

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

REGIONAL TRANSPORTATION PLANNING AGENCY

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

TABLE OF CONTENTS

June 30, 2019

	PAGE
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
FINANCIAL SECTION	
Basic Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Governmental Funds - Balance Sheet	11
Reconciliation of the Governmental Funds - Balance Sheet with the Governmental Activities Statement of Net Position	12
Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances	13
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Statement of Activities	14
Statement of Fiduciary Net Assets - Fiduciary Funds	15
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	16
Notes to Financial Statements	17-31
SUPPLEMENTAL INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Rural Planning Assistance Funds	Schedule 1 32
Schedule of Revenues, Expenditures and Changes in Fund Balance - Administrative Trust Fund - Budget and Actual	Schedule 2 33
Schedule of Allocations and Expenditures - Local Transportation Fund	Schedule 3 34
Schedule of Allocations and Expenditures - State Transit Assistance Fund	Schedule 4 35
Schedule of Fund Balances	Schedule 5 36
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	37



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INDEPENDENT AUDITORS' REPORT

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

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 for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Board of Directors
Humboldt County Association
of Governments

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

Opinions

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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective for fiscal years after June 30, 2017, and became applicable during the current fiscal year, that affected the financial reporting of postemployment benefits:

Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Provisions of the following Governmental Accounting Standards Board Statement, which became effective for fiscal years beginning after June 30, 2014, affect the financial reporting of pensions:

Statement No. 68 - *Accounting and Financial Reporting for Pensions*

Management has recorded their proportionate share of the plan's net pension liability based on the last actuarial report available, obtained from the California Public Employees Retirement System (CalPERS). A separate GASB 68 Report was not available for inclusion with this audit report.

The emphasis of these matters does not constitute a modification to our opinion.

Other Matters

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 on pages 2-8 and 32-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any kind of assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Schedule of Contributions and Schedule of Proportionate Share of CalPERS which is required supplementary information

Board of Directors
Humboldt County Association
of Governments

Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

January 30, 2020
Fortuna, California

Management's Discussion and Analysis For Fiscal Year Ending June 30, 2019

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, 2019. 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, 2018 through June 30, 2019. 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. New 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 statement provides 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:

Table 1: Governmental Net Position		
(From page 11: RTPA Basic Financial Statements)		
	2018	2019
Cash and Investments	2,060,900	1,927,477
Interest	-	-
Due from Caltrans	143,938	109,447
Prepaid expenses	3,082	3,082
Due from other funds	47,134	33,071
Total Assets	\$ 2,255,054	\$ 2,073,077
Liabilities		
Accounts payable	16,554	10,112
Due to other funds	23,284	6,480
Total Liabilities	\$ 39,838	\$ 16,592
Fund Balances		
Unassigned	430,785	393,479
Assigned/Restricted	1,784,431	1,663,006
Total Fund Balances	\$ 2,215,216	\$ 2,056,485

The change in total fund balance is anticipated when considering upfront funded grants, an expected decrease in restricted funds due to the contract for increased patrols on highways and budget fluctuations inherent in training new employees. 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.

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 years ended June 30 2018 and 2019 are provided in Table 2.

Table 2: Changes in governmental Net Position		
(From page 10: RTPA Basic Financial Statements)		
	2018	2019
Expenses		
Services and supplies	266,070	349,530
Planning and administration	691,995	718,509
Total expenses	\$ 958,065	\$ 1,068,039
Program Revenues		
Operating Grants	520,248	485,975
General revenues		
Local Transportation Funds	275,000	285,000
SAFE	137,470	137,818
Interest	2,706	11,609
Total revenue	\$ 935,424	\$ 920,402
Net Position, Beginning of Period	2,040,076	2,004,080
Change in net position of Government Activities	(22,641)	(147,637)
GASB 68 current year pension liability	(21,775)	(78,000)
GASB 75 current year Post Employment Benefits		(22,466)
GASB 75 Prior Period Adjustments (OPED Liability)	8,420	(200,489)
Net Position, End of Period	\$ 2,004,080	\$ 1,555,488
Total change in net position	\$ (35,996)	\$ (448,592)

HCAOG's Financial Position

The significant increase in the change of the Net Position is attributed to GASB 68 relating to pension costs and GASB 75 OPED. The funding associated with OPED is new to this annual statement. They reflect are inflows and outflows for postemployment benefits other than pensions. All pension and OPED costs are included in employee burden rates, so HCAOG recoups the costs in billing for services rendered.

