

**BUTTE COUNTY
ASSOCIATION OF GOVERNMENTS**

Audited Financial Statements
and Compliance Reports

June 30, 2020

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BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

Audited Financial Statements
And Compliance Reports

June 30, 2020

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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, each major fund and the aggregate remaining fund information of the Butte County Association of Governments (Association), as of and for the year ended June 30, 2020, 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, each major fund and the aggregate remaining fund information of the Association as of June 30, 2020, the respective changes in financial position and, where applicable, cash flows thereof, and the 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 Plan (Unaudited), Schedule of Contributions to the Pension Plan – Miscellaneous Plan (Unaudited), Schedule of Contributions to OPEB Plan (Unaudited) and Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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* 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 8, 2021 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 program 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 8, 2021

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2020**

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, 2020. 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 basic financial statements following this section to enhance their understanding of the Association's financial performance.

Financial Highlights

- Government-wide assets and deferred outflows of resources of the Association exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,471,242 (net position). The Association's total net position decreased by \$576,012 largely due to depreciation of capital assets.
- Governmental funds reported a combined ending fund balances of \$5,295,148. \$2,249,517 represents funds set aside for future transit capital and \$2,708,390 is restricted for transit operations and transportation projects. Unassigned fund balance of \$325,794, largely made up of TDA claimed for planning, is 11.4% of current planning expenditures.
- The proprietary fund for Butte Regional Transit reports an ending net position of \$9,522,699, which is largely made up of the investment in capital assets. This fund decreased in the current year by \$1,366,406, due in large part 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 basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic 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 Association assets, deferred outflows, liabilities and deferred inflows, with the balance 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, 2020

Overview of the Financial Statements (continued)

The government-wide financial statements report activities that are either primarily financed with intergovernmental revenues (*governmental activities*) or activities 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 consist of the policy board and administration of the Butte Regional Transit (BRT) system.

The Government-wide Financial Statements are presented on pages 14-15.

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 funds *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, 2020**

Overview of the Financial Statements (continued)

The Basic Governmental Fund Financial Statements are presented on pages 16-19 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 20-22 of this report.

Notes to the Basic 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 basic financial statements are presented on pages 23-45 of this report.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2020**

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 CONDENSED STATEMENT OF NET POSITION						
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Assets and Deferred Outflows:						
Current and other assets	\$ 9,346,198	\$ 6,288,812	\$ 8,810,039	\$ 6,495,162	\$ 18,156,237	\$ 12,783,974
Long-term assets	15,481,100	15,481,100	-	-	15,481,100	15,481,100
Capital assets, net	999,970	1,169,816	9,258,495	10,738,615	10,258,465	11,908,431
Total assets	<u>25,827,268</u>	<u>22,939,728</u>	<u>18,068,534</u>	<u>17,233,777</u>	<u>43,895,802</u>	<u>40,173,505</u>
Deferred outflows	418,542	344,589	-	-	418,542	344,589
Liabilities and Deferred Inflows:						
Current liability	4,097,563	2,122,246	1,422,973	1,353,002	5,520,536	3,475,248
Long-term liability	1,126,628	962,289	7,122,862	4,991,670	8,249,490	5,953,959
Total liabilities	<u>5,224,191</u>	<u>3,084,535</u>	<u>8,545,835</u>	<u>6,344,672</u>	<u>13,770,026</u>	<u>9,429,207</u>
Deferred inflows	73,076	41,633	-	-	73,076	41,633
Net Position:						
Investment in capital assets	999,970	1,169,816	9,258,495	10,738,615	10,258,465	11,908,431
Restricted	4,957,907	3,921,901	30,317	6,746	4,988,224	3,928,647
Unrestricted	14,990,666	15,066,432	233,887	143,744	15,224,553	15,210,176
Total net position	<u>\$ 20,948,543</u>	<u>\$ 20,158,149</u>	<u>\$ 9,522,699</u>	<u>\$ 10,889,105</u>	<u>\$ 30,471,242</u>	<u>\$ 31,047,254</u>

The Association's net position reflects \$10,258,465 of investment in capital assets. The largest portion, \$9,258,495 is made up of the busses and transit stations used by Butte Regional Transit. The remaining \$999,970 of capital assets listed in the governmental activities include office equipment placed in service in the new facility and land held for mitigation purposes.

Restricted net position of \$4,988,224 includes \$2,592,099 of TDA funds awaiting apportionment to the jurisdictions, \$2,249,517 restricted for transit capital, \$15,563 of interest earned on grant funds, with remaining fund balance largely related to fair value adjustments of cash equivalents.

The unrestricted net position, \$15,224,553, may be used to meet the Association's ongoing obligations to 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 \$256,547. The underlying 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, 2020**

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 CONDENSED STATEMENT OF ACTIVITIES						
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Program Expenses						
Planning and administration	\$ 2,543,903	\$ 2,356,632	\$ -	\$ -	\$ 2,543,903	\$ 2,356,632
Transportation claimants	13,154,197	11,268,520	-	-	13,154,197	11,268,520
Transit operations	-	-	11,388,621	10,947,534	11,388,621	10,947,534
Total expenses	<u>15,698,100</u>	<u>13,625,152</u>	<u>11,388,621</u>	<u>10,947,534</u>	<u>27,086,721</u>	<u>24,572,686</u>
Revenues and Transfers						
Program revenues:						
Operating grants and contributions	4,251,784	3,653,295	8,417,411	7,607,246	12,669,195	11,260,541
Capital grants and contributions	-	5,369,280	154,430	541,030	154,430	5,910,310
Charges for services	-	-	1,393,285	1,561,959	1,393,285	1,561,959
General revenues:						
Tax based revenue	11,838,988	11,716,637	-	-	11,838,988	11,716,637
Investment earnings	397,722	227,502	126,665	48,719	524,387	276,221
Gain (Loss) on sale of assets	-	-	200	(265)	200	(265)
Net transfer/contributions	-	(2,015,161)	(69,776)	(7,129)	(69,776)	(2,022,290)
Total revenues	<u>16,488,494</u>	<u>18,951,553</u>	<u>10,022,215</u>	<u>9,751,560</u>	<u>26,510,709</u>	<u>28,703,113</u>
Change in Net Position	790,394	5,326,401	(1,366,406)	(1,195,974)	(576,012)	4,130,427
Net Position - beginning	<u>20,158,149</u>	<u>14,831,748</u>	<u>10,889,105</u>	<u>12,085,079</u>	<u>31,047,254</u>	<u>26,916,827</u>
Net Position - ending	<u>\$ 20,948,543</u>	<u>\$ 20,158,149</u>	<u>\$ 9,522,699</u>	<u>\$ 10,889,105</u>	<u>\$ 30,471,242</u>	<u>\$ 31,047,254</u>

Governmental Activities

Planning and administration expenses of \$2,543,903 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 \$1.24 million in expense. Road construction, design and mitigation projects totaled \$260 thousand for the year. General and administrative expense, including pension and health benefit expense, makes up the remaining balance.

Transportation claimants include BRT and the cities, town, and County of Butte. In the current year claimants received \$13,154,197 in Regional Surface Transportation Plan (RSTP), Transportation Development Act (TDA) and State of Good Repair (SGR) funds.

Operating grants and contributions of \$4,251,784 include \$2,738,908 of federal RSTP funds, which are exchanged each year for more flexible state highway funds. The remaining balance includes federal and state planning funds of \$1,512,876 which fluctuate based on project needs.

Tax-based revenues of \$11,838,988 include the TDA and SGR, rose slightly despite the downward pressure on sales taxes from the COVID-19 pandemic.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2020

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 \$1.37 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.

In the current fiscal year, the Association contributed \$69,776 of facility improvements related to the administrative and transit operations center owned by the Butte Regional Transportation Corporation (BRTC), a non-profit organization that facilitates funding for local public transportation projects. For further detail on the asset transfer see Note F.

Governmental Funds Financial Analysis

As of June 30, 2020, the Association's governmental funds reported combined ending fund balance of \$5,295,148. 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 and one non major fund.

Planning and Administration

The Planning and Administration Fund, the main operating fund for the BCAG transportation planning responsibilities, has an ending fund balance of \$337,241. 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 \$325,794 represents 11.4% 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 \$102,670, which reduces the total under recovery for the two-year carryover period to \$60,589. This amount will continue to be adjusted through future years indirect cost reimbursements.

