

**BUTTE COUNTY  
ASSOCIATION OF GOVERNMENTS**

Audited Financial Statements  
and Compliance Reports

June 30, 2022

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BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

Audited Financial Statements  
And Compliance Reports

June 30, 2022

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550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

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

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

#### **Qualified and Unmodified Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2022, and the related notes to the financial statements, which collectively comprise the Butte County Association of Government's basic financial statements as listed in the table of contents.

#### *Qualified Opinion on the Governmental Activities*

In our opinion, except for the of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Association as of June 30, 2022, and changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America,

#### *Unmodified Opinions on Business-type Activities, Each Major Fund and Aggregate Remaining Fund Information.*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Association as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Qualified and Unmodified Opinions**

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

*Matter Giving Rise to the Qualified Opinion on the Governmental Activities*

The Association did not implement Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Accounting principles generally accepted in the United States of America require the Association to record a lease liability and an intangible right-to-use asset in the governmental activities for the leases described in Note J. The amount by which this departure would affect assets and liabilities and the associated notes to the financial statements is not reasonably determinable.

**Responsibilities of Management for the Financial Statements**

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

To the Board of Directors  
Butte County Association of Governments

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The supplementary information, as listed in the table of contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the 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 13, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Association's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

February 13, 2023

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2022**

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, 2022. 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 \$36,557,748 (net position). The Association's total net position increased by \$1,428,678 largely due to increased governmental sales and use taxes.
- Governmental funds reported a combined ending fund balances of \$10,454,546. \$3,898,933 represents funds set aside for future transit capital and \$6,206,303 is restricted for transit operations and transportation projects. Unassigned fund balance of \$338,648 is 6.4% of current planning expenditures and 2.1 months of salaries & benefits.
- The proprietary fund for Butte Regional Transit reports an ending net position of \$9,912,630, which is largely made up of the investment in capital assets. This fund decreased in the current year by \$1,481,299, largely related to the depreciation of 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, 2022**

**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, 2022**

**Overview of the Financial Statements (continued)**

The Basic Governmental Fund Financial Statements are presented on pages 16-17 of this report.

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

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

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

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

**Notes to the 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 22-46 of this report.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2022**

**Government-wide Financial Analysis**

**Statement of Net Position** - The following table shows the current net position for governmental and business-type activities compared to the prior year.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS CONDENSED STATEMENT OF NET POSITION						
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets and Deferred Outflows:</b>						
Current and other assets	\$ 12,132,707	\$ 11,682,389	\$ 9,653,844	\$ 8,985,574	\$ 21,786,551	\$ 20,667,963
Long-term assets	15,481,100	15,481,100	-	-	15,481,100	15,481,100
Capital assets, net	1,218,724	910,229	9,763,926	11,244,410	10,982,650	12,154,639
Total assets	<u>28,832,531</u>	<u>28,073,718</u>	<u>19,417,770</u>	<u>20,229,984</u>	<u>48,250,301</u>	<u>48,303,702</u>
Deferred outflows	<u>581,677</u>	<u>449,963</u>	<u>-</u>	<u>-</u>	<u>581,677</u>	<u>449,963</u>
<b>Liabilities and Deferred Inflows:</b>						
Current liability	1,733,776	3,487,044	814,209	732,044	2,547,985	4,219,088
Long-term liability	640,813	1,253,428	8,690,931	8,104,011	9,331,744	9,357,439
Total liabilities	<u>2,374,589</u>	<u>4,740,472</u>	<u>9,505,140</u>	<u>8,836,055</u>	<u>11,879,729</u>	<u>13,576,527</u>
Deferred inflows	<u>394,501</u>	<u>48,068</u>	<u>-</u>	<u>-</u>	<u>394,501</u>	<u>48,068</u>
<b>Net Position:</b>						
Investment in capital assets	1,218,724	910,229	9,763,926	11,244,410	10,982,650	12,154,639
Restricted	10,105,236	7,720,582	37,388	26,824	10,142,624	7,747,406
Unrestricted	15,321,158	15,104,330	111,316	122,695	15,432,474	15,227,025
Total net position	<u>\$ 26,645,118</u>	<u>\$ 23,735,141</u>	<u>\$ 9,912,630</u>	<u>\$ 11,393,929</u>	<u>\$ 36,557,748</u>	<u>\$ 35,129,070</u>

The Association's net position reflects \$10,982,650 of investment in capital assets. The largest portion, \$9,763,926 is made up of the busses and transit stations used by Butte Regional Transit. The remaining \$1,218,724 of capital assets listed in the governmental activities include construction in progress, office equipment placed in service in the new facility and land held for mitigation purposes.

Restricted net position of \$10,142,624 includes \$6,206,303 of TDA funds awaiting apportionment to the jurisdictions, \$3,898,933 restricted for transit capital, \$37,388 of interest earned on grant funds.

The unrestricted net position, \$15,432,474, 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 F. After removing the long-term note receivable, the Association would have shown a deficit of \$48,626. 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 I in the Financial Statements.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2022**

**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	
	2022	2021	2022	2021	2022	2021
<b>Program Expenses</b>						
Planning and administration	\$ 4,343,534	\$ 2,720,543	\$ -	\$ -	\$ 4,343,534	\$ 2,720,543
Transportation claimants	13,693,984	11,892,452	-	-	13,693,984	11,892,452
Transit operations	-	-	12,015,116	10,948,276	12,015,116	10,948,276
Total expenses	<u>18,037,518</u>	<u>14,612,995</u>	<u>12,015,116</u>	<u>10,948,276</u>	<u>30,052,634</u>	<u>25,561,271</u>
<b>Revenues and Transfers</b>						
Program revenues:						
Operating grants and contributions	6,179,853	4,554,552	9,525,712	8,711,974	15,705,565	13,266,526
Capital grants and contributions	396,889	49,207	55,734	3,490,510	452,623	3,539,717
Charges for services	-	-	1,085,564	780,849	1,085,564	780,849
General revenues:						
Tax based revenue	13,891,404	12,542,242	-	-	13,891,404	12,542,242
Investment earnings	287,710	175,281	44,170	(34,576)	331,880	140,705
Gain (Loss) on sale of assets	-	-	14,276	(50,940)	14,276	(50,940)
Net transfer/contributions	191,639	78,311	(191,639)	(78,311)	-	-
Total revenues	<u>20,947,495</u>	<u>17,399,593</u>	<u>10,533,817</u>	<u>12,819,506</u>	<u>31,481,312</u>	<u>30,219,099</u>
<b>Change in Net Position</b>	2,909,977	2,786,598	(1,481,299)	1,871,230	1,428,678	4,657,828
<b>Net Position - beginning</b>	<u>23,735,141</u>	<u>20,948,543</u>	<u>11,393,929</u>	<u>9,522,699</u>	<u>35,129,070</u>	<u>30,471,242</u>
<b>Net Position - ending</b>	<u>\$ 26,645,118</u>	<u>\$ 23,735,141</u>	<u>\$ 9,912,630</u>	<u>\$ 11,393,929</u>	<u>\$ 36,557,748</u>	<u>\$ 35,129,070</u>

**Governmental Activities**

Planning and administration expenses of \$4,343,534 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 \$2.18 million in expense. Construction and mitigation projects totaled \$2.08 million 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 \$13,693,984 in Regional Surface Transportation Plan (RSTP), Transportation Development Act (TDA) and State of Good Repair (SGR) funds.

Operating grants and contributions of \$6,179,853 include \$2,781,624 of federal RSTP funds, which are exchanged each year for more flexible state highway funds. It also includes \$2,084,512 of state funding towards the SR191 Mitigation project. The remaining balance of \$1,313,716 includes federal and state planning funds which fluctuate based on project needs.

Tax-based revenues of \$13,891,404 which include the TDA and SGR, continued to increase due to strong consumer spending throughout the pandemic.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year ended June 30, 2022**

**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 \$1.48 million decrease in net position are largely related to the purchase, disposal, and depreciation of transit fixed assets, which are discussed in the capital asset section below. Transit operations are further discussed in the enterprise fund analysis below.

**Governmental Funds Financial Analysis**

As of June 30, 2022, the Association's governmental funds reported combined ending fund balance of \$10,454,546. The focus of the Association's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The Association maintains four major governmental funds.

