

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

REGIONAL TRANSPORTATION PLANNING AGENCY

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

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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, 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### 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.

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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, 2020, 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

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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*

February 12, 2021  
Fortuna, California

# Management's Discussion and Analysis For Fiscal Year Ending June 30, 2020

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, 2020. 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, 2019 through June 30, 2020. 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

## **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 2019 and 2020 are provided in Table 2.

	2019	2020
<b>Expenses</b>		
Services and supplies	349,530	412,186
Planning and administration	718,509	763,439
<b>Total expenses</b>	<b>\$ 1,068,039</b>	<b>\$ 1,175,625</b>
<b>Program Revenues</b>		
Operating Grants	485,975	675,590
<b>General revenues</b>		
Local Transportation Funds	285,000	450,000
SAFE	137,818	135,153
Interest	11,609	9,237
<b>Total revenue</b>	<b>\$ 920,402</b>	<b>\$ 1,269,980</b>
<b>Net Position, Beginning of Period</b>	<b>2,004,080</b>	<b>1,555,488</b>
Change in net position of Government Activities	(147,637)	94,355
GASB 68 current year pension liability	(78,000)	(50,783)
GASB 75 current year Post Employment Benefits	(22,466)	(22,587)
GASB 75 Prior Period Adjustments (OPEB Liability)	(200,489)	(1,234)
<b>Net Position, End of Period</b>	<b>\$ 1,555,488</b>	<b>\$ 1,575,239</b>
<b>Total change in net position</b>	<b>\$ (448,592)</b>	<b>\$ 19,751</b>

### HCAOG's Financial Position

Last year's large decrease in net position was caused by large GASB 68 and 75 adjustments, relating to Pension and OPEB liabilities. As noted last year, all pension and OPEB costs are included in employee burden rates, so that HCAOG recoups the costs in billing for the service provided.

Otherwise, operations were reasonably stable in 2019-20, with the generated positive change in net position of \$94,355 mostly offset by the current year adjustments relating to pension liabilities and OPEB costs.

### 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 are 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 \$80,000 in the 2019-20 fiscal year the same as 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 revenues over expenditures in the amount of \$97,167, which is exclusive of the beginning of period carryover balance of \$467,864, 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 2019-20. 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, 2020

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 1,786,418
Interest receivable	-
Accounts receivable	402,630
Due from fiduciary fund	1,001
Prepaid expenses	6,837
Deferred outflows related to pensions	115,117
Deferred outflows related to OPEB	23,152
Capital assets, net of accumulated depreciation	<u>8,420</u>
Total Assets	<b><u>\$ 2,343,575</u></b>
<b><u>LIABILITIES AND NET POSITION</u></b>	
Accounts payable	\$ 44,468
Accrued vacation and holiday	30,489
Deferred inflows related to pensions	44,820
Deferred inflows related to OPEB	5,657
GASB 75 OPEB liability	263,865
GASB 68 net pension liability	<u>379,865</u>
Total Liabilities	<b><u>768,336</u></b>
<b><u>NET POSITION</u></b>	
Invested in capital assets	8,420
Unrestricted (deficit)	(75,780)
Restricted:	
PPM Projects	21,847
SAFE	<u>1,620,752</u>
Total Net Position	<b><u>\$ 1,575,239</u></b>

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, 2020

<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	\$ 412,186	\$ 675,590	\$ 263,404
Planning and administration	<u>763,439</u>	<u>-</u>	<u>(763,439)</u>
Total Governmental Activities	<u>\$1,175,625</u>	<u>\$ 675,590</u>	<u>\$ (500,035)</u>
General Revenues:			
Local Transportation Fund (LTF)			450,000
SAFE			135,153
Use of money and property			<u>9,237</u>
Total General Revenues			<u>\$ 594,390</u>
Change in Net Position			94,355
Net Position, Beginning of Period			1,555,488
GASB 68 Net Pension Liability Current Year Adjustment			(50,783)
GASB 75 Other Post Employment Benefits (OPEB) Current Year Adjustment			(22,587)
Prior Period Adjustments (Prior Year Interest Income)			<u>(1,234)</u>
Net Position, End of Period			<u>\$1,575,239</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, 2020

