

**BUTTE COUNTY
ASSOCIATION OF GOVERNMENTS**

Audited Financial Statements
and Compliance Reports

June 30, 2016

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BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

Audited Financial Statements
And Compliance Reports

June 30, 2016

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550 Howe Avenue, Suite 210
Sacramento, California 95825

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Butte County Association of Governments (Association), as of and for the year ended June 30, 2016, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2016, the results of its operations and cash flows for its enterprise fund and the respective budgetary comparison for the Planning and Administration Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Schedule of the Proportionate Share of the Net Pension Liability – Miscellaneous (Unaudited), Schedule of Contributions to the Pension Plan – Miscellaneous Plan (Unaudited) and Other Postemployment Benefits Schedule of Funding Progress information as listed in the accompanying table of contents, 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's basic financial statements. The supplementary information on pages 40 to 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements as listed in the table of contents. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including the Transportation Development Act and PTMISEA Guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Richardson & Company, LLP

March 8, 2017

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The discussion and analysis of the financial performance of the Butte County Association of Governments (Association) provides an overview of the Association's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at financial performance as a whole. Users of these financial statements should read this discussion and analysis in conjunction with the basic financial statements following this section to enhance their understanding of the Association's financial performance.

Financial Highlights

- Government-wide assets of the Association exceeded its liabilities at the close of the most recent fiscal year by \$25,716,849 (*net position*). The Association's total net position decreased by \$1,865,022 largely due to the contribution of land, building and other improvements to other entities, relating to the New Markets Tax Credit funding arrangement.
- Governmental funds reported combined ending fund balances of \$4,045,276. \$1,483,720 represents Transportation Development Act (TDA) funds available for future TDA claims. \$1,845,000 represents fund balance restricted for bus replacement. Assigned fund balance of \$108,869 represents local funds that will be applied to the construction project. Unassigned fund balance is \$513,736.
- Proprietary funds report an ending fund balance of \$7,948,438. This amount is largely the investment in capital assets, which was reduced in the current year by \$1,634,845, due to the accumulation of depreciation and sale of assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of finances, in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions that are either primarily financed with intergovernmental revenues (*governmental activities*) or from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*).

Governmental Activities – The Association's governmental activities include the planning and administration activities of the Metropolitan Planning Organization (MPO) and the Regional Transportation Planning Agency (RTPA). The Association is responsible for oversight of the State Transit Improvement Plan (STIP), and the allocation of Transportation Development Act (TDA) funds and Regional Surface Transportation Planning (RSTP) funds to the local jurisdictions.

Business-type activities - This consists of the Butte Regional Transit (BRT) system.

The *statement of net position* presents information on all of the Association's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Association's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event takes place regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and outflows in future fiscal years, such as note receivable, future pension and other post-employment health benefits (OPEB).

The government-wide financial statements are presented on pages 11-12.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – Governmental funds are used to account for activities that are similar in nature to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating the Association's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association maintains four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each of the major funds.

The Association adopted an annual appropriated budget for the Planning and Administration Fund only. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements are presented on pages 13-15 of this report.

Proprietary funds – Proprietary funds are used to account for activities for which the Association charges a fee. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Association maintains the following type of proprietary fund:

Enterprise fund – Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Association uses enterprise funds to account for the Butte Regional Transit (BRT) operations.

The enterprise fund financial statements are presented on pages 16-18 of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are presented on pages 19-39 of this report.

Government-wide Financial Analysis

Statement of Net Position - The following table shows the comparative net position for governmental and business-type activities.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS STATEMENT OF NET POSITION						
	Governmental activities		Business-type activities		Total	
	2015	2016	2015	2016	2015	2016
Assets and Deferred Outflows:						
Current and other assets	\$ 9,929,216	\$ 9,524,603	\$ 5,664,401	\$ 6,695,566	\$ 15,593,617	\$ 16,220,169
Long term assets	-	11,364,500	-	-	-	11,364,500
Capital assets, net	14,849,975	2,986,910	9,346,341	7,845,106	24,196,316	10,832,016
Deferred outflow- pensions	166,796	147,938	-	-	166,796	147,938
Total assets	<u>24,945,987</u>	<u>24,023,951</u>	<u>15,010,742</u>	<u>14,540,672</u>	<u>39,956,729</u>	<u>38,564,623</u>
Liabilities and Deferred Inflow:						
Current liability	6,117,271	5,506,352	868,550	1,534,541	6,985,821	7,040,893
Long-term liability	652,219	639,511	4,558,909	5,057,693	5,211,128	5,697,204
Deferred inflow- pension	177,909	109,677	-	-	177,909	109,677
	<u>6,947,399</u>	<u>6,255,540</u>	<u>5,427,459</u>	<u>6,592,234</u>	<u>12,374,858</u>	<u>12,847,774</u>
Net position:						
Net investment in capital assets	14,849,975	2,986,910	9,346,341	7,845,106	24,196,316	10,832,016
Restricted	2,749,905	3,416,463	14,435	4,898	2,764,340	3,421,361
Unrestricted	398,708	11,365,038	222,507	98,434	621,215	11,463,472
Total net position	<u>\$ 17,998,588</u>	<u>\$ 17,768,411</u>	<u>\$ 9,583,283</u>	<u>\$ 7,948,438</u>	<u>\$ 27,581,871</u>	<u>\$ 25,716,849</u>