**Planning and Administration**

The Planning and Administration Fund, the main operating fund for the BCAG transportation planning responsibilities, has an ending fund balance of \$349,310. 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 \$338,648 represents 6.4% 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 \$9,502, which decreases the total unreimbursed indirect costs for the two-year carryover period to \$108,093. 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 \$5,469,060 was adopted by the Board in April of 2022. Notable budget adjustments from the original adoption in April of 2021 include the additions of SR191 Mitigation project and the Paradise Transit Center work element. Also notable is the addition of federal funding for the electric bus underground construction. All other adjustments were for the purpose of bringing estimates in line with actual costs and funding agreements.

Actual salary and benefit expenditures in the Planning and Administration Fund were consistent with budget projections. Services and supplies were higher than budget estimates while capital outlay related to electric bus underground infrastructure came in under budget. The largest budget difference relates to the work on the SR191 Mitigation project. The \$2 million dollar cost to purchase the mitigation easement and the state SHOPP funds to pay for it were not included in the final budget. Without the effects of this, the actual project costs were lower than budget predominately due to requirements to budget multi-year grant revenue and expenditures. This holds true for REAP, SB1, FTA 5304, and FTA 5307 projects. The combined effect is a 3.8% increase 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).

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2022**

**Governmental Funds Financial Analysis (continued)**

**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 \$2.8 million have remained consistent over the past several years. Fund balance represents unallocated interest.

**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 8.8% 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 \$1,255,752 in the current year to a total of \$7,265,650. Fund balance restricted for transit capital purchases remained at \$2,200,000 per the authorized apportionment. Fund balance restricted for future transit operations or transportation claims increased to \$5,065,650. Total STA fund balance increased by \$805,273 with \$1,140,567 available for future apportionment and \$400,000 restricted for future transit capital purchases.

The significant increases in TDA fund balance reflects the use of federal funding in transit operations. TDA fund balance may be needed in future years to cover declining fare revenues that have materialized due to the COVID-19 pandemic.

**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 \$1,298,933 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, 2022**

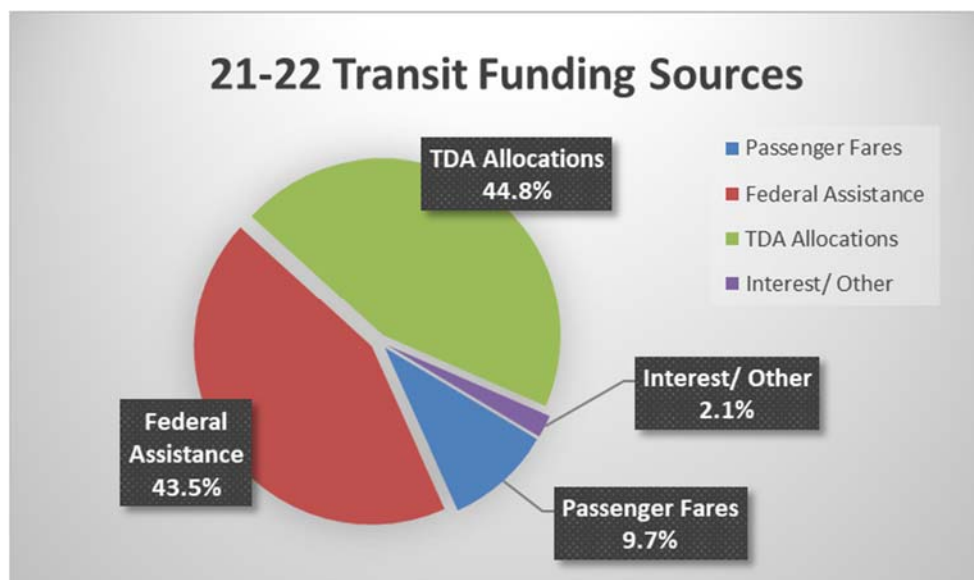
**Enterprise Fund Financial Analysis**

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 \$1,481,299. 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.

This fiscal year continues to be defined by the effects of the COVID-19 pandemic, though riders are showing signs of returning to both fixed route and paratransit services. Student shuttle routes (8 & 9) which serve the CSUC campus, were reinstated and student ridership saw a dramatic increase. Butte Regional Transit served 478,978 passengers on fixed route service and 64,577 on the paratransit service, designated for seniors and the disabled. This is a 47% increase in fixed route passengers and a 29% increase in paratransit riders over the prior year. While this is a significant increase, these levels are still below pre-pandemic ridership.

Passenger fares covered 9.7% of total operating expense (less depreciation) compared to 7.6% in the prior year. This is still significantly lower than pre-pandemic ratios where FY19/20 was 13.5% and FY18/19 was 16.5%. The remaining operations expense is largely paid by Federal Transit Administration (FTA) grants and state TDA funding as pictured below. Federal assistance, which includes COVID-19 emergency funding, covers 43.5% of the operating expense compared to 56.5% in the prior year. Allocations of TDA balance out the annual budget. With the decrease of federal funds and reduced operating expense, the TDA allocations increased to cover 44.8% compared to 34.1% in the prior year.

Transit operating expense less depreciation (which is included in the investment in assets) totaled \$10,515,821. This was \$315,106 less than the budgeted expense for the year, largely owing to less paratransit service than expected.



**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2022**

**Enterprise Fund Financial Analysis (continued)**

The California Transportation Development Act (TDA) requires a minimum farebox ratio per the regulations. Fare collections and local funds as a percentage of operating expenditures must be maintained. When demand fell during the pandemic, the California Assembly passed AB90 which provides an exemption to the TDA farebox requirement through fiscal year 2020/21. In July of 2021, AB 149 was passed that extended the farebox requirement exemption through fiscal year 2022/23 and allowed all nonstate support to be included in the calculation of local funds. For fiscal year ending June 30, 2022, all services meet the minimum requirement as shown in Note R in the financial statements.

**Investment in Capital Assets**

As of June 30, 2022, the Association's investment in capital assets for its governmental and business-type activities amounted to \$10,982,650, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, structures and improvements, vehicles and equipment. Capital assets are not booked in governmental funds but are recorded in the government-wide financial statements. Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 570,000	\$ 570,000	\$ -	\$ -	\$ 570,000	\$ 570,000
Construction in progress	405,111	8,222	-	-	405,111	8,222
Structures and improvements	-	-	1,156,876	1,186,164	1,156,876	1,186,164
Vehicles and equipment	243,613	332,007	8,607,050	10,058,246	8,850,663	10,390,253
Total, net of depreciation	<u>1,218,724</u>	<u>910,229</u>	<u>9,763,926</u>	<u>11,244,410</u>	<u>10,982,650</u>	<u>12,154,639</u>

Investments in capital assets of the Governmental Activities increased primarily due to \$396,889 of additions to the construction in progress related to the design of the solar infrastructure needed to support the electric bus rollout. Annual depreciation expense on office equipment reduced the net value by \$88,394.

During the year, minor equipment was added for transit and six busses were removed from service after being replaced in the prior year. Annual depreciation of assets decreased the net investment in capital assets by \$1,499,295 in for the Business-type Activities. Further discussion of capital assets can be found in the capital asset Note G in the financial statements.



**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2022**

**Economic Factors and Next Year's Budgets and Rates**

California's economy will grow at a slower pace during the 2023 calendar year and the state will face a \$24 billion budget deficit as result of weaker revenues coming into the state. Spurred by pandemic-related federal stimulus funding, the US economy entered a period of rapid expansion in the summer of 2021 which increased inflation. As a result, the Federal Reserve enacted large interest rate increases throughout 2022 with the aim of cooling the economy and, in turn, slowing inflation. Considering the threat of a recession, California's 2023-24 revenue estimates represent the weakest performance the state has experienced since the Great Recession.

With the projected 2023-24 budget deficit and lower revenues, the California legislature will need to consider implementing inflation related adjustments which could likely include reduced spending or funding of state programs, and/or pause and delay on funding for some programs, including transportation.

The outlook on federal transportation funding during the 2023 calendar year is more stable than California's situation as we enter the second year of the Bipartisan Infrastructure Investment and Jobs Act. The Investment and Jobs Act passed in 2021 is the largest investment in transportation in recent decades and includes a significant increase in funding for the nation's public transit systems, rail, highways and safety, and cleaner electric and low emission vehicles.

Federal funding apportionments for 2023 will be slightly higher than 2022 and will continue to benefit transit agencies like Butte Regional Transit in replacement of aging bus fleets and with the conversion to electric or other low emission vehicles. For fiscal year 2023-24, California is looking at over \$4.9 billion in transportation funding for programs covering highway, rail, safety, transit, bridges and planning. This level of transportation funding should benefit the economy and help to fund the needed improvements in the state and nations transportation infrastructure and transit systems.

