

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

REGIONAL TRANSPORTATION PLANNING AGENCY

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

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June 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Humboldt County Association
of Governments
611 I Street, Suite B
Eureka, CA 95501

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Humboldt County Association of Governments 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Humboldt County Association of Governments as of June 30, 2023 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Humboldt County Association of Governments, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Humboldt County Association of Government'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.

Auditors' Responsibility 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 opinion. 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 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, 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 Humboldt County Association of Government'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.

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 and budgetary comparison information (Schedule 2) and certain information required by GASB 68 (Schedules 6 and 7) 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 Humboldt County Association of Government's basic financial statements. The information included in Schedules 1,3,4 and 5 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 information 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was also made for the purposes of determining compliance with the Transportation Development Act Sections 99234, 99400 (a), and 99260.7, the California Administrative Code and the rules and regulations of the Humboldt County Association of Governments. In our audit we performed to the extent applicable, the tasks contained in Sections 6666 and 6667 of the California Administrative Code.

In our opinion, the funds described above were expended in conformance with applicable laws, rules, and regulations of the Transportation Development Act and the allocation instructions of the Humboldt County Association of Governments.

Anderson, Lucas, Somerville, & Borges

March 15, 2024
Fortuna, California

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Management's Discussion and Analysis For Fiscal Year Ending June 30, 2023

The purpose of this section is to provide a narrative explanation of HCAOG's financial statements and to enhance the overall financial disclosure by providing context for the fiscal year ended June 30, 2023. In other words, it is meant to summarize the financials and relay management's insights into HCAOG's performance.

This discussion and analysis should be read in conjunction with HCAOG's audited financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB is the independent, private-sector organization, that establishes accounting and financial reporting standards for U.S. state and local governments.

Overview of this Annual Report

This annual report consists of a series of required financial statements covering HCAOG's activities from July 1, 2022 through June 30, 2023. It follows Generally Accepted Accounting Principles (GAAP) and adheres to financial reporting standards developed by the Governmental Accounting Standards Board (GASB). The following definitions may help in the review of the report:

- *Assets* are resources a government controls at present.
- *Liabilities* are present obligations to sacrifice resources or future resources that a government has little or no discretion to avoid.
- *Net assets* are the residual of all other elements presented in a statement of financial position.
- An *outflow of resources* is a consumption of net resources by a government that is applicable to the reporting period
- An *inflow of resources* is an acquisition of net resources by a government that is applicable to the reporting period

The Basic Financial Section of this report has two main categories, the government wide financial statements and the fund financial statements. The government-wide financial statement is a detailed summary of all the major government funds, and shows in detail what HCAOG spent money on and how much money is left. In this report, Government-wide statements include the Statement of Net Position (page 9) and the Statement of Activities (page 10). HCAOG's assets, liabilities, and net assets are elements of statements of financial position, which make up the government-wide statement of net assets. Recent additions to this annual statement are inflows and outflows for the required GASB statement number 75 which is an accounting and financial reporting for postemployment benefits other than pensions.

The Fund Financial Statements report HCAOG's operations in more detail than the government-wide statements by providing information about HCAOG's most significant funds. These

statements are detailed in pages 11 through 16. Fund Financial Statements tell how HCAOG services are financed in the short term as well as what remains for future spending. Fiduciary fund statements provide financial information about activities for which HCAOG acts solely as a trustee or agent for the benefit of those outside of HCAOG. All statements are supported in the Notes to Financial Statements section beginning on page 17. This report must be considered together with the financial statements in order to obtain a complete understanding of the financial picture of HCAOG.

Basic Financial Statements

Basic Financial Statements comprise the government-wide financial statements and the fund financial statements. These two sets of financial statements provide two different views of HCAOG's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements are comprised of the Statement of Net Position, on page 9 and the Statement of Activities on page 10. The Statement of Activities provides information about all HCAOG's revenues and all expenses with an emphasis on measuring net revenue or expenses of HCAOG's programs. Although the Statement of Activities shows the change in Net Position for the year, another valuable measure is comparison with the previous fiscal year:

Assets	2022	2023
Cash and Investments	\$ 2,226,017	\$ 2,484,489
Interest	\$ -	\$ -
Receivables	\$ 68,880	\$ 114,900
Prepaid expenses	\$ 23,672	\$ 8,640
Due from other funds	\$ 1,001	\$ 1,000
Deferred Outflows	\$ 236,172	\$ 1,116,152
Capital assets, net of accumulated depreciation	\$ 10,598	\$ 11,926
Total Assets	\$ 2,566,340	\$ 3,737,107
Liabilities		
Accounts Payable	\$ 141,963	\$ 56,564
Accrued vacation and sick leave	\$ 90,147	\$ 104,626
Deferred Inflows	\$ 199,854	\$ 290,260
GASB 75 OPEB Liability	\$ 1,032,175	\$ 1,496,983
GASB 68 net pension liability	\$ 150,819	\$ 554,290
Total Liabilities	\$ 1,614,958	\$ 2,502,723
Net Position		
Invested in Capital Assets	\$ 10,598	\$ 11,926
Unrestricted (deficit)	\$ (595,368)	\$ (599,889)
Assigned/Restricted	\$ 1,536,152	\$ 1,822,347
Total Net Position	\$ 951,382	\$ 1,234,384

The change in net position has slightly increased. Changes in assets dominated by increases to deferred outflows, are relatively balanced by the changes in liabilities, where OPEB and net pension liabilities have increased. These types of variations are anticipated considering the timing of receiving funds or making payments in relation to when the audit is prepared. Both statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All stated revenues and expenses are considered regardless of when cash is received or paid. No major changes to the organization's net position have occurred.