Another expenditure contributing to the decrease is the contract with the Eureka Police Department to fund supplemental patrols along the 101 Safety Corridor which began in November of 2018. According to information on page 13 of this report, \$85,759 of the increase in expenses compared to last year can be attributed to this important investment.

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. Revenues showed a slight increase although expenses related to contracts with the California Highway Patrol and the Eureka Police Department for supplemental patrols on the regions highways amount to more than the annual revenues.

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% the State Transportation Improvement Program regional shares, spread over a five year period. HCAOG was allocated only \$80,000 in the 2018-19 fiscal year, compared to \$160,000 the previous 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 33. The excess of revenue over expenditure in the amount of \$65,644 is in part due to the burden rate that HCAOG charges to cover pension and OPED costs. HCAOG does not rely on member agency contributions.

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. No new capital fixed assets were secured in 2018-19. The amount from the prior audit, \$8,420 has not changed. 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, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,927,477
Interest receivable	0
Accounts receivable	133,805
Due from fiduciary fund	2,235
Prepaid expenses	3,082
Deferred outflows related to pensions	118,488
Deferred outflows related to OPEB	11,136
Capital assets, net of accumulated depreciation	<u>8,420</u>
Total Assets	<u>\$ 2,204,643</u>
<u>LIABILITIES AND NET POSITION</u>	
Accounts payable	\$ 10,112
Accrued vacation and holiday	27,677
Deferred inflows related to pensions	46,812
Deferred inflows related to OPEB	6,724
GASB 68 net pension liability	330,461
GASB 75 OPEB liability	<u>227,369</u>
Total Liabilities	<u>649,155</u>
<u>NET POSITION</u>	
Invested in capital assets	8,420
Unrestricted (deficit)	(64,409)
Restricted:	
PPM Projects	42,196
SAFE	<u>1,569,281</u>
Total Net Position	<u>\$ 1,555,488</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, 2019

<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	\$ 349,530	\$ 485,975	\$ 136,445
Planning and administration	<u>718,509</u>	<u>-</u>	<u>(718,509)</u>
Total Governmental Activities	<u>\$1,068,039</u>	<u>\$ 485,975</u>	<u>\$ (582,064)</u>
General Revenues:			
Local Transportation Fund (LTF)			285,000
SAFE			137,818
Use of money and property			<u>11,609</u>
Total General Revenues			<u>\$ 434,427</u>
Change in Net Position			(147,637)
Net Position, Beginning of Period			2,004,080
GASB 68 Net Pension Liability Current Year Adjustment			(78,000)
GASB 75 Other Post Employment Benefits (OPEB) Current Year Adjustment			(22,466)
Prior Period Adjustments (OPED liability at June 30, 2018)			<u>(200,489)</u>
Net Position, End of Period			<u>\$1,555,488</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, 2019

