

**BUTTE COUNTY
ASSOCIATION OF GOVERNMENTS**

Audited Financial Statements
and Compliance Reports

June 30, 2023

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BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

Audited Financial Statements
And Compliance Reports

June 30, 2023

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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, 2023, and the related notes to the financial statements, which collectively comprise the Association'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, 2023, 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, 2023, 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 March 1, 2024, 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

March 1, 2024

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2023**

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, 2023. 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 \$41,398,781 (net position). The Association’s total net position increased by \$4,841,033 largely due to the gain on acquisition of note receivable from closing round one of the New Markets Tax Credit.
- Government-wide non-current liabilities related to post-employment healthcare benefits increased by \$610,785 in the fiscal year, to a total of \$849,854. \$601,278 of the increase is related to the new retiree healthcare benefits that were approved by the board in December of 2021. The Association continues to make voluntary payments to the trust in excess of the actuarially determined contributions.
- Governmental funds reported a combined ending fund balance of \$12,091,991. \$4,650,676 represents funds set aside for future transit capital and \$6,990,567 is restricted for transit operations and transportation projects. Unassigned fund balance of \$436,526 is 11.6% of current planning expenditures and 2.8 months of salaries & benefits.
- The proprietary fund for Butte Regional Transit reports an ending net position of \$8,654,753, which is largely made up of the investment in capital assets. This fund decreased in the current year by \$1,257,877, 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.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2023**

Overview of the Financial Statements (continued)

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).

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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2023

Overview of the Financial Statements (continued)

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.

The Basic Governmental Fund Financial Statements are presented on pages 16-18 of this report.

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

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

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

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

Notes to the 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 22-45 of this report.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2023**

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	
	2023	2022	2023	2022	2023	2022
Assets and Deferred Outflows:						
Current and other assets	\$ 13,177,106	\$ 12,132,707	\$ 10,565,586	\$ 9,653,844	\$ 23,742,692	\$ 21,786,551
Long-term assets	20,651,600	15,481,100	-	-	20,651,600	15,481,100
Capital assets, net	1,309,014	1,218,724	8,486,641	9,763,926	9,795,655	10,982,650
Total assets	<u>35,137,720</u>	<u>28,832,531</u>	<u>19,052,227</u>	<u>19,417,770</u>	<u>54,189,947</u>	<u>48,250,301</u>
Deferred outflows	<u>1,052,557</u>	<u>581,677</u>	<u>-</u>	<u>-</u>	<u>1,052,557</u>	<u>581,677</u>
Liabilities and Deferred Inflows:						
Current liability	1,142,637	1,733,776	787,140	814,209	1,929,777	2,547,985
Long-term liability	2,170,498	640,813	9,610,334	8,690,931	11,780,832	9,331,744
Total liabilities	<u>3,313,135</u>	<u>2,374,589</u>	<u>10,397,474</u>	<u>9,505,140</u>	<u>13,710,609</u>	<u>11,879,729</u>
Deferred inflows	<u>133,114</u>	<u>394,501</u>	<u>-</u>	<u>-</u>	<u>133,114</u>	<u>394,501</u>
Net Position:						
Investment in capital assets	1,309,014	1,218,724	8,486,641	9,763,926	9,795,655	10,982,650
Restricted	11,641,243	10,105,236	68,146	37,388	11,709,389	10,142,624
Unrestricted	19,793,771	15,321,158	99,966	111,316	19,893,737	15,432,474
Total net position	<u>\$ 32,744,028</u>	<u>\$ 26,645,118</u>	<u>\$ 8,654,753</u>	<u>\$ 9,912,630</u>	<u>\$ 41,398,781</u>	<u>\$ 36,557,748</u>

The Association's net position reflects \$9,795,655 of investment in capital assets. The largest portion, \$8,486,641 is made up of the buses and transit stations used by Butte Regional Transit. The remaining \$1,309,014 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 \$11,709,389 includes \$6,990,567 of TDA funds awaiting apportionment to the jurisdictions, \$4,650,676 restricted for transit capital, and \$68,146 of interest earned on grant funds.

The unrestricted net position, \$19,793,771, may be used to meet the Association's ongoing obligations to creditors. Unrestricted net position includes the note receivable of \$20,651,600 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 \$757,863. 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, 2023**

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	
	2023	2022	2023	2022	2023	2022
Program Expenses						
Planning and administration	\$ 3,930,850	\$ 4,343,534	\$ -	\$ -	\$ 3,930,850	\$ 4,343,534
Transportation claimants	15,698,140	13,693,984	-	-	15,698,140	13,693,984
Transit operations	-	-	12,575,622	12,015,116	12,575,622	12,015,116
Total expenses	<u>19,628,990</u>	<u>18,037,518</u>	<u>12,575,622</u>	<u>12,015,116</u>	<u>32,204,612</u>	<u>30,052,634</u>
Revenues and Transfers						
Program revenues:						
Operating grants and contributions	5,424,417	6,179,853	9,885,320	9,525,712	15,309,737	15,705,565
Capital grants and contributions	176,645	396,889	339,351	55,734	515,996	452,623
Charges for services	-	-	1,193,688	1,085,564	1,193,688	1,085,564
General revenues:						
Tax based revenue	14,403,841	13,891,404	-	-	14,403,841	13,891,404
Investment earnings	376,782	287,710	102,570	44,170	479,352	331,880
Gain (Loss) on sale of assets	-	-	(27,469)	14,276	(27,469)	14,276
Net transfer	175,715	191,639	(175,715)	(191,639)	-	-
Gain on acquisition	5,170,500	-	-	-	5,170,500	-
Total revenues	<u>25,727,900</u>	<u>20,947,495</u>	<u>11,317,745</u>	<u>10,533,817</u>	<u>37,045,645</u>	<u>31,481,312</u>
Change in Net Position	6,098,910	2,909,977	(1,257,877)	(1,481,299)	4,841,033	1,428,678
Net Position - beginning	<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>
Net Position - ending	<u>\$ 32,744,028</u>	<u>\$ 26,645,118</u>	<u>\$ 8,654,753</u>	<u>\$ 9,912,630</u>	<u>\$ 41,398,781</u>	<u>\$ 36,557,748</u>

Governmental Activities

Planning and administration expenses of \$3,930,850 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 make up \$2.01 million of the expenditures in the current year. Construction and mitigation projects totaled nearly \$0.5 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 \$15,698,140 in Regional Surface Transportation Plan (RSTP), Transportation Development Act (TDA) and State of Good Repair (SGR) funds, an increase of 14.64%.

Operating grants and contributions of \$5,424,417 include \$3,306,372 of federal RSTP funds, which are exchanged each year for more flexible state highway funds. State highway funds are distributed to the cities, town and county. The remaining balance of \$2,118,045 includes federal and state planning funds which fluctuate based on project needs.

Tax-based revenues of \$14,403,841, which include the TDA and SGR, increased 3.69%.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2023

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 \$1.26 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, 2023, the Association's governmental funds reported combined ending fund balance of \$12,091,991. 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 \$450,748. 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 \$436,526 represents 11.6% 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 \$111,758. The two-year carryover period totals \$3,665 over-reimbursed. 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 \$7,154,076 was adopted by the Board in October of 2022. Notable budget adjustments from the original adoption in April of 2022 include the addition of SR191 Mitigation and the REAP 2.0 work elements. 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 close to budget projections. Services and supplies were lower than budget estimates. The largest budget difference relates to the work on the Paradise Transit Center construction project. The full construction grant was budgeted but the project has just completed the design phase. In general, project costs are 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. Overall, 55% of budgeted expenditures were used in the actual Planning and Administrative fund 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, 2023**

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 \$3.3 million is an increase of 18.9% over the past year. 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 $\frac{1}{4}$ cent of the state sales tax collected within Butte County, have decreased by 3.1% from the prior year funding level for the first time in several years. State Transit Assistance, which is derived from the statewide sales tax on diesel fuel, has increased 44.8% over the prior year. 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 \$67,125 in the current year to a total of \$7,332,775. 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 \$5,132,775. Total STA fund balance increased by \$1,115,062 with \$1,855,629 available for future apportionment and \$800,000 restricted for future transit capital purchases.