Table 2: Changes in Governmental Net Position (From Page 10: RTPA Basic Financial Statements)			
		2022	2023
Expenses			
	Services and supplies	\$ 363,419	\$ 668,382
	Planning and Administration	\$ 871,463	\$ 1,032,776
	Total Expenses	\$1,234,882	\$ 1,701,158
Program Revenues			
	Operating Grants	\$ 556,382	\$ 1,181,492
General Revenues			
	Local Transportation Funds	\$ 450,000	\$ 600,000
	State Transportation Funds	\$ -	\$ 130,000
	SAFE	\$ 136,738	\$ 136,007
	Interest	\$ 2,497	\$ 15,366
	Total revenue	\$1,145,617	\$ 2,062,865
Net position beginning of Period		\$1,557,408	\$ 951,382
Change in net position of Government activities		\$ (89,265)	\$ 361,707
GASB 68 Current year pension liability		\$ 181,725	\$ 51,190
GASB 75 Current year Post Employment Benefits		\$ (698,486)	\$ (129,895)
Net Position, End of Period		\$ 951,382	\$ 1,234,384
Total change in net position		\$ (606,026)	\$ 283,002

Fund Financial Statements

The Fund Financial Statements, pages 11 through 16, provide detailed information about HCAOG's most significant funds, not HCAOG as a whole. These funds focus primarily on the short-term activities of HCAOG's Major Funds by measuring only current revenues and expenditures and fund balances. They exclude capital assets and any long-term amounts.

HCAOG currently has two Major Funds, the Service Authority for Freeway Emergencies (SAFE) Fund, and the Administrative Trust Fund. Rural Planning Assistance (RPA) funding, State Transportation Improvement Plan Planning Programming and Monitoring (STIP-PPM) funding and grant funding are included in the Administrative Trust Fund. Major Funds present the major activities of HCAOG for the year and may change from year to year as a result of changes in funding amounts and the pattern of HCAOG activities.

Unlike the Government-wide financial statements, Fund Financial Statements are prepared on the *modified accrual basis*, which means that they measure only current financial resources and uses. Capital assets and other long-lived assets, including long-term liabilities, are not presented in these statements. Major Funds account for the major financial activities of HCAOG are presented individually.

Fiduciary Activities

HCAOG's fiduciary activities are detailed separately in the Statements of Fiduciary Net Assets on page 15. Fiduciary assets are excluded from HCAOG's other financial statements because HCAOG does not use these assets to finance its own operations. The Fiduciary Statements provide financial information about the activities of the Local Transportation (LTF) Fund, State Transit Assistance (STA) and Regional Surface Transportation Program (RSTP) Exchange Funds for which HCAOG acts solely as agent. The Fiduciary Statements provide information about the cash balances and activities of these funds. These statements are separate from, and their balances are excluded from, HCAOG's financial activities.

Condensed Comparative Financial Statements

Condensed financial statements derived from the government-wide statements for the years ended June 30 2022 and 2023 are provided in Tables 1 and 2.

HCAOG's Financial Position

Operations were stable in 2022-23, with a slight increase to our net position.

Analysis of Balances and Transactions of HCAOG's Major Funds

HCAOG currently has two Major Funds, the SAFE Fund, and the Administrative Trust Fund. Rural Planning Assistance (RPA) funding, STIP-PPM funding and grant funding are included in the Administrative Trust Fund. Individual fund balances are presented on page 13 of the Basic Financial Statements.

The RPA funds are administered by Caltrans wherein HCAOG is reimbursed on a quarterly basis. HCAOG uses funds from the Administrative account for RPA eligible uses. Upon payment by Caltrans, the funds are deposited back into the administrative account.

The SAFE fund is a stable funding based on state vehicle license fees. Expenditures are limited to Service Authority for Freeway Emergencies projects to implement the call box-roadside emergency program. Expenses include contracts to upgrade and maintain the call box system and to compensate the California Highway Patrol and the Eureka Police Department for supplemental patrols on the region's highways. Routine maintenance and supplemental patrol contracts result in amounts that are less than annual revenues. This creates savings which can be used to complete system upgrades and expansion when needed.

STIP-PPM funds are administered by the Caltrans and the California Transportation Commission, allocated on a lump sum basis and must be used within a three-year time period. These funds are limited to 5% of the State Transportation Improvement Program regional shares, spread over a five-year period. HCAOG was allocated \$164,000 in the 2022-23 fiscal year.

The Administrative Trust Fund is the operating fund for HCAOG. Planning and administration funds from the Local Transportation Fund are deposited into this fund on an annual basis. All other reimbursable funds are transferred into the account on a quarterly basis. Grant awards and RPA reimbursements are deposited upon payment by Caltrans.

Budgetary Analysis

A comparison of the budgeted and actual financial information detailed in the Administrative Trust Fund is provided as Schedule 2, page 31. The excess of revenues over expenditures in the amount of \$1,320,519, which includes the beginning of period carryover balance of \$964,661, is mainly due to the advanced REAP grant funds that were carried over and remained unspent through the fiscal year.

Capital Assets and Long-term Debt Activity

GASB Statement No. 34 requires HCAOG to record all capital assets that were not recorded in prior years. Details of capital assets are required to be included in the Notes section of this report. Note 3, page 22, is devoted to this duty. Additional fixed assets (office equipment) in the amount of \$1,328 were secured in 2022-23. HCAOG does not utilize long-term debt to fund operations or growth.

Currently Known Facts, Decisions or Conditions

The purpose of this section is to describe currently known facts, decisions, or conditions, as of the date of this report, that are expected to have a significant effect on net assets, revenues, expenses and other changes in net assets. Financial planning for Regional Transportation Planning Agencies is based on assumptions from recent trends, State of California economic and financial forecasts and historical and projected population projections in the jurisdictions in the region.

The economic condition of HCAOG as it appears on the balance sheet reflects financial stability. HCAOG continues to be encouraged by development throughout the region. HCAOG will continue to implement cost-saving policies to limit expenditures and commit to sound financial management practices in delivering the highest quality service to the citizens of the region.

Contacting HCAOG's Financial Management

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of HCAOG's finances. Questions about this report should be directed to Executive Director, Humboldt County Association of Government, 611 I Street, Suite B, Eureka, California, 95501.