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 \$4,227,520 was adopted by the Board in April of 2020. Notable budget adjustments from the original adoption in May of 2019 stem from the removal of two projects that did not move forward and the addition of Regional Early Action Planning (REAP) funding from a Department of Housing & Community Development (HCD) grant for the development of the county's Regional Housing Needs Plan (RHNP). 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, 2020**

Governmental Funds Financial Analysis (continued)

Actual salary and service expenditures in the Planning and Administration Fund were higher than final budget due to the accrual of a catch up in the pay periods. Services and supplies were significantly lower than budget predominately due to timing of mitigation project expenditures. Capital outlay was zero for the year as the HVAC project did not require governmental funds. The combined effect is a 32.4% favorable variance in the overall actual Planning and Administrative expenditures compared to the budget. 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).

State Highway

Federal regional surface transportation program (RSTP) 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 \$2.7 million have remained consistent over the past several years. Fund balance of \$37,883 represents unallocated interest and an adjustment to the fair value of cash equivalents.

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 1.2% from the prior year funding level. State Transit Assistance, which is derived from the statewide sales tax on diesel fuel, has stabilized around \$2 million 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.

Total LTF fund balance increased by \$742,302 in the current year to a total of \$3,904,180. Fund balance restricted for transit capital purchases increased \$800,000 to a total of \$1,600,000. Fund balance restricted for future transit operations or transportation claims was reduced by \$57,698, with \$2,225,772 available for future apportionment. Differences in reported fund balance are related to fair value adjustment of cash equivalents.

Total STA fund balance decreased by \$74,590 with \$366,327 available for future apportionment.

State of Good Repair

This fund was created pursuant to the Road Repair and Accountability Act of 2017 (SB1) 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. Fund balance restricted for transit capital purchases of \$649,517 has been designated for future electric bus purchases.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2020**

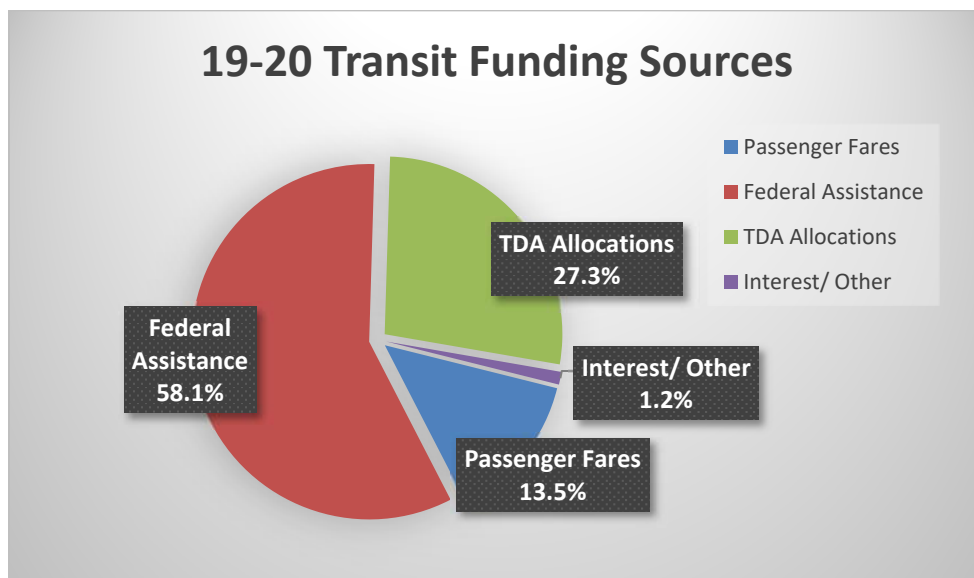
Enterprise Fund Financial Analysis

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 net position of \$1,366,406. 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.

The current year was defined by the effects of the COVID-19 pandemic which significantly impacted the passenger counts, passenger fares and service hours. By the fourth quarter of the fiscal year, ridership for the B-line system was down by 70%, compared to the prior year. Fixed route service remained the same for the most part, except for Student Shuttle routes (8 & 9) that were reduced due to Chico State’s cancellation of on-campus classes. Unlike fixed route hours, paratransit service hours were basically cut in half, as service is based on ridership reservations.

The decision to continue the fixed route service as planned, despite the falling passenger fares, was made in light of the additional funding support for public transit that was provided through the Coronavirus Aid, Relief and Economic Security (CARES) Act signed on March 27, 2020. This allowed the B-line to offer free fares for a seven-week period from April 13 to May 31, which allowed for greater social distancing as riders could board through the rear doors.

Butte Regional Transit served 732,102 passengers on fixed route services and 103,882 on the paratransit dial-a-ride service, designated for seniors and the disabled. This is a 23% decline in fixed route passengers and a 26% decrease in paratransit service over the prior year. Transit operating expense less depreciation (which is included in the investment in assets) totaled \$9,820,917. This was \$523,779 less than the budgeted amount for the year, largely owing to reductions in paratransit service.



**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2020**

Enterprise Fund Financial Analysis (continued)

Farebox collection, which offsets operating expense, was 22% lower than the budgeted forecast. Total operating revenues, which represents passenger fares, dropped by 3% to 13.5% 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 above. Federal assistance, which increased by 73.5% in the current year due to CARES Act funding, covers 58.1% of the operating expense compared to 35.5% in the prior year. Allocations of TDA balance out the annual budget. With the increase of federal funds and reduced operating expense, the TDA allocations needed were 49% lower than expected.

The California Transportation Development Act requires that minimum farebox collections as a percentage of operating expenditures 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 ending June 30, 2020, only the regional fixed route met the minimum requirement as shown in Note R in the financial statements. Failure to meet the requirement would normally initiate the penalty process but California Assembly Bill No. 9 prohibits the implementation of a penalty for failure to meet the required minimum fare revenue ratio during the year ending June 30, 2021.

Investment in Capital Assets

As of June 30, 2020, the Association's investment in capital assets for its governmental and business-type activities amounted to \$10,258,465, 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:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2020</u>	2019	<u>2020</u>	2019	<u>2020</u>	2019
Land	\$ 570,000	\$ 570,000	\$ -	\$ -	\$ 570,000	\$ 570,000
Structures and improvements	-	-	1,215,452	1,244,740	1,215,452	1,244,740
Vehicles and equipment	429,970	599,816	8,043,043	9,493,875	8,473,013	10,093,691
Total, net of depreciation	<u>\$ 999,970</u>	<u>\$ 1,169,816</u>	<u>\$ 9,258,495</u>	<u>\$ 10,738,615</u>	<u>\$ 10,258,465</u>	<u>\$ 11,908,431</u>

Investments in capital assets of the Governmental Activities was reduced \$169,846 related to annual depreciation expense on office equipment.

During the year, BRT purchased \$87,584 of equipment with FTA 5339 Discretionary grants and capital reserves. Annual depreciation of assets offset these additions for a decrease of \$1,480,120 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.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2020**

Economic Factors and Next Year's Budgets and Rates

As the Association heads into the 2021 calendar year, California's economy remains stable, despite the COVID-19 pandemic which abruptly impacted the state's economy in the spring of 2020. While the impacts of the coronavirus have been severe, California's economy has rebounded better than expected. It is estimated that there will be a \$26 billion windfall as part of the 2021-22 budget for the legislature. The 2021 forecast for the state's economy shows slow growth as many forecasters predict that it will take two-three years for the employment to get back to pre-coronavirus levels that existed in February 2020. California's housing market will also see slow growth as uncertainty caused by the coronavirus continues as well as a shortage in housing supply.

The coronavirus has also impacted California's transportation funding revenues specifically the gas tax revenues received through the California Road Repair and Accountability Act of 2017 (SB1). The stay-at-home orders issued by the state have affected personal travel as many state and local employees work from home, thus travel less, and use less fuel. As California moves into the 2021 calendar year, it is forecast that working from home will continue for several state government agencies as well as many local government offices and businesses. As a result, it is forecast that there will be a fuel tax decline of \$1.8 billion between 2021 and 2025.

In addition to the revenue declines forecast for the SB1 programs, the direction of California's state transportation programs is shifting as Governor Newsom has issued two Executive Orders over the past year that direct the state's transportation, housing, and California Air Resources Board to focus their combined annual funding (\$5 billion) to programs and projects that support the state's climate change goals. This new funding direction and criteria will take time to implement and will likely be challenging for local governments and transportation agencies to quickly adapt.