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 \$1,650,676 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, 2023**

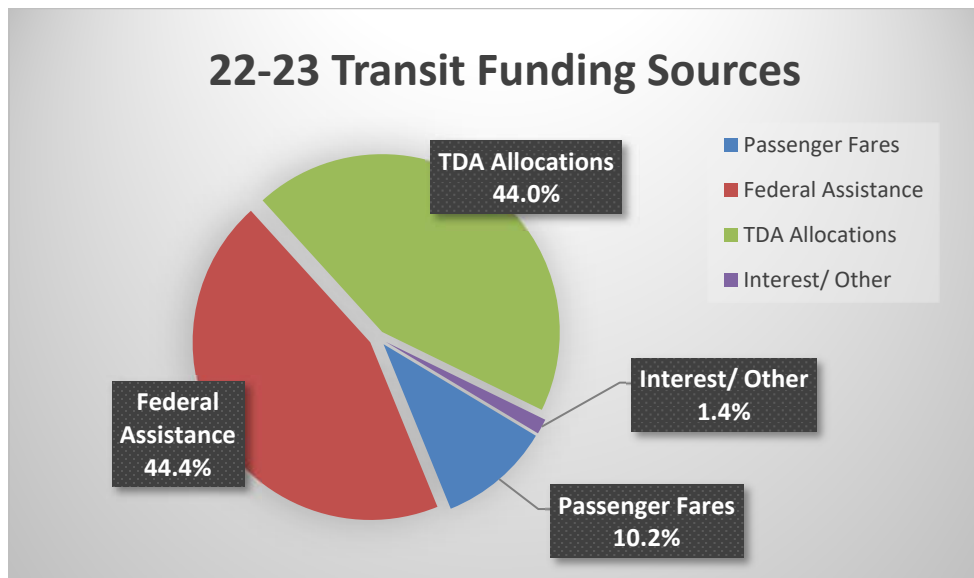
Enterprise Fund Financial Analysis

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 \$1,257,877. 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.

Ridership continues to trend upwards after bottoming out during the pandemic, however it has not returned to pre-pandemic levels. Butte Regional Transit served 562,784 passengers on fixed route service and 67,325 on the paratransit service, designated for seniors and the disabled. This is an 18% increase in fixed route passengers and a 4% increase in paratransit riders over the prior year.

Passenger fares covered 10.2% of total operating expense (less depreciation) compared to 9.7% 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 continues to include COVID-19 emergency funding, covers 44.4% of the operating expense compared to 43.5% in the prior year. Allocations of TDA balance out the annual budget with 44.0%

Transit operating expense less depreciation (which is included in the investment in assets) totaled \$11,144,702. This was \$276,165 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, 2023**

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, 2023, all services meet the minimum requirement as shown in Note R in the financial statements.

Investment in Capital Assets

As of June 30, 2023, the Association’s investment in capital assets for its governmental and business-type activities amounted to \$9,795,655, 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	
	2023	2022	2023	2022	2023	2022
Land	\$ 570,000	\$ 570,000	\$ -	\$ -	\$ 570,000	\$ 570,000
Construction in progress	406,041	405,111	-	-	406,041	405,111
Structures and improvements	-	-	1,178,957	1,156,876	1,178,957	1,156,876
Vehicles and equipment	332,973	243,613	7,307,684	8,607,050	7,640,657	8,850,663
Total, net of depreciation	<u>\$ 1,309,014</u>	<u>\$ 1,218,724</u>	<u>\$ 8,486,641</u>	<u>\$ 9,763,926</u>	<u>\$ 9,795,655</u>	<u>\$ 10,982,650</u>

Investments in capital assets of the Governmental Activities increased primarily due to transfers of computer and facility equipment from the transit fund. Annual depreciation expense on office equipment reduced the net value by \$86,355.

During the year, minor equipment was added for transit and fully depreciated equipment was removed from service. Annual depreciation of assets decreased the net investment in capital assets by \$1,430,920 for the Business-type Activities. Further discussion of capital assets can be found in the capital asset Note G in the financial statements.

Economic Factors and Future Budgets

The California Budget Act of 2023 included two transit funding sources, the Transit and Intercity Rail Capital Program (TIRCP) and the Zero-Emission Transit Capital Program (ZETCP), with allocations to Butte County Association of Governments of nearly \$24 million dollars over the next two fiscal years. In December of 2023, BCAG submitted a program allocation package to support the North Valley Rail project and the BRT Zero-Emission bus deployment.

The estimate of the California state budget deficit for 2024/25 fiscal year has been stated over a wide range; \$32 billion to \$68 billion. Although these numbers likely utilize differing criteria sets, it is universally understood that deficits will be stated in the \$30 billion range and up and continue through 2027 with spending levels decreasing slowly beginning in 2024.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year ended June 30, 2023**

Economic Factors and Future Budgets (continued)

With the projected 2024/25 budget deficit and lower revenues, the California legislature will again consider implementing inflation related adjustments which could include reduced funding and/or delay on funding for some programs, including TIRCP and ZETCP. A statewide meeting of the California State Transportation Agency (CalSTA) held in January of 2024 did in fact confirm funding delays for all state spending programs through fiscal year 2024/25.

The outlook on federal transportation funding during the 2024 calendar year continues to be more stable than California's situation as we enter the third 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 2024 will be about the same as 2023 and will continue to benefit transit agencies like Butte Regional Transit in replacement of aging bus fleets and with the conversion to Zero Emissions Vehicles (ZEVs). California is looking at over \$4.8 billion in transportation funding for programs covering highway, rail, safety, transit, bridges, and planning as stated in the 2024/25 State Transportation Budget. This level of transportation funding is approximately \$1 million less than 2023/24 yet is still adequate to help fund needed improvements on the national, state, and local transportation infrastructure and transit systems.

In summary, the outlook for transportation funding for programs that support the Association's planning and capital projects for Butte County will be stable and allow current and planned work to continue during fiscal year 2024/25. The Association will ensure sufficient funding for needed safety improvements on the region's highways and priority projects and continue to work with state and federal agencies as they develop new guidelines for implementation under the Infrastructure and Investment Jobs Act.

Two areas of planning focus for the Association continue to be the conversion of the B-Line bus fleet to zero emission vehicles, and the development of the North Valley Passenger Rail Strategic Plan, to construct an extension daily passenger rail service from Natomas to Butte County. This project will be a multiyear effort implemented and coordinated with several neighboring cities and counties, in addition to Caltrans, the San Joaquin Joint Powers Agency (SJJPA) and the San Joaquin Regional Rail Commission (SJRRRC) 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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 9,721,594	\$ 3,975,751	\$ 13,697,345
Receivables	3,436,085	4,734,368	8,170,453
Prepaid expenses	14,222	42,452	56,674
Restricted cash and investments	-	1,813,015	1,813,015
Notes receivable - long term	20,651,600	-	20,651,600
Nondepreciated capital assets	976,041	-	976,041
Depreciated capital assets, net	332,973	8,486,641	8,819,614
Total assets	<u>35,137,720</u>	<u>19,052,227</u>	<u>54,189,947</u>
DEFERRED OUTFLOWS OF RESOURCES			
Postemployment benefits plan	299,933	-	299,933
Employee pension plan	752,624	-	752,624
Total deferred outflow of resources	<u>1,052,557</u>	<u>-</u>	<u>1,052,557</u>
LIABILITIES			
Payables	871,104	787,140	1,658,244
Unearned revenues	214,011	9,610,334	9,824,345
Noncurrent liabilities			
Due within one year	57,522	-	57,522
Due in more than one year	2,170,498	-	2,170,498
Total liabilities	<u>3,313,135</u>	<u>10,397,474</u>	<u>13,710,609</u>
DEFERRED INFLOWS OF RESOURCES			
Postemployment benefits plan	32,183	-	32,183
Employee pension plan	100,931	-	100,931
Total deferred inflow of resources	<u>133,114</u>	<u>-</u>	<u>133,114</u>
NET POSITION			
Investment in capital assets	1,309,014	8,486,641	9,795,655
Restricted for transit / transportation	11,641,243	68,146	11,709,389
Unrestricted	19,793,771	99,966	19,893,737
Total net position	<u>\$ 32,744,028</u>	<u>\$ 8,654,753</u>	<u>\$ 41,398,781</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, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
PROGRAM EXPENSES			
Governmental activities:			
Planning and administration	\$ 3,930,850	\$ -	\$ 3,930,850
Transportation claimants	15,698,140	-	15,698,140
Total governmental activities	<u>19,628,990</u>	-	<u>19,628,990</u>
Business-type activities:			
Transit operations	-	12,575,622	12,575,622
Total program expenses	<u>19,628,990</u>	<u>12,575,622</u>	<u>32,204,612</u>
PROGRAM / OPERATING REVENUES			
Operating grants and contributions	5,424,417	9,885,320	15,309,737
Capital grants and contributions	176,645	339,351	515,996
Charges for services	-	1,193,689	1,193,689
Total program/operating revenues	<u>5,601,062</u>	<u>11,418,360</u>	<u>17,019,422</u>
Net program (expense) revenues	<u>(14,027,928)</u>	<u>(1,157,262)</u>	<u>(15,185,190)</u>
GENERAL REVENUES AND TRANSFERS			
State shared revenue - sales and use taxes	14,403,841	-	14,403,841
Investment earnings	376,782	102,570	479,352
Loss on sale of assets	-	(27,470)	(27,470)
Transfer to governmental activities	175,715	(175,715)	-
Total general revenues	<u>14,956,338</u>	<u>(100,615)</u>	<u>14,855,723</u>
Change in net position before special items	928,410	(1,257,877)	(329,467)
SPECIAL ITEMS			
Gain on acquisition of note receivable	<u>5,170,500</u>	-	<u>5,170,500</u>
Change in net position total	6,098,910	(1,257,877)	4,841,033
Net position - beginning	<u>26,645,118</u>	<u>9,912,630</u>	<u>36,557,748</u>
Net position - ending	<u>\$ 32,744,028</u>	<u>\$ 8,654,753</u>	<u>\$ 41,398,781</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, 2023