FINANCIAL SECTION.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

STATEMENT OF NET POSITION

ALL GOVERNMENTAL FUNDS TYPES

June 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 2,484,489
Interest receivable	-
Accounts receivable	114,900
Due from fiduciary fund	1,000
Prepaid expenses	8,640
Deferred outflows related to pensions	504,092
Deferred outflows related to OPEB	612,060
Capital assets, net of accumulated depreciation	<u>11,926</u>
Total Assets	<u>\$ 3,737,107</u>
<u>LIABILITIES AND NET POSITION</u>	
Accounts payable and payroll liabilities	\$ 56,564
Accrued vacation and vested sick leave	104,626
Deferred inflows related to pensions	98,751
Deferred inflows related to OPEB	191,509
GASB 75 OPEB liability	1,496,983
GASB 68 net pension liability	<u>554,290</u>
Total Liabilities	<u>2,502,723</u>
<u>NET POSITION</u>	
Invested in capital assets	11,926
Unrestricted (deficit)	(599,889)
Restricted:	
PPM Projects	39,906
SAFE	1,354,343
REAP	<u>428,098</u>
Total Net Position	<u>\$ 1,234,384</u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

STATEMENT OF ACTIVITIES

ALL GOVERNMENTAL FUNDS TYPES

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	Net (Expense) Revenues and Changes in Net Position Governmental <u>Activities</u>
Governmental Activities:			
Services and supplies	\$ 668,382	\$1,181,492	\$ 513,110
Planning and administration	<u>1,032,776</u>	<u>-</u>	<u>\$(1,032,776)</u>
Total Governmental Activities	<u>\$1,701,158</u>	<u>\$1,181,492</u>	<u>\$(519,666)</u>
General Revenues:			
Local Transportation Fund (LTF)			600,000
State Transit Assistance Fund (STA)			130,000
SAFE			136,007
Use of money and property and other			<u>15,366</u>
Total General Revenues			<u>\$ 881,373</u>
Change in Net Position			361,707
Net Position, Beginning of Period			951,382
GASB 68 Net Pension Liability Current Year Adjustment			51,190
GASB 75 Other Post Employment Benefits (OPEB) Current Year Adjustment			<u>(129,895)</u>
Net Position, End of Period			<u>\$ 1,234,384</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
GOVERNMENTAL FUNDS BALANCE SHEET**

June 30, 2023

	Regional Transportation Planning Fund	SAFE Fund	Totals
ASSETS			
Cash - CCCU	\$1,133,620	\$1,350,869	\$ 2,484,489
Interest receivable	-	-	-
SAFE funds receivable	-	24,247	24,247
RPAF funds receivable	71,653	-	71,653
Prepaid expenses	8,640	-	8,640
Due from other funds	19,358	-	19,358
TOTAL ASSETS	<u>\$1,233,271</u>	<u>\$1,375,116</u>	<u>\$ 2,608,387</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 40,058	\$ 2,415	\$ 42,473
Payroll liabilities	14,091	-	14,091
Due to other funds	-	18,358	18,358
TOTAL LIABILITIES	<u>\$ 54,149</u>	<u>\$ 20,773</u>	<u>\$ 74,922</u>
FUND BALANCES:			
Unassigned	\$ 649,779	\$ -	\$ 649,779
Assigned - PPM	61,339	-	61,339
Restricted - SAFE	-	1,354,343	1,354,343
Restricted - PPM	-	-	-
2022-23 Projects	39,906	-	39,906
Restricted REAP	428,098	-	428,098
TOTAL FUND BALANCES	<u>\$1,179,122</u>	<u>\$1,354,343</u>	<u>\$ 2,533,465</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,233,271</u>	<u>\$1,375,116</u>	<u>\$ 2,608,387</u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

RECONCILIATION OF THE
GOVERNMENTAL FUNDS-BALANCE SHEET
WITH THE GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION

For the Year Ended June 30, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 2,533,465

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

LIABILITIES AND RELATED TRANSACTIONS

Certain expenditures and liabilities used in Governmental activities are not recognized in the Governmental funds due to the timing of the related expenditures (85,626)

Certain pension plan liability amounts used in Governmental activities are not recognized in the Governmental funds due to the timing of the related expenditures (1,225,381)

CAPITAL ASSETS TRANSACTIONS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds 11,926

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,234,384

The accompanying notes are an integral part of these financial statements.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2023

	Regional Transportation Planning Funds	SAFE Fund	Totals
REVENUES			
Intergovernmental:			
State planning	\$ 331,621	-	331,621
REAP grant	626,186	-	626,186
DMV fees	-	\$ 136,007	136,007
Other revenues	31,420	-	31,420
PPM program	164,000	-	164,000
Allocations:			
TDA fund	600,000	-	600,000
2% Bike & Pedestrian fund	9,265	-	9,265
STAF fund	130,000	-	130,000
Other income:			
Interest and other	2,338	13,028	15,366
TOTAL REVENUES	<u>\$1,894,830</u>	<u>\$ 149,035</u>	<u>\$2,043,865</u>
EXPENDITURES			
Salaries and benefits	\$ 786,414	-	\$ 786,414
Office expense	37,417	727	38,144
Travel and other	8,429	-	8,429
Professional services	74,473	10,394	84,867
Dues and memberships	6,900	-	6,900
Rent	39,988	1,680	41,668
Project costs	231,269	-	231,269
REAP grant	162,272	-	162,272
Telephone charges	-	7,726	7,726
CHP monitoring	-	105,862	105,862
Call box capital costs	-	117,267	117,267
Call box monitoring	-	31,185	31,185
OPERB health insurance	64,676	-	64,676
Capital outlay	1,328	-	1,328
TOTAL EXPENDITURES	<u>\$1,413,166</u>	<u>\$ 274,841</u>	<u>\$ 1,688,007</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 481,664	\$ (125,806)	\$ 355,858
OTHER FINANCING SOURCES (USES)			
Transfers In	18,358	-	18,358
Transfers (Out)	-	(18,358)	(18,358)
TOTAL OTHER FINANCING SOURCES (USES)	<u>18,358</u>	<u>(18,358)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 500,022	\$ (144,164)	\$ 355,858
FUND BALANCES - BEGINNING OF YEAR			
	679,100	1,498,507	2,177,607
FUND BALANCES - END OF YEAR	<u>\$1,179,122</u>	<u>\$1,354,343</u>	<u>\$ 2,533,465</u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 355,858**