The outlook on federal transportation funding looks stable over most of 2021 as Congress passed a continuing resolution in October 2020 that included \$13.6 billion in addition funding for the Highway Trust Fund. In addition, 2021 will see a new administration take office in January 2021 under incoming President Joe Biden. There is some optimism that the incoming administration will be more supportive of transit and rail programs, which are in line with the priorities of California's transportation programs. It is also anticipated that the competitive discretionary transportation programs will shift back to a more objective competitive process. Under the Trump Administration most of the discretionary transportation grant programs became politicized and thus less difficult for California to secure. The new administration will also need to look at a new transportation surface act and revenue sources as the current transportation bill "Fixing Americas Surface Transportation Act (FAST)" will expire. The Fast Act provided over \$300 billion over the five-year period for highway, transit, and railway programs.

In summary, the transportation funding programs that support the Association's capital projects and other transportation programs is anticipated to be stable during the coming year and foreseeable future. During the 2021 year, the Association will work closely with the state transportation agencies as they develop new guidelines for transportation funding programs in response to the Governors direction to align state funding programs with climate goals, and how Butte County can best compete under these changes. The Association will also be focused on finding funding programs to support the conversion of the B-Line bus fleet to electric vehicles, and to ensure sufficient funding for needed safety improvements on the region's highways and priority projects.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2020**

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. Information can also be found on the Association's website at www.bcag.org.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 6,589,953	\$ 3,364,513	\$ 9,954,466
Receivables	2,888,984	4,460,958	7,349,942
Internal balances	(144,186)	144,186	-
Prepaid expenses	11,447	112,852	124,299
Restricted cash and investments	-	727,530	727,530
Notes receivable - long term	15,481,100	-	15,481,100
Nondepreciated capital assets	570,000	-	570,000
Depreciated capital assets, net	429,970	9,258,495	9,688,465
Total assets	<u>25,827,268</u>	<u>18,068,534</u>	<u>43,895,802</u>
DEFERRED OUTFLOWS OF RESOURCES			
Postemployment benefits plan	108,277	-	108,277
Employee pension plan	310,265	-	310,265
Total deferred outflow of resources	<u>418,542</u>	<u>-</u>	<u>418,542</u>
LIABILITIES			
Payables	3,851,950	1,422,973	5,274,923
Unearned revenues	199,100	7,122,862	7,321,962
Noncurrent liabilities			
Due within one year	46,513	-	46,513
Due in more than one year	1,126,628	-	1,126,628
Total liabilities	<u>5,224,191</u>	<u>8,545,835</u>	<u>13,770,026</u>
DEFERRED INFLOWS OF RESOURCES			
Postemployment benefits plan	14,870	-	14,870
Employee pension plan	58,206	-	58,206
Total deferred inflow of resources	<u>73,076</u>	<u>-</u>	<u>73,076</u>
NET POSITION			
Investment in capital assets	999,970	9,258,495	10,258,465
Restricted for transit / transportation	4,957,907	30,317	4,988,224
Unrestricted	14,990,666	233,887	15,224,553
Total net position	<u>\$ 20,948,543</u>	<u>\$ 9,522,699</u>	<u>\$ 30,471,242</u>

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Fiscal Year ended June 30, 2020

	Governmental Activities	Business-type Activities	Total
PROGRAM EXPENSES			
Governmental activities:			
Planning and administration	\$ 2,543,903	\$ -	\$ 2,543,903
Transportation claimants	13,154,197	-	13,154,197
Total governmental activities	15,698,100	-	15,698,100
Business-type activities:			
Transit operations	-	11,388,621	11,388,621
Total program expenses	15,698,100	11,388,621	27,086,721
 PROGRAM / OPERATING REVENUES			
Operating grants and contributions	4,251,784	8,417,411	12,669,195
Capital grants and contributions	-	154,430	154,430
Charges for services	-	1,393,285	1,393,285
Total program/operating revenues	4,251,784	9,965,126	14,216,910
Net program (expense) revenues	(11,446,316)	(1,423,495)	(12,869,811)
 GENERAL REVENUES AND TRANSFERS			
State shared revenue - sales and use taxes	11,838,988	-	11,838,988
Investment earnings	397,722	126,665	524,387
Loss on sale of assets	-	200	200
Contribution of assets	-	(69,776)	(69,776)
Total general revenues	12,236,710	57,089	12,293,799
Change in net position	790,394	(1,366,406)	(576,012)
Net position - beginning	20,158,149	10,889,105	31,047,254
Net position - ending	\$ 20,948,543	\$ 9,522,699	\$ 30,471,242

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2020

	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	\$ 313,678	\$ 1,815,551	\$ 3,866,254	\$ 133,369	\$ 461,101	\$ 6,589,953
Interest receivable	1,700	1,063	11,356	1,199	1,301	16,619
Due from other funds	-	-	-	-	131,028	131,028
Prepaid costs	11,447	-	-	-	-	11,447
Accounts receivable	10,360	-	-	-	-	10,360
Due from other governments	554,474	-	1,744,274	506,973	56,284	2,862,005
Total assets	\$ 891,659	\$ 1,816,614	\$ 5,621,884	\$ 641,541	\$ 649,714	\$ 9,621,412
Liabilities and Fund Balances						
Liabilities:						
Warrants payable	\$ 83,237	\$ -	\$ -	\$ -	\$ 197	\$ 83,434
Accounts payable	171,961	-	-	-	-	171,961
Salaries and benefits payable	100,120	-	-	-	-	100,120
Due to other funds	-	-	-	275,214	-	275,214
Due to other governments	-	1,778,731	1,717,704	-	-	3,496,435
Unearned revenues	199,100	-	-	-	-	199,100
Total liabilities	554,418	1,778,731	1,717,704	275,214	197	4,326,264
Fund Balances:						
Nonspendable - prepaid costs	11,447	-	-	-	-	11,447
Restricted - apportioned for transit capital	-	-	1,600,000	-	649,517	2,249,517
Restricted - transit/ transportation	-	37,883	2,304,180	366,327	-	2,708,390
Unassigned	325,794	-	-	-	-	325,794
Total fund balances	337,241	37,883	3,904,180	366,327	649,517	5,295,148
Total liabilities and fund balances	\$ 891,659	\$ 1,816,614	\$ 5,621,884	\$ 641,541	\$ 649,714	\$ 9,621,412

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

Fund balances - total governmental funds	\$ 5,295,148
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term note receivable reported 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 reported 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	429,970
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	418,542
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(882,173)
Net OPEB liability	(197,941)
Compensated absences	(93,027)
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	(73,076)
Net position of governmental activities	\$ 20,948,543

The notes to the 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, 2020

	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	\$ -	\$ -	\$ 9,506,370	\$ 2,006,533	\$ 326,085	\$ 11,838,988
State highway funds	-	2,738,908	-	-	-	2,738,908
Federal grants	1,008,759	-	-	-	-	1,008,759
State grants	504,117	-	-	-	-	504,117
Local reimbursements	617,893	-	-	-	-	617,893
Interest and other	235,415	38,845	113,633	4,844	4,985	397,722
Total revenues	<u>2,366,184</u>	<u>2,777,753</u>	<u>9,620,003</u>	<u>2,011,377</u>	<u>331,070</u>	<u>16,775,317</u>
Expenditures:						
Allocations:						
Butte Regional Transit	-	-	2,480,211	1,998,549	-	4,478,760
County of Butte	-	961,601	2,105,430	-	-	3,067,031
City of Biggs	-	18,709	49,060	-	-	67,769
City of Chico	-	1,279,469	2,368,325	-	-	3,647,794
City of Gridley	-	83,731	177,904	87,418	197	349,250
City of Oroville	-	245,590	465,315	-	-	710,905
Town of Paradise	-	151,232	681,456	-	-	832,688
Salaries and benefits	1,684,697	-	-	-	-	1,684,697
Services and supplies	1,172,241	-	-	-	-	1,172,241
Total expenditures	<u>2,856,938</u>	<u>2,740,332</u>	<u>8,327,701</u>	<u>2,085,967</u>	<u>197</u>	<u>16,011,135</u>
Excess (deficiency) of revenues over (under) expenditures	(490,754)	37,421	1,292,302	(74,590)	330,873	1,095,252
Other financing sources (uses):						
Transfer in	550,000	-	-	-	-	550,000
Transfer out	-	-	(550,000)	-	-	(550,000)
Total other financing sources (uses)	<u>550,000</u>	<u>-</u>	<u>(550,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>59,246</u>	<u>37,421</u>	<u>742,302</u>	<u>(74,590)</u>	<u>330,873</u>	<u>1,095,252</u>
Fund balances - beginning	277,995	462	3,161,878	440,917	318,644	4,199,896
Fund balances - ending	<u>\$ 337,241</u>	<u>\$ 37,883</u>	<u>\$ 3,904,180</u>	<u>\$ 366,327</u>	<u>\$ 649,517</u>	<u>\$ 5,295,148</u>