	Major Funds				Fund	Total Governmental Funds
	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	State of Good Repair	
Assets						
Cash and investments	\$ 240,412	\$ 2,163	\$ 5,954,657	\$ 1,929,701	\$ 1,594,661	\$ 9,721,594
Due from other funds	5,205	-	-	-	-	5,205
Prepaid costs	14,222	-	-	-	-	14,222
Due from other governments	728,401	-	1,925,741	725,928	56,015	3,436,085
Total assets	<u>\$ 988,240</u>	<u>\$ 2,163</u>	<u>\$ 7,880,398</u>	<u>\$ 2,655,629</u>	<u>\$ 1,650,676</u>	<u>\$ 13,177,106</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 262,492	\$ -	\$ -	\$ -	\$ -	\$ 262,492
Salaries and benefits payable	60,989	-	-	-	-	60,989
Due to other governments	-	-	547,623	-	-	547,623
Unearned revenues	214,011	-	-	-	-	214,011
Total liabilities	<u>537,492</u>	<u>-</u>	<u>547,623</u>	<u>-</u>	<u>-</u>	<u>1,085,115</u>
Fund Balances:						
Nonspendable - prepaid costs	14,222	-	-	-	-	14,222
Restricted - transit capital	-	-	2,200,000	800,000	1,650,676	4,650,676
Restricted - transit/ transportation	-	2,163	5,132,775	1,855,629	-	6,990,567
Unassigned	436,526	-	-	-	-	436,526
Total fund balances	<u>450,748</u>	<u>2,163</u>	<u>7,332,775</u>	<u>2,655,629</u>	<u>1,650,676</u>	<u>12,091,991</u>
Total liabilities and fund balances	<u>\$ 988,240</u>	<u>\$ 2,163</u>	<u>\$ 7,880,398</u>	<u>\$ 2,655,629</u>	<u>\$ 1,650,676</u>	<u>\$ 13,177,106</u>

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

Fund balances - total governmental funds	\$ 12,091,991
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	20,651,600
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	976,041
Depreciated capital assets, net of depreciation	332,973
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	1,052,557
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(1,263,122)
Net OPEB liability	(849,854)
Compensated absences	(115,044)
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	<u>(133,114)</u>
Net position of governmental activities	<u>\$ 32,744,028</u>

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year ended June 30, 2023

	Major Funds				Fund	Total Governmental Funds
	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	State of Good Repair	
Revenues:						
Sales and use taxes	\$ -	\$ -	\$ 11,280,400	\$ 2,795,906	\$ 327,535	\$ 14,403,841
State highway funds	-	3,306,372	-	-	-	3,306,372
Federal grants	1,666,645	-	-	-	-	1,666,645
State grants	628,045	-	-	-	-	628,045
Local reimbursements	707,004	-	-	-	-	707,004
Interest and other	202,848	2,164	128,406	19,156	24,208	376,782
Total revenues	<u>3,204,542</u>	<u>3,308,536</u>	<u>11,408,806</u>	<u>2,815,062</u>	<u>351,743</u>	<u>21,088,689</u>
Expenditures:						
Allocations:						
Butte Regional Transit	-	-	3,840,354	1,612,566	-	5,452,920
County of Butte	-	1,064,871	2,158,278	-	-	3,223,149
City of Biggs	-	26,046	65,653	-	-	91,699
City of Chico	-	1,570,448	3,483,862	-	-	5,054,310
City of Gridley	-	117,837	243,957	87,434	-	449,228
City of Oroville	-	303,208	638,690	-	-	941,898
Town of Paradise	-	224,049	260,887	-	-	484,936
Salaries and benefits	1,893,437	-	-	-	-	1,893,437
Services and supplies	1,858,737	-	-	-	-	1,858,737
Capital outlay	176,645	-	-	-	-	176,645
Total expenditures	<u>3,928,819</u>	<u>3,306,459</u>	<u>10,691,681</u>	<u>1,700,000</u>	<u>-</u>	<u>19,626,959</u>
Excess (deficiency) of revenues over (under) expenditures	(724,277)	2,077	717,125	1,115,062	351,743	1,461,730
Other financing sources (uses):						
Transfer in	825,715	-	-	-	-	825,715
Transfer out	-	-	(650,000)	-	-	(650,000)
Total other financing sources (uses)	<u>825,715</u>	<u>-</u>	<u>(650,000)</u>	<u>-</u>	<u>-</u>	<u>175,715</u>
Net change in fund balances	<u>101,438</u>	<u>2,077</u>	<u>67,125</u>	<u>1,115,062</u>	<u>351,743</u>	<u>1,637,445</u>
Fund balances - beginning	349,310	86	7,265,650	1,540,567	1,298,933	10,454,546
Fund balances - ending	<u>\$ 450,748</u>	<u>\$ 2,163</u>	<u>\$ 7,332,775</u>	<u>\$ 2,655,629</u>	<u>\$ 1,650,676</u>	<u>\$ 12,091,991</u>

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
For the Fiscal Year ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$ 1,637,445
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	(86,355)
Capital outlay	176,645
Gain on acquisition from New Market Tax Credit financing is not recognized in the governmental funds because they do not represent current financial resources.	
	5,170,500
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	(707,004)
Planning and administration expense	707,004
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	34,950
Deferred outflows of resources related to employee pension plan	435,930
Change in compensated absences	(13,998)
Change in net OPEB liability	(610,785)
Change in net pension liability	(906,809)
Deferred inflows of resources related to postemployment benefits plan	9,516
Deferred inflows of resources related to employee pension plan	251,871
	251,871
Change in net position of governmental activities	\$ 6,098,910

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, 2023

ASSETS

Cash and cash equivalents	\$	3,975,751
Accounts receivable		97,396
Due from other governments		4,636,972
Prepaid expense		42,452
Restricted cash and cash equivalents		1,813,015
Capital assets, net		<u>8,486,641</u>
Total assets		<u>19,052,227</u>

LIABILITIES

Due to other funds		5,205
Accounts payable		756,235
Due to other governments		25,700
Unearned revenues		<u>9,610,334</u>
Total liabilities		<u>10,397,474</u>

NET POSITION

Investment in capital assets		8,486,641
Restricted grant investment earnings		68,146
Unrestricted		<u>99,966</u>
Total net position	\$	<u><u>8,654,753</u></u>