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

EXPENDITURES

Certain expenditures and liabilities used in Governmental activities are not recognized in the Governmental funds due to the timing of the related expenditures 4,521

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance	1,328
Depreciation expense is deducted from the fund balance	<u>-</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 361,707**

The accompanying notes are an integral part of these financial statements.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2023

	Expendable Trust Funds					
	Local Transportation	State Transit Assistance	RSTP Exchange Fund	SGR Fund		Total
ASSETS:						
Cash and investments	\$2,420,975	\$ 749,911	\$3,055,488	\$ 572,462	\$ 6,798,836	
Interest receivable	40,902	4,312	-	6,314	51,528	
STAF/SGR receivables	-	538,041	-	41,532	579,573	
Other receivable	-	7,119	-	2,095	9,214	
Due from other funds	-	393,607	-	-	393,607	
Total Assets	<u>\$2,461,877</u>	<u>\$1,692,990</u>	<u>\$3,055,488</u>	<u>\$ 622,403</u>	<u>\$ 7,832,758</u>	
LIABILITIES:						
Warrants payable	\$ 32,375	\$ -	\$ -	\$ -	\$ 32,375	
Due to other funds	2,715	380	-	393,607	396,702	
TDA claims payable	99,992	-	-	-	99,992	
STAF claims payable	-	506,587	-	-	506,587	
RSTP claims payable	-	-	2,603,557	-	2,603,557	
SGR claims payable	-	-	-	161,964	161,964	
Total Liabilities	<u>\$ 135,082</u>	<u>\$ 506,967</u>	<u>\$2,603,557</u>	<u>\$ 555,571</u>	<u>\$ 3,801,177</u>	
NET ASSETS						
Held in Trust	<u>\$2,326,795</u>	<u>\$1,186,023</u>	<u>\$ 451,931</u>	<u>\$ 66,832</u>	<u>\$ 4,031,581</u>	

The accompanying notes are an integral part of these financial statements.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2023

	Expendable Trust Funds				
	Local Transportation	State Transit Assistance	RSTP Exchange Fund	SGR Fund	Total
Revenue:					
Sales tax	\$ 5,695,474	\$ -	\$ -	\$ -	\$ 5,695,474
STA funds	-	2,072,265	-	-	2,072,265
State exchange funds	-	-	1,729,549	-	1,729,549
SGR funds	-	-	-	242,850	242,850
Interest & other	70,703	10,763	3,740	6,314	91,520
Total Revenue	<u>\$ 5,766,177</u>	<u>\$ 2,083,028</u>	<u>\$ 1,733,289</u>	<u>\$ 249,164</u>	<u>\$ 9,831,658</u>
Expenditures:					
Administration	\$ 604,000	\$ -	\$ -	\$ -	\$ 604,000
TDA claimants	6,416,169	-	-	-	6,416,169
Bicycle & pedestrian	29,265	-	-	-	29,265
SGR claimants	-	-	-	240,147	240,147
RSTP claimants	-	-	1,666,579	-	1,666,579
STAF claimants	-	1,597,519	-	-	1,597,519
Total Expenditures	<u>\$ 7,049,434</u>	<u>\$ 1,597,519</u>	<u>\$ 1,666,579</u>	<u>\$ 240,147</u>	<u>\$ 10,553,679</u>
Change in Net Assets	\$(1,283,257)	\$ 485,509	\$ 66,710	\$ 9,017	\$ (722,021)
Net Assets, Beginning	\$ 3,619,839	\$ 701,184	\$ 385,221	\$ 58,790	\$ 4,765,034
Prior Period Adjustment	(9,787)	(670)	-	(975)	(11,432)
Net Assets, End	<u>\$ 2,326,795</u>	<u>\$ 1,186,023</u>	<u>\$ 451,931</u>	<u>\$ 66,832</u>	<u>\$ 4,031,581</u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - REPORTING ENTITY:

The Humboldt County Association of Governments (the Association), the regional transportation planning agency for the County of Humboldt, was created pursuant to Title 3 of Government Code Section 29535. The Association is responsible for transportation planning activities as well as administration of the Local Transportation Trust Fund and the State Transit Assistance Fund. The Association does not exercise control over any other governmental agency authority. Criteria used in determining the reporting entity was based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Association conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the significant polices:

A. Basis of Presentation

The Association's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standards setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the financial activities of the Association, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Association's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) grants and contributions that are restricted to meeting the operational needs of a particular program and (b) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Special Revenue Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The Association's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. Basis of Presentation (concluded)

A fund is considered major if it is the primary operating fund of the Association or meets the following criteria:

Total assets, liabilities, revenues or expenditures (or expenses) of the individual governmental funds are at least 10 percent of the corresponding total for all funds of that category or type.

Governmental Funds

SAFE: This fund accounts for service authority for freeway emergencies. The major revenue source for this fund is state vehicle license fees. Expenditures are made for service authority for freeway emergencies projects and operating expenses.

Administration Fund: This is the operating fund of the Association. The major revenue source for this fund is local transportation funds. Expenditures are made for administration and other transportation planning projects.

Rural Planning Assistance Fund: This fund accounts for transportation planning projects. The major revenue source for this fund is the State Highway account. Expenditures are made for various Overall Work Program elements for the Association.