The notes to the 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, 2020

**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	\$ 1,095,252
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	(169,846)
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	(617,893)
Planning and administration expense	617,893
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 postemployment benefits plan	78,277
Deferred outflows of resources related to employee pension plan	(4,324)
Change in compensated absences	(26,367)
Change in net OPEB liability	(72,022)
Change in net pension liability	(79,133)
Deferred inflows of resources related to postemployment benefits plan	(9,010)
Deferred inflows of resources related to employee pension plan	(22,433)
<u>Change in net position of governmental activities</u>	<u>\$ 790,394</u>

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
 PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year ended June 30, 2020**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Federal grants	\$ 1,677,441	\$ 1,386,276	\$ 1,008,759	\$ (377,517)
State grants	1,450,426	1,563,464	504,117	(1,059,347)
Local reimbursements	580,068	580,068	617,893	37,825
Interest and other	206,179	206,179	235,415	29,236
Total revenues	3,914,114	3,735,987	2,366,184	(1,369,803)
Expenditures:				
Salaries and benefits	1,596,396	1,578,451	1,684,697	106,246
Services and supplies	2,532,454	2,649,069	1,172,241	(1,476,828)
Capital outlay	488,592	-	-	-
Total expenditures	4,617,442	4,227,520	2,856,938	(1,370,582)
Deficiency of revenues under expenditures	(703,328)	(491,533)	(490,754)	779
Other financing sources:				
Transfer in	550,000	550,000	550,000	-
Total other financing sources	550,000	550,000	550,000	-
Net change in fund balance	(153,328)	58,467	59,246	\$ 779
Fund balance - beginning	277,995	277,995	277,995	
Fund balance - ending	<u>\$ 124,667</u>	<u>\$ 336,462</u>	<u>\$ 337,241</u>	

The notes to the 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, 2020

ASSETS

Cash and cash equivalents	\$	3,364,513
Interest receivable		8,653
Accounts receivable		45,479
Due from other funds		144,186
Due from other governments		4,406,826
Prepaid expense		112,852
Restricted cash and cash equivalents		727,530
Capital assets, net		<u>9,258,495</u>
 Total assets		 <u>18,068,534</u>

LIABILITIES

Warrants payable		696,872
Accounts payable		726,101
Unearned revenues		<u>7,122,862</u>
 Total liabilities		 <u>8,545,835</u>

NET POSITION

Investment in capital assets		9,258,495
Restricted grant investment earnings		30,317
Unrestricted		<u>233,887</u>
 Total net position		 <u>\$ 9,522,699</u>

The notes to the 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, 2020

OPERATING REVENUES	
Revenue from fares	\$ 1,328,546
OPERATING EXPENSES	
Administration	449,454
Americans with Disabilities Act certification	48,410
Insurance	419,243
Vehicle maintenance	152,120
Materials and equipment	3,200
Purchased transportation	7,129,146
Fuel	916,206
Miscellaneous operating	255,997
Building operations & maintenance	447,141
Depreciation	<u>1,567,704</u>
Total operating expenses	<u>11,388,621</u>
OPERATING LOSS	(10,060,075)
NONOPERATING REVENUES (EXPENSES)	
Federal transit assistance	5,702,168
TDA operating allocation	2,676,785
State operating grants	38,458
Investment earnings	126,665
Advertising sales	64,739
Sale of fixed assets	<u>200</u>
Total nonoperating revenues	<u>8,609,015</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,451,060)
CAPITAL CONTRIBUTIONS	
TDA capital allocation	43,354
State capital grant	25,650
Federal capital contributions	<u>85,426</u>
Total capital contributions	<u>154,430</u>
OTHER FINANCING USES	
Contribution of asset	<u>(69,776)</u>
Change in net position	(1,366,406)
Net position - beginning	<u>10,889,105</u>
Net position - ending	<u><u>\$ 9,522,699</u></u>

The notes to the 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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 1,400,232
Payments to suppliers and claimants	(9,075,097)
Payments for interfund services used	(618,547)
Payments for advertising sales	64,739
	<u>(8,228,673)</u>
Net cash used by operating activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating grants received	8,514,691
Cash received from other funds	230,000
	<u>8,744,691</u>
Net cash provided by noncapital financing activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital acquisitions	(251,405)
Proceeds from sales	655
Capital grants	529,005
Capital contributions	400,000
	<u>678,255</u>
Net cash provided by capital and related financing activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings received	128,294
	<u>128,294</u>
Net cash provided by investing activities	
Net increase in cash and cash equivalents	1,322,567
Cash and cash equivalents - beginning of year	2,769,476
	<u>\$ 4,092,043</u>
Cash and cash equivalents - end of year	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 3,364,513
Restricted cash and cash equivalents	727,530
	<u>\$ 4,092,043</u>
Total cash and cash equivalents	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (10,060,075)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,567,704
Advertising sales	64,739
Changes in assets and liabilities:	
Accounts receivable	78,585
Prepaid expense	(4,453)
Warrants payable	107,005
Accounts payable	24,721
Unearned revenues	(6,899)
	<u>1,831,402</u>
Total adjustments	
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (8,228,673)</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:	
Donated capital assets	\$ 69,776
Change in unrealized gain on investments	<u>\$ 82,987</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, 2020

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-Controller'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's 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, 2020

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, 2020

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-Controller's Office for administration and planning and to local transit operators 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 local transit operators.

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, 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, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Assets, Liabilities and Net Position*

Cash and Cash Equivalents

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 acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. 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.

Net Position

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

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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 spend 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.

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.

Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the Association's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

NOTE B – NEW PRONOUNCEMENTS

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

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 January 2020, the GASB issued Statement No. 92, Omnibus 2020. This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-03, Leases, for interim financial statements; 2) reporting of intra-entity transfers between a primary government employer

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE B – NEW PRONOUNCEMENTS (Continued)

and a component unit defined benefit pension plan or defined benefit OPEB plan; 3) the applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; 4) the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; 5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and 8) terminology used to refer to derivative instruments. This Statement is applicable for items 1) and 7) above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2020.

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No's 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The requirements of this Statement are effective immediately.

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, 2020, the Association's restricted and unrestricted cash and investments of \$10,681,996, most of which is held in the County's investment pool, are reported at fair value.

The County is restricted by the California Government 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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE D – CASH AND INVESTMENTS HELD BY COUNTY TREASURER (Continued)

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 620 days.

The fair value of the pooled County Treasury at June 30, 2020 is 102.07% 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 and investments represent cash received from any grant funding that requires 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 net position. The restricted cash and investments balance of \$727,530 at June 30, 2020 is related to the California Low Carbon Transit Operations Program (LCTOP).

NOTE E – RECEIVABLES

Receivables as of June 30, 2020, for the Association’s funds are as follows:

	Accounts Receivable	Due From Other Governments	Interest Receivable	Total
Planning and Administration	\$ 10,360	\$ 554,474	\$ 1,700	\$ 566,534
State Highway	-	-	1,063	1,063
Local Transportation Fund	-	1,744,274	11,356	1,755,630
State Transit Assistance	-	506,973	1,199	508,172
State of Good Repair	-	56,284	1,301	57,585
Butte Regional Transit	45,479	4,406,826	8,653	4,460,958
Receivables	<u>\$ 55,839</u>	<u>\$ 7,268,831</u>	<u>\$ 25,272</u>	<u>\$ 7,349,942</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:

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE E – RECEIVABLES (Continued)

On March 10, 2016, the Association and Chase New Markets Tax Credit BCAG Transportation Center Investment Fund, LLC (Borrower), a Delaware limited liability corporation, entered into an agreement for the Association to loan \$11,364,500 to the Borrower, 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, 2020. 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 for an agreed upon price projected to be around \$1,000. The Association would then own the interest in the CDEs that hold the loans made to BRTC and 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 (Borrower 2), a Delaware limited liability corporation, entered into an agreement for the Association to loan \$4,116,600 to the Borrower 2 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 \$42,047 were received during the year ended June 30, 2020. 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 for an agreed upon price projected to be around \$1,000. The Association would then own the interest in the CDEs that hold the loans made to BRTC and 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, 2020

NOTE F – CAPITAL ASSETS

As of June 30, 2020, the Association’s investment in capital assets for its governmental and business-type activities totaled \$10,258,465, net of accumulated depreciation. Capital assets in the government-wide financial statements are recorded as capital outlay expense in the governmental funds’ statements. There were no asset additions to governmental funds in the current year.