	Regional Transportation Planning Fund	SAFE Fund	Totals
<b>ASSETS</b>			
Cash - OCCU	\$168,947	\$1,617,471	\$ 1,786,418
Interest receivable	-	-	-
DAR grant receivable	-	24,180	24,180
SAFE funds receivable	378,450	-	378,450
RPAF funds receivable	6,837	-	6,837
Prepaid expenses	8,202	-	8,202
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$562,436</u></b>	<b><u>\$1,641,651</u></b>	<b><u>\$ 2,204,087</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 30,770	\$ 13,698	\$ 44,468
Due to other funds	-	7,201	7,201
<b>TOTAL LIABILITIES</b>	<b><u>\$ 30,770</u></b>	<b><u>\$ 20,899</u></b>	<b><u>\$ 51,669</u></b>
<b>FUND BALANCES:</b>			
Unassigned	\$458,289	-	\$ 458,289
Assigned - PPM	51,530	-	51,530
Restricted - SAFE	-	1,620,752	1,620,752
Restricted - PPM	-	-	-
2018-19 Projects	9,808	-	9,808
2019-20 Projects	12,039	-	12,039
<b>TOTAL FUND BALANCES</b>	<b><u>\$531,666</u></b>	<b><u>\$1,620,752</u></b>	<b><u>\$ 2,152,418</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$562,436</u></b>	<b><u>\$1,641,651</u></b>	<b><u>\$ 2,204,087</u></b>

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, 2020

**TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** **\$ 2,152,418**

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 (30,489)

Certain pension plan liability amounts used in Governmental activities are not recognized in the Governmental funds due to the timing of the related expenditures (555,110)

**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** **\$ 1,575,239**

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, 2020

	Regional Transportation Planning Funds	SAFE Fund	Totals
<b>REVENUES</b>			
Intergovernmental:			
State planning	\$ 320,978	-	320,978
Cal-Trans grants	56,021	-	56,021
FHWA grant	209,591	-	209,591
Transit study	9,000	-	9,000
DMV fees	80,000	\$ 135,153	135,153
PPM program	-	-	80,000
Allocations:			
TDA fund	450,000	-	450,000
2 & Bike & Pedestrian fund	-	-	-
Other income:			
Interest and fees	294	8,943	9,237
<b>TOTAL REVENUES</b>	<u>\$1,125,884</u>	<u>\$ 144,096</u>	<u>\$1,269,980</u>
<b>EXPENDITURES</b>			
Salaries and benefits	\$ 569,162	-	\$ 569,162
Office expense	18,696	384	19,080
Travel	13,933	-	13,933
Utilities and other	11,041	-	11,041
Professional services	111,945	-	111,945
Dues and memberships	5,850	-	5,850
Rent	30,000	1,380	31,380
Project costs	326,762	-	326,762
Telephone charges	-	9,746	9,746
CHP monitoring	-	8,872	8,872
Corridor Patrols	-	33,083	33,083
Call box monitoring	-	31,959	31,959
<b>TOTAL EXPENDITURES</b>	<u>\$1,087,389</u>	<u>\$ 85,424</u>	<u>\$ 1,172,813</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	\$ 38,495	\$ 58,672	\$ 97,167
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	7,201	-	7,201
Transfers (Out)	-	(7,201)	(7,201)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>7,201</u>	<u>(7,201)</u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	\$ 45,696	\$ 51,471	97,167
<b>FUND BALANCES - BEGINNING OF YEAR</b>	487,204	1,569,281	2,056,485
<b>PRIOR PERIOD ADJUSTMENTS AND TRANSFERS (NOTE 10)</b>	<u>(1,234)</u>	<u>-</u>	<u>(1,234)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 531,666</u>	<u>\$1,620,752</u>	<u>\$ 2,152,418</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, 2020

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** **\$ 97,167**

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 (2,812)