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

**BUTTE REGIONAL TRANSIT ENTERPRISE FUND
For the Fiscal Year ended June 30, 2023**

OPERATING REVENUES	
Revenue from fares	\$ 1,139,190
OPERATING EXPENSES	
Administration	539,951
Paratransit certification	40,802
Insurance	389,374
Vehicle and equipment maintenance	116,831
Computer software maintenance	226,802
Purchased transportation	7,959,885
Fuel including taxes and fees	1,200,046
Miscellaneous operating	104,646
Facilities operations & maintenance	566,365
Depreciation	1,430,920
Total operating expenses	<u>12,575,622</u>
OPERATING LOSS	(11,436,432)
NONOPERATING REVENUES (EXPENSES)	
Federal transit assistance	4,952,038
TDA operating allocation	4,899,336
State operating grants	33,946
Investment earnings	102,570
Advertising sales	54,499
Loss on sale of fixed assets	(27,470)
Total nonoperating revenues	<u>10,014,919</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,421,513)
CAPITAL CONTRIBUTIONS	
TDA capital allocation	121,226
State capital grant	0
Federal capital contributions	218,125
Total capital contributions	<u>339,351</u>
OTHER FINANCING USES	
Transfer out	<u>(175,715)</u>
Change in net position	(1,257,877)
Net position - beginning	<u>9,912,630</u>
Net position - ending	<u>\$ 8,654,753</u>

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF CASH FLOWS
BUTTE REGIONAL TRANSIT ENTERPRISE FUND
For the Fiscal Year ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 1,133,077
Receipts from advertising sales	54,499
Payments to suppliers and claimants	(10,457,165)
Payments for interfund services used	(701,799)
Net cash used by operating activities	<u>(9,971,388)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating grants received	10,630,594
Net cash provided by noncapital financing activities	<u>10,630,594</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital acquisitions	(339,350)
Proceeds from sales	8,230
Capital grants	739,115
Capital apportionment	400,000
Net cash provided by capital and related financing activities	<u>807,995</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings received	<u>102,569</u>
Net cash provided by investing activities	<u>102,569</u>
Net increase in cash and cash equivalents	1,569,770
Cash and cash equivalents - beginning of year	<u>4,218,996</u>
Cash and cash equivalents - end of year	<u>\$ 5,788,766</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 3,975,751
Restricted cash and cash equivalents	<u>1,813,015</u>
Total cash and cash equivalents	<u>\$ 5,788,766</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (11,436,432)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,430,920
Advertising sales	54,499
Changes in assets and liabilities:	
Accounts receivable	(6,113)
Prepaid expense	38,505
Accounts payable	(57,972)
Due to other funds	<u>5,205</u>
Total adjustments	<u>1,465,044</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (9,971,388)</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:	
Donation of capital assets to governmental activities	<u>\$ 175,715</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, 2023

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.

As of March 10, 2023 the Association has exercised the option to acquire 100% interest in Chase New Markets Tax Credit (NMTC) BCAG Transportation Center Investment Fund, LLC referenced in Note F. At this time, the Association owns the assets in this Investment Fund, including its interest in the CDEs that hold the loans made to BRTC. The Association may choose to dissolve the loans to BRTC and may take ownership of the facility improvements funded with proceeds from the loans at some point in the future.

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, 2023

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. 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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023, the Association's restricted and unrestricted cash and investments of \$15,510,360, 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, 2023 is 96.85% 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 \$1,813,015 on June 30, 2023 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, 2023

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, 2023:

	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	State of Good Repair	Butte Regional Transit	Total
Local Governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
California Department of:							
Transportation	592,989	-	-	-	-	1,605,128	2,198,117
Tax and Fee Admin	-	-	1,925,741	-	-	-	1,925,741
Housing & Comm. Develop.	10,292	-	-	-	-	-	10,292
California State Controller	-	-	-	725,928	56,015	-	781,943
Federal Transit Admin.	125,120	-	-	-	-	3,031,844	3,156,964
	<u>\$ 728,401</u>	<u>\$ -</u>	<u>\$ 1,925,741</u>	<u>\$ 725,928</u>	<u>\$ 56,015</u>	<u>\$ 4,636,972</u>	<u>\$ 8,073,057</u>

NOTE F – LONG TERM NOTE RECEIVABLE

The Association shows long-term notes receivable of \$20,651,600 in the government-wide Statement of Net Position, which represents two loans held with Butte Regional Transportation Corporation (BRTC) for a total of \$16,535,000 and one promissory note held with an investment fund for \$4,116,600. The receivable from BRTC replaces an \$11,364,500 promissory note previously held with an investment fund. Both of the promissory notes were secured by a Fund Pledge Agreement for the purpose of establishing a qualified equity investment (QEI) with community development entities (CDE). The CDE's 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 \$137,939 were received during the year ended June 30, 2023. As of March 10, 2023, the tax credits from the investment were exhausted. Consistent with notes to prior financial statements, on March 27, 2023, the Association acquired 100% of the interest in the Chase New Markets Tax Credit BCAG Transportation Investment Fund, LLC (Borrower) for an agreed upon price of \$1,000. At such time the Borrower held CDE's that held the loans of \$16,535,000 made to BRTC. The borrower and the CDE's were subsequently dissolved, and the underlying loans made to BRTC are now held by the Association in lieu of the original promissory note. The resulting situation leaves BRTC holding the lease for the Butte Regional Transit operations facility and the Association holding a note receivable from BRTC. The new note in the amount of \$16,535,000 is greater than the previous note of \$11,364,500, creating a gain of \$5,170,500 on the acquisition of the note receivable in the Statement of Activities. The Association and BRTC have agreed to forego loan payments in lieu of a credit on lease payments made to BRTC. In the future, the Association may choose to dissolve the loans with BRTC in return for ownership of the real and/or personal property funded with proceeds from the loans.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

NOTE F – LONG TERM NOTE RECEIVABLE (Continued)

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 \$38,076 were received during the year ended June 30, 2023. 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.

NOTE G – CAPITAL ASSETS

As of June 30, 2023, the Association’s investment in capital assets for its governmental and business-type activities totaled \$9,795,655, net of accumulated depreciation. Capital assets in the government-wide financial statements are recorded as capital outlay expense in the governmental funds’ statements.

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Land	\$ 570,000	\$ -	\$ -	\$ -	\$ 570,000
Construction in Progress	405,111	930	-	-	406,041
Nondepreciated Capital Assets:	<u>975,111</u>	<u>930</u>	<u>-</u>	<u>-</u>	<u>976,041</u>
Office Equipment	1,112,091	-	(155,894)	175,715	1,131,912
Accumulated Depreciation	<u>(868,478)</u>	<u>(86,355)</u>	<u>155,894</u>	<u>-</u>	<u>(798,939)</u>
Depreciated Capital Assets:	<u>243,613</u>	<u>(86,355)</u>	<u>-</u>	<u>175,715</u>	<u>332,973</u>
Business-type Activites (BRT):					
Structures & Improvements	1,599,543	54,073	(6,653)	-	1,646,963
Vehicles & Equipment	19,629,948	285,277	(2,953,830)	(175,715)	16,785,680
Accumulated Depreciation	<u>(11,465,565)</u>	<u>(1,430,920)</u>	<u>2,950,483</u>	<u>-</u>	<u>(9,946,002)</u>
Depreciated Capital Assets:	<u>9,763,926</u>	<u>(1,091,570)</u>	<u>(10,000)</u>	<u>(175,715)</u>	<u>8,486,641</u>
Capital Assets, Net	<u>\$ 10,982,650</u>	<u>\$ (1,176,995)</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ 9,795,655</u>

Depreciation expense was charged to programs as follows:

Planning and Administrative	<u>\$ 86,355</u>
Transit Operations	<u>\$ 1,430,920</u>

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, 2023

NOTE G – CAPITAL ASSETS (Continued)

Construction in progress in the governmental activities relates to the design of solar enhancements for future electric bus infrastructure. Also in the fiscal year, the Paradise Transit Center project got underway.

Changes to the office equipment include the replacement of two servers and 15 computers. There was also minor facility equipment added.

For the fiscal year, BRT added bus shelter improvements, a facility maintenance truck, and transit software. In addition, a significant amount of fully depreciated transit equipment was disposed and two fixed route busses were sold as they had exceeded their useful life or miles allowable by the Federal Transit Administration.

NOTE H– INTERAGENCY TRANSACTIONS/ TRANSFERS

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 \$707,004 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.