Planning, Programming and Monitoring Fund: This fund accounts for transportation planning projects. The major revenue source for this fund is the Transportation Revenue account. Expenditures are made for various Overall Work Program elements for the Association.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental Funds

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under this method, revenues are recognized when "measurable and available." The Association considers all revenues reported in the governmental funds to be available if the revenues are collected within one hundred twenty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are TDA and STAF funds, grants and interest revenue.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Basis of Accounting (concluded)

Non-exchange transactions, in which the Association gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Association may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Association's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Fiduciary Fund Types

These funds account for assets held by the Association as a trustee or agent for other units of government. Expendable trust funds are used by the Association for the following purposes:

Local Transportation Fund (LTF) - This fund is utilized by the Association as trustee, to receive the 1/4 of 1% retail sales tax that is returned to each County by the California Department of Tax and Fee Administration. These funds are apportioned and allocated by the Association to eligible claimants for transit, transportation planning, and for administration of the Transportation Development Act (TDA).

State Transit Assistance Fund (STA) - This fund is utilized by the Association, as trustee, to receive sales tax derived from statewide sales of gasoline and diesel fuel. Each County receives its share of these funds based upon a population and operator revenue formula. These funds are allocated by the Association to transit operators and the locally designated CTSA.

RSTP Exchange Fund - This fund is utilized by the Association, as trustee, to receive non-federal RSTP account funds from the California Department of Transportation. These funds are then allocated to the County, cities and other claimants for eligible projects.

State of Good Repair Fund (SGR) - This fund is utilized by the Association, as trustee, to receive funds authorized under Senate Bill (SB)1. The formula for distribution is the same as for the STA program. The program has a goal of keeping transit systems in a state of good repair, including the purchase of new vehicles, and maintenance and rehabilitation of transit facilities and vehicles.

C. Budgets

Operating Funds - The Association annually adopts a budget through the preparation of an overall work program. This work program describes the projects, or work elements, that are to be funded, and the type of funds that will pay for the expenditures, such as Rural Planning Assistance, State Subvention, Local Transportation, or Federal Transportation Administration. The work program in draft form is prepared by Association staff, submitted and approved by the Association, and submitted to the State of California, Department of Transportation (CALTRANS) before June 30. CALTRANS, as the grantor of Rural Planning Assistance, State Subvention and FTA funds, approves the work program, which then becomes the budget for the operating fund of the Association.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Budgets (concluded)

Expendable Trust Funds - There are four expendable trust funds, the Local Transportation Fund (LTF), the State Transit Assistance Fund (STA), the RSTP Exchange Funds, and the State of Good Repair Fund (SGR). The LTF funds are available for transit, streets and roads, pedestrian and bicycle, administration of the TDA, and transportation planning. The STA funds are available for transit purposes. The eligible recipients are the Association, the County of Humboldt, the incorporated cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad and any governmental agency that is operating a transit operation within the County of Humboldt.

The process for delivering the LTF, STA and SGR funds to the various recipients is as follows:

- The County Auditor-Controller determines the amount of funds it estimates to be available in the LTF, and notifies the Association before February 1 of each year.
- The Association determines how much funding it will need for the planning and administration of the TDA. The Association then determines the split of LTF funds between the claimants based upon the population amounts provided by the State of California Department of Finance. Each recipient is then notified of the amount of LTF funds available in its area of apportionment (apportionment being the process of dividing the funds based upon population). Each agency then submits a claim for LTF funds, with transit needs required to be met before any streets and roads funds can be claimed.
- The Association acts upon the claims, adopting resolutions, and preparing allocation instructions that notify the recipient of the funds approved, and notifies the County Auditor-Controller of what expenditures are approved, and when they are to be paid.

The STA process is similar, except that the estimate is made by the State of California Controller's Office, and the funds cannot be used for administration, streets and roads, or pedestrian and bicycle facilities.

D. Cash and Investments

The Association's cash and cash equivalent balances consisted of the following at June 30, 2023:

	Cash in Checking <u>Accounts</u>	Cash Held <u>By County</u>	<u>Total</u>
Insured by FDIC	\$ 500,000	\$ -	\$ 500,000
Collateralized according To State Statutes	5,039,979	-	5,039,979
Pooled with County: Fiduciary Accounts	<u> </u>	<u>3,743,346</u>	<u>3,743,346</u>
Totals	<u>\$5,539,979</u>	<u>\$3,743,346</u>	<u>\$9,283,325</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Cash and Investments (concluded)

Credit Risk, Carrying Amount and Market Value of Investments

The Association maintains specific cash deposits with the County of Humboldt and participates in the external investment pool of the County of Humboldt. The County of Humboldt is restricted by state code in the types of investments it can make. Furthermore, the County of Humboldt 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 type of investment. Also, the County of Humboldt has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

The County of Humboldt investment policy authorizes the County of Humboldt to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2023, the Association's cash with the County of Humboldt Treasurer is stated at fair value. However, the value of the pool shares in the County of Humboldt that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Association's position in the pool. The fair value of the pool shares for the governmental funds was \$0 and the carrying value was \$0 at June 30, 2023. The fair value of the pool shares for the fiduciary funds was \$3,743,346 and the carrying value was \$3,743,346 at June 30, 2023.

E. Contingencies

The Association may be involved in various claims and litigation arising in the ordinary course of business. Association management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on the Association's financial position or results of operations.

The Association receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditures would be a liability to be refunded to the appropriate agency.

F. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

G. Fund Equity and Net Position

GASB Statement No. 34 adds the concept of Net Position. The Statement of Net Position reports the difference between the Association's total assets and the Association's total liabilities, including all the Association's long-term assets and debt. The Statement of Net Position presents similar information to the balance sheet format, but presents it in a way that focuses the reader on the composition of the Association's net position, by subtracting total liabilities from total assets.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (concluded)

G. Fund Equity and Net Postion - Continued

The Statement of Net Position breaks out net postion as follows: *Restricted* describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties; governmental regulations, laws and other restrictions which the Association cannot unilaterally alter. The Association has restricted net position identified on the Statement of Net Assets. *Unrestricted* describes the portion of assets that is not restricted from use.

H. Interfund Transactions

Transfers Among Funds

Resources may be transferred from one Association fund to another. The purpose of the transfers is to reimburse a fund that has made an expenditure on behalf of another fund.