In summary, the outlook for transportation funding for programs that support BCAG's planning and capital projects for Butte County will be stable and will allow current and planned work to continue over the next few years. During the 2023 calendar year, BCAG will continue to work closely with the state and federal agencies as they continue to develop new guidelines for implementation of funding programs under the Infrastructure and Investment Jobs Act. BCAG will continue to be focused on finding funding programs to support the conversion of the B-Line bus fleet to zero emission vehicles, and to ensure sufficient funding for needed safety improvements on the region's highways and priority projects. BCAG will also continue development of the North Valley Passenger Rail Strategic Plan which outlines the improvements and costs to extend daily passenger rail service from Natomas to Butte County. This project is a multiyear project that will be implemented and coordinated with several neighboring cities and counties, in addition to Caltrans and the San Joaquin Joint Powers Agency (SJJPA) and the San Joaquin Regional Rail Commission and the public.

**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](http://www.bcag.org).

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 8,657,122	\$ 2,923,783	\$ 11,580,905
Receivables	3,464,923	5,353,892	8,818,815
Prepaid expenses	10,662	80,956	91,618
Restricted cash and investments	-	1,295,213	1,295,213
Notes receivable - long term	15,481,100	-	15,481,100
Nondepreciated capital assets	975,111	-	975,111
Depreciated capital assets, net	243,613	9,763,926	10,007,539
Total assets	<u>28,832,531</u>	<u>19,417,770</u>	<u>48,250,301</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Postemployment benefits plan	264,983	-	264,983
Employee pension plan	316,694	-	316,694
Total deferred outflow of resources	<u>581,677</u>	<u>-</u>	<u>581,677</u>
<b>LIABILITIES</b>			
Payables	1,402,853	814,209	2,217,062
Unearned revenues	275,308	8,690,931	8,966,239
Noncurrent liabilities			
Due within one year	50,523	-	50,523
Due in more than one year	645,905	-	645,905
Total liabilities	<u>2,374,589</u>	<u>9,505,140</u>	<u>11,879,729</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Postemployment benefits plan	41,699	-	41,699
Employee pension plan	352,802	-	352,802
Total deferred inflow of resources	<u>394,501</u>	<u>-</u>	<u>394,501</u>
<b>NET POSITION</b>			
Investment in capital assets	1,218,724	9,763,926	10,982,650
Restricted for transit / transportation	10,105,236	37,388	10,142,624
Unrestricted	15,321,158	111,316	15,432,474
Total net position	<u>\$ 26,645,118</u>	<u>\$ 9,912,630</u>	<u>\$ 36,557,748</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, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>PROGRAM EXPENSES</b>			
Governmental activities:			
Planning and administration	\$ 4,343,534	\$ -	\$ 4,343,534
Transportation claimants	13,693,984	-	13,693,984
Total governmental activities	<u>18,037,518</u>	-	<u>18,037,518</u>
Business-type activities:			
Transit operations	-	12,015,116	12,015,116
Total program expenses	<u>18,037,518</u>	<u>12,015,116</u>	<u>30,052,634</u>
<b>PROGRAM / OPERATING REVENUES</b>			
Operating grants and contributions	6,179,853	9,525,712	15,705,565
Capital grants and contributions	396,889	55,734	452,623
Charges for services	-	1,085,563	1,085,563
Total program/operating revenues	<u>6,576,742</u>	<u>10,667,009</u>	<u>17,243,751</u>
Net program (expense) revenues	<u>(11,460,776)</u>	<u>(1,348,107)</u>	<u>(12,808,883)</u>
<b>GENERAL REVENUES AND TRANSFERS</b>			
State shared revenue - sales and use taxes	13,891,404	-	13,891,404
Investment earnings	287,710	44,170	331,880
Gain on sale of assets	-	14,277	14,277
Transfer to governmental activities	191,639	(191,639)	-
Total general revenues	<u>14,370,753</u>	<u>(133,192)</u>	<u>14,237,561</u>
Change in net position	2,909,977	(1,481,299)	1,428,678
Net position - beginning	<u>23,735,141</u>	<u>11,393,929</u>	<u>35,129,070</u>
Net position - ending	<u>\$ 26,645,118</u>	<u>\$ 9,912,630</u>	<u>\$ 36,557,748</u>

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022**

	Major Funds				Non-Major	Total Governmental Funds
	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	Fund State of Good Repair	
<b>Assets</b>						
Cash and investments	\$ 269,639	\$ 56	\$ 6,149,345	\$ 992,216	\$ 1,245,866	\$ 8,657,122
Prepaid costs	10,662	-	-	-	-	10,662
Accounts receivable	123	-	-	-	-	123
Due from other governments	750,835	30	2,112,517	548,351	53,067	3,464,800
<b>Total assets</b>	<b>\$ 1,031,259</b>	<b>\$ 86</b>	<b>\$ 8,261,862</b>	<b>\$ 1,540,567</b>	<b>\$ 1,298,933</b>	<b>\$ 12,132,707</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 278,508	\$ -	\$ -	\$ -	\$ -	\$ 278,508
Salaries and benefits payable	128,133	-	-	-	-	128,133
Due to other governments	-	-	996,212	-	-	996,212
Unearned revenues	275,308	-	-	-	-	275,308
<b>Total liabilities</b>	<b>681,949</b>	<b>-</b>	<b>996,212</b>	<b>-</b>	<b>-</b>	<b>1,678,161</b>
<b>Fund Balances:</b>						
Nonspendable - prepaid costs	10,662	-	-	-	-	10,662
Restricted - transit capital	-	-	2,200,000	400,000	1,298,933	3,898,933
Restricted - transit/ transportation	-	86	5,065,650	1,140,567	-	6,206,303
Unassigned	338,648	-	-	-	-	338,648
<b>Total fund balances</b>	<b>349,310</b>	<b>86</b>	<b>7,265,650</b>	<b>1,540,567</b>	<b>1,298,933</b>	<b>10,454,546</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,031,259</b>	<b>\$ 86</b>	<b>\$ 8,261,862</b>	<b>\$ 1,540,567</b>	<b>\$ 1,298,933</b>	<b>\$ 12,132,707</b>

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

Fund balances - total governmental funds	\$ 10,454,546
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	975,111
Depreciated capital assets, net of depreciation	243,613
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	581,677
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(356,313)
Net OPEB liability	(239,069)
Compensated absences	(101,046)
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	(394,501)
<b>Net position of governmental activities</b>	<b>\$ 26,645,118</b>

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, 2022**

	Major Funds				Non-Major Fund	Total Governmental Funds
	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	State of Good Repair	
<b>Revenues:</b>						
Sales and use taxes	\$ -	\$ -	\$ 11,645,482	\$ 1,930,349	\$ 315,573	\$ 13,891,404
State highway funds	-	2,781,624	-	-	-	2,781,624
Federal grants	1,389,633	-	-	-	-	1,389,633
State grants	2,405,485	-	-	-	-	2,405,485
Local reimbursements	627,721	-	-	-	-	627,721
Interest and other	232,100	1,215	40,406	5,097	8,892	287,710
<b>Total revenues</b>	<b>4,654,939</b>	<b>2,782,839</b>	<b>11,685,888</b>	<b>1,935,446</b>	<b>324,465</b>	<b>21,383,577</b>
<b>Expenditures:</b>						
Allocations:						
Butte Regional Transit	-	-	4,262,542	1,044,173	-	5,306,715
County of Butte	-	955,744	1,630,249	-	-	2,585,993
City of Biggs	-	20,847	46,864	-	-	67,711
City of Chico	-	1,271,225	3,025,374	-	-	4,296,599
City of Gridley	-	96,526	166,316	86,000	-	348,842
City of Oroville	-	252,021	484,728	-	-	736,749
Town of Paradise	-	187,312	164,063	-	-	351,375
Salaries and benefits	1,920,358	-	-	-	-	1,920,358
Services and supplies	3,360,399	-	-	-	-	3,360,399
Capital outlay	396,889	-	-	-	-	396,889
<b>Total expenditures</b>	<b>5,677,646</b>	<b>2,783,675</b>	<b>9,780,136</b>	<b>1,130,173</b>	<b>-</b>	<b>19,371,630</b>
Excess (deficiency) of revenues over (under) expenditures	(1,022,707)	(836)	1,905,752	805,273	324,465	2,011,947
Other financing sources (uses):						
Transfer in	841,639	-	-	-	-	841,639
Transfer out	-	-	(650,000)	-	-	(650,000)
<b>Total other financing sources (uses)</b>	<b>841,639</b>	<b>-</b>	<b>(650,000)</b>	<b>-</b>	<b>-</b>	<b>191,639</b>
<b>Net change in fund balances</b>	<b>(181,068)</b>	<b>(836)</b>	<b>1,255,752</b>	<b>805,273</b>	<b>324,465</b>	<b>2,203,586</b>
Fund balances - beginning	530,378	922	6,009,898	735,294	974,468	8,250,960
<b>Fund balances - ending</b>	<b>\$ 349,310</b>	<b>\$ 86</b>	<b>\$ 7,265,650</b>	<b>\$ 1,540,567</b>	<b>\$ 1,298,933</b>	<b>\$ 10,454,546</b>