	Regional Transportation Planning Fund	S.A.F.E. Fund	Totals
ASSETS			
Cash - CCCU	\$374,685	\$1,552,792	\$ 1,927,477
Interest receivable	-	-	-
DAR grant receivable	-	24,356	24,356
SAFE funds receivable	109,447	-	109,447
RPAF funds receivable	3,082	-	3,082
Prepaid expenses	8,715	-	8,715
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$495,929</u>	<u>\$1,577,148</u>	<u>\$ 2,073,077</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 8,725	\$ 1,387	\$ 10,112
Due to other funds	-	6,480	6,480
TOTAL LIABILITIES	<u>\$ 8,725</u>	<u>\$ 7,867</u>	<u>\$ 16,592</u>
FUND BALANCES:			
Unassigned	\$393,479	\$	\$ 393,479
Assigned - PPM	51,529	1,569,281	1,569,281
Restricted - SAFE	-	-	-
Restricted - PPM	42,196	-	42,196
2018-19 Projects	-	-	-
TOTAL FUND BALANCES	<u>\$487,204</u>	<u>\$1,569,281</u>	<u>\$ 2,056,485</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$495,929</u>	<u>\$1,577,148</u>	<u>\$ 2,073,077</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, 2019

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 2,056,485

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 (27,677)

Certain pension plan liability amounts used in Governmental activities are not recognized in the Governmental funds due to the timing of the related expenditures (481,740)

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 8,420

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,555,488

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, 2019

	Regional Transportation Planning Funds	S.A.F.E. Fund	Totals
REVENUES			
Intergovernmental:			
State planning	\$ 322,382	-	\$ 322,382
Cal-Trans grants	36,963	-	36,963
FHWA grant	8,700	-	8,700
DMV fees		137,818	137,818
P.P.M. program	80,000	-	80,000
Allocations:			
TDA fund	285,000	-	285,000
2% Bike & Pedestrian fund	37,930	-	37,930
Other income:			
Interest and fees	<u>2,651</u>	<u>8,958</u>	<u>11,609</u>
TOTAL REVENUES	\$ 773,626	\$ 146,776	\$ 920,402
EXPENDITURES			
Salaries and benefits	\$ 583,149	-	\$ 583,149
Office expense	20,465	410	20,875
Travel	25,136	-	25,136
Utilities and other	21,239	-	21,239
Professional services	39,362	-	39,362
Dues and memberships	5,494	-	5,494
Rent	30,000	2,760	32,760
Project costs	121,753	-	121,753
Telephone charges		10,162	10,162
CHP monitoring		105,300	105,300
Corridor patrols		82,927	82,927
Call box monitoring		<u>30,976</u>	<u>30,976</u>
TOTAL EXPENDITURES	\$ 846,598	\$ 232,535	\$ 1,079,133
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (72,972)	\$ (85,759)	\$ (158,731)
OTHER FINANCING SOURCES (USES)			
Transfers In	6,480	-	6,480
Transfers (Out)	<u>-</u>	<u>(6,480)</u>	<u>(6,480)</u>
TOTAL OTHER FINANCING SOURCES (USES)	6,480	(6,480)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ (66,492)	\$ (92,239)	\$ (158,731)
FUND BALANCES - BEGINNING OF YEAR			
	553,696	1,661,520	2,215,216
PRIOR PERIOD ADJUSTMENTS AND TRANSFERS (NOTE 10)			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	\$ 487,204	\$ 1,569,281	\$ 2,056,485

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, 2019

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 **\$ (158,731)**

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 11,094

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	0
Depreciation expense is deducted from the fund balance	<u>0</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (147,637)**

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, 2019

	Expendable Trust Funds				Total
	Local Transportation	State Transit Assistance	RSTP Exchange Fund	SGR Fund	
ASSETS					
Cash and investments	\$2,077,403	\$ 560,983	\$ 615,486	\$ 233,855	\$3,487,727
Interest receivable	8,971	1,983	-	-	10,954
STAF/SGR receivable	-	367,545	-	36,328	403,873
Other receivables	-	10,518	-	-	10,518
RSTP receivable	-	-	1,348,874	-	1,348,874
Total Assets	<u>\$2,086,374</u>	<u>\$ 941,029</u>	<u>\$1,964,360</u>	<u>\$ 270,183</u>	<u>\$5,261,946</u>