**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	-
Depreciation expense is deducted from the fund balance	-

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 94,355**

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, 2020

	Expendable Trust Funds					
	Local Transportation	State Transit Assistance	RSTP Exchange Fund	SGR Fund		Total
<b>ASSETS</b>						
Cash and investments	\$2,036,935	\$ 616,346	\$ 458,172	\$ 170,416	\$3,281,869	
Interest receivable	8,900	2,550	-	625	12,075	
STAF/SGR receivable	-	366,984	-	40,746	407,730	
Other receivables	-	7,119	-	1,234	8,353	
Other assets	-	-	1,414,322	-	1,414,322	
Total Assets	<u>\$2,045,835</u>	<u>\$ 992,999</u>	<u>\$1,872,494</u>	<u>\$ 213,021</u>	<u>\$5,124,349</u>	
<b>LIABILITIES</b>						
Warrants payable	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000	
DUE to other funds	2,235	-	-	-	2,235	
TDA claims payable	602,415	-	-	-	602,415	
STAF claims payable	-	768,851	-	-	768,851	
RSTP claims payable	-	-	1,613,595	-	1,613,595	
SGR claims payable	-	-	-	112,829	112,829	
Total Liabilities	<u>\$ 609,650</u>	<u>\$ 768,851</u>	<u>\$1,613,595</u>	<u>\$ 112,829</u>	<u>\$3,104,925</u>	
<b>NET ASSETS</b>						
Held in Trust	<u>\$1,436,185</u>	<u>\$ 224,148</u>	<u>\$ 258,899</u>	<u>\$ 100,192</u>	<u>\$2,019,424</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, 2020

	Expendable Trust Funds					Total
	Local Transportation	State Transit Assistance	RSTP Exchange Fund	SGR Fund		
<b>Revenue:</b>						
Sales tax	\$5,183,890	\$ -	\$ -	\$ -	\$ 5,183,890	
STA funds	-	1,452,480	-	-	1,452,480	
State exchange funds	-	-	1,414,322	-	1,414,322	
SGR funds	-	-	-	236,067	236,067	
Interest	<u>35,384</u>	<u>10,783</u>	<u>590</u>	<u>3,114</u>	<u>49,871</u>	
Total Revenue	<u>\$5,219,274</u>	<u>\$1,463,263</u>	<u>\$1,414,912</u>	<u>\$ 239,181</u>	<u>\$ 8,336,630</u>	
<b>Expenditures:</b>						
Administration	\$ 454,000	\$ -	\$ -	\$ -	\$ 454,000	
TDA claimants	5,351,682	-	-	-	5,351,682	
Bicycle & pedestrian	19,628	-	-	-	19,628	
SGR claimants	-	-	-	200,676	200,676	
RSTP claimants	-	-	1,359,828	-	1,359,828	
STAF claimants	<u>-</u>	<u>2,180,144</u>	<u>-</u>	<u>-</u>	<u>2,180,144</u>	
Total Expenditures	<u>\$5,825,310</u>	<u>\$2,180,144</u>	<u>\$1,359,828</u>	<u>\$ 200,676</u>	<u>\$ 9,565,958</u>	
<b>Change in Net Assets</b>	\$(606,036)	\$(716,881)	\$ 55,084	\$ 38,505	\$(1,229,328)	
<b>Net Assets, Beginning</b>	\$2,042,221	\$ 941,029	\$ 203,815	60,453	\$ 3,247,518	
<b>Prior Period Adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,234</u>	<u>1,234</u>	
<b>Net Assets, End</b>	<u>\$1,436,185</u>	<u>\$ 224,148</u>	<u>\$ 258,899</u>	<u>\$ 100,192</u>	<u>\$ 2,019,424</u>	

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

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**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, 2020

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, 2020

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, 2020

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, 2020:

	<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	1,744,590	-	1,744,590
Pooled with County: Fiduciary Accounts	_____	<u>2,823,697</u>	<u>2,823,697</u>
Totals	\$2,244,590	\$2,823,697	\$5,068,287

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020, 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, 2020. The fair value of the pool shares for the fiduciary funds was \$2,823,697 and the carrying value was \$2,823,697 at June 30, 2020.