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, 2022**

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

Net change in fund balances - total governmental funds	\$ 2,203,586
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	(88,394)
Capital outlay	396,889
Non-cash reimbursements from New Market Tax Credit financing are not recognized in the governmental funds because they do not represent current financial resources.	
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	(627,721)
Planning and administration expense	627,721
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	131,406
Deferred outflows of resources related to employee pension plan	308
Change in compensated absences	10,185
Change in net OPEB liability	(35,233)
Change in net pension liability	637,663
Deferred inflows of resources related to postemployment benefits plan	(29,070)
Deferred inflows of resources related to employee pension plan	(317,363)
Change in net position of governmental activities	<u>\$ 2,909,977</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, 2022**

**ASSETS**

Cash and cash equivalents	\$ 2,923,783
Accounts receivable	91,281
Due from other governments	5,262,611
Prepaid expense	80,956
Restricted cash and cash equivalents	1,295,213
Capital assets, net	<u>9,763,926</u>

Total assets	<u>19,417,770</u>
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**LIABILITIES**

Accounts payable	814,209
Unearned revenues	<u>8,690,931</u>

Total liabilities	<u>9,505,140</u>
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**NET POSITION**

Investment in capital assets	9,763,926
Restricted grant investment earnings	37,388
Unrestricted	<u>111,316</u>

Total net position	<u><u>\$ 9,912,630</u></u>
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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, 2022**

**OPERATING REVENUES**

Revenue from fares \$ 1,015,897

**OPERATING EXPENSES**

Administration 437,794

Americans with Disabilities Act certification 53,679

Insurance 414,255

Vehicle maintenance 54,776

Materials and equipment 48,270

Purchased transportation 7,258,932

Fuel including taxes and fees 1,285,016

Miscellaneous operating 363,168

Building operations & maintenance 599,931

Depreciation 1,499,295

Total operating expenses 12,015,116

**OPERATING LOSS** (10,999,219)

**NONOPERATING REVENUES (EXPENSES)**

Federal transit assistance 4,575,199

TDA operating allocation 4,898,840

State operating grants 51,673

Investment earnings 44,170

Advertising sales 69,666

Loss on sale of fixed assets 14,277

Total nonoperating revenues 9,653,825

**LOSS BEFORE CAPITAL CONTRIBUTIONS** (1,345,394)

**CAPITAL CONTRIBUTIONS**

TDA capital allocation 11,148

Federal capital contributions 44,586

Total capital contributions 55,734

**OTHER FINANCING USES**

Transfer out (191,639)

Change in net position (1,481,299)

Net position - beginning 11,393,929

Net position - ending \$ 9,912,630

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, 2022

### CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers and users	\$ 963,631
Payments to suppliers and claimants	(9,786,035)
Payments for interfund services used	(627,721)
Payments for advertising sales	69,667
Net cash used by operating activities	<u>(9,380,458)</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating grants received	<u>9,234,411</u>
Net cash provided by noncapital financing activities	<u>9,234,411</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital acquisitions	(55,734)
Proceeds from sales	51,200
Capital grants	303,693
Capital apportionment	400,000
LCTOP and Transfer out to BCAG	<u>(191,639)</u>
Net cash provided by capital and related financing activities	<u>507,520</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Investment earnings received	<u>44,173</u>
Net cash provided by investing activities	<u>44,173</u>

Net increase in cash and cash equivalents	405,646
Cash and cash equivalents - beginning of year	<u>3,813,350</u>
Cash and cash equivalents - end of year	<u>\$ 4,218,996</u>

### RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:

Cash and cash equivalents	\$ 2,923,783
Restricted cash and cash equivalents	<u>1,295,213</u>
Total cash and cash equivalents	<u>\$ 4,218,996</u>

### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating loss	<u>\$ (10,999,219)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,499,295
Advertising sales	69,667
Changes in assets and liabilities:	
Accounts receivable	(52,266)
Prepaid expense	19,901
Warrants payable (prior year)	(60,875)
Accounts payable	<u>143,039</u>
Total adjustments	<u>1,618,761</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (9,380,458)</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, 2022**

**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 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 J 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 F. 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 F. 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, 2022**

**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, 2022**

**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 ¼ cent of the state's 7½ 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 the following 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, TDA allocations, 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, 2022**

**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, 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.

Compensated Absences

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position

The government-wide and proprietary fund financial statements report net position presentation. 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.

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

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

Fund Balance

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

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

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

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

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

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

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows and Inflows of Resources

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE B – NEW PRONOUNCEMENTS**

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

In April 2022, the GASB issued Statement No. 99, Omnibus 2022. This Statement enhances comparability in accounting and financial reporting and consistency in authoritative literature, including the classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; clarification of provisions of Statement 87, Leases, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives; clarification of provisions in Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments, related to the focus of the government-wide financial statements; terminology updates related to provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and terminology used in Statement No. 53 to refer to resource flows statements. The provisions of this Statement are effective immediately through periods beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.



**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**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, 2022, the Association's restricted and unrestricted cash and investments of \$12,876,118, most of which is held in the County's investment pool, are valued at cost, which approximates 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 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 523 days.

The fair value of the pooled County Treasury at June 30, 2022 is 96.99% 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 Annual Comprehensive Financial Report (ACFR).

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 fund balance. The restricted cash and investments balance of \$1,295,213 on June 30, 2022 is related to the California Low Carbon Transit Operations Program (LCTOP).

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE E – DUE FROM OTHER GOVERNMENTS**

The Association receives considerable funding from other government agencies which make payments in arrears of expenditures. Due from other governments consisted of the following as of June 30, 2022:

	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	State of Good Repair	Butte Regional Transit	Total
Local Governments	\$ 130,330	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ 130,360
California Department of:							
Transportation	418,881	-	-	-	-	2,031,715	2,450,596
Tax and Fee Admin	-	-	2,112,517	-	-	-	2,112,517
Housing & Comm. Develop.	27,479	-	-	-	-	-	27,479
California State Controller	-	-	-	548,351	53,067	-	601,418
Federal Transit Admin.	174,145	-	-	-	-	3,230,896	3,405,041
	<u>\$ 750,835</u>	<u>\$ 30</u>	<u>\$ 2,112,517</u>	<u>\$ 548,351</u>	<u>\$ 53,067</u>	<u>\$ 5,262,611</u>	<u>\$ 8,727,411</u>

**NOTE F – LONG TERM NOTE RECEIVABLE**

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

On March 10, 2016, the Association and Chase New Markets Tax Credit BCAG Transportation Center Investment Fund, LLC (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, 2021. 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, 2021. 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, 2022**

**NOTE G – CAPITAL ASSETS**

As of June 30, 2022, the Association's investment in capital assets for its governmental and business-type activities totaled \$10,982,650, 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, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 570,000	\$ -	\$ -	\$ 570,000
Construction in Progress	8,222	396,889	-	405,111
Nondepreciated Capital Assets:	<u>578,222</u>	<u>396,889</u>	<u>-</u>	<u>975,111</u>
Office Equipment	1,117,719	-	(5,628)	1,112,091
Accumulated Depreciation	<u>(785,712)</u>	<u>(88,394)</u>	<u>5,628</u>	<u>(868,478)</u>
Depreciated Capital Assets:	<u>332,007</u>	<u>(88,394)</u>	<u>-</u>	<u>243,613</u>
<b>Business-type Activites (BRT):</b>				
Structures & Improvements	1,599,543	-	-	1,599,543
Vehicles & Equipment	20,308,334	55,734	(734,120)	19,629,948
Accumulated Depreciation	<u>(10,663,467)</u>	<u>(1,499,295)</u>	<u>697,197</u>	<u>(11,465,565)</u>
Depreciated Capital Assets:	<u>11,244,410</u>	<u>(1,443,561)</u>	<u>(36,923)</u>	<u>9,763,926</u>
<b>Capital Assets, Net</b>	<u>\$ 12,154,639</u>	<u>\$ (1,135,066)</u>	<u>\$ (36,923)</u>	<u>\$ 10,982,650</u>

Depreciation expense was charged to programs as follows:

Planning and Administrative	<u>\$ 88,394</u>
Transit Operations	<u>\$ 1,499,295</u>

During the fiscal year, minor equipment was added to the business-type activities. In addition, one fixed route bus and six paratransit busses were sold as they had exceeded their useful life or miles allowable by the Federal Transit Administration.