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 570,000	\$ -	\$ -	\$ 570,000
Nondepreciated capital assets:	<u>570,000</u>	<u>-</u>	<u>-</u>	<u>570,000</u>
Office equipment	1,122,431	-	-	1,122,431
Accumulated depreciation	(522,615)	(169,846)	-	(692,461)
Depreciated capital assets:	<u>599,816</u>	<u>(169,846)</u>	<u>-</u>	<u>429,970</u>
Business-type Activities (BRT):				
Construction in progress	-	69,776	(69,776)	-
Nondepreciated capital assets:	<u>-</u>	<u>69,776</u>	<u>(69,776)</u>	<u>-</u>
Structures & improvements	1,599,543	-	-	1,599,543
Vehicles & equipment	19,541,742	87,584	-	19,629,326
Accumulated depreciation	(10,402,670)	(1,567,704)	-	(11,970,374)
Depreciated capital assets:	<u>10,738,615</u>	<u>(1,480,120)</u>	<u>-</u>	<u>9,258,495</u>
Capital assets, net	<u>\$ 11,908,431</u>	<u>\$ (1,580,190)</u>	<u>\$ (69,776)</u>	<u>\$ 10,258,465</u>

Depreciation expense was charged to functions/programs as follows:

Planning and Administration	<u>\$ 169,846</u>
Transit Operations	<u>\$ 1,567,704</u>

During the fiscal year, \$87,584 of equipment was added to the business-type activities. BRT purchased fare collection and facility equipment, including upgrades to the camera security system at the Oroville Transit Center. Purchases were funded with federal grants and capital reserves.

Construction in progress of \$69,776 in the business-type activities is related to security items added to the facility. At fiscal year end, the Association removed this amount 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.

The Association is a fee title holder of land with a cost of \$570,000 to be used in mitigation of future capital projects. In mitigation, ecological boundaries may not necessarily coincide with jurisdictional political boundaries. The Association has no plans to sell these properties.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE G – PAYABLES

Payables for the Association’s funds as of June 30, 2020 are as follows:

	Warrants Payable	Accounts Payable	Salaries and Benefits Payable	Due To Other Governments	Total
Planning and Administration	\$ 83,237	\$ 171,961	\$ 100,120	\$ -	\$ 355,318
State Highway	-	-	-	1,778,731	1,778,731
Local Transportation Fund	-	-	-	1,717,704	1,717,704
State of Good Repair	197	-	-	-	197
Butte Regional Transit	696,872	726,101	-	-	1,422,973
Total Payables	\$ 780,306	\$ 898,062	\$ 100,120	\$ 3,496,435	\$ 5,274,923

NOTE H – INTERFUND / INTERNAL BALANCES

Interfund balances on the governmental funds balance sheet 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. At June 30, 2020, the State Transit Assistance (STA) fund owes the State of Good Repair fund \$131,028 and the BRT Enterprise fund \$144,186.

Internal balances of \$144,186 between the governmental and business-type activities on the government-wide statement coincides with the STA due to other funds and the BRT due from other funds, and balance to zero.

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 \$550,000 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 \$617,893 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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE J – NONCURRENT LIABILITIES

Noncurrent liability activity for the fiscal year ended June 30, 2020 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	\$ 66,660	\$ 110,483	\$ 84,116	\$ 93,027
Net pension liability	803,040	79,133	-	882,173
Net OPEB liability	125,919	110,505	38,483	197,941
	<u>995,619</u>	<u>300,121</u>	<u>122,599</u>	<u>1,173,141</u>
Due within one year	<u>(33,330)</u>	<u>-</u>	<u>-</u>	<u>(46,513)</u>
Due in more than one year	<u>\$ 962,289</u>	<u>\$ 300,121</u>	<u>\$ 122,599</u>	<u>\$ 1,126,628</u>

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

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 expires March 31, 2024. Lease expenditures were \$7,500 for the year ended June 30, 2020.

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, 2020 were \$222,000.

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

<u>Lease Period</u>	<u>Future Lease Payments</u>
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	429,000
7/1/2024 - 6/30/2025	708,750
7/1/2025 - 6/30/2030	5,122,000
7/1/2030 - 6/30/2035	5,355,000
7/1/2035 - 6/30/2040	5,355,000
7/1/2040 - 6/30/2045	5,355,000
7/1/2045 - 12/1/2048	3,748,500
	<u>\$ 26,739,250</u>

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE K – OPERATING LEASE (Continued)

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, 2020 were \$2,500.

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

<u>Lease Period</u>	<u>Future Lease Payments</u>
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 - 6/30/2025	5,000
7/1/2025 - 6/30/2030	25,000
7/1/2030 - 6/30/2035	25,000
7/1/2035 - 12/1/2038	17,500
	<u>\$ 92,500</u>

NOTE L – UNEARNED REVENUES

Unearned revenues activity as of June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Received/Refunded</u>	<u>Expended</u>	<u>Ending Balance</u>
Unearned Revenues				
Planning and Administration				
SR 70 Mitigation	\$ -	\$ 199,100	\$ -	\$ 199,100
SR 191 Mitigation	40,066	-	40,066	-
Butte Regional Transit				
Capital reserve	3,491,100	400,000	43,985	3,847,115
Operations FNRC	6,899	-	6,899	-
Operations carryforward	1,173,205	2,575,810	1,173,205	2,575,810
Prop 1B - CalOES	25,650	-	25,650	-
LCTOP	294,816	443,579	38,458	699,937
Total	<u>\$ 5,031,736</u>	<u>\$ 3,618,489</u>	<u>\$ 1,328,263</u>	<u>\$ 7,321,962</u>

The largest portion of the BRT unearned revenue balance, \$3,847,115, 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 transit operations revenue of \$2,575,810 represents TDA apportionment in excess of actual net expense in the fiscal year. These funds are used as a credit towards operating apportionment in the following fiscal year.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE L – UNEARNED REVENUES (Continued)

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

- SR 70 Mitigation funds of \$199,100 were received from the federal/state transportation improvement program which will be used to cover future mitigation costs.
- 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. The remaining \$25,650 was expended on security items described in the capital asset section. No further funds are expected from this program.
- 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. The Association received \$443,579 in the current year which will be applied to the future purchase of an electric bus. Current fiscal year expenditures of \$38,458 were related to a mobile ticketing application for the B-Line service from the prior year grant cycle. Grant funds remaining as of June 30, 2020 total \$699,937.

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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE M – RISK MANAGEMENT (Continued)

The Association’s maximum coverage follows:

	Limits of Insurance
<u>Held by Butte County Association of Governments:</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	23,512,421
Blanket business personal property	638,900
Blanket business income/loss of rents	227,000
Catastrophe limit	24,378,321
 <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.