LIABILITIES

Warrants payable	\$ -	\$ -	\$ 456,678	\$ -	\$ 456,678
DUE to other funds	2,235	-	-	-	2,235
TDA claims payable	41,918	-	-	-	41,918
STAF claims payable	-	-	-	-	-
RSTP claims payable	-	-	1,303,867	-	1,303,867
SGR claims payable	-	-	-	209,730	209,730
Total Liabilities	<u>\$ 44,153</u>	<u>\$ -</u>	<u>\$1,760,545</u>	<u>\$ 209,730</u>	<u>\$2,014,428</u>

NET ASSETS

Held in Trust	<u>\$2,042,221</u>	<u>\$ 941,029</u>	<u>\$ 203,815</u>	<u>\$ 60,453</u>	<u>\$3,247,518</u>
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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, 2019

	Expendable Trust Funds					Total
	Local Transportation	State Transit Assistance	RSTP Exchange Fund	SGR Fund		
Revenue:						
Sales tax	\$5,182,224	\$ -	\$ -	\$ -	\$5,182,224	
STA funds	-	1,382,597	-	-	1,382,597	
State exchange funds	-	-	1,348,874	-	1,348,874	
SGR funds	-	-	-	217,966	217,966	
DAR funds	-	19,329	-	-	19,329	
Interest	46,890	4,942	416	304	52,552	
Total Revenue	<u>\$5,229,114</u>	<u>\$1,406,868</u>	<u>\$1,349,290</u>	<u>\$ 218,270</u>	<u>\$8,203,542</u>	
Expenditures:						
Administration	\$ 289,000	\$ -	\$ -	\$ -	\$ 289,000	
TDA claimants	4,770,090	-	-	-	4,770,090	
Bicycle & pedestrian	45,520	-	-	-	45,520	
ADA expenditures	-	-	-	-	-	
SGR claimants	-	-	-	235,282	235,282	
RSTP claimants	-	-	1,303,867	-	1,303,867	
STAF claimants	-	707,624	-	-	707,624	
Total Expenditures	<u>\$5,104,610</u>	<u>\$ 707,624</u>	<u>\$1,303,867</u>	<u>\$ 235,282</u>	<u>\$7,351,383</u>	
Change in Net Assets	\$ 124,504	\$ 699,244	\$ 45,423	\$ (17,012)	\$ 852,159	
Net Assets, Beginning	\$1,917,717	\$ 241,785	\$ 158,392	77,465	\$2,395,359	
Prior Period Adjustment	-	-	-	-	-	
Net Assets, End	<u>\$2,042,221</u>	<u>\$ 941,029</u>	<u>\$ 203,815</u>	<u>\$ 60,453</u>	<u>\$3,247,518</u>	

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

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 policies:

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, 2019

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, 2019

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 State Board of Equalization. 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 (FTA - formerly UMTA). 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, 2019

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, 2019:

	<u>Cash in</u> <u>Checking</u> <u>Accounts</u>	<u>Cash Held</u> <u>By County</u>	<u>Total</u>
Insured by FDIC	\$ 500,000	\$ -	\$ 500,000
Collateralized according To State Statutes	2,042,963	-	2,042,963
Pooled with County:			
Fiduciary Accounts		2,872,241	2,872,241
Governmental Accounts	-	-	-
Totals	\$2,542,963	\$2,872,241	\$5,415,204

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019, 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, 2019. The fair value of the pool shares for the fiduciary funds was \$2,872,241 and the carrying value was \$2,872,241 at June 30, 2019.

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 old 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, 2019

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, 2019 are comprised of the following:

	Balance at <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2019</u>
Furniture, fixtures and Equipment	\$ <u>8,420</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,420</u>
Total	-	<u>-</u>	<u>-</u>	-
Less accumulated depreciation	<u>-</u>			<u>-</u>
Fixed assets, net	\$ <u>8,420</u>			\$ <u>8,420</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, 2019

NOTE 3 - CAPITAL ASSETS: (concluded)

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.

NOTE 4 - INTEREST RECEIVABLE:

Included in the financial statements are apportionments by fund of interest earned on cash balances held in the County treasury for the quarter ended June 30, 2019.