Construction in progress in the governmental activities relates to the design of solar enhancements for future electric bus infrastructure. In the fiscal year, underground infrastructure in the amount of \$396,889 was added in anticipation of future electric bus purchases.

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE H– 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 \$650,000 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 and ADA staff, the BRT share of facility maintenance staff and the transit portion of the facility lease for a total of \$627,721 in the fiscal year. The revenue and expense in the Planning and Administration Fund are eliminated from the government-wide Statement of Activities so as not to double count these funds.

**NOTE I – NONCURRENT LIABILITIES**

Noncurrent liability activity for the fiscal year ended June 30, 2022 in the statement of net position was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated absences	\$ 111,231	\$ 112,266	\$ 122,451	\$ 101,046
Net pension liability	993,976	-	637,663	356,313
Net OPEB liability	203,836	35,233	-	239,069
	<u>1,309,043</u>	<u>147,499</u>	<u>760,114</u>	<u>696,428</u>
Due within one year	<u>(55,615)</u>	<u>-</u>	<u>-</u>	<u>(50,523)</u>
Due in more than one year	<u>\$ 1,253,428</u>	<u>\$ 147,499</u>	<u>\$ 760,114</u>	<u>\$ 645,905</u>

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE J – 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 \$6,000 for the year ended June 30, 2022.

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 F, 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, 2022 were \$222,000.

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

<u>Lease Period</u>	<u>Future Lease Payments</u>
7/1/2022 - 6/30/2023	\$ 222,000
7/1/2023 - 6/30/2024	429,000
7/1/2024 - 6/30/2025	708,750
7/1/2025 - 6/30/2026	878,000
7/1/2026 - 6/30/2027	1,031,000
7/1/2027 - 6/30/2032	5,355,000
7/1/2032 - 6/30/2037	5,355,000
7/1/2037 - 6/30/2042	5,355,000
7/1/2042 - 12/1/2047	5,355,000
7/1/2047 - 12/1/2048	1,606,500
	<u>\$ 26,295,250</u>

The Association entered into an equipment lease agreement with Butte Regional Transportation Corporation (BRTC) for the BRT solar panels, racking and inverters. The Association maintains functional control and responsibility for maintenance. As described in Note F, 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, 2022 were \$5,000.

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

<u>Lease Period</u>	<u>Future Lease Payments</u>
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 - 6/30/2026	5,000
7/1/2026 - 6/30/2027	5,000
7/1/2027 - 6/30/2032	25,000
7/1/2032 - 6/30/2037	25,000
7/1/2037 - 12/1/2038	7,500
	<u>\$ 82,500</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE K – UNEARNED REVENUES**

Unearned revenue activity as of June 30, 2022 was as follows:

Unearned Revenues	Beginning Balance	Received	Expended	Ending Balance
Planning and Administration				
SR 70 Mitigation	\$ 225,450	\$ -	\$ -	\$ 225,450
SR191 Mitigation	-	49,858	-	49,858
Subtotal	<u>225,450</u>	<u>49,858</u>	<u>-</u>	<u>275,308</u>
Butte Regional Transit				
Capital reserve	4,185,125	400,000	219,028	4,366,097
Operations carryforward	2,868,494	215,755	17,240	3,067,009
LCTOP	1,050,392	259,107	51,674	1,257,825
Subtotal	<u>8,104,011</u>	<u>874,862</u>	<u>287,942</u>	<u>8,690,931</u>
Total Government-wide	<u>\$ 8,329,461</u>	<u>\$ 974,578</u>	<u>\$ 287,942</u>	<u>\$ 8,966,239</u>

The largest portion of the BRT unearned revenue balance, \$4,366,097, consists of local transportation fund allocations set aside for transit capital or transit planning needs, and is also utilized to cover significant transit receivables that are reimbursements of transit operating expense several months in arrears. These funds will be recognized as earned revenues when eligible expenditures are made.

Unearned operations revenue of \$3,067,009, represents local transportation allocations in excess of actual net expense in the fiscal year. These funds are applied towards operations in the following fiscal year.

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

- SR 70 and SR 191 Mitigation funds of \$275,308, received from the federal/state transportation improvement program, will be used to cover future mitigation costs.
- 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 \$259,107 in the current year which will be applied to the future purchase of an electric bus and related infrastructure. Current fiscal year expenditures of \$51,674 are related to a mobile ticketing application for the B-Line service and transit outreach. Interest earned on restricted grants is included in restricted cash and totals \$37,388 as of June 30, 2022. Remaining grant funds and accrued interest as of June 30, 2022 totals \$1,295,213 which is reflected in restricted cash.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE L – RISK MANAGEMENT**

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

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

The Association's maximum coverage follows:

	Limits of Insurance
<u>Held by Butte County Association of Governments:</u>	
<b>COMMERCIAL GENERAL LIABILITY COVERAGES (all locations)</b>	
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
 <b>PERSONAL PROPERTY COVERAGES</b>	
<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	250,000
Catastrophe limit	24,378,321
 <u>Location #2: Chico Transit Center, corner of 2nd &amp; 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
 <b>DIRECTORS AND OFFICERS</b>	 1,000,000
 <u>Held by Butte Regional Transit Contractor:</u>	
Commercial general liability	5,000,000
Business automobile insurance	5,000,000
Umbrella liability	10,000,000
Workers' compensation and employers liability	1,000,000
Damage to rented premises	1,000,000
Medical expense	10,000
Personal & advertising injury	5,000,000
Products - comp/op AGG	5,000,000

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE M – 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](http://www.calpers.ca.gov).

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

The Plan’s provisions and benefits in effect July 1, 2021 to June 30, 2022, 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	10.34%	7.59%

The Classic Miscellaneous 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, 2022, the Association’s contributions made to the Plan were \$188,599, which includes \$73,091 of required contributions to the unfunded accrued liability. Employee contributions totaled \$82,725 during the year ended June 30, 2022.



**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE M – PENSION PLAN (Continued)**

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, 2022, the Association reported a net pension liability of \$356,313 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and rolled forward to June 30, 2022 using standard update procedures. The Association's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2020 and 2021 was as follows:

Proportionate share - June 30, 2020	0.02356%
Proportionate share - June 30, 2021	0.01877%
Change in net pension liability share	-0.00479%

For the year ended June 30, 2022, the Association recognized a pension credit of \$132,009 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	\$ -	\$ -
Differences between actual and expected experience	39,957	-
Net differences between projected and actual investment earnings	-	(311,042)
Differences between employers contribution and employer's proportionate share of contributions	-	(41,760)
Change in employer's proportion	88,138	-
Pension contributions subsequent to measurement date	188,599	-
Total	\$ 316,694	\$ (352,802)

In the deferred outflows of resources above, the \$188,599 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:

<u>Fiscal Year ending June 30</u>	
2023	\$ (36,454)
2024	(41,327)
2025	(60,971)
2026	(85,955)
	\$ (224,707)

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE M – PENSION PLAN (Continued)**

Actuarial Assumptions: The total pension liabilities measured at June 30, 2021 in the CalPERS GASB 68 Accounting Report were determined using the following actuarial assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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%

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

Discount Rate: The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current member contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE M – PENSION PLAN (Continued)**

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

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Public 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 assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

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

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

Sensitivity of the 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>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
Net pension liability	\$ 1,111,774	\$ 356,313	\$ 268,217

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, 2022, the Association reported no payables to the pension plan.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE N – OTHER POSTEMPLOYEE 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. 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 \$149/month for 2021. 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, 2022, the Association has no outstanding payments to the Plan and contributed \$114,060, which is included in salaries and benefits in the governmental funds and considered a deferred outflow of resources in the statement of net position. The total balance of the trust at June 30, 2022 is \$316,841.

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, 2022 is measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2021. As of the valuation date, July 1, 2021, the Association had 12 active full-time employees who were eligible for post-retirement health benefits and no retirees who receive post-retirement health benefits.

Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Components of the net OPEB liability reported as of June 30, 2022 were as follows:

As of Measurement date	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020	\$ 357,944	\$ 154,108	\$ 203,836
Change in the year:			
Service cost	18,351	-	18,351
Interest	25,400	-	25,400
Changes of assumptions	102,660	-	102,660
Differences in expected/actual experience	(4,426)	-	(4,426)
Contributions - employer	-	60,000	(60,000)
Actual investment income	-	46,923	(46,923)
Administrative expense/trust fees	-	(171)	171
Balance at June 30, 2021	<u>\$ 499,929</u>	<u>\$ 260,860</u>	<u>\$ 239,069</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE N – OTHER POSTEMPLOYEE BENEFITS (Continued)**

Actuarial Assumptions: The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry-age level percent of pay
Actuarial assumptions:	
Discount rate	6.75%
Return on assets	6.75%
Inflation rate	2.75% per annum
Projected salary increase	3.0% per annum
Healthcare cost trend rate	4% to 2023, 5.2% to 2069, 4% after
Pre-retirement mortality rate	CalPERS Experience Study 1997-2015
Post-retirement mortality rate	CalPERS Experience Study 1997-2015
PEMHCA minimum increase	3.5%

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

The assumed gross rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Percentage of Portfolio	Expected Rate of Return
Global equity	59%	5.5%
Fixed income	25%	1.5%
Treasury inflation protected securities	5%	1.2%
Real estate investment trusts	8%	3.7%
Commodities	3%	0.6%
	100%	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75%. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE N – OTHER POSTEMPLOYEE BENEFITS (Continued)**

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

	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Net OPEB liability	\$ 289,550	\$ 239,069	\$ 195,387

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
	Trend rate for each future year decreased	4% in 2021, increasing to 5.2% in 2024, 4% medicare	Trend rate for each future year increased
Net OPEB liability	\$ 189,171	\$ 239,069	\$ 297,742

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2022, the Association recognized OPEB expense of \$46,957 and reported the following deferred outflows and inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 114,060	\$ -
Differences between actual and expected experience	58,707	3,811
Changes in assumptions	88,402	9,594
Net differences between projected and actual investment earnings	3,814	28,294
Total	\$ 264,983	\$ 41,699

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE N – OTHER POSTEMPLOYEE BENEFITS (Continued)**

In the deferred outflows of resources above, the \$114,060 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:

Fiscal Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 25,314	\$ 9,516
2024	25,314	9,476
2025	25,315	9,099
2026	24,043	9,099
2027	24,043	2,224
2028-2029	26,894	2,285
	\$ 150,923	\$ 41,699

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 7.2 to 9.9 years in the current schedule.

**NOTE O – DEFERRED COMPENSATION PLAN**

The Association has established a deferred compensation plan under Internal Revenue Code (IRC) Section 457 to all regular full-time, part-time, and introductory employees. The plan permits employees to defer a portion of their salary to supplement their CalPERS retirement pension fund. All eligible participants may make voluntary pre-tax contributions to the plan up to the maximum allowed under the IRC. BCAG makes discretionary contributions to the 457 plan, based on an annually determined percent of participants salary. Participants individually direct the investment of their accounts from an assortment of investment options. For the year ending June 30, 2022, the Association made total contributions of \$40,121 to the plan.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**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 wake of the outbreak and continues to be depressed compared to pre-pandemic levels. Despite these declines, fixed route service is maintained at normal levels as public transportation is considered an essential service. The decline in passengers has resulted in a reduction of fare revenue as percentage of total funding. In response to the pandemic, the federal government has passed several aid packages which provide 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 of the outbreak, the willingness of passengers to return to the service, and future relief funding.

**NOTE Q – COMMITMENTS**

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

Fiscal Year 2022/23	\$ 8,353,522
Fiscal Year 2023/24	\$ 8,733,998

**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%.

During the pandemic, the California Assembly passed AB 90 in June of 2020 that provided an exemption from the farebox requirement through fiscal year 2020/21. In July of 2021 they passed AB 149 that extended the farebox requirement exemption through fiscal year 2022/23 and changed the definition of local support to include any nonstate funding. When taking this into account, all federal revenue is also included in the calculation.

For the year ending June 30, 2022, Butte Regional Transit is compliant with the required minimum fare ratio for its urban fixed route and its para-transit operations.



**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year ended June 30, 2022**

**NOTE R – COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS (Continued)**

Farebox ratios for June 30, 2022 were as follows:

	Rural <u>Fixed Route</u>	Urban <u>Fixed Route</u>	Rural <u>Para-transit</u>	Urban <u>Para-transit</u>
Fare collection	\$ 323,524	\$ 514,246	\$ 42,593	\$ 135,534
Local revenue	34,155	52,133	29,600	33,949
Federal revenue	1,269,876	2,498,176	49,414	757,733
Nonstate revenue	<u>\$ 1,627,555</u>	<u>\$ 3,064,555</u>	<u>\$ 121,607</u>	<u>\$ 927,216</u>
Operating expenses	\$ 3,802,118	\$ 5,761,834	\$ 690,970	\$ 1,760,194
Less: depreciation expense	<u>(581,416)</u>	<u>(753,002)</u>	<u>(77,934)</u>	<u>(86,943)</u>
Net operating expenses	<u>\$ 3,220,702</u>	<u>\$ 5,008,832</u>	<u>\$ 613,036</u>	<u>\$ 1,673,251</u>
Fare revenue ratio	<u>50.5%</u>	<u>61.2%</u>	<u>19.8%</u>	<u>55.4%</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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**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, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Federal grants	\$ 1,642,361	\$ 2,472,899	\$ 1,389,633	\$ (1,083,266)
State grants	1,122,025	1,220,422	2,405,485	1,185,063
Local reimbursements	598,440	598,440	627,721	29,281
Interest and other	207,060	207,060	232,100	25,040
<b>Total revenues</b>	<b>3,569,886</b>	<b>4,498,821</b>	<b>4,654,939</b>	<b>156,118</b>
<b>Expenditures:</b>				
Salaries and benefits	1,838,765	1,900,915	1,920,358	19,443
Services and supplies	2,592,651	3,112,405	3,360,399	247,994
Capital outlay	250,000	455,740	396,889	(58,851)
<b>Total expenditures</b>	<b>4,681,416</b>	<b>5,469,060</b>	<b>5,677,646</b>	<b>208,586</b>
Deficiency of revenues under expenditures	<u>(1,111,530)</u>	<u>(970,239)</u>	<u>(1,022,707)</u>	<u>(52,468)</u>
Other financing sources:				
Transfer in	900,000	850,000	841,639	(8,361)
<b>Total other financing sources</b>	<b>900,000</b>	<b>850,000</b>	<b>841,639</b>	<b>(8,361)</b>
<b>Net change in fund balance</b>	<b>(211,530)</b>	<b>(120,239)</b>	<b>(181,068)</b>	<b><u>\$ (60,829)</u></b>
Fund balance - beginning	530,378	530,378	530,378	
<b>Fund balance - ending</b>	<b>\$ 318,848</b>	<b>\$ 410,139</b>	<b>\$ 349,310</b>	

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year ended June 30, 2022**

**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	June 30, 2021	<b>June 30, 2022</b>
Proportion of the net pension liability	0.02274%	0.02033%	0.02080%	0.02145%	0.02131%	0.02203%	0.02356%	0.01877%
Proportionate share of the net pension liability	\$ 561,981	\$ 557,623	\$ 722,431	\$ 845,578	\$ 803,040	\$ 882,173	\$ 993,976	\$ 356,313
Covered payroll - measurement date	\$ 815,082	\$ 900,972	\$ 894,787	\$ 955,360	\$ 1,032,893	\$ 990,193	\$ 1,138,555	\$ 1,147,872
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%	87.30%	31.04%
Plan fiduciary net position as a percentage of the total pension liability	80.02%	81.71%	78.03%	77.88%	80.82%	80.94%	79.72%	93.77%
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	June 30, 2020	June 30, 2021
Discount rate/Investment rate of return	7.50%	7.65%	7.65%	7.15%	7.15%	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, 2022**

