | 300 | 72,763 | 72,763 | - | - | 70,263 | - | - | - | - | - | - | 70,263 | 2,500 |
| Public Transit Planning | 301 | 88,502 | 106,204 | 87,615 | - | 11,352 | - | - | - | - | - | - | 98,967 | 7,237 |
| Butte Regional Transit Administration | 302 | 422,526 | 422,526 | - | - | 406,953 | - | - | - | - | - | - | 406,953 | 15,573 |
| ADA Certification | 303 | 52,112 | 52,112 | - | - | 47,898 | - | - | - | - | - | - | 47,898 | 4,214 |
| ADA Transition Plan | 306 | 41,821 | 41,821 | - | - | 2,445 | - | - | - | - | - | - | 2,445 | 39,376 |
| Zero Emission Bus and Infrastructure | 308 | 18,612 | 18,612 | - | - | - | - | - | - | - | - | - | - | 18,612 |
| Indirect Costs, net of applied cost rate | 999 | 430,395 | 430,395 | - | - | 355,540 | - | - | - | - | - | - | 355,540 | 74,855 |
| Total expenditures | 5,263,263 | 5,406,925 | 784,854 | 137,240 | 1,411,437 | 116,867 | 364,369 | 77,160 | 13,306 | 59,934 | - | 1,008,021 | 3,973,188 | 1,433,737 |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (86,309)</u> | <u>\$ 432,927</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,322</u> | <u>\$ (116,867)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (348,469)</u> | <u>\$ (460,014)</u> | <u>\$ (892,941)</u> |
| Fund balance - beginning | | | | | 272,673 | 116,867 | - | - | - | - | - | 348,469 | 738,009 | |
| Fund balance - ending | | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 277,995</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 277,995</u> | |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF DIRECT AND INDIRECT COSTS

PLANNING AND ADMINISTRATION FUND

For the Fiscal Year ended June 30, 2019

| | Direct Costs | Allowable Indirect Costs | Unallowable/ Locally funded Indirect Costs | Total |
|--------------------------------|------------------|--------------------------------|---|------------------|
| Salaries | \$ 581,953 | \$ 346,020 | \$ 62,589 | \$ 990,562 |
| Benefits | 250,436 | 166,179 | 97,952 | 514,567 |
| Total salaries and benefits | <u>832,389</u> | <u>512,199</u> | <u>160,541</u> | <u>1,505,129</u> |
| Direct services and supplies | <u>1,990,827</u> | | | <u>1,990,827</u> |

INDIRECT COSTS OTHER THAN SALARY & BENEFITS:

| | | | | |
|---------------------------|---------------------|----------------|-------------------|---------------------|
| Communications | - | 8,345 | - | 8,345 |
| Household | - | 17,596 | 1,800 | 19,396 |
| Insurance | - | 12,116 | 4,000 | 16,116 |
| Computer Maintenance | - | 9,975 | 7,160 | 17,135 |
| Maintenance - building | - | 12,455 | - | 12,455 |
| Memberships | - | 6,332 | 1,975 | 8,307 |
| Office expense | - | 8,506 | - | 8,506 |
| Professional services | - | 43,079 | 60,851 | 103,930 |
| Public notices | - | 4,853 | - | 4,853 |
| Equipment lease | - | 4,570 | 2,500 | 7,070 |
| Facility lease | - | - | 208,500 | 208,500 |
| Special expense | - | 1,274 | 9,915 | 11,189 |
| Training | - | 2,622 | - | 2,622 |
| Travel | - | 24,463 | 2,726 | 27,189 |
| Utilities | - | 20,793 | - | 20,793 |
| Small equipment | - | 826 | - | 826 |
| Fixed assets-depreciation | - | 3,809 | - | 3,809 |
| Subtotal | <u>-</u> | <u>181,614</u> | <u>299,427</u> | <u>481,041</u> |
| Total costs | <u>\$ 2,823,216</u> | 693,813 | <u>\$ 459,968</u> | <u>\$ 3,976,997</u> |