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 2019. The current lease agreement incorporates three additional addendums, one of which was enacted in January 2019. The lease now expires in January 2022.

Monthly rent will be \$2,500, and HCAOG will also be responsible for monthly CAM (common area maintenance) charges of \$582.

Future minimum rental expense will be as follows:

Year ending June 30,	
2020	\$ 36,988
2021	36,988
2022	<u>21,574</u>
Total	\$ 95,550

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. Since these amounts do not meet all four requirements of GASB 16 for mandatory accrual, it is only necessary for them to be disclosed in the financial statement footnotes. The amount for accrued vacation and holiday is recorded as a liability and expense in the government-wide statements on page 9 and 10.

	<u>2019</u>
Accrued Vacation and Holiday	\$ 27,677
Accrued Sick Leave	<u>40,722</u>
	<u>\$ 68,399</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 7 - GRANT REVENUES - PTMISEA:

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

NOTE 8 - 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 contribution of 7% of salary is paid by the Association. 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, 2019 was \$33,549.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - RETIREMENT PLAN: (continued)

Beginning in FY 2015-2016, CalPERS began collecting employer contributions toward the unfunded liability. During FY 2017-2018, those payments totaled \$10,155. As of June 30, 2019, Humboldt County Association of Government reported net pension liability in the amount of \$337,619. 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, 2018, 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, 2015 rolled forward to June 30, 2018 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	\$ 33,549	\$ -
●) Differences between expected and actual experience	12,679	4,315
●) Changes of assumption	37,647	9,233
●) Differences between the employer's contributions and the employer's Proportionate share of contributions	248	2,279
●) Change in employer's proportion	32,705	30,985
●) Net difference between projected and actual earnings on plan investments	<u>1,634</u>	<u>-</u>
Total	<u>\$ 118,488</u>	<u>\$ 46,812</u>

\$33,549 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, 2020. 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, 2018 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 and June 30, 2017 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	7.65%
Inflation	2.75%
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, 2019

NOTE 8 - RETIREMENT PLAN: (concluded)

Change of Assumptions - The discount rate was changed from 7.5% (net of administrative costs) in 2015 to 7.65% to correct for an adjustment to exclude administrative costs in 2016.

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>6.65%</u>	Current Discount <u>7.65%</u>	Discount Rate plus 1% <u>8.65%</u>
Net pension liability	\$585,680	\$337,619	\$132,171

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 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, 2019, the Association reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS:

GASB Statement No. 72 - In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. HCAOG has implemented GASB Statement No. 72 for the year ended June 30, 2016. Implementation of GASB No. 72 did not have a significant impact on the financial statements.

GASB Statement No. 73 - In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. HCAOG has not yet determined the impact on the financial statements.

GASB Statement No. 74 - In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for periods beginning after June 15, 2016.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017.

GASB Statement No. 76 - In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for periods beginning after June 15, 2015. The objective is to identify the GAAP hierarchy used to prepare financial statements of state and local governmental entities.

GASB Statement No. 78 - In December 2015, GASB issued State No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for periods beginning after December 15, 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through cost-sharing multiple employer defined benefit pension plans.

GASB Statement No. 79 - In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for periods after December 15, 2015.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS: (continued)

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement 67, *Financial Reporting for Pension Plans*. In December 2016, GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Under these new regulations employers are required to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

For purpose of measuring the net pension liability and deferred outflow/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of HCAOG's California Public Employees' Retirement System (CalPERS) plan (the "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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which changed the structure of a government balance sheet.

Deferred Outflow—represents the consumption of a government's net assets that is applicable to a future period.
Deferred Inflow—represents the acquisition of net assets that is applicable to a future reporting period.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amends the classification of certain items to be included as deferred inflows and outflows.