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 and BRT transferred \$175,715 of equipment to the Planning and Administration Fund.

NOTE I – NONCURRENT LIABILITIES

Noncurrent liability activity for the fiscal year ended June 30, 2023 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	\$ 101,046	\$ 121,518	\$ 107,520	\$ 115,044
Net pension liability	356,313	906,809	-	1,263,122
Net OPEB liability	<u>239,069</u>	<u>610,785</u>	<u>-</u>	<u>849,854</u>
Total Noncurrent liabilities	696,428	1,639,112	107,520	2,228,020
Due within one year	<u>(50,523)</u>	<u>-</u>	<u>-</u>	<u>(57,522)</u>
Due in more than one year	<u>\$ 645,905</u>	<u>\$ 1,639,112</u>	<u>\$ 107,520</u>	<u>\$ 2,170,498</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, 2023

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 \$5,500 for the year ended June 30, 2023.

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 discussed below. 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. The Association has elected to not record these leases under GASB 87 due to the eminent title transfer. Lease payments for the fiscal year ending June 30, 2023 were \$222,000.

Annual lease commitments under the BRTC facility agreement have been adjusted to include a credit for the offset of BRTC loan interest payable to the Association. Future annual lease commitments are adjusted as follows:

<u>Lease Period</u>	<u>Future Lease Payments</u>
7/1/2023 - 6/30/2024	\$ 41,260
7/1/2024 - 6/30/2025	41,260
7/1/2025 - 6/30/2026	150,702
7/1/2026 - 6/30/2027	260,144
7/1/2027 - 6/30/2028	260,144
7/1/2028 - 6/30/2033	1,300,720
7/1/2033 - 6/30/2038	1,300,720
7/1/2038 - 6/30/2043	1,300,720
7/1/2043 - 6/30/2048	1,300,720
7/1/2048 - 12/1/2050	650,360
	<u>\$ 6,606,750</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, 2023 were \$5,000.

Future annual lease commitments are as follows:

<u>Lease Period</u>	<u>Future Lease Payments</u>
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 - 6/30/2028	5,000
7/1/2028 - 6/30/2033	25,000
7/1/2033 - 6/30/2038	25,000
7/1/2038 - 6/30/2043	25,000
7/1/2043 - 6/30/2048	25,000
7/1/2048 - 12/1/2050	12,500
	<u>\$ 137,500</u>

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

NOTE K – UNEARNED REVENUES

Unearned revenue activity as of June 30, 2023 was as follows:

Unearned Revenues	Beginning Balance	Received	Expended	Ending Balance
Planning and Administration				
REAP 1.0 Advance	\$ -	\$ 3,601	\$ 3,601	\$ -
REAP 2.0 Advance	-	294,476	113,704	180,772
SR 70 Mitigation	225,450	-	225,450	-
SR191 Mitigation	49,859	-	16,620	33,239
Subtotal	<u>275,309</u>	<u>298,077</u>	<u>359,375</u>	<u>214,011</u>
Butte Regional Transit				
Capital reserve	4,366,097	400,000	128,135	4,637,962
Operations carryforward	3,067,009	160,494	-	3,227,503
LCTOP	1,257,825	520,990	33,946	1,744,869
Subtotal	<u>8,690,931</u>	<u>1,081,484</u>	<u>162,081</u>	<u>9,610,334</u>
Total Government-wide	<u>\$ 8,966,239</u>	<u>\$ 1,379,561</u>	<u>\$ 521,456</u>	<u>\$ 9,824,345</u>

The largest portion of the BRT unearned revenue balance, \$4,637,962, 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 \$3,227,503, 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.

- Regional Early Action Planning (REAP) grants are administered by the California Department of Housing and Community Development (HCD). The program funds the planning and development of activities that accelerate infill housing and reductions in per capita Vehicle Miles Traveled (VMT). The Association’s REAP 2.0 advance is applied to community outreach and priority setting, and the ongoing preparation of the 2024 Sustainable Communities Strategy.
- Mitigation funds are received from the federal and state transportation improvement program. SR 70 Mitigation was closed out with the payment of \$225,450 to an endowment for ongoing activities. SR 191 Mitigation funds will be paid out over the next couple of years.
- 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 \$520,990 in the current year which will be applied to the future purchase of an electric bus and related infrastructure. Current fiscal year expenditures of \$33,946 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 \$68,146 as of June 30, 2023. Remaining grant funds and accrued interest as of June 30, 2023 totals \$1,813,015 which is reflected in restricted cash.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

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>	
COMMERCIAL GENERAL LIABILITY COVERAGES (all locations)	
General aggregate limit	\$ 2,000,000
Each occurrence limit	1,000,000
Personal & advertising injury	1,000,000
Damage to rented premises (each occurrence)	100,000
Excess liability each occurrence/aggregate	5,000,000
 PERSONAL PROPERTY COVERAGES	
<u>Location #1: BCAG Admin/ BRT Operations Facility, 326 Huss Dr, Chico, CA</u>	
Blanket building	23,512,421
Blanket business personal property	2,488,900
Blanket business income/loss of rents	227,000
Catastrophe limit	26,228,321
 <u>Location #2: Chico Transit Center, corner of 2nd & Salem</u>	
Business personal property	Included
 <u>Location #3: Oroville Transit Center, 2465 Spencer Ave</u>	
Business personal property	Included
Two restrooms - coverage limit each	Included
 DIRECTORS AND OFFICERS	 1,000,000
 <u>Held by Butte Regional Transit Contractor:</u>	
Commercial general liability	5,000,000
Business automobile insurance	5,000,000
Umbrella liability	10,000,000
Workers' compensation and employers liability	1,000,000
Damage to rented premises	1,000,000
Medical expense	10,000
Personal & advertising injury	5,000,000
Products - comp/op AGG	5,000,000

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

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.

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, 2022 to June 30, 2023, 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	10.32%	7.47%

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, 2023, the Association’s contributions made to the Plan were \$202,195 which includes \$87,102 of required contributions to the unfunded accrued liability. Employee contributions totaled \$83,164 during the year ended June 30, 2023.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

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, 2023, the Association reported a net pension liability of \$1,263,122 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 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, 2021 and 2022 was as follows:

Proportionate share - June 30, 2021	0.01877%
Proportionate share - June 30, 2022	0.02699%
Change in net pension liability share	0.00822%

For the year ended June 30, 2023, the Association recognized pension expense of \$421,203 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	\$ 129,433	\$ -
Differences between actual and expected experience	25,366	16,989
Net differences between projected and actual investment earnings	231,370	-
Differences between employers contribution and employer's proportionate share of contributions	-	83,942
Change in employer's proportion	164,260	-
Pension contributions subsequent to measurement date	202,195	-
Total	\$ 752,624	\$ 100,931

In the deferred outflows of resources above, the \$202,195 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as adjustments to pension expense as follows:

Fiscal Year ending June 30	
2024	\$ 135,181
2025	111,905
2026	60,898
2027	141,514
	\$ 449,498

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

NOTE M – PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liabilities measured at June 30, 2022 in the CalPERS GASB 68 Accounting Report were determined using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	6.9%
Inflation	2.3%
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 2.3%

The mortality rate table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the December 2021 experience study report that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.9%, which decreased from the 7.15% used in the year ended June 30, 2022. 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: In determining the long-term expected rate of return, CalPERS took into account the long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

NOTE M – PENSION PLAN (Continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)
Global Equity cap-weighted	30.0%	4.45%
Global Equity non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.30% 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>
	5.90%	6.90%	7.90%
Net pension liability	\$ 2,159,331	\$ 1,263,122	\$ 525,765

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, 2023, 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, 2023

NOTE N – OTHER POSTEMPLOYEE BENEFITS (OPEB)

Plan Description: 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's provisions were approved by the Board of Directors under Resolution #2006/07-01. The Plan is a single-employer defined benefit plan under the Public Employee's Medical and Hospital Care Act (PEMHCA). Employees who retire upon attainment of age 50 and 5 years of service may continue to cover themselves and their dependents under the health plan. Medical coverage is provided through CalPERS under the PEMHCA, also referred to as PERS Health. The retired employee is responsible for the total premium less the minimum statutory amount under PEMHCA contributed by the Association, which is \$155/month for 2023. 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.