NOTE 3 - CAPITAL ASSETS

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets at June 30, 2023 are comprised of the following:

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2023</u>
Furniture, fixtures and Equipment	\$ <u>10,598</u>	\$ <u>1,328</u>	\$ <u>-</u>	\$ <u>11,926</u>
Total	-	<u>\$ 1,328</u>	<u>-</u>	-
Less accumulated depreciation	<u>-</u>			<u>-</u>
Fixed assets, net	<u>\$ 10,598</u>			<u>\$ 11,926</u>

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Total depreciation expense for the year was \$-0-. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets with a value of \$5,000 or more and with a useful life of one year or more are capitalized.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 4 - INTEREST RECEIVABLE:

Included in the fiduciary financial statements are apportionments by fund of interest earned on cash balances held in the County treasury for the quarter ended June 30, 2023.

NOTE 5 - OFFICE LEASE:

On June 2011, the Humboldt County Association of Governments entered into a multi-year lease agreement for their administration offices, which expired in January 2021. The current lease agreement incorporates three additional addendums, one of which was enacted in January 2021. The lease expired in January 2022. Since then, the lease has continued on a month-to-month basis.

Monthly rent is currently \$2,750, and HCAOG will also be responsible for monthly CAM (common area maintenance) charges of \$582.

NOTE 6 - ACCRUED VACATION AND SICK LEAVE:

The Humboldt County Association of Governments does not accrue vacation and sick leave as current period expenses. Amounts are recorded as expenditures as they are paid. Some of these amounts do not meet all four requirements of GASB 16 for mandatory accrual, thus it is only necessary for them to be disclosed in the financial statement footnotes. The amount for accrued vacation and the vested portion of the accrued sick leave is recorded as a liability and expense in the government-wide statements on page 9 and 10.

	<u>2023</u>
Accrued Vacation and Holiday	\$ 45,392
Accrued Sick Leave - Vested	<u>59,234</u>
Subtotal	<u>\$104,626</u>
Accrued Sick Leave - Nonvested	11,625
Total	<u>\$116,251</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - RETIREMENT PLAN:

A. Plan Description: The Association's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Retirement System (CalPERS), an agent multiple employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefits provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Association selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board action. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 F Street, Sacramento, CA 95814.

B. Funding Policy: Active plan members contribute 7% of covered salary. The Association, as employer, is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution is an actuarially determined rate. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The Association's contribution to CalPERS for the year ended June 30, 2023 as \$38,404.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - RETIREMENT PLAN: (continued)

Beginning in FY 2015-2016, CalPERS began collecting employer contributions toward the unfunded liability. During FY 2022-2023, those payments totaled \$36,830. In addition, an extra payment of \$150,000 was made during the year. As of June 30, 2023, Humboldt County Association of Governments reported net pension liability in the amount of \$554,290. The net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2022 using standard update procedures.

Deferred Outflow of Resources and Deferred Inflows of Resources -

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows Of Resources</u>
●) Pension contributions subsequent to measurement date	\$ 225,234	\$ -
●) Differences between expected and actual experience	11,131	7,455
●) Changes of assumption	56,799	-
●) Differences between the employer's contributions and the employer's Proportionate share of contributions	-	91,296
●) Change in employer's proportion	109,397	-
●) Net difference between projected and actual earnings on plan investments	<u>101,531</u>	<u>-</u>
Total	<u>\$ 504,092</u>	<u>\$ 98,751</u>

\$225,234 is reported as deferred outflows of resources related to contribution subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense over 3.8 to 5 years.

Actuarial Assumptions - For the measurement period ended June 30, 2022 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 and June 30, 2022 total pension liabilities for the Plan were based on the following actuarial assumptions

Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Payroll Growth	3.0%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5% (a)
Mortality	Derived using CalPERS's membership data for all funds

(a) - Net of pension plan investment expense, including inflation

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - RETIREMENT PLAN: (concluded)

Change of Assumptions - The discount rate was changed from 7.15% (net of administrative costs) in 2023 to 6.90%.

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

	Discount Rate less 1% <u>5.90%</u>	Current Discount <u>6.90%</u>	Discount Rate plus 1% <u>7.90%</u>
Net pension liability	\$912,188	\$554,290	\$259,828

Long-term Expected Rate of Return -

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports available on CalPERS' website under Forms and Publications.

At June 30, 2023, the Association reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - RELATED PARTY LEASE:

The Association leases its office space from the Bear River Band of the Rohnerville Rancheria, which is a related party, as they have a seat on HCAOG's Technical Advisory Committee.

NOTE 9 - SUBSEQUENT EVENTS:

Management has evaluated subsequent events through March 15, 2024, the date the financial statements were available to be issued.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

In addition to the pension benefits described in Note 7, HCAOG provides post-retirement health care benefits to all retired employees hired prior to January 1, 2021 and with at least 5 years of service. The Association's contribution percent ranges for eligible employees depending on factors such as date of hire and years of service and range from 50% to 100%.

The Association has established the Humboldt County Association of Governments Retiree Healthcare Plan (HC Plan), a single employer plan. The HC Plan has not established or accumulated any assets in a trust. A separate financial report is not prepared for the HC Plan.

Funding Policy

The HC Plan and its contribution requirements are established by agreements with the applicable employee bargaining units and may be amended by agreements between the Association and the bargaining units. The annual contribution is based on the current insurance premiums due for the participating retirees. For the fiscal year ended June 30, 2023, the Association contributed \$64,676, which covered current premium, but did not include any additional prefunding of benefits. Currently, 3 retirees are receiving benefits. There are 3 active employees eligible under current HCAOG policy for future benefits. No trust has been created for the purpose of prefunding the obligation for past services.