NOTE 10 - 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 11 - SUBSEQUENT EVENTS:

Management has evaluated subsequent events through January 30, 2020, the date the financial statements were available to be issued.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

In addition to the pension benefits described in F. above, HCAOG provides post-retirement health care benefits to all retired employees 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, 2019, the Association contributed \$3,467, which covered current premium, but did not include any additional prefunding of benefits. Currently, 1 retiree is receiving benefits. There are 5 active employees. No trust has been created for the purpose of prefunding the obligation for past services.

Annual OPEB and Net OPEB Obligation

In November 2019, the Association had Bartel Associates, Inc. Prepare an actuarial study of retiree health liabilities under GASB 74/75 with a valuation date of June 30, 2018. Total OPEB liability was estimated at \$227,369, with a beginning of the year amount (based on a valuation date of June 30, 2017) estimated at \$200,489.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%, 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.

	<u>Total OPEB Liability</u>	
	Fiscal Year Ending	
	6/30/18	6/30/19
	Measurement Date	Measurement Date
	6/30/17	6/30/18
Total OPEB Liability (TOL)	\$200,489	\$227,369

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS: (continued)

Changes in Total OPEB Liability

Balance at 6/30/18 (6/30/17 Measurement date)	\$ 200,489
Changes for the year:	
Service Cost	26,543
Interest	8,128
Changes of benefit terms	-
Actual vs expected experience	-
Assumption changes	(7,791)
Benefit payments	<u>-</u>
Net Changes	26,880
Balance at 6/30/19 (6/30/18 Measurement date)	\$ 227,369

Sensitivity of Total OPEB Liability

Changes in the Discount Rate			
	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	<u>(2.87%)</u>	<u>(3.87%)</u>	<u>(4.87%)</u>
Total OPEB Liability	\$ 256,311	\$ 227,369	\$ 203,696

Changes in the Healthcare Trend Rate

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 217,417	\$ 227,369	\$ 246,579

OPEB Expense for Fiscal Year

	2018/19
	Measurement Period
	2017/18
OPEB Expense	\$ 33,604

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS: (continued)

Deferred Outflows/Inflows Balances at June 30, 2019

	<u>June 30, 2019</u>	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	6,724
Employer contributions made subsequent to measurement date	<u>11,138</u>	<u>-</u>
Total	\$ 11,138	\$ 6,724

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Valuation Date	June 30, 2018
Contribution Policy	No pre-funding
Discount Rate	3.87% at June 30, 2018 (Bond Buyer 20-Bond Index)
	3.58% at June 30, 2018 (Bond Buyer 20-Bond Index)
General Inflation	2.75% annually
Mortality, Retirement Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected Fully generational with Scale MP-2018
Salary Increases	Aggregate: 3% annually Merit: CalPERS 1997-2015 Exp. Study
Medical Trend	Non-Medicare: 7.5% for 2020 decreasing to ultimate rate of 4.0% in 2076 Medicare: 6.5% for 2020 decreasing to ultimate rate of 4.0% in 2076
PEMHCA Minimum Insurance	4.25% annually The Plan contribution for active members is assumed to never be less than the PEMHCA minimum (currently \$136 for 2019)
Active Medical Cap	No future increases