Effective December 9, 2021, the Association amended the Plan with Resolution #2021/22-06, replacing the additional coverage. Employees who retire at age 50 with fifteen years of service receive premium coverage at 75% for the retiree, spouse and dependents. Additionally, a longevity benefit covers the retiree, spouse and dependents at the Active Employee Rate upon retirement, payable for 12 to 48 months based on years of service as follows:

15 years: 12 months at Active Employee Rate
20 years: 24 months at Active Employee Rate
25 years: 36 months at Active Employee Rate
30 years: 48 months at Active Employee Rate

The Active Employee Rate is currently 90% and is subject to change, however, the current rate at retirement becomes the longevity benefit for the specified duration under the Plan. This change in benefit increased the OPEB liability by \$601,278 in the current year as noted in the components of OPEB liability below.

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, 2023, the Association has no outstanding payments to the Plan and contributed \$121,718, 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, 2023 is \$441,071.

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, 2023 is measured as of June 30, 2022, 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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

NOTE N – OTHER POSTEMPLOYEE BENEFITS (Continued)

Components of the net OPEB liability reported as of June 30, 2023 were as follows:

As of Measurement date	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2021	\$ 499,929	\$ 260,860	\$ 239,069
Change in the year:			
Service cost	24,630	-	24,630
Interest	54,902	-	54,902
Change of benefits	601,278	-	601,278
Contributions - employer	-	114,044	(114,044)
Actual investment income	-	(43,775)	43,775
Administrative expense/trust fees	-	(244)	244
Benefit payments	(14,044)	(14,044)	-
Balance at June 30, 2022	<u>\$ 1,166,695</u>	<u>\$ 316,841</u>	<u>\$ 849,854</u>

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; Medicare 4%
Pre-retirement mortality rate	CalPERS Experience Study 2017
Post-retirement mortality rate	CalPERS Experience Study 2017

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

NOTE N – OTHER POSTEMPLOYEE BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound real return plus inflation. The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Percentage of Portfolio	Expected Rate of Return
Global equity	59%	4.8%
Fixed income	25%	1.8%
Treasury inflation protected securities	5%	1.6%
Real estate investment trusts	8%	3.7%
Commodities	3%	1.9%
	100%	

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

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

	<u>1% Decrease</u> 5.75%	<u>Discount Rate</u> 6.75%	<u>1% Increase</u> 7.75%
Net OPEB liability	\$ 989,786	\$ 849,854	\$ 731,077

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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
	Trend rate for each future year decreased	4% in 2023, increasing to 5.2% in 2024, 4% Medicare	Trend rate for each future year increased
Net OPEB liability	\$ 708,661	\$ 849,854	\$ 1,019,307

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

NOTE N – OTHER POSTEMPLOYEE BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2023, the Association recognized OPEB expense of \$688,021 and reported the following deferred outflows and inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 121,718	\$ -
Differences between actual and expected experience	48,922	3,196
Changes in assumptions	74,144	7,985
Net differences between projected and actual investment earnings	55,149	21,002
Total	\$ 299,933	\$ 32,183

In the deferred outflows of resources above, the \$121,718 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
2024	\$ 38,466	\$ 9,476
2025	38,467	9,099
2026	37,195	9,099
2027	37,193	2,224
2028	24,040	2,164
Thereafter	2,854	121
	\$ 178,215	\$ 32,183

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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 2023

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 percentage of participants salary, which are vested immediately. Participants individually direct the investment of their accounts from an assortment of investment options. For the year ending June 30, 2023, the Association made total contributions of \$40,489 to the plan.

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.

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 amount payable for the remaining contract is \$8,733,998 for fiscal year 2023/24.

Subsequent to June 30, 2023, the Association executed a contract for construction of the Paradise Transit Center in the amount of \$1,705,554.

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%.

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, 2023, 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, 2023

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

Farebox ratios for June 30, 2023 were as follows:

	Rural Fixed Route	Urban Fixed Route	Rural Para-transit	Urban Para-transit
Fare collection	\$ 357,782	\$ 591,249	\$ 43,398	\$ 146,761
Local revenue	42,742	52,977	12,384	18,207
Federal revenue	1,356,527	2,516,431	261,758	817,323
Nonstate revenue	<u>\$ 1,757,051</u>	<u>\$ 3,160,657</u>	<u>\$ 317,540</u>	<u>\$ 982,291</u>
Operating expenses	\$ 3,961,353	\$ 6,026,869	\$ 693,648	\$ 1,893,752
Less: depreciation expense	<u>(575,969)</u>	<u>(687,069)</u>	<u>(80,940)</u>	<u>(86,942)</u>
Net operating expenses	<u>\$ 3,385,384</u>	<u>\$ 5,339,800</u>	<u>\$ 612,708</u>	<u>\$ 1,806,810</u>
Fare revenue ratio	<u>51.9%</u>	<u>59.2%</u>	<u>51.8%</u>	<u>54.4%</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, 2023**

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Federal grants	\$ 3,738,078	\$ 4,122,080	\$ 1,666,645	\$ (2,455,435)
State grants	1,093,006	1,439,023	628,045	(810,978)
Local reimbursements	662,315	662,315	707,004	44,689
Interest and other	207,060	207,060	202,848	(4,212)
Total revenues	<u>5,700,459</u>	<u>6,430,478</u>	<u>3,204,542</u>	<u>(3,225,936)</u>
Expenditures:				
Salaries and benefits	1,980,893	2,014,941	1,893,437	(121,504)
Services and supplies	4,373,928	5,139,135	1,858,737	(3,280,398)
Capital outlay	-	-	176,645	176,645
Total expenditures	<u>6,354,821</u>	<u>7,154,076</u>	<u>3,928,819</u>	<u>(3,225,257)</u>
Deficiency of revenues under expenditures	<u>(654,362)</u>	<u>(723,598)</u>	<u>(724,277)</u>	<u>(679)</u>
Other financing sources:				
Transfer in	<u>650,000</u>	<u>650,000</u>	<u>825,715</u>	<u>175,715</u>
Total other financing sources	<u>650,000</u>	<u>650,000</u>	<u>825,715</u>	<u>175,715</u>
Net change in fund balance	<u>(4,362)</u>	<u>(73,598)</u>	<u>101,438</u>	<u>\$ 175,036</u>
Fund balance - beginning	<u>349,310</u>	<u>349,310</u>	<u>349,310</u>	
Fund balance - ending	<u>\$ 344,948</u>	<u>\$ 275,712</u>	<u>\$ 450,748</u>	

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, 2023

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

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

Notes to Schedule:

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

Changes in assumptions: In the 2018 accounting report, the demographic assumptions and the inflation assumptions and the inflation rate were changed in accordance with the 2018 accounting report, the demographic assumptions and the inflation assumptions and the inflation rate were changed in accordance with the 2021 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, 2014, is omitted.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year ended June 30, 2023

**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	June 30, 2022	June 30, 2023
Contractually required contribution (actuarially determined)	\$ 111,351	\$ 110,360	\$ 123,148	\$ 136,521	\$ 123,802	\$ 156,237	\$ 174,741	\$ 188,599	\$ 202,195
Contributions made	(111,351)	(110,360)	(123,148)	(136,521)	(123,802)	(156,237)	(174,741)	(188,599)	(202,195)
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	\$ 1,198,878
Contributions as a percentage of covered payroll	12.36%	12.33%	12.89%	13.22%	12.50%	13.72%	15.22%	15.82%	16.87%
CalPERS Actuarial Valuation Report for required contributions:	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020

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%	7.00%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.625%	2.50%	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%	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, 2023

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	June 30, 2022	June 30, 2023
Actuarially determined contribution - employer fiscal year	\$ 24,534	\$ 23,698	\$ 31,620	\$ 32,569	\$ 62,864	\$ 92,813
Contributions in relation to the actuarially determined contributions	30,000	30,000	30,000	30,000	60,000	100,000
Contribution deficiency (excess)	\$ (5,466)	\$ (6,302)	\$ 1,620	\$ 2,569	\$ 2,864	\$ (7,187)
Covered-employee payroll - employer fiscal year	\$ 1,032,893	\$ 990,193	\$ 1,138,555	\$ 1,147,872	\$ 1,191,830	\$ 1,198,878
Contributions as a percentage of covered-employee payroll	2.90%	3.03%	2.63%	2.61%	5.03%	8.34%
Notes to contribution schedule:						
Valuation date	July 1, 2017	July 1, 2017	July 1, 2019	July 1, 2019	July 1, 2021	July 1, 2021
Measurement period - fiscal year ended	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Reporting period - fiscal year ended	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost method					
Amortization method	Level percentage of payroll					
Amortization period of net liability	20 years	20 years	20 years	20 years	20 years	20 years
Healthcare cost trend rates	6.0%	5.0%	6% to 5%	5.8% to 5%	5.8% to 5%	5.2% to 4%
Salary increases	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Discount rate	6.5%	6.75%	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.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year ended June 30, 2023