Annual OPEB and Net OPEB Obligation

In December 2023, the Association had Foster & Foster prepare an actuarial study of retiree health liabilities under GASB 74/75 with a valuation date of June 30, 2022. Total OPEB liability was estimated at \$1,496,983, with a beginning of the year amount (based on a valuation date of June 30, 2021, estimated at \$1,032,175.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS: (continued)

Changes in Total OPEB Liability

Balance at 6/30/22 (6/30/21 Measurement date)	\$1,032,175
Changes for the year:	
Service Cost	128,023
Interest	24,279
Changes of benefit terms	-
Actual vs expected experience	594,100
Assumption changes	(209,302)
Benefit payments	<u>(72,292)</u>
Net Changes	464,808
Balance at 6/30/23 (6/30/22 Measurement date)	\$1,496,983

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%, based on an index of 20-year General Obligation municipal bonds. The projection of cash flows used to determine the discount rate assumed that Association contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Total OPEB Liability

	Fiscal Year Ending	
	6/30/22	6/30/23
	Measurement Date 6/30/21	Measurement Date 6/30/22
Total OPEB Liability (TOL)	\$1,032,175	\$1,496,983

Sensitivity of Total OPEB Liability

Changes in the Discount Rate

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	<u>(2.54%)</u>	<u>(3.54%)</u>	<u>(4.54%)</u>
Total OPEB Liability	\$1,712,827	\$1,496,983	\$1,322,292

Changes in the Healthcare Trend Rate

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$1,316,400	\$1,496,983	\$1,718,009

OPEB Expense for Fiscal Year

	2022/23
	Measurement Period
	2021/2022
OPEB Expense	\$219,485

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS: (continued)

Deferred Outflows/Inflows Balances at June 30, 2023

	<u>June 30, 2023</u>	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 495,083	\$ 14,635
Changes in assumptions	27,387	176,874
Employer contributions made subsequent to measurement date	<u>89,590</u>	<u>-</u>
Total	<u>\$ 612,060</u>	<u>\$ 191,509</u>

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Valuation Date	June 30, 2022
Contribution Policy	No pre-funding
Discount Rate	3.54% at June 30, 2022 (Bond Buyer 20-Bond Index)
	2.16% at June 30, 2021 (Bond Buyer 20-Bond Index)
General Inflation	2.50% annually
Mortality, Retirement Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Post-retirement mortality projected. Fully generational with Scale MP-2021.
Salary Increases	Aggregate: 2.75% annually Merit: CalPERS 2000-2019 Exp. Study
Medical Trend	Non-Medicare: 8.50% for 2024 decreasing to ultimate rate of 3.45% in 2076 Medicare: 7.50% for 2024 decreasing to ultimate rate of 3.45% in 2076
PEMHCA Minimum Increase	4.00% annually
Healthcare Participation at Retirement	Actives: Hired before 1/1/2021-100% Hired on/after 1/1/2021-60% Retirees: 100% if covered 0% if waived

SUPPLEMENTAL INFORMATION

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENT
REGIONAL TRANSPORTATION PLANNING AGENCY

RURAL PLANNING ASSISTANCE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Schedule 1

For The Year Ended June 30, 2023

FUND BALANCE - BEGINNING OF YEAR

2023

Beginning Fund Balance

\$ 0

REVENUES

Intergovernmental:

Rural Planning Assistance allocation

331,621

Other

-

TOTAL

\$ 331,621

EXPENDITURES

Work Element 2	Regional Planning	\$ 128,148
Work Element 3	OWP Programming	52,238
Work Element 4	Planning & Programming of State Funds	33,365
Work Element 7	Research, Collaboration and Grant Development	53,936
Work Element 11	Regional Transportation Plan Update	16,224
Work Element 12	Unmet Transit Needs	11,259
Work Element 14	Global Climate Change - Sea Level Rise	16,840
Work Element 15	Pavement Management Study Update	4,576
Work Element 16	RTP Equity & Relationship Building	12,320
Work Element 17	Active Transportation and Safety	<u>2,715</u>

TOTAL

\$ 331,621

EXCESS OF REVENUES OVER EXPENDITURES

\$ 0

FUND BALANCE - END OF YEAR

\$ 0

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENT
REGIONAL TRANSPORTATION PLANNING AGENCY

RURAL PLANNING ASSISTANCE FUND
ADMINISTRATIVE TRUST FUND
PLANNING, PROGRAMMING AND MONITORING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Schedule 2

For The Year Ended June 30, 2023

	<u>2023</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Carryover Funds	\$ 756,906	\$ 964,661	\$ 964,661	\$ 0
Intergovernmental:				
LTF allocation	615,000	600,000	600,000	0
STA allocation	130,000	130,000	130,000	0
Rural Planning allocation & grant	337,000	337,000	331,621	(5,379)
PPM allocation	100,000	164,000	164,000	0
REAP Grant	0	0	626,186	626,186
SAFE fees	551,000	335,440	136,007	(199,433)
CRRSSA and other funds	0	19,407	40,685	21,278
RSTP Native American Funds	63,000	0	0	0
Miscellaneous:				
Interest & Other	<u>0</u>	<u>0</u>	<u>15,366</u>	<u>15,366</u>
TOTAL	<u>\$2,552,906</u>	<u>\$2,550,508</u>	<u>\$3,008,526</u>	<u>\$ 458,018</u>
EXPENDITURES				
Salary and benefits	\$ 681,974	\$ 724,112	\$ 851,090	\$ (126,978)
Office and overhead	350,181	355,181	75,440	279,741
Administration, planning and professional services	100,000	100,000	84,867	15,133
Dues, memberships and other	7,500	7,500	6,900	600
SAFE implementation	525,357	525,357	274,841	250,516
Capital outlay	0	0	1,328	(1,328)
Project and grant costs	<u>887,894</u>	<u>838,358</u>	<u>393,541</u>	<u>444,817</u>
TOTAL	<u>\$2,552,906</u>	<u>\$2,550,508</u>	<u>\$1,688,007</u>	<u>\$ 862,501</u>
EXCESS OF REVENUES OVER EXPENDITURES		\$ 0	\$1,320,519	\$1,320,519
FUND BALANCES - BEGINNING OF YEAR		2,177,607	2,177,607	0
LESS: Carryover Funds		<u>(964,661)</u>	<u>(964,661)</u>	<u>0</u>
FUND BALANCES - END OF YEAR		<u>\$1,212,946</u>	<u>\$2,533,465</u>	<u>\$1,320,519</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF ALLOCATION AND EXPENDITURES
LOCAL TRANSPORTATION FUND