Over-absorbed indirect costs

100,619

Total allocated indirect costs

\$ 794,432

Reconciliation of expenditures to the Planning and Administration Fund:

| | |
|---|---------------------|
| Total direct and indirect costs | \$ 3,976,997 |
| Depreciation | (3,809) |
| Fixed asset purchase | <u>-</u> |
| Total Planning and Administration Fund expenditures | <u>\$ 3,973,188</u> |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
For the Fiscal Year ended June 30, 2019

| | | Allocated Balance June 30, 2018 | Net Amount Allocated | Net Amount Expended | Allocated Balance June 30, 2019 |
|---|-----------------------|--|-------------------------|------------------------|--|
| <u>Allocations</u> | | | | | |
| Biggs | | | | | |
| 99400(c) | General Public | \$ - | \$ 8,048 | \$ 8,048 | \$ - |
| 99402 | Planning | - | 61,100 | 61,100 | - |
| | Total | <u>-</u> | <u>69,148</u> | <u>69,148</u> | <u>-</u> |
| Chico | | | | | |
| 99260(a) | Transit | - | 1,676,850 | 1,676,850 | - |
| 99400(a) | Bike and Pedestrian | - | 476,647 | 476,647 | - |
| 99400(a) | Streets and Roads | - | 110,250 | 110,250 | - |
| 99400(b) | Other Passenger Rail | - | 51,054 | 51,054 | - |
| 99402 | Planning | - | 339,915 | 339,915 | - |
| | Total | <u>-</u> | <u>2,654,716</u> | <u>2,654,716</u> | <u>-</u> |
| Gridley | | | | | |
| 99260(a) | Transit | - | 100,200 | 100,200 | - |
| 99400(c) | General Public | - | 23,281 | 23,281 | - |
| 99402 | Planning | - | 127,265 | 127,265 | - |
| | Total | <u>-</u> | <u>250,746</u> | <u>250,746</u> | <u>-</u> |
| Oroville | | | | | |
| 99400(c) | General Public | - | 92,374 | 92,374 | - |
| 99400(c) | Elderly & Handicapped | - | 204,155 | 204,155 | - |
| 99402 | Planning | - | 225,054 | 225,054 | - |
| | Total | <u>-</u> | <u>521,583</u> | <u>521,583</u> | <u>-</u> |
| Paradise | | | | | |
| 99400(c) | Elderly & Handicapped | - | - | - | - |
| 99402 | Planning | - | 763,862 | 763,862 | - |
| | Total | <u>-</u> | <u>763,862</u> | <u>763,862</u> | <u>-</u> |
| Butte County | | | | | |
| 99233.1 | TDA Admin | - | 19,493 | 19,493 | - |
| 99260(a) | Transit | - | 859,441 | 859,441 | - |
| 99400(b) | Other Passenger Rail | - | 1,680 | 1,680 | - |
| 99400(c) | Elderly & Handicapped | - | 3,000 | 3,000 | - |
| 99402 | Planning | - | 1,409,723 | 1,409,723 | - |
| | Total | <u>-</u> | <u>2,293,337</u> | <u>2,293,337</u> | <u>-</u> |
| Butte Regional Transit | | | | | |
| 99262 | Planning | - | 1,200,000 | 400,000 | 800,000 |
| Butte County Association of Governments | | | | | |
| 99233.1 | TDA Admin | - | 72,763 | 72,763 | - |
| 99233.2 | Transportation | - | 377,237 | 377,237 | - |
| | Total | <u>-</u> | <u>450,000</u> | <u>450,000</u> | <u>-</u> |
| | Total LTF | <u>\$ -</u> | <u>\$ 8,203,392</u> | <u>\$ 7,403,392</u> | <u>\$ 800,000</u> |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