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	June 30, 2023
Total OPEB liability:						
Service cost	\$ 14,122	\$ 14,546	\$ 17,707	\$ 16,011	\$ 18,351	\$ 24,630
Interest	10,593	12,199	14,094	22,633	25,400	54,902
Change of benefits	-	-	-	-	-	601,278
Changes of assumptions	-	(5,632)	(9,358)	-	102,660	-
Differences between expected and actual experience	-	-	88,062	-	(4,426)	(14,044)
Net change in total OPEB liability	24,715	21,113	110,505	38,644	141,985	666,766
Total OPEB liability - beginning	162,967	187,682	208,795	319,300	357,944	499,929
Total OPEB liability - ending (a)	\$ 187,682	\$ 208,795	\$ 319,300	\$ 357,944	\$ 499,929	\$ 1,166,695
Plan fiduciary net position:						
Contributions - employer	\$ 15,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 60,000	\$ 114,044
Net investment income	3,137	4,343	8,567	2,814	46,923	(43,775)
Benefit payments	-	-	-	-	-	(14,044)
Administrative expense/trust fees	(27)	(51)	(84)	(65)	(171)	(244)
Net change in plan fiduciary net position	18,110	34,292	38,483	32,749	106,752	55,981
Plan fiduciary net position - beginning	30,474	48,584	82,876	121,359	154,108	260,860
Plan fiduciary net position - ending (b)	\$ 48,584	\$ 82,876	\$ 121,359	\$ 154,108	\$ 260,860	\$ 316,841
Net OPEB liability - ending (a)-(b)	\$ 139,098	\$ 125,919	\$ 197,941	\$ 203,836	\$ 239,069	\$ 849,854
Plan fiduciary net position as a percentage of the total OPEB liability	25.89%	39.69%	38.01%	43.05%	52.18%	27.16%
Covered-employee payroll - measurement period	\$ 955,360	\$ 1,032,893	\$ 990,193	\$ 1,138,555	\$ 1,147,872	\$ 1,191,830
Net OPEB liability as percentage of covered-employee payroll	14.56%	12.19%	19.99%	17.90%	20.83%	71.31%
Annual money-weighted rate of return, net of investment expenses	6.86%	10.08%	8.74%	2.11%	25.67%	-13.43%
Notes to schedule:						
Valuation date	July 1, 2017	July 1, 2017	July 1, 2019	July 1, 2019	July 1, 2021	July 1, 2021
Measurement period - fiscal year ended	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Reporting period - fiscal year ended	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023

Benefit changes. None.

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

Discount rate	6.50%	6.75%	6.75%	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.

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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 WORK ELEMENT - BUDGET AND ACTUAL
PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Work Element Number	Budgeted Amounts		Actual-Funding Sources									Variance with Final Budget	
	Original	Final	FHWA-PL FTA 5303	SB1 STS	FTA 5304	LTF/ Interest/ Other	State REAP	State SHOPP	CRRSAA	FTA 5307	CMAQ		Totals
Revenues:													
Federal grants	\$ 3,738,078	\$ 4,122,080	\$ 1,021,770	\$ -	\$ 178,471	\$ 199,588	\$ -	\$ -	\$ 930	\$ 104,052	\$ 161,834	\$ 1,666,645	\$ (2,455,435)
State grants	1,093,006	1,439,023	-	234,176	-	138,859	127,598	16,620	110,792	-	-	628,045	(810,978)
Local reimbursements	662,315	662,315	-	-	-	707,004	-	-	-	-	-	707,004	44,689
Transfers in	650,000	650,000	-	-	-	825,715	-	-	-	-	-	825,715	175,715
Interest and other	207,060	207,060	-	-	-	202,848	-	-	-	-	-	202,848	(4,212)
Total revenues	6,350,459	7,080,478	1,021,770	234,176	178,471	2,074,014	127,598	16,620	111,722	104,052	161,834	4,030,257	(3,050,221)
Expenditures:													
OWP Development & Reporting	100	273,790	273,790	213,831		27,704						241,535	(32,255)
Outreach, Education, & Intergovernmental Coord	101	57,701	57,701	33,794		4,378						38,172	(19,529)
Regional Transportation Model	102	193,831	219,657	143,261		18,561						161,822	(57,835)
Regional GIS Coordination	103	65,915	65,915	57,293		7,423						64,716	(1,199)
Transportation Air Quality Planning	104	20,915	20,915	17,997		2,332						20,329	(586)
Federal Trans. Improvement Program (FTIP)	105	53,776	80,663	53,704		28,818						82,522	1,859
Regional Trans. Improvement Program (RTIP)	106	53,776	53,776	29,901		23,083						52,984	(792)
Regional Trans. Plan/Sustain Communities Strategy	107	141,911	115,670	82,080		10,634						92,714	(22,956)
Complete Streets	107.1	-	26,241	18,305		2,372						20,677	(5,564)
REAP Implementation	108	647,125	635,023			9,590	13,894					23,484	(611,539)
US Census Data Affiliate Center Administration	109	20,915	20,915	17,997		2,331						20,328	(587)
Intelligent Transport Systems	110	13,444	13,444	7,857		1,018						8,875	(4,569)
Regional Performance Measures	120	20,915	20,915	18,506		2,398						20,904	(11)
REAP 2.0 2024 SCS Development	127	-	176,886			21,712	113,704					135,416	(41,470)
STP 21/22-Regional Travel Survey	128	95,279	107,737		84,350	19,381						103,731	(4,006)
SB1 Planning 2022/23-2024 SCS Development	129	203,964	203,964		149,826	19,412						169,238	(34,726)
North Valley Rail (5304)	130	294,944	460,811			23,123	178,471					201,594	(259,217)
North Valley Rail (PL)	130.1	269,558	450,330	194,855		25,245			110,792			330,892	(119,438)
Regional EV Coordination	132	26,887	31,887	26,842		3,478						30,320	(1,567)
Paradise Transit Center	215	2,250,000	2,451,041			63,771				930	161,834	226,535	(2,224,506)
SR 191 Mitigation	216	-	16,620						16,620			16,620	-
TDA Administration	300	116,985	116,985			69,147						69,147	(47,838)
Trans System Planning	301	353,332	353,332	105,547		39,688					104,052	249,287	(104,045)
Butte Regional Transit Administration	302	502,074	502,074			538,205						538,205	36,131
ADA Certification	303	57,947	57,947			42,547						42,547	(15,400)
Electric Bus Rollout Plan	308	120,962	120,962			189,782						189,782	68,820
Indirect Costs, net of applied cost rate	999	498,875	498,875			375,279						375,279	(123,596)
Ophir mitigation/ transfers in	na	-	-			401,164						401,164	401,164
Total expenditures	6,354,821	7,154,076	1,021,770	234,176	178,471	1,972,576	127,598	16,620	111,722	104,052	161,834	3,928,819	(3,225,257)
Excess (deficiency) of revenues over (under) expenditures	\$ (4,362)	\$ (73,598)	\$ -	\$ -	\$ -	\$ 101,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,438	\$ 175,036
Fund balance - beginning						349,310						349,310	
Fund balance - ending			\$ -	\$ -	\$ -	\$ 450,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,748	

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF DIRECT AND INDIRECT COSTS
PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND
For the Fiscal Year ended June 30, 2023