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, 2020

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, 2020 are comprised of the following:

	<u>Balance at</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2020</u>
Furniture, fixtures and Equipment	\$ 8,420	\$ _____	\$ _____	\$ 8,420
Total	-	<u>_____</u>	<u>_____</u>	-
Less accumulated depreciation	_____			_____
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, 2020

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, 2020.

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 2020. The current lease agreement incorporates three additional addendums, one of which was enacted in January 2020. 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,	
2021	\$ 36,988
2022	<u>21,574</u>
Total	\$ 58,562

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>2020</u>
Accrued Vacation and Holiday	\$ 30,489
Accrued Sick Leave	<u>38,088</u>
	\$ <u>68,577</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 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, 2020 was \$32,790.

**HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 7 - RETIREMENT PLAN: (continued)**

Beginning in FY 2015-2016, CalPERS began collecting employer contributions toward the unfunded liability. During FY 2019-2020, those payments totaled \$19,954. As of June 30, 2020, Humboldt County Association of Government reported net pension liability in the amount of \$379,865. 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, 2019, 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, 2016 rolled forward to June 30, 2019 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	\$ 32,790	\$ -
●) Differences between expected and actual experience	26,383	2,044
●) Changes of assumption	18,114	6,421
●) Differences between the employer's contributions and the employer's Proportionate share of contributions	-	29,713
●) Change in employer's proportion	37,830	-
●) Net difference between projected and actual earnings on plan investments	-	6,642
Total	<u>\$ 115,117</u>	<u>\$ 44,820</u>

\$32,790 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, 2021. 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, 2019 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 and June 30, 2018 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	7.15%
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, 2020

NOTE 7 - RETIREMENT PLAN: (concluded)

**Change of Assumptions** - The discount rate was changed from 7.65% (net of administrative costs) in 2018 to 7.15%.

**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>6.15%</u>	Current Discount <u>7.15%</u>	Discount Rate plus 1% <u>8.15%</u>
Net pension liability	\$665,056	\$379,865	\$144,459

**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, 2020, the Association reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - 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, 2020

**NOTE 8 - 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 9 - 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 10 - SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through February 12, 2021, the date the financial statements were available to be issued.

Covid-19 Pandemic

The Association may be affected by the recent and ongoing outbreak of the Covid-19 disease which was declared a pandemic by the World Health Organization in March 2020. The extent to which the virus impacts the Association's operations will depend on future developments, which are highly uncertain, including the duration and severity of the outbreak. While management expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE 11 - 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, 2020, the Association contributed \$4,492, 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 2020, 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, 2019. Total OPEB liability was estimated at \$263,037, with a beginning of the year amount (based on a valuation date of June 30, 2018) estimated at \$227,369.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%, 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**

	<b>Fiscal Year Ending</b>	
	<b>6/30/19</b>	<b>6/30/20</b>
	<b>Measurement Date</b>	<b>Measurement Date</b>
	<b>6/30/18</b>	<b>6/30/19</b>
Total OPEB Liability (TOL)	\$227,369	\$263,037

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS:** (continued)

**Changes in Total OPEB Liability**

Balance at 6/30/19 (6/30/18 Measurement date)	\$ 227,369
Changes for the year:	
Service Cost	26,084
Interest	9,592
Changes of benefit terms	-
Actual vs expected experience	-
Assumption changes	11,130
Benefit payments	<u>(11,138)</u>
Net Changes	35,668
Balance at 6/30/20 (6/30/19 Measurement date)	\$ 263,037

**Sensitivity of Total OPEB Liability**

Changes in the Discount Rate

	1% Decrease <u>(2.50%)</u>	Discount Rate Current Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB Liability	\$ 297,798	\$ 263,037	\$ 234,767

Changes in the Healthcare Trend Rate

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 249,402	\$ 263,037	\$ 288,786