NOTE N – PENSION PLAN

Plan Description: 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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE N – PENSION PLAN (Continued)

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and 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, 2019 to June 30, 2020, are summarized as follows:

	Miscellaneous Plan	
	Classic Rate Plan (Prior to January 1, 2013)	PEPRA Rate Plan (from January 1, 2013)
Hire date		
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	7.0%	6.75%
Required employer contribution rates	9.68%	6.985%

The Classic Miscellaneous Rate Plan 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, 2020, the Association's contributions made to the Plan were \$156,237, which includes \$52,164 of required contributions to the unfunded accrued liability. Employee contributions, including those made by the Association on behalf of the employees, totaled \$14,629 during the year ended June 30, 2020.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: 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, 2020, the Association reported a net pension liability of \$882,173 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019 using standard update procedures. The Association's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2018 and 2019 was as follows:

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE N – PENSION PLAN (Continued)

Proportionate share - June 30, 2018	0.02131%
Proportionate share - June 30, 2019	0.02203%
Change in net pension liability share	0.00072%

For the year ended June 30, 2020, the Association recognized pension expense of \$262,128 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
Changes in assumptions	\$ 42,066	\$ (14,912)
Differences between actual and expected experience	61,271	(4,747)
Net differences between projected and actual investment earnings	-	(15,423)
Differences between employers contribution and employer's proportionate share of contributions	5,813	(23,124)
Change in employer's proportion	44,878	-
Pension contributions subsequent to measurement date	156,237	-
Total	\$ 310,265	\$ (58,206)

In the deferred outflows of resources above, the \$156,237 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 2020/21	\$ 88,134
Fiscal year 2021/22	(1,261)
Fiscal year 2022/23	5,832
Fiscal year 2023/24	3,117
	\$ 95,822

Actuarial Assumptions: The total pension liabilities measured at June 30, 2019 in the CalPERS GASB 68 Accounting Report were determined using the following actuarial assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
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%

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE N – PENSION PLAN (Continued)

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.

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 assets	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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE N – PENSION PLAN (Continued)

Sensitivity 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>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.15%	7.15%	8.15%
Net pension liability	\$ 1,504,564	\$ 882,173	\$ 368,434

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, 2020, the Association reported no payables to the pension plan.

NOTE O – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective September 1, 2006, the Association established a postemployment 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. The Plan’s provisions were approved by the Board of Directors under Resolution # 2006/07-01 and through approval of the Association’s personnel policies. 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 2020. 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, 2020, the Association made no retiree health insurance payments and has contributed \$30,000 to the Plan, 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, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. As of the June 30, 2019 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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE O – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2020 were as follows:

As of Measurement date	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 208,795	\$ 82,876	\$ 125,919
Change in the year:			
Service cost	17,707	-	17,707
Interest	14,094	-	14,094
Changes of assumptions	(9,358)	-	(9,358)
Differences in expected/actual experience	88,062	-	88,062
Contributions - employer	-	30,000	(30,000)
Actual investment income	-	8,567	(8,567)
Administrative expense/trust fees	-	(84)	84
Balance at June 30, 2019	<u>\$ 319,300</u>	<u>\$ 121,359</u>	<u>\$ 197,941</u>

Actuarial Assumptions: The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2019
Measurement date	June 30, 2019
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	6.0% to 5.0% by 2029 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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE O – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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	\$ 230,352	\$ 197,941	\$ 169,371

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
	5% decreasing to 4%	6% decreasing to 5%	7% decreasing to 6%
Net OPEB liability	\$ 163,724	\$ 197,941	\$ 237,876

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2020, the Association recognized OPEB expense of \$32,755 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	\$ -
Differences between actual and expected experience	78,277	-
Changes in assumptions	-	(12,812)
Net differences between projected and actual investment earnings	-	(2,058)
Total	<u>\$ 108,277</u>	<u>\$ (14,870)</u>

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE O – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 outflows and net deferred inflows of resources related to pensions will be recognized as adjustments to OPEB expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Fiscal Year 2020/21	\$ 9,785	\$ (2,241)
Fiscal Year 2021/22	9,785	(2,241)
Fiscal Year 2022/23	9,785	(2,024)
Fiscal Year 2023/24	9,785	(1,988)
Fiscal Year 2024/25	9,785	(1,609)
Fiscal Year 2025/26 to 2027/28	29,352	(4,767)
	\$ 78,277	\$ (14,870)

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 amortization period differs depending on the source of the gain or loss and the year the deferral was established. 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) for all members (active and retirees), which ranges from 9.0 to 9.9 years in the current schedule.

NOTE P – CONTINGENCIES

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.

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. Demand for transit services declined by 70% overall in the fourth quarter, which in turn depressed fare collection. Management decided to maintain the fixed route service with minor route revisions as public transportation is considered an essential service. Para-transit service, which is based on demand, declined by roughly 72% in the last quarter of the year. In response to the pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 which provided some relief to transit operators for lost fare revenue. The full extent of the impact of COVID-19 on the Association’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and its impact on the citizens of Butte County and additional relief funding from government sources.

The Association is a party to a claim filed against it in the normal course of business. After taking into consideration information furnished by legal council as to the status of the claim, management does not believe a material liability will result from the claim. The ultimate resolution of the claim may differ from management’s estimate.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2020

NOTE Q – COMMITMENTS

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

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 R – 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. Fare revenue ratios are calculated as the percentage of fare revenue and other local support to net operating expense as calculated below. 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%.

Butte Regional Transit was not in compliance with the required minimum fare ratio for its urban fixed route and its para-transit operations due to the COVID-19 pandemic. The first year a transit operator does not meet its required minimum fare revenue ratio is a grace year and TDA allocations could be reduced in future years if it does not comply with the required minimum ratio during future years. However, due to the pandemic, California Assembly Bill No. 9 prohibits the implementation of a penalty for failure to meet the required minimum fare revenue ratio during the year ending June 30, 2021.

	June 30, 2020			
	Rural	Urban	Rural	Urban
	<u>Fixed Route</u>	<u>Fixed Route</u>	<u>Para-transit</u>	<u>Para-transit</u>
Fare revenues	<u>\$ 403,874</u>	<u>\$ 663,549</u>	<u>\$ 68,075</u>	<u>\$ 193,048</u>
Operating expenses	\$ 3,398,371	\$ 5,055,114	\$ 727,623	\$ 2,207,513
Less: depreciation expense	<u>(601,546)</u>	<u>(840,458)</u>	<u>(22,537)</u>	<u>(103,163)</u>
Net operating expenses	<u>\$ 2,796,825</u>	<u>\$ 4,214,656</u>	<u>\$ 705,086</u>	<u>\$ 2,104,350</u>
Fare revenue ratio	<u>14.4%</u>	<u>15.7%</u>	<u>9.7%</u>	<u>9.2%</u>
Required ratio	<u>10.0%</u>	<u>20.0%</u>	<u>10.0%</u>	<u>10.0%</u>

As a result of the COVID-19 pandemic, Butte Regional Transit offered free fares during a seven-week period from April 13 to May 31, 2020. Free fares allowed for social distancing between the drivers and passengers since passengers could board through the rear door. Transit ridership fell by 70% overall in the fourth quarter of the year. Fixed route service was maintained with minimal reductions as it is considered an essential service. Demand for para-transit service fell by 72% by the fourth quarter, which also reduced the operating expense.

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REQUIRED SUPPLEMENTARY INFORMATION

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BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year ended June 30, 2020

**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	June 30, 2020
Proportion of the net pension liability	0.02274%	0.02033%	0.02080%	0.02145%	0.02131%	0.02203%
Proportionate share of the net pension liability	\$ 561,981	\$ 557,623	\$ 722,431	\$ 845,578	\$ 803,040	\$ 882,173
Covered payroll - measurement date	\$ 815,082	\$ 900,972	\$ 894,787	\$ 955,360	\$ 1,032,893	\$ 990,193
Proportionate share of the net pension liability as a percentage of covered payroll	68.95%	61.89%	80.74%	88.51%	77.75%	89.09%
Plan fiduciary net position as a percentage of the total pension liability	80.02%	81.71%	78.03%	77.88%	80.82%	80.94%
CalPERS GASB 68 Accounting Report- measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Discount rate/Investment rate of return	7.50%	7.65%	7.65%	7.15%	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 assumptions and the inflation rate were changed in accordance with the 2017 CalPERS Experience Study

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, 2020

**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	June 30, 2020
Contractually required contribution (actuarially determined)	\$ 111,351	\$ 110,360	\$ 123,148	\$ 136,521	\$ 123,802	\$ 156,237
Contributions in relation to the actuarially determined contributions	(111,351)	(110,360)	(123,148)	(136,521)	(123,802)	(156,237)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll- fiscal year	\$ 900,972	\$ 894,787	\$ 955,360	\$ 1,032,893	\$ 990,193	\$ 1,138,555
Contributions as a percentage of covered payroll	12.36%	12.33%	12.89%	13.22%	12.50%	13.72%
CalPERS Actuarial Valuation Report as of:	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

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

Actuarial cost method	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%	7.25%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.625%
Overall payroll growth for unfunded liability	3.00%	3.00%	3.00%	3.00%	3.00%	2.875%