	Direct Costs	Allowable Indirect Costs	Unallowable/ Locally funded Indirect Costs	Total
Total salaries and benefits	1,035,921	652,086	205,430	1,893,437
Direct services and supplies	1,540,228			1,540,228
INDIRECT COSTS OTHER THAN SALARY & BENEFITS:				
Communications	-	2,252	-	2,252
Household	-	30,571	-	30,571
Insurance	-	15,048	-	15,048
Computer Maintenance	-	28,973	-	28,973
Maintenance - building	-	18,104	-	18,104
Memberships	-	8,373	1,965	10,338
Office expense	-	17,437	-	17,437
Professional services	-	41,965	60,576	102,541
Public notices	-	4,366	-	4,366
Equipment lease	-	1,942	5,000	6,942
Facility lease	-	10,350	211,650	222,000
Special expense	-	4,375	-	4,375
Training	-	2,869	-	2,869
Travel	-	14,175	-	14,175
Utilities	-	11,810	2,416	14,226
Small equipment	-	937	-	937
Fixed assets-depreciation	-	-	-	-
Subtotal	-	213,547	281,607	495,154
Total costs	\$ 2,576,149	865,633	\$ 487,037	\$ 3,928,819
Over-absorbed indirect costs		111,758		
Total allocated indirect costs		\$ 977,391		
Reconciliation of expenditures to the Planning and Administration Fund:				
Total direct and indirect costs		\$ 3,928,819		
Depreciation		-		
Total Planning and Administration Fund expenditures		\$ 3,928,819		

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

**LOCAL TRANSPORTATION FUND
SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS
For the Fiscal Year ended June 30, 2023**

TDA Purpose	Beginning Unallocated/ Reserved	Allocation of Apportionment	Disbursement	Ending Unallocated / Reserved
City of Biggs				
99400(a) Pedestrian and bicycle	-	50,000	50,000	-
99400(a) Streets and roads	\$ -	\$ 15,653	\$ 15,653	\$ -
Unallocated apportionment	-	-	-	-
Total	<u>-</u>	<u>65,653</u>	<u>65,653</u>	<u>-</u>
City of Chico				
99400(a) Pedestrian and bicycle	-	760,909	760,909	-
99400(a) Streets and roads	-	2,218,963	2,218,963	-
99400(b) Other passenger rail	-	-	-	-
99400(c) General public transit	-	-	-	-
99402 Streets and roads planning	-	780,599	780,599	-
Unallocated apportionment	276,609	(276,609)	-	-
Total	<u>276,609</u>	<u>3,483,862</u>	<u>3,760,471</u>	<u>-</u>
City of Gridley				
99260(a) Public transportation	-	26,328	26,328	-
99400(a) Streets and roads	-	217,629	217,629	-
Unallocated apportionment	-	-	-	-
Total	<u>-</u>	<u>243,957</u>	<u>243,957</u>	<u>-</u>
City of Oroville				
99400(a) Pedestrian and bicycle	-	338,690	338,690	-
99400(a) Streets and roads	-	300,000	300,000	-
Unallocated apportionment	-	-	-	-
Total	<u>-</u>	<u>638,690</u>	<u>638,690</u>	<u>-</u>
Town of Paradise				
99400(a) Pedestrian and bicycle	-	77,321	77,321	-
99400(a) Streets and roads	-	325,546	325,546	-
99402 Streets and roads planning	-	30,000	30,000	-
Unallocated apportionment	719,603	(171,980)	-	547,623
Total	<u>719,603</u>	<u>260,887</u>	<u>432,867</u>	<u>547,623</u>
County of Butte				
99233.1 TDA administration	-	25,000	25,000	-
99400(b) Other passenger rail	-	1,680	1,680	-
99400(c) Elderly and handicapped	-	4,000	4,000	-
99400(a) Streets and roads	-	2,127,598	2,127,598	-
Unallocated apportionment	-	-	-	-
Total	<u>-</u>	<u>2,158,278</u>	<u>2,158,278</u>	<u>-</u>
Butte Regional Transit				
99260(a) Public transportation	-	3,440,354	3,440,354	-
99262 Capital - reserved	2,200,000	400,000	400,000	2,200,000
Total	<u>2,200,000</u>	<u>3,840,354</u>	<u>3,840,354</u>	<u>2,200,000</u>
Butte County Association of Governments				
99233.1 TDA administration	-	100,000	100,000	-
99233.2 TDA planning	-	550,000	550,000	-
Total	<u>-</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>
Total LTF	<u>\$ 3,196,212</u>	<u>\$ 11,341,681</u>	<u>\$ 11,790,270</u>	<u>\$ 2,747,623</u>

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

**STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS
For the Fiscal Year ended June 30, 2023**

<u>TDA Purpose</u>	<u>Beginning Balance</u>	<u>Allocation of Apportionment</u>	<u>Disbursements</u>	<u>Ending Balance</u>
City of Gridley, Taxi Service				
6730(a) Operating	\$ -	\$ 87,434	\$ 87,434	\$ -
Total	<u>-</u>	<u>87,434</u>	<u>87,434</u>	<u>-</u>
Butte Regional Transit				
6730(a) Operating	-	1,612,566	1,612,566	-
6730(b) Capital	400,000	400,000	-	800,000
Total	<u>400,000</u>	<u>2,012,566</u>	<u>1,612,566</u>	<u>800,000</u>
 Total STA	 <u>\$ 400,000</u>	 <u>\$ 2,100,000</u>	 <u>\$ 1,700,000</u>	 <u>\$ 800,000</u>

**STATE OF GOOD REPAIR FUND
SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS
For the Fiscal Year ended June 30, 2023**

<u>SGR Purpose</u>	<u>Beginning Balance</u>	<u>Allocation of Award</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Butte Regional Transit				
Capital replacement	<u>\$ 1,275,762</u>	<u>\$ 327,535</u>	<u>\$ -</u>	<u>\$ 1,603,297</u>

COMPLIANCE REPORTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Butte County Association of Governments (the Association), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated March 1, 2024.

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 K 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

March 1, 2024



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

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

Report on Compliance for Each Major Federal Program

We have audited the Butte County Association of Governments' (the Association) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Association's major federal programs for year ended June 30, 2023. 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, 2023.

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

March 1, 2024

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

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

20.509

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, 2023

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, 2023

	Federal Assistance Listing (AL) Number	Grant Number	BCAG Project Description	Expenditures
<u>Department of Transportation</u>				
Passed through the State of California, Department of Transportation				
Federal Regional Improvement Program	20.205	03-0327	Ophir Road Mitigation	\$ 199,591
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MFTA 74A0808	Transportation Planning	962,194
Federal Transit - Metropolitan Planning Grants	20.505	MFTA 74A0808	Transit Planning	59,574
State Planning and Research	20.505	MFTA 74A0808	North Valley Rail Planning	178,470
			<i>Subtotal 20.505</i>	<u>1,200,238</u>
Formula Grants for Rural Areas and Tribal Transit Program				
American Rescue Plan	20.509	64MO21-01897	FTA 5311(f) ARPA operating	47,912
American Rescue Plan	20.509	64TO21-01821	FTA 5311 ARPA operating	261,758
Coronavirus Relief (CRRSAA)	20.509	64RC21-01598	Paradise Transit Center	930
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	995,458
			<i>Subtotal 20.509</i>	<u>1,606,058</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	73,453
Federal Transit Formula Grants				
Urbanized Area Formula Program	20.507	CA-2019-083	18/19 5307 Capital	2,530
Urbanized Area Formula Program	20.507	CA-2017-099	16/17 5307 Capital	23,756
Urbanized Area Formula Program	20.507	CA 2020-207-02	FTA 5307 Transit Planning	104,052
Urbanized Area Formula Program	20.507	CA 2017-012	CMAQ Paradise Transit Center	161,834
Urbanized Area Formula Program	20.507	-	FTA 5307 BRT Operating	3,031,844
Urbanized Area Formula Program	20.507	CA 2022-110-02	FTA 5307 ARP Capital	146,019
Urbanized Area Formula Program	20.507	CA 2022-110-02	FTA 5307 ARP Operating	287,433
			<i>Subtotal 20.507</i>	<u>3,757,468</u>
			<i>Total Federal Transit Cluster</i>	<u>3,830,921</u>
Total awards				<u>\$ 6,836,808</u>

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

For the Year Ended June 30, 2023

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, 2023. 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, 2023 included an approved indirect cost rate of 94.35% 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, 2023.

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.

NOTE G – CLUSTERS OF PROGRAMS

There were not clusters of the Association's federal programs during the year ended June 30, 2023.