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, 2019

FUND BALANCE - BEGINNING OF YEAR		<u>2019</u>
Accumulated interest earnings		\$ 0
Rural Planning Assistance Funds:		
Unencumbered balance		0
REVENUES		
Intergovernmental:		
Rural Planning Assistance allocation		322,382
Miscellaneous:		
Interest and other fees		<u>36,963</u>
TOTAL		<u>\$ 359,345</u>
EXPENDITURES		
Work Element 2	Current Planning	\$ 84,220
Work Element 3	OWP Programming	48,787
Work Element 4	Advanced Planning	15,735
Work Element 5	Planning & Programming of State Funds	48,772
Work Element 8	Grants	8,360
Work Element 9	Public Outreach	5,121
Work Element 12	Regional Transportation Plan Implementation	30,057
Work Element 13	Unmet Transit Needs	35,996
Work Element 14	Safe Routes to School Tool	9,966
Work Element 15	Mobility on Demand	58,977
Work Element 16	Global Climate Change - See Level Rise	7,675
Work Element 17	Rohnerville Airport Connectivity Study	787
Work Element 18	Broadway Intermodal Transp. Corridor Study	3,737
Work Element 19	Blue Lake Rancheria Transit Study	<u>1,155</u>
TOTAL		<u>\$ 359,345</u>
EXCESS OF REVENUES OVER EXPENDITURES		\$ 0
TRANSFER INTEREST EARNINGS AND LATE FEES TO ADMINISTRATION FUND		<u>0</u>
TOTAL		<u><u>\$ 0</u></u>
FUND BALANCE - END OF YEAR		
Accumulated interest earnings		0
Rural Planning Assistance Funds:		
Encumbered balance		0
Unencumbered balance		<u>0</u>
TOTAL		<u><u>\$ 0</u></u>

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, 2019

	<u>2019</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Carryover Funds	\$ 14,000	\$ 224,375	\$ 224,375	\$ 0
Intergovernmental:				
LTF allocation	295,000	285,000	285,000	0
LTF 2% Bike & Pedestrian allocation	0	37,930	37,930	0
Rural Planning allocation	342,000	337,000	322,382	(14,618)
P.P.M. allocation	90,000	80,000	80,000	0
RPA grant	43,000	0	36,963	36,963
S.A.F.E. fees	293,000	493,000	137,818	(355,182)
FHWA grant	0	304,000	8,700	(295,300)
Other grants	0	9,000	0	(9,000)
Miscellaneous:				
Interest	0	0	11,609	11,609
TOTAL	<u>\$1,077,000</u>	<u>\$1,770,305</u>	<u>\$1,144,777</u>	<u>\$ (625,528)</u>
EXPENDITURES				
Salary and benefits	\$ 569,379	\$ 579,220	\$ 583,149	\$ (3,929)
Office expense	67,900	77,773	71,704	6,069
Travel	25,000	25,000	25,136	(136)
Administration, planning and professional services	36,500	31,733	39,362	(7,629)
Dues, memberships and other	7,500	7,500	5,494	2,006
S.A.F.E. implementation	268,142	469,431	232,535	236,896
Capital outlay	0	0	0	0
Project costs	102,579	579,648	121,753	457,895
TOTAL	<u>\$1,077,000</u>	<u>\$1,770,305</u>	<u>\$1,079,133</u>	<u>\$ 691,172</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		\$ 0	\$ 65,644	\$ 65,644
FUND BALANCES - BEGINNING OF YEAR		2,215,216	2,215,216	0
LESS: Carryover Funds		(224,375)	(224,375)	0
PLUS: Prior Period Adjustment		0	0	0
FUND BALANCES - END OF YEAR		<u>\$1,990,841</u>	<u>\$2,056,485</u>	<u>\$ 65,644</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
 SCHEDULE OF ALLOCATION AND EXPENDITURES
 LOCAL TRANSPORTATION FUND

Schedule 3

For the Year Ended June 30, 2019

	Public Utilities Code Section					Total
	Public Transportation 99233.1	Pedestrian & Bike Facilities 99407	Streets & Roads 99400(a)	Contracted Transit Services 99400(c)		
Revenues:						
Sales tax	\$ 289,000	\$ 121,144	\$ 663,303	\$ 219,830	\$ 3,811,333	289,000
Sales tax					121,144	121,144
Sales tax					663,303	663,303
Sales tax					219,830	219,830
Total Revenues	\$ 289,000	\$ 121,144	\$ 663,303	\$ 219,830	\$ 5,104,610	\$ 5,104,610
Expenditures:						
Humboldt Transit Authority	289,000					326,930
Administration and planning		2,448,709	37,930	180,955		2,960,201
Humboldt County			65,000	265,537		7,250
City of Arcata			7,250	14,545		46,920
City of Blue Lake				1,056,729		58,360
City of Eureka		1,056,729		58,360		481,071
City of Ferndale				223,140		124,891
City of Fortuna		247,307	10,624	73,981	6,500	42,258
City of Rio Dell		44,410		27,740		
City of Trinidad		14,178	340			
Total Expenditures	\$ 289,000	\$ 3,811,333	\$ 121,144	\$ 663,303	\$ 219,830	\$ 5,104,610
Unexpended (Overexpended) Allocations:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SCHEDULE OF ALLOCATIONS AND EXPENDITURES