**OPEB Expense for Fiscal Year**

	2019/20 Measurement Period 2018/19
OPEB Expense	\$ 36,134

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS: (continued)

Deferred Outflows/Inflows Balances at June 30, 2020

	<u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	9,605	5,657
Employer contributions made subsequent to measurement date	<u>13,547</u>	<u>-</u>
Total	\$ 23,152	\$ 5,657

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Valuation Date	June 30, 2018
Contribution Policy	No pre-funding
Discount Rate	3.50% at June 30, 2019 (Bond Buyer 20-Bond Index)
	3.87% 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 2020)
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, 2020

<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b><u>2020</u></b>
Accumulated interest earnings		\$ 0
Rural Planning Assistance Funds:		
Unencumbered balance		0
<b>REVENUES</b>		
Intergovernmental:		
Rural Planning Assistance allocation		320,978
Miscellaneous:		
Rural Planning Grant		<u>56,021</u>
<b>TOTAL</b>		<b><u>\$ 376,999</u></b>
<b>EXPENDITURES</b>		
Work Element 2	Current Planning	\$ 109,984
Work Element 3	OWP Programming	48,941
Work Element 4	Advanced Planning	13,976
Work Element 5	Planning & Programming of State Funds	33,124
Work Element 8	Research, Collaboration and Grant Development	19,286
Work Element 9	Public Outreach	2,998
Work Element 12	Regional Transportation Plan Implementation	13,746
Work Element 13	Unmet Transit Needs	27,929
Work Element 14	Global Climate Change - See Level Rise	3,879
Work Element 15	Mobility on Demand	80,388
Work Element 16	Blue Lake Rancheria Transit Study	9,702
Work Element 17	Humboldt County Bike Map App	916
Work Element 18	Broadway Intermodal Transp. Corridor Study	<u>12,130</u>
<b>TOTAL</b>		<b><u>\$ 376,999</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>		<b>\$ 0</b>
<b>TRANSFER INTEREST EARNINGS AND LATE FEES TO ADMINISTRATION FUND</b>		<u>0</u>
<b>TOTAL</b>		<b><u>\$ 0</u></b>
<b>FUND BALANCE - END OF YEAR</b>		
Accumulated interest earnings		0
Rural Planning Assistance Funds:		
Encumbered balance		0
Unencumbered balance		<u>0</u>
<b>TOTAL</b>		<b><u>\$ 0</u></b>

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, 2020

2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Carryover Funds	\$ 320,000	\$ 467,864	\$ 467,864	\$ 0
Intergovernmental:				
LTF allocation	450,000	450,000	450,000	0
LTF 2% Bike & Pedestrian allocation	0	0	0	0
Rural Planning allocation	337,000	337,000	320,978	(16,022)
PPM allocation	80,000	80,000	80,000	0
RPA Grant	0	0	56,021	56,021
SAFE fees	493,000	493,000	135,153	(357,847)
FHWA grant	0	0	209,591	209,591
Transit study	6,800	9,000	9,000	0
REAP Funds	0	60,000	0	(60,000)
Miscellaneous:				
Interest	0	0	9,237	9,237
<b>TOTAL</b>	<b>\$1,686,800</b>	<b>\$1,896,864</b>	<b>\$1,737,844</b>	<b>\$ (159,020)</b>
<b>EXPENDITURES</b>				
Salary and benefits	\$ 683,511	\$ 683,511	\$ 569,162	\$ 114,349
Office expense	79,000	79,000	59,737	19,263
Travel	25,000	25,000	13,933	11,067
Administration, planning and professional services	78,800	105,000	111,945	(6,945)
Dues, memberships and other	7,500	7,500	5,850	1,650
SAFE implementation	468,000	468,000	85,424	382,576
Capital outlay	0	0	0	0
Project costs	344,989	528,853	326,762	202,091
<b>TOTAL</b>	<b>\$1,686,800</b>	<b>\$1,896,864</b>	<b>\$1,172,813</b>	<b>\$ 724,051</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		\$ 0	\$ 565,031	\$ 565,031
<b>FUND BALANCES - BEGINNING OF YEAR</b>		2,056,485	2,056,485	0
<b>LESS:</b> Carryover Funds		(467,864)	(467,864)	0
<b>PLUS:</b> Prior Period Adjustment		(1,234)	(1,234)	0
<b>FUND BALANCES - END OF YEAR</b>		<b>\$1,587,387</b>	<b>\$2,152,418</b>	<b>\$ 565,031</b>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF ALLOCATION AND EXPENDITURES  
LOCAL TRANSPORTATION FUND