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, 2020

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

Fiscal year ended	June 30, 2018	June 30, 2019	June 30, 2020
Actuarially determined contribution - employer fiscal year	\$ 24,534	\$ 23,698	\$ 31,620
Contributions in relation to the actuarially determined contributions	30,000	30,000	30,000
Contribution deficiency (excess)	<u>\$ (5,466)</u>	<u>\$ (6,302)</u>	<u>\$ 1,620</u>
 Covered-employee payroll - employer fiscal year	 \$ 1,032,893	 \$ 990,193	 \$ 1,138,555
Contributions as a percentage of covered-employee payroll	2.90%	3.03%	2.63%

Notes to contribution schedule:

Valuation date	July 1, 2017	July 1, 2017	July 1, 2019
Measurement period - fiscal year ended	June 30, 2017	June 30, 2018	June 30, 2019
Reporting period - fiscal year ended	June 30, 2018	June 30, 2019	June 30, 2020

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	20 years
Healthcare cost trend rates	6.0%	5.0%	6% to 5%
Salary increases	3.0%	3.0%	3.0%
Discount rate	6.5%	6.75%	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, 2020

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

	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB liability:			
Service cost	\$ 14,122	\$ 14,546	\$ 17,707
Interest	10,593	12,199	14,094
Changes of assumptions	-	(5,632)	(9,358)
Differences between expected and actual experience	-	-	88,062
Net change in total OPEB liability	24,715	21,113	110,505
Total OPEB liability - beginning	162,967	187,682	208,795
Total OPEB liability - ending (a)	<u>\$ 187,682</u>	<u>\$ 208,795</u>	<u>\$ 319,300</u>
Plan fiduciary net position:			
Contributions - employer	\$ 15,000	\$ 30,000	\$ 30,000
Net investment income	3,137	4,343	8,567
Administrative expense/trust fees	(27)	(51)	(84)
Net change in plan fiduciary net position	18,110	34,292	38,483
Plan fiduciary net position - beginning	30,474	48,584	82,876
Plan fiduciary net position - ending (b)	<u>\$ 48,584</u>	<u>\$ 82,876</u>	<u>\$ 121,359</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 139,098</u>	<u>\$ 125,919</u>	<u>\$ 197,941</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>25.89%</u>	<u>39.69%</u>	<u>38.01%</u>
Covered-employee payroll - measurement period	<u>\$ 955,360</u>	<u>\$ 1,032,893</u>	<u>\$ 990,193</u>
Net OPEB liability as percentage of covered-employee payroll	<u>14.56%</u>	<u>12.19%</u>	<u>19.99%</u>
Annual money-weighted rate of return, net of investment expenses	<u>6.86%</u>	<u>10.08%</u>	<u>8.74%</u>
Notes to schedule:			
Valuation date	July 1, 2017	July 1, 2017	July 1, 2019
Measurement period - fiscal year ended	June 30, 2017	June 30, 2018	June 30, 2019
Reporting period - fiscal year ended	June 30, 2018	June 30, 2019	June 30, 2020

Benefit changes. None.

Changes in assumptions. In 2020, healthcare trend rates were increased for periods prior to 2029. Also, discount rates were as follows:

Discount rate	6.50%	6.75%	6.75%
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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

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**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, 2020**

	Work Element Number	Budgeted Amounts		Actual-Funding Sources						Variance with Final Budget	
		Original	Final	FHWA-PL FTA 5303	SB1	LTF/ Interest/ Other	US DFW Sec 6 Grant	State REAP	State SHOPP		Totals
Revenues:											
Federal grants		\$ 1,677,441	\$ 1,386,276	\$ 983,056	\$ -	\$ -	\$ 25,703	\$ -	\$ -	\$ 1,008,759	\$ (377,517)
State grants		1,450,426	1,563,464	-	130,127	-	-	114,087	259,903	504,117	(1,059,347)
Local reimbursements		580,068	580,068	-	-	617,893	-	-	-	617,893	37,825
Transfers in		550,000	550,000	-	-	550,000	-	-	-	550,000	-
Interest and other		206,179	206,179	-	-	235,415	-	-	-	235,415	29,236
Total revenues		4,464,114	4,285,987	983,056	130,127	1,403,308	25,703	114,087	259,903	2,916,184	(1,369,803)
Expenditures:											
Administration of OWP	100	226,385	226,385	189,795	-	60,958	-	-	-	250,753	(24,368)
Intergovernmental Coordination	101	54,316	54,316	48,085	-	11,872	-	-	-	59,957	(5,641)
Regional Transportation Model	102	108,526	118,614	86,120	-	11,158	-	-	-	97,278	21,336
Regional GIS Coordination	103	61,026	77,111	64,889	-	8,407	-	-	-	73,296	3,815
Transportation Air Quality Planning	104	14,017	14,017	12,409	-	2,556	-	-	-	14,965	(948)
Federal Trans. Improvement Program (FTIP)	105	36,210	41,683	35,444	-	4,836	-	-	-	40,280	1,403
Regional Trans. Improvement Program (RTIP)	106	18,105	21,493	15,204	-	1,970	-	-	-	17,174	4,319
Regional Trans. Plan/Sustain Communities Strategy	107	226,404	226,404	142,342	-	18,442	-	-	-	160,784	65,620
Regional Housing Needs Plan	108	7,009	220,834	-	-	-	-	114,087	-	114,087	106,747
US Census Data Affiliate Center Administration	109	14,017	14,017	12,409	-	3,066	-	-	-	15,475	(1,458)
Intelligent Transport Systems	110	9,053	9,053	4,506	-	584	-	-	-	5,090	3,963
Butte Regional Conservation Plan	114	174,920	162,208	15,000	-	82,456	25,703	-	-	123,159	39,049
Regional Performance Measures	120	14,017	14,017	12,409	-	4,116	-	-	-	16,525	(2,508)
SB1 Sustainable Transportation-17/18	121	21,509	7,009	-	2,260	4,656	-	-	-	6,916	93
SB1 Sustainable Transportation- 18/19	122	595,844	572,867	260,444	78,373	10,154	-	-	-	348,971	223,896
SB1 Sustainable Transportation- 19/20	123	64,131	64,131	-	49,494	6,413	-	-	-	55,907	8,224
Regional Climate Adaptation Plan	124	178,599	-	-	-	-	-	-	-	-	-
Singer Creek Mitigation	212	100,000	100,000	-	-	-	-	-	-	-	100,000
Butte Regional Trans Ops/Maint	213	488,592	-	-	-	-	-	-	-	-	-
SR 191 Project Mitigation	216	1,046,705	1,125,304	-	-	-	-	-	259,903	259,903	865,401
TDA Administration	300	111,690	111,690	-	-	106,917	-	-	-	106,917	4,773
Public Transit Planning	301	90,418	90,418	75,513	-	9,783	-	-	-	85,296	5,122
Butte Regional Transit Administration	302	462,034	462,034	-	-	598,792	-	-	-	598,792	(136,758)
ADA Certification	303	47,537	47,537	-	-	52,718	-	-	-	52,718	(5,181)
Zero Emission Bus and Infrastructure	308	27,615	27,615	8,487	-	1,100	-	-	-	9,587	18,028
Indirect Costs, net of applied cost rate	999	418,763	418,763	-	-	343,108	-	-	-	343,108	75,655
Total expenditures		4,617,442	4,227,520	983,056	130,127	1,344,062	25,703	114,087	259,903	2,856,938	1,370,582
Excess (deficiency) of revenues over (under) expenditures		\$ (153,328)	\$ 58,467	\$ -	-	59,246	-	-	-	59,246	\$ 779
Fund balance - beginning				-	-	277,995	-	-	-	277,995	
Fund balance - ending				\$ -	\$ -	\$ 337,241	\$ -	\$ -	\$ -	\$ 337,241	

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF DIRECT AND INDIRECT COSTS
PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND
For the Fiscal Year ended June 30, 2020