**SCHEDULE OF ALLOCATIONS AND EXPENDITURES
STATE TRANSIT ASSISTANCE FUND
For the Fiscal Year ended June 30, 2019**

| | | Allocated Balance June 30, 2018 | Net Amount Allocated | Net Amount Expended | Allocated Balance June 30, 2019 |
|--------------------|-------------------------|--|-------------------------|------------------------|--|
| <u>Allocations</u> | | | | | |
| Chico | | | | | |
| 6730(a) | Operating | \$ - | \$ 683,315 | \$ 683,315 | \$ - |
| | Total | <u>-</u> | <u>683,315</u> | <u>683,315</u> | <u>-</u> |
| Oroville | | | | | |
| 6731(b) | General Public | - | 134,254 | 134,254 | - |
| | Total | <u>-</u> | <u>134,254</u> | <u>134,254</u> | <u>-</u> |
| Paradise | | | | | |
| 6731(b) | General Public | - | 107,633 | 107,633 | - |
| 6731(b) | Elderly and Handicapped | - | 88,983 | 88,983 | - |
| | Total | <u>-</u> | <u>196,616</u> | <u>196,616</u> | <u>-</u> |
| Butte County | | | | | |
| 6730(a) | Operating | - | 670,063 | 670,063 | - |
| | Total | <u>-</u> | <u>670,063</u> | <u>670,063</u> | <u>-</u> |
| | Total STA | <u>\$ -</u> | <u>\$ 1,684,248</u> | <u>\$ 1,684,248</u> | <u>\$ -</u> |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
STATE OF GOOD REPAIR FUND
For the Fiscal Year ended June 30, 2019

| | Allocated Balance June 30, 2018 | Net Amount Allocated | Net Amount Expended | Allocated Balance June 30, 2019 |
|-----------------------------------|--|-------------------------|------------------------|--|
| <u>Allocations</u> | | | | |
| Butte Regional Transit Capital | \$ - | \$ 316,562 | \$ - | \$ 316,562 |
| Gridley Maintenance | - | 194 | 194 | - |
| Total SGR | <u>\$ -</u> | <u>\$ 316,756</u> | <u>\$ 194</u> | <u>\$ 316,562</u> |

COMPLIANCE REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, THE
TRANSPORTATION DEVELOPMENT ACT AND OTHER STATE GUIDELINES

To the Board of Directors
Butte County Association of Governments
Chico, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Butte County Association of Governments (the Association), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated February 5, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters (including PTMISEA)

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the Association were expended in conformance with the applicable statutes, rules and regulations of the TDA and Sections 6661, 6662 and 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Notes L and P to the financial statements, in accordance with other State

To the Board of Directors
Butte County Association of Governments

guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA or other State guidelines.

Purpose of this Report

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

Richardson & Company, LLP

February 5, 2020



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Butte County Association of Governments
Chico, California

Report on Compliance for Each Major Federal Program

We have audited the Butte County Association of Governments' (the Association) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Association's major federal programs for year ended June 30, 2019. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine

To the Board of Directors
Butte County Association of Governments

the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

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

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

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

Richardson & Company, LLP

February 5, 2020

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

20.507

U.S. Department of Transportation, Federal Transit Formula Grants for Urbanized Areas.

20.513

U.S. Department of Transportation, Enhanced Mobility of Seniors and Individuals with Disabilities.

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR, Section 200.516(a)? | Yes |