STATE TRANSIT ASSISTANCE FUND

For the Year Ended June 30, 2019

	Public Utilities Code Section		
	General Public <u>6731</u>	Community Transit Services <u>99275</u>	<u>Total</u>
Revenues:			
State of California STA funds	\$1,137,740	\$244,857	\$1,382,597
DAR Tickets	<u>-</u>	<u>19,329</u>	<u>19,329</u>
Total Revenue	<u>\$1,137,740</u>	<u>\$264,186</u>	<u>\$1,401,926</u>
Expenditures:			
DAR Contract Services	\$ 68,000	\$ -	\$ 68,000
Humboldt Transit Authority	510,656	114,938	625,594
Humboldt County	-	-	-
City of Arcata	14,030	-	14,030
City of Blue Lake	-	-	-
City of Fortuna	-	-	-
City of Eureka	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 592,686</u>	<u>\$114,938</u>	<u>\$ 707,624</u>
Unexpended (Overexpended) Allocations	<u>\$ 545,054</u>	<u>\$149,248</u>	<u>\$ 694,302</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
LOCAL TRANSPORTATION FUND

SCHEDULE OF FUND BALANCES OF MEMBER ENTITIES

FUND BALANCES

Schedule 5

June 30, 2019

AMOUNT

ENTITY

City of Arcata	\$ 804,990
City of Blue Lake	15,249
City of Eureka	188,832
City of Ferndale	5,132
City of Fortuna	96,433
City of Rio Dell	39,892
City of Trinidad	1,146
County of Humboldt	502,312
2% Bicycle and Pedestrian Set-Aside	380,184
Humboldt County Association of Governments	1
Accrued interest: April 1, 2019 to June 30, 2019	7,971
Other Adjustments	<u>79</u>
TOTAL TDA FUND BALANCES HELD IN TRUST	<u>\$2,042,221</u>



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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 financial statements of the Transportation Development Act Funds of the Humboldt County Association of Governments as of and for the year ended June 30, 2019 and have issued a report thereon dated December 27 2019. 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.

As part of the audit, we performed testing of the following program:

**Public Transportation Modernization Improvement
& Service Enhancement Account (PTMISEA)/CalEOS Prop 1B**

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). This program is now known as CalEOS Prop 1B. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the fiscal year ended June 30, 2019, the Association applied for and received proceeds of \$ 0 from the State's CalEOS Prop 1B account for ADA bus stop and bus shelter improvements. As of June 30, 2019, CalEOS Prop 1B funds received and expended were verified in the course of our audits as follows:

Proceeds received:

CalEOS Prop 1B: 2011-12	\$	372,885
CalEOS Prop 1B: 2013-14		124,295
CalEOS Prop 1B: 2014-15		124,295

Interest earned on CalEOS Prop 1B funds:

Interest income 2012-13		2,256
2013-14		2,215
2014-15		2,951
2015-16		4,017
2016-17		3,998
2017-18		146

Expenditures incurred:

ADA Bus Stop Shelter Improvements 2012-13	(1,326)
ADA Bus Stop Shelter Improvements 2013-14	(152,198)
ADA Bus Stop Shelter Improvements 2014-15	(33,223)
ADA Bus Stop Shelter Improvements 2016-17	(404,952)
ADA Bus Stop Shelter Improvements 2017-18	<u>(45,359)</u>

Unexpended proceeds at June 30, 2019 \$ 0

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