	Direct Costs	Allowable Indirect Costs	Unallowable/ Locally funded Indirect Costs	Total
Salaries	\$ 694,416	\$ 373,655	\$ 70,484	\$ 1,138,555
Benefits	261,992	173,262	110,888	546,142
Total salaries and benefits	956,408	546,917	181,372	1,684,697
Direct services and supplies	775,266			775,266
INDIRECT COSTS OTHER THAN SALARY & BENEFITS:				
Communications	-	1,693	-	1,693
Household	-	17,948	6,000	23,948
Insurance	-	11,734	5,000	16,734
Computer Maintenance	-	5,645	1,000	6,645
Maintenance - building	-	6,682	-	6,682
Memberships	-	7,581	1,665	9,246
Office expense	-	6,069	-	6,069
Professional services	-	44,195	10,546	54,741
Public notices	-	2,062	-	2,062
Equipment lease	-	4,467	5,000	9,467
Facility lease	-	-	222,000	222,000
Special expense	-	1,169	1,000	2,169
Training	-	925	-	925
Travel	-	18,017	-	18,017
Utilities	-	2,610	13,137	15,747
Small equipment	-	830	-	830
Fixed assets-depreciation	-	938	-	938
Subtotal	-	132,565	265,348	397,913
Total costs	\$ 1,731,674	679,482	\$ 446,720	\$ 2,857,876
Over-absorbed indirect costs		102,670		
Total allocated indirect costs		\$ 782,152		
Reconciliation of expenditures to the Planning and Administration Fund:				
Total direct and indirect costs		\$ 2,857,876		
Depreciation		(938)		
Total Planning and Administration Fund expenditures		\$ 2,856,938		

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

LOCAL TRANSPORTATION FUND

SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS

For the Fiscal Year ended June 30, 2020

TDA Purpose	Beginning Unallocated/ Reserved	Allocation of Apportionment	Disbursement	Ending Unallocated / Reserved
City of Biggs				
99400(a) Streets and roads	\$ -	\$ 39,200	\$ 39,200	\$ -
Unallocated apportionment	-	9,860	-	9,860
Total	<u>-</u>	<u>49,060</u>	<u>39,200</u>	<u>9,860</u>
City of Chico				
99400(a) Pedestrian and bicycle	-	1,259,291	1,259,291	-
99400(a) Streets and roads	-	166,000	166,000	-
99400(b) Other passenger rail	-	51,144	51,144	-
99400(c) General public transit	-	50,000	50,000	-
99400(d) Planning and administration	-	4,127	4,127	-
99402 Streets & roads planning	-	361,783	361,783	-
Unallocated apportionment	-	475,980	-	475,980
Total	<u>-</u>	<u>2,368,325</u>	<u>1,892,345</u>	<u>475,980</u>
City of Gridley				
99260(a) Public transportation	-	385	385	-
99402 Streets & roads planning	-	141,764	141,764	-
Unallocated apportionment	-	35,755	-	35,755
Total	<u>-</u>	<u>177,904</u>	<u>142,149</u>	<u>35,755</u>
City of Oroville				
99402 Streets & roads planning	-	371,797	371,797	-
Unallocated apportionment	-	93,518	-	93,518
Total	<u>-</u>	<u>465,315</u>	<u>371,797</u>	<u>93,518</u>
Town of Paradise				
Unallocated apportionment	-	681,456	-	681,456
Total	<u>-</u>	<u>681,456</u>	<u>-</u>	<u>681,456</u>
County of Butte				
99233.1 TDA administration	-	19,483	19,483	-
99400(b) Other passenger rail	-	1,680	1,680	-
99400(c) Elderly & handicapped	-	6,000	6,000	-
99402 Streets & roads planning	-	1,657,132	1,657,132	-
Unallocated apportionment	-	421,135	-	421,135
Total	<u>-</u>	<u>2,105,430</u>	<u>1,684,295</u>	<u>421,135</u>
Butte Regional Transit				
99260(a) Public transportation	-	2,080,211	2,080,211	-
99262 Capital - reserved	800,000	1,200,000	400,000	1,600,000
Total	<u>800,000</u>	<u>3,280,211</u>	<u>2,480,211</u>	<u>1,600,000</u>
Butte County Association of Governments				
99233.1 TDA administration	-	111,690	111,690	-
99233.2 TDA planning	-	438,310	438,310	-
Total	<u>-</u>	<u>550,000</u>	<u>550,000</u>	<u>-</u>
Total LTF	<u>\$ 800,000</u>	<u>\$ 9,677,701</u>	<u>\$ 7,159,997</u>	<u>\$ 3,317,704</u>

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

**STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS
For the Fiscal Year ended June 30, 2020**

<u>TDA Purpose</u>	<u>Beginning Balance</u>	<u>Allocation of Apportionment</u>	<u>Disbursements</u>	<u>Ending Balance</u>
City of Gridley, Taxi Service				
6730(a) Operating	\$ -	\$ 87,418	\$ 87,418	\$ -
Total	<u>-</u>	<u>87,418</u>	<u>87,418</u>	<u>-</u>
Butte Regional Transit				
6730(a) Operating	-	1,998,549	1,998,549	-
Total	<u>-</u>	<u>1,998,549</u>	<u>1,998,549</u>	<u>-</u>
Total STA	<u>\$ -</u>	<u>\$ 2,085,967</u>	<u>\$ 2,085,967</u>	<u>\$ -</u>

**STATE OF GOOD REPAIR FUND
SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS
For the Fiscal Year ended June 30, 2020**

<u>SGR Purpose</u>	<u>Beginning Balance</u>	<u>Allocation of Award</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Butte Regional Transit				
Capital replacement	\$ 316,562	\$ 325,888	\$ -	\$ 642,450
City of Gridley, Taxi Service				
Preventive maintenance	-	197	197	-
Total SGR	<u>\$ 316,562</u>	<u>\$ 326,085</u>	<u>\$ 197</u>	<u>\$ 642,450</u>

COMPLIANCE REPORTS

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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 PROGRAM 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, 2020, 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 8, 2021.

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 Other State Program Guidelines)

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 Note L to the financial statements, in accordance with other state

To the Board of Directors
Butte County Association of Governments

program 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 program 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 other state program guidelines in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

February 8, 2021



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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, 2020. 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, 2020.

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 8, 2021

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

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

20.505

U.S. Department of Transportation, Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research.

20.509

U.S. Department of Transportation, Formula Grants for Rural Areas and Tribal Transit Program.

- | | |
|---|------------|
| 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, 2020

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, 2020**

	CFDA Number	State Agency Number	BCAG Project Description	Expenditures
<u>Department of the Interior</u>				
Passed through the State of California, Department of Fish & Wildlife				
Cooperative Endangered Species Conservation Fund	15.615	P1820100	20114 Sec 6	25,703
<u>Department of Transportation</u>				
Passed through the State of California, Department of Transportation				
Metropolitan Transportation Planning and State and Non-metropolitan Planning Research	20.505	MFTA 74A0808	FHWA PL	909,789
Federal Transit - Metropolitan Planning Grants	20.505	MFTA 74A0808	FTA 5303	73,267
			<i>Subtotal 20.505</i>	<u>983,056</u>
Formula Grants for Rural Areas and Tribal Transit Program				
Intercity Bus Program	20.509	SA 64CO19-00995	FTA 5311(f) BRT Operating-Rural FR	188,064
Intercity Bus Program	20.509	SA 64KO20-01257	FTA 5311(f) BRT Operating-CARES	152,175
Nonurbanized Area Formula Program	20.509	not available	FTA 5311 BRT Operating-Rural FR	710,141
Nonurbanized Area Formula Program	20.509	SA 64VO20-01043	FTA 5311 BRT Operating-CARES	772,970
			<i>Subtotal 20.509</i>	<u>1,823,350</u>
Direct award from Department of Transportation,				
Federal Transit Cluster				
Federal Transit Administration				
Buses and Bus Facilities Formula, Competitive, and				
Low or No Emissions Programs	20.526	-	CA-2017-099- 16/17 5339 Capital	57,597
Federal Transit Formula Grants				
Urbanized Area Formula Program	20.507	-	CA-2019-083- 18/19 5307 Capital	30,347
Urbanized Area Formula Program	20.507	-	FTA 5307 BRT Operating	1,574,171
Urbanized Area Formula Program	20.507	-	FTA 5307 BRT Operating CARES	2,302,129
			<i>Subtotal 20.507</i>	<u>3,906,647</u>
			<i>Total Federal Transit Cluster</i>	<u>3,964,244</u>
Total awards				<u><u>\$ 6,796,353</u></u>

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

For the Year Ended June 30, 2020

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, 2020. 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, 2020 included an approved indirect cost rate of 81.78% 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, 2020.

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.