Schedule 3

For the Year Ended June 30, 2020

	Public Utilities Code Section					Total
	Administration 99233.1	Public Transportation 99260	Pedestrian & Bike Facilities 99407	Streets & Roads 99400(a)	Contracted Transit Services 99400(c)	
<b>Revenues:</b>						
Sales tax		\$4,410,075				4,410,075
Sales tax	\$454,000		96,422	628,464	236,349	454,000
Sales tax						96,422
Sales tax						628,464
Sales tax						236,349
<b>Total Revenues</b>	<b>\$454,000</b>	<b>\$4,410,075</b>	<b>\$96,422</b>	<b>\$628,464</b>	<b>\$236,349</b>	<b>\$5,825,310</b>
<b>Expenditures:</b>						
Administration and planning	\$454,000		\$19,628			\$473,628
Humboldt County		\$2,140,531	65,000	232,833	197,474	2,635,838
City of Arcata		838,048				838,048
City of Blue Lake				26,806	32,375	59,181
City of Eureka		1,090,702				1,090,702
City of Ferndale			11,794	52,492		52,492
City of Fortuna			45,298	206,155		508,465
City of Rio Dell			4,980	102,859	6,500	154,657
City of Trinidad				7,319		12,299
<b>Total Expenditures</b>	<b>\$454,000</b>	<b>\$4,410,075</b>	<b>\$96,422</b>	<b>\$628,464</b>	<b>\$236,349</b>	<b>\$5,825,310</b>
<b>Unexpended (Overexpended)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>Allocations:</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>



SCHEDULE OF ALLOCATIONS AND EXPENDITURES

STATE TRANSIT ASSISTANCE FUND

For the Year Ended June 30, 2020

	Public Utilities Code Section		
	General Public <u>6731</u>	Community Transit Services <u>99275</u>	<u>Total</u>
Revenues:			
State of California STA funds	\$1,135,468	\$317,012	\$1,452,480
Other Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$1,135,468</u>	<u>\$317,012</u>	<u>\$1,452,480</u>
Expenditures:			
DAR Contract Services	\$ 107,737	\$ -	\$ 107,737
Humboldt Transit Authority	1,781,093	118,368	1,899,461
Humboldt County	-	-	-
City of Arcata	172,946	-	172,946
City of Blue Lake	-	-	-
City of Fortuna	-	-	-
City of Eureka	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$2,061,776</u>	<u>\$118,368</u>	<u>\$2,180,144</u>

HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS  
LOCAL TRANSPORTATION FUND

SCHEDULE OF FUND BALANCES OF MEMBER ENTITIES

FUND BALANCES

Schedule 5

June 30, 2020

ENTITY	<u>AMOUNT</u>
City of Arcata	\$ 604,790
City of Blue Lake	59
City of Eureka	1,201
City of Ferndale	(565)
City of Fortuna	549
City of Rio Dell	153
City of Trinidad	1,125
County of Humboldt	360,597
2% Bicycle and Pedestrian Set-Aside	460,146
Humboldt County Association of Governments	1
Accrued interest: April 1, 2020 to June 30, 2020	8,900
Other Adjustments	<u>(771)</u>
<b>TOTAL TDA FUND BALANCES HELD IN TRUST</b>	<b><u>\$1,436,185</u></b>



# ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

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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, 2020 and have issued a report thereon dated December 27 2020. 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.

Board of Directors  
Humboldt County Association  
of Governments  
Page 2

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*

Fortuna, California  
February 12, 2021