**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	June 30, 2021	<b>June 30, 2022</b>
Contractually required contribution (actuarially determined)	\$ 111,351	\$ 110,360	\$ 123,148	\$ 136,521	\$ 123,802	\$ 156,237	\$ 174,741	\$ 188,599
Contributions in relation to the actuarially determined contributions	(111,351)	(110,360)	(123,148)	(136,521)	(123,802)	(156,237)	(174,741)	(188,599)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll- fiscal year	\$ 900,972	\$ 894,787	\$ 955,360	\$ 1,032,893	\$ 990,193	\$ 1,138,555	\$ 1,147,872	\$ 1,191,830
Contributions as a percentage of covered payroll	12.36%	12.33%	12.89%	13.22%	12.50%	13.72%	15.22%	15.82%
CalPERS Actuarial Valuation Report as of:	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019

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%	7.00%	7.00%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.625%	2.50%	2.50%
Overall payroll growth for unfunded liability	3.00%	3.00%	3.00%	3.00%	3.00%	2.875%	2.75%	2.75%

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, 2022**

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

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB liability:					
Service cost	\$ 14,122	\$ 14,546	\$ 17,707	\$ 16,011	\$ 18,351
Interest	10,593	12,199	14,094	22,633	25,400
Changes of assumptions	-	(5,632)	(9,358)	-	102,660
Differences between expected and actual experience	-	-	88,062	-	(4,426)
Net change in total OPEB liability	24,715	21,113	110,505	38,644	141,985
Total OPEB liability - beginning	162,967	187,682	208,795	319,300	357,944
Total OPEB liability - ending (a)	<u>\$ 187,682</u>	<u>\$ 208,795</u>	<u>\$ 319,300</u>	<u>\$ 357,944</u>	<u>\$ 499,929</u>
Plan fiduciary net position					
Contributions - employer	\$ 15,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 60,000
Net investment income	3,137	4,343	8,567	2,814	46,923
Administrative expense/trust fees	(27)	(51)	(84)	(65)	(171)
Net change in plan fiduciary net position	18,110	34,292	38,483	32,749	106,752
Plan fiduciary net position - beginning	30,474	48,584	82,876	121,359	154,108
Plan fiduciary net position - ending (b)	<u>\$ 48,584</u>	<u>\$ 82,876</u>	<u>\$ 121,359</u>	<u>\$ 154,108</u>	<u>\$ 260,860</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 139,098</u>	<u>\$ 125,919</u>	<u>\$ 197,941</u>	<u>\$ 203,836</u>	<u>\$ 239,069</u>
Plan fiduciary net position as a percentage of the total OPEB liability	25.89%	39.69%	38.01%	43.05%	52.18%
Covered-employee payroll - measurement period	<u>\$ 955,360</u>	<u>\$ 1,032,893</u>	<u>\$ 990,193</u>	<u>\$ 990,193</u>	<u>\$ 1,138,555</u>
Net OPEB liability as percentage of covered-employee payroll	14.56%	12.19%	19.99%	20.59%	21.00%
Annual money-weighted rate of return, net of investment expense:	6.86%	10.08%	8.74%	2.11%	25.67%
Notes to schedule:					
Valuation date	July 1, 2017	July 1, 2017	July 1, 2019	July 1, 2019	July 1, 2021
Measurement period - fiscal year endec	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Reporting period - fiscal year endec	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022

Benefit changes. None.

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

Discount rate	6.50%	6.75%	6.75%	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.



**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year ended June 30, 2022**

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

Fiscal year ended	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	<b>June 30, 2022</b>
Actuarially determined contribution - employer fiscal year	\$ 24,534	\$ 23,698	\$ 31,620	\$ 32,569	\$ 62,864
Contributions in relation to the actuarially determined contributions	30,000	30,000	30,000	30,000	60,000
Contribution deficiency (excess)	<u>\$ (5,466)</u>	<u>\$ (6,302)</u>	<u>\$ 1,620</u>	<u>\$ 2,569</u>	<u>\$ 2,864</u>
Covered-employee payroll - employer fiscal year	\$ 1,032,893	\$ 990,193	\$ 1,138,555	\$ 1,147,872	\$ 1,191,830
Contributions as a percentage of covered-employee payroll	2.90%	3.03%	2.63%	2.61%	5.03%
Notes to contribution schedule:					
Valuation date	July 1, 2017	July 1, 2017	July 1, 2019	July 1, 2019	July 1, 2021
Measurement period - fiscal year ended	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Reporting period - fiscal year ended	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022

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

	Entry-age normal cost method				
	Level percentage of payroll				
	20 years	20 years	20 years	20 years	20 years
Actuarial cost method	20 years				
Amortization method	20 years				
Amortization period of net liability	20 years				
Healthcare cost trend rates	6.0%	5.0%	6% to 5%	5.8% to 5%	5.8% to 5%
Salary increases	3.0%	3.0%	3.0%	3.0%	3.0%
Discount rate	6.5%	6.75%	6.75%	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.

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## 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, 2022**

	Work Element Number	Budgeted Amounts		Actual-Funding Sources								Variance with Final Budget	
		Original	Final	FHWA-PL FTA 5303	SB1	FTA 5304	LTF/ Interest/ Other	State REAP	State SHOPP	FTA 5307	CMAQ		Totals
<b>Revenues:</b>													
		\$ 1,642,361	\$ 2,472,899	\$ 785,007	\$ -	\$ 181,641	\$ -	\$ -	\$ -	\$ 419,904	\$ 3,081	\$ 1,389,633	\$ (1,083,266)
		1,122,025	1,220,422	-	180,495	-	113,000	27,478	2,084,512	-	-	2,405,485	1,185,063
		598,440	598,440	-	-	-	627,721	-	-	-	-	627,721	29,281
		900,000	850,000	-	-	-	841,639	-	-	-	-	841,639	(8,361)
		207,060	207,060	-	-	-	232,100	-	-	-	-	232,100	25,040
		<u>4,469,886</u>	<u>5,348,821</u>	<u>785,007</u>	<u>180,495</u>	<u>181,641</u>	<u>1,814,460</u>	<u>27,478</u>	<u>2,084,512</u>	<u>419,904</u>	<u>3,081</u>	<u>5,496,578</u>	<u>147,757</u>
<b>Expenditures:</b>													
	100	161,654	170,714	132,055			17,109					149,164	21,550
	101	65,879	65,879	54,684			7,085					61,769	4,110
	102	94,593	103,656	47,250			6,122					53,372	50,284
	103	63,529	90,843	70,694			9,159					79,853	10,990
	104	18,529	18,529	13,987			1,812					15,799	2,730
	105	73,291	73,291	58,852			7,625					66,477	6,814
	106	48,861	57,923	33,106			4,289					37,395	20,528
	107	88,868	144,049	71,261			9,233					80,494	63,555
	108	662,931	686,931				29,831	27,478				57,309	629,622
	109	18,529	18,529	15,978			2,070					18,048	481
	110	12,215	12,215	4,511			584					5,095	7,120
	114	76,646	76,646	8,938			1,158					10,096	66,550
	120	18,529	18,529	15,924			2,063					17,987	542
	123	86,927	89,931		79,616		12,130					91,746	(1,815)
	124	-	13,000		5,450		7,550					13,000	-
	126	107,793	107,793		95,429		12,611					108,040	(247)
	128	106,075	106,075				-					-	106,075
	130	702,246	564,780			92,044	11,925					103,969	460,811
	130.1	-	216,102	100,039			12,961					113,000	103,102
	131	174,122	101,206			89,597	26,546					116,143	(14,937)
	215	-	265,000				-				3,081	3,081	261,919
	216	-	91,076				-					2,084,512	(1,993,436)
	300	173,845	173,845				188,479					188,479	(14,634)
	301	296,935	410,483	157,728			46,034					306,155	104,328
	302	469,074	469,074				488,383					488,383	(19,309)
	303	61,460	61,460				53,679					53,679	7,781
	308	700,035	886,651				507,408					317,511	61,732
	999	398,850	398,850				529,682					529,682	(130,832)
		<u>4,681,416</u>	<u>5,493,060</u>	<u>785,007</u>	<u>180,495</u>	<u>181,641</u>	<u>1,995,528</u>	<u>27,478</u>	<u>2,084,512</u>	<u>419,904</u>	<u>3,081</u>	<u>5,677,646</u>	<u>(184,586)</u>
		<u>\$ (211,530)</u>	<u>\$ (144,239)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (181,068)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (181,068)</u>	<u>\$ (36,829)</u>
							530,378					530,378	
							<u>\$ 349,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,310</u>	

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**SCHEDULE OF DIRECT AND INDIRECT COSTS**  
**PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND**  
**For the Fiscal Year ended June 30, 2022**