Schedule 3

For the Year Ended June 30, 2023

	Public Utilities Code Section					
	Administration 99233.1	Public Transportation 99260	Pedestrian & Bike Facilities 99407	Streets & Roads 99400(a)	Contracted Transit Services 99400(c)	Total
Revenues:						
Sales tax		\$4,825,827	\$	\$	\$	\$4,825,587
Sales tax	\$604,000		246,598			604,000
Sales tax				1,241,467		246,598
Sales tax					131,782	1,241,467
Sales tax						131,782
Total Revenues	\$604,000	\$4,825,827	\$246,598	\$1,241,267	\$131,782	\$7,049,434
Expenditures:						
Administration and planning	\$604,000	\$	\$29,265	\$821,571	\$92,907	\$633,265
Humboldt County		2,351,328	205,000			3,470,806
City of Arcata		882,237				882,237
City of Blue Lake		1,146,422		28,098	32,375	60,473
City of Eureka				57,512		1,146,422
City of Ferndale				222,350		57,512
City of Fortuna			12,333	87,992		616,670
City of Rio Dell				23,944	6,500	142,049
City of Trinidad		16,056				40,000
40,000						
Total Expenditures	\$604,000	\$4,825,587	\$246,598	\$1,241,467	\$131,782	\$7,049,434
Unexpended (Overexpended)	\$-	\$-	\$-	\$-	\$-	\$-
Allocations:	\$-	\$-	\$-	\$-	\$-	\$-

SCHEDULE OF ALLOCATIONS AND EXPENDITURES

STATE TRANSIT ASSISTANCE FUND

For the Year Ended June 30, 2023

	Public Utilities Code Section		
	General Public <u>6731</u>	Community Transit Services <u>99275</u>	<u>Total</u>
Revenues:			
State of California STA funds	\$1,776,100	\$296,165	\$2,072,265
Other Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$1,776,100</u>	<u>\$296,165</u>	<u>\$2,072,265</u>
Expenditures:			
DAR Contract Services	\$ 113,195	\$ -	\$ 113,195
Humboldt Transit Authority	1,354,959	129,365	1,484,324
Humboldt County	-	-	-
City of Arcata	-	-	-
City of Blue Lake	-	-	-
City of Fortuna	-	-	-
City of Eureka	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$1,468,154</u>	<u>\$129,365</u>	<u>\$1,597,519</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
 SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 June 30, 2023

	CalPERS Fiscal Year 2014-15	CalPERS Fiscal Year 2015-16	CalPERS Fiscal Year 2016-17	CalPERS Fiscal Year 2017-18	CalPERS Fiscal Year 2018-2019	CalPERS Fiscal Year 2019-2020	CalPERS Fiscal Year 2020-2021	CalPERS Fiscal Year 2021-2022	CalPERS Fiscal Year 2022-2023
Contractually required contribution (actuarially determined)	\$ 51,877	\$ 52,663	\$ 56,628	\$ 58,709	\$ 33,549	\$ 32,790	\$ 33,973	\$ 34,579	\$ 38,404
Contribution in relation to the actuarially determined contribution	(51,877)	(52,663)	(56,628)	(58,709)	(33,549)	(32,790)	(33,973)	(34,579)	(38,404)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 321,374	\$ 346,984	\$ 370,539	\$ 381,329	\$ 397,682	\$ 410,370	\$ 371,451	\$ 425,861	\$ 493,287
Contributions as a percentage of covered payroll	16.14%	15.18%	15.28%	15.40%	8.44%	7.99%	9.15%	8.12%	7.79%

Notes to Schedule:

Contribution Valuation Date: 6/30/2014 6/30/2015 6/30/2016 6/30/2017 6/30/2018 6/30/2019 6/30/2020 6/30/2021

* - Fiscal year 2015 was the first year of implementation, therefore only 9 years are shown.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF HTAS PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 June 30, 2023

LAST TEN YEARS *

	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date	Measurement Date
Plan's proportionate share of the net pension liability	\$ 201,821	\$ 172,000	\$ 270,367	\$ 337,619	\$ 330,461	\$ 379,865	\$ 431,211	\$ 150,819	\$ 554,290	
Plant's covered payroll	\$ 321,374	\$ 346,984	\$ 370,539	\$ 381,329	\$ 397,682	\$ 410,370	\$ 371,451	\$ 425,861	\$ 493,287	
Plant's proportionate share of the net pension liability as percentage of covered payroll	62.80%	49.57%	72.97%	88.54%	83.10%	92.57%	116.09%	35.42%	112.37%	

NOTES TO SCHEDULE:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: The discount rate was changed in 2023.

* - Fiscal year 2015 was the first year of implementation, therefore only 9 years are shown.



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**REPORT OF COMPLIANCE OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
THE STATUTES, RULES, AND REGULATIONS OF THE
CALIFORNIA TRANSPORTATION DEVELOPMENT ACT**

Board of Directors
Humboldt County Association
of Governments
Eureka, California

We have audited the 2023 financial statements of the Transportation Development Act Funds of the Humboldt County Association of Governments as of and for the year ended June 30, 2023 and have issued a report thereon dated March 15, 2024. We conducted our audit in accordance with U.S. generally accepted auditing standards.

As part of obtaining reasonable assurance about whether Humboldt County Association of Governments Transportation Development Act Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that expenditures paid by the Humboldt County Association of Governments Transportation Development Act Funds were made in accordance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6661, 6662 and 6751 that are applicable to the Humboldt County Association of Governments Transportation Development Act Funds. In connection with our audit, nothing came to our attention that caused us to believe the Humboldt County Association of Governments failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act. 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.

This report is intended solely for the information and use of the Humboldt County Association of Governments, the California Department of Transportation, and the State Controller's Office and should not be used by anyone other than these specified parties.

Anderson, Lucas, Somerville, & Borges

March 15, 2024
Fortuna, California