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2019

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS

None

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | CFDA Number | State Agency Number | BCAG Project Number | Grants Receivable June 30, 2018 | Cash Received - Prior Year Grants | Cash Received - Current Year Grants | Expenditures | Grants Receivable June 30, 2019 |
|---|----------------|---------------------------|------------------------------------|---------------------------------------|---|---|---------------------|---------------------------------------|
| Department of the Interior | | | | | | | | |
| Passed through the State of California, | | | | | | | | |
| Department of Fish & Wildlife | | | | | | | | |
| Endangered Species Conservation Fund | | | | | | | | |
| | 15.615 | P1820100 | 19114 Sec 6 | - | - | - | 364,369 | 200,266 |
| Department of Transportation | | | | | | | | |
| Passed through the State of California, DOT | | | | | | | | |
| Metropolitan Planning | | | | | | | | |
| | 20.505 | MFTA 74A0808 | FHWA PL | 73,026 | 73,026 | 560,155 | 709,841 | 149,686 |
| Federal Transit - Metropolitan Planning Grants | | | | | | | | |
| | 20.505 | MFTA 74A0808 | FTA 5303 | 33,681 | 33,681 | 60,013 | 75,013 | 15,000 |
| State Planning & Research | | | | | | | | |
| | 20.505 | MFTA 74A0808 | FTA 5304 | - | - | - | - | - |
| State Planning & Research | | | | | | | | |
| | 20.505 | MFTA 74A0808 | FTA 5304- PEV Readiness | 1,452 | 1,452 | - | - | - |
| | | | <i>Subtotal 20.505</i> | 108,159 | 108,159 | 620,168 | 784,854 | 164,686 |
| Formula Grants for Rural Areas | | | | | | | | |
| Intercity Bus Program | | | | | | | | |
| | 20.509 | SA 64CO17-00461 | FTA 5311(f) BRT Operating-Rural FR | 222,000 | 222,000 | - | - | - |
| Intercity Bus Program | | | | | | | | |
| | 20.509 | SA 64CO19-00890 | FTA 5311(f) BRT Operating-Rural FR | - | - | - | 283,186 | 283,186 |
| Nonurbanized Area Formula Program | | | | | | | | |
| | 20.509 | SA 64BO19-00817 | FTA 5311 BRT Operating-Rural FR | 672,274 | 672,274 | - | - | - |
| Nonurbanized Area Formula Program | | | | | | | | |
| | 20.509 | not available | FTA 5311 BRT Operating-Rural FR | - | - | - | 697,886 | 697,886 |
| | | | <i>Subtotal 20.509</i> | 894,274 | 894,274 | - | 981,072 | 981,072 |
| Enhanced Mobility of Seniors and Individuals w/disabilities | | | | | | | | |
| | 20.513 | SA 64AC18-00604 | FTA 5310 Paratransit Bus | - | - | - | 397,876 | - |
| Direct award from Department of Transportation | | | | | | | | |
| Federal Transit Administration- Capital Program | | | | | | | | |
| Bus and Bus Facilities | | | | | | | | |
| | 20.526 | - | CA-2017-099- 16/17 5339 Capital | 6,836 | - | - | 14,923 | - |
| Federal Transit Administration- Formula Grants | | | | | | | | |
| Urbanized Area Formula Program (CMAQ xfer) | | | | | | | | |
| | 20.507 | - | BRT Ops Facility- CMAQ | 4,809 | 4,809 | 6,000 | 6,000 | - |
| Urbanized Area Formula Program (CMAQ xfer) | | | | | | | | |
| | 20.507 | - | 19215 Paradise Transit Center | 56,476 | 56,476 | - | 7,306 | - |
| Urbanized Area Formula Program | | | | | | | | |
| | 20.507 | - | CA-2017-099- 16/17 5307 Capital | 16,585 | 16,585 | 5,701 | 5,701 | - |
| Urbanized Area Formula Program | | | | | | | | |
| | 20.507 | - | FTA 5307 BRT Operating | 2,038,491 | 2,038,491 | - | 2,303,704 | 2,303,704 |
| | | | <i>Subtotal 20.507</i> | 2,116,361 | 2,116,361 | 11,701 | 2,322,711 | 2,303,704 |
| Total awards | | | | <u>\$ 3,125,630</u> | <u>\$ 3,118,794</u> | <u>\$ 631,869</u> | <u>\$ 4,865,805</u> | <u>\$ 3,649,728</u> |

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Butte County Association of Governments (the Association) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Association's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Association.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST ALLOCATION PLAN

The Association has an indirect cost allocation plan (ICAP) approved by the California State Transportation Agency, Department of Transportation (CalTrans) that is charged to programs where allowed under the related agreements. The ICAP during the year ended June 30, 2019 included an approved indirect cost rate of 95.44% of the total direct salaries and wages.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the Association's programs during the year ended June 30, 2019.

NOTE E – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Association's portion, may be more than shown.

NOTE F – NONCASH AWARDS

No noncash awards existed in the current year.