	Direct Costs	Allowable Indirect Costs	Unallowable/ Locally funded Indirect Costs	Total
Total salaries and benefits	\$ 1,009,159	\$ 622,681	\$ 288,518	\$ 1,920,358
Direct services and supplies	3,318,763			3,318,763
<b>INDIRECT COSTS OTHER THAN SALARY &amp; BENEFITS:</b>				
Communications	-	1,721	-	1,721
Household	-	27,563	6,000	33,563
Insurance	-	14,716	5,000	19,716
Computer Maintenance	-	16,483	-	16,483
Maintenance - building	-	14,633	4,000	18,633
Memberships	-	8,034	1,412	9,446
Office expense	-	12,204	-	12,204
Professional services	-	51,618	-	51,618
Public notices	-	4,774	-	4,774
Equipment lease	-	5,951	5,000	10,951
Facility lease	-	-	222,000	222,000
Special expense	-	6,071	-	6,071
Training	-	2,069	-	2,069
Travel	-	9,140	-	9,140
Utilities	-	10,809	7,722	18,531
Small equipment	-	1,605	-	1,605
Fixed assets-depreciation	-	469	-	469
Subtotal	-	187,860	251,134	438,994
Total costs	\$ 4,327,922	810,541	\$ 539,652	\$ 5,678,115
Over-absorbed indirect costs		9,502		
Total allocated indirect costs		\$ 820,043		
<b>Reconciliation of expenditures to the Planning and Administration Fund:</b>				
Total direct and indirect costs		\$ 5,678,115		
Depreciation		(469)		
Total Planning and Administration Fund expenditures		\$ 5,677,646		

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**  
**LOCAL TRANSPORTATION FUND**  
**SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS**  
**For the Fiscal Year ended June 30, 2022**

TDA Purpose	Beginning Unallocated/ Reserved	Allocation of Apportionment	Disbursement	Ending Unallocated / Reserved
<b>City of Biggs</b>				
99400(a) Streets and roads	\$ -	\$ 46,864	\$ 46,864	\$ -
Unallocated apportionment	-	-	-	-
Total	<u>-</u>	<u>46,864</u>	<u>46,864</u>	<u>-</u>
<b>City of Chico</b>				
99400(a) Pedestrian and bicycle	-	678,110	678,110	-
99400(a) Streets and roads	-	1,504,770	1,504,770	-
99400(b) Other passenger rail	-	119,545	119,545	-
99400(c) General public transit	-	-	-	-
99402 Streets & roads planning	-	446,340	446,340	-
Unallocated apportionment	-	276,609	-	-
Total	<u>-</u>	<u>3,025,374</u>	<u>2,748,765</u>	<u>276,609</u>
<b>City of Gridley</b>				
99260(a) Public transportation	-	3,874	3,874	-
99400(a) Streets & roads	-	162,442	162,442	-
Unallocated apportionment	-	-	-	-
Total	<u>-</u>	<u>166,316</u>	<u>166,316</u>	<u>-</u>
<b>City of Oroville</b>				
99400(a) Pedestrian and bicycle	-	53,821	53,821	-
99400(a) Streets & roads	-	430,907	430,907	-
Unallocated apportionment	-	-	-	-
Total	<u>-</u>	<u>484,728</u>	<u>484,728</u>	<u>-</u>
<b>Town of Paradise</b>				
99400(a) Streets & Roads Planning	-	164,063	240,000	-
Unallocated apportionment	795,540	-	-	719,603
Total	<u>795,540</u>	<u>164,063</u>	<u>240,000</u>	<u>719,603</u>
<b>County of Butte</b>				
99233.1 TDA administration	-	18,000	18,000	-
99400(b) Other passenger rail	-	1,680	1,680	-
99400(c) Elderly & handicapped	-	4,000	4,000	-
99400(a) Streets & roads	-	1,606,569	1,877,704	-
Unallocated apportionment	271,135	-	-	-
Total	<u>271,135</u>	<u>1,630,249</u>	<u>1,901,384</u>	<u>-</u>
<b>Butte Regional Transit</b>				
99260(a) Public transportation	-	3,862,542	3,862,542	-
99262 Capital - reserved	2,200,000	400,000	400,000	2,200,000
Total	<u>2,200,000</u>	<u>4,262,542</u>	<u>4,262,542</u>	<u>2,200,000</u>
<b>Butte County Association of Governments</b>				
99233.1 TDA administration	-	173,845	173,845	-
99233.2 TDA planning	-	476,155	476,155	-
Total	<u>-</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>
Total LTF	<u>\$ 3,266,675</u>	<u>\$ 10,430,136</u>	<u>\$ 10,500,599</u>	<u>\$ 3,196,212</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS**

**STATE TRANSIT ASSISTANCE FUND  
SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS  
For the Fiscal Year ended June 30, 2022**

<u>TDA Purpose</u>	<u>Beginning Balance</u>	<u>Allocation of Apportionment</u>	<u>Disbursements</u>	<u>Ending Balance</u>
<b>City of Gridley, Taxi Service</b>				
6730(a) Operating	\$ -	\$ 86,000	\$ 86,000	\$ -
Total	<u>-</u>	<u>86,000</u>	<u>86,000</u>	<u>-</u>
<b>Butte Regional Transit</b>				
6730(a) Operating	-	1,044,173	1,044,173	-
6730(b) Capital	-	400,000	-	400,000
Total	<u>-</u>	<u>1,444,173</u>	<u>1,044,173</u>	<u>400,000</u>
Total STA	<u>\$ -</u>	<u>\$ 1,530,173</u>	<u>\$ 1,130,173</u>	<u>\$ 400,000</u>

**STATE OF GOOD REPAIR FUND  
SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS  
For the Fiscal Year ended June 30, 2022**

<u>SGR Purpose</u>	<u>Beginning Balance</u>	<u>Allocation of Award</u>	<u>Disbursements</u>	<u>Ending Balance</u>
<b>Butte Regional Transit</b> Capital replacement	<u>\$ 960,189</u>	<u>\$ 315,573</u>	<u>\$ -</u>	<u>\$ 1,275,762</u>



## COMPLIANCE REPORTS

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550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

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, 2022, 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 13, 2023.

**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) as a basis for designing 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 financial statements. 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 program guidelines.

To the Board of Directors  
Butte County Association of Governments

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 13, 2023



550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## 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, 2022. 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, 2022.

### **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 13, 2023

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

**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, 2022

**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, 2022**

	Federal Assistance Listing (AL) Number	State Agency Number	BCAG Project Description	Expenditures
<b><u>Department of Transportation</u></b>				
Passed through the State of California, Department of Transportation				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MFTA 74A0808	FHWA PL	\$ 718,870
Federal Transit - Metropolitan Planning Grants	20.505	MFTA 74A0808	FTA 5303	66,137
State Planning and Research	20.505	MFTA 74A0808	FTA 5304	181,641
			<i>Subtotal 20.505</i>	<u>966,648</u>
Formula Grants for Rural Areas and Tribal Transit Program				
Intercity Bus Program	20.509	64KO20-01358	FTA 5311(f) BRT Operating-CARES	179,804
Intercity Bus Program	20.509	64CO21-01475	FTA 5311(f) BRT Operating-Rural FR	300,000
Nonurbanized Area Formula Program	20.509	64BO21-01684	FTA 5311 BRT Operating-Rural FR	765,737
			<i>Subtotal 20.509</i>	<u>1,245,541</u>
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	SA 64SO21-01527	FTA 5310 Operating	<u>37,674</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	66,043
Federal Transit Formula Grants				
Urbanized Area Formula Program	20.507	-	CA-2019-083 18/19 5307 Capital	14,618
Urbanized Area Formula Program	20.507	-	CA-2017-099 16/17 5307 Capital	28,863
Urbanized Area Formula Program	20.507	-	CA-2020-207 5307 Planning	102,393
Urbanized Area Formula Program	20.507	-	CA-2020-207 5307 Capital	317,511
Urbanized Area Formula Program	20.507	-	CMAQ Paradise Transit Center	3,081
Urbanized Area Formula Program	20.507	-	FTA 5307 BRT Operating	2,729,678
Urbanized Area Formula Program	20.507	-	FTA 5307 CARES BRT Operating	497,368
			<i>Subtotal 20.507</i>	<u>3,693,512</u>
			<i>Total Federal Transit Cluster</i>	<u>3,759,555</u>
Total awards				<u>\$ 6,009,418</u>

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

For the Year Ended June 30, 2022

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, 2022. 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, 2022 included an approved indirect cost rate of 81.26% 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, 2022.

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.