The Association's net position reflects \$10,832,016 of investment in capital assets. The largest portion, \$7,845,106, of this is made up of the busses and transit stations used by Butte Regional Transit. The remaining \$2,986,910 of capital assets held in the governmental activities include remodeling costs of the old transit facility to a new board room and offices, office equipment placed in service in the new facility and land held for mitigation purposes.

Restricted net position includes \$1,483,720 of TDA funds and \$92 of State Highway funds awaiting apportionment to the jurisdictions, \$1,845,000 restricted for capital purchase and \$92,549 of interest earned on Proposition 1B bond receipts.

\$11,463,472 reflects the unrestricted net position, which may be used to meet the Association's ongoing obligations to citizens and creditors. Unrestricted net position increased in the current year primarily due to the signing of a note receivable for \$11,364,500 as part of the New Markets Tax Credit funding received for the transit facility construction as described in Note E. The unrestricted net position of the governmental activities includes \$108,869 of local funds assigned to cover future expenses of the construction project. Without this funding, and after removing the long term note receivable, governmental activities would have shown a deficit of \$9,805. The implicit deficit in net position is a result of booking the long-term net pension liability per the GASB 68 requirements. For further information on the pension liability see Note M in the Notes to the Financial Statement.

Statement of Activities - The following table indicates the comparative changes in net position for governmental and business-type activities.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS						
STATEMENT OF ACTIVITIES						
	Governmental activities		Business-type activities		Total	
	2015	2016	2015	2016	2015	2016
Expenses:						
Planning and administration	\$ 2,258,412	\$ 2,483,068	\$ -	\$ -	\$ 2,258,412	\$ 2,483,068
Transportation claimants	9,931,371	9,992,058	-	-	9,931,371	9,992,058
Transit Operations	-	-	10,689,843	11,031,080	10,689,843	11,031,080
Total expenses	<u>12,189,783</u>	<u>12,475,126</u>	<u>10,689,843</u>	<u>11,031,080</u>	<u>22,879,626</u>	<u>23,506,206</u>
Revenues and transfers:						
Program revenues:						
Operating grants and contributions	4,289,534	3,867,749	7,555,673	7,830,137	11,845,207	11,697,886
Capital grants and contributions	9,370,764	14,626,266	2,977,987	793,435	12,348,751	15,419,701
Charges for services	-	-	1,703,999	1,738,951	1,703,999	1,738,951
General revenues:						
Tax based revenue	8,856,997	8,748,447	-	-	8,856,997	8,748,447
Investment earnings	47,461	76,616	28,161	27,717	75,622	104,333
Loss on sale of assets	-	-	(74,562)	(10,000)	(74,562)	(10,000)
Contribution of asset	-	(15,074,129)	-	(984,005)	-	(16,058,134)
Total revenues	<u>22,564,756</u>	<u>12,244,949</u>	<u>12,191,258</u>	<u>9,396,235</u>	<u>34,756,014</u>	<u>21,641,184</u>
Change in Net Position	10,374,973	(230,177)	1,501,415	(1,634,845)	11,876,388	(1,865,022)
Net position-beginning	<u>7,623,615</u>	<u>17,998,588</u>	<u>8,081,868</u>	<u>9,583,283</u>	<u>15,705,483</u>	<u>27,581,871</u>
Net position-ending	<u>\$ 17,998,588</u>	<u>\$ 17,768,411</u>	<u>\$ 9,583,283</u>	<u>\$ 7,948,438</u>	<u>\$ 27,581,871</u>	<u>\$ 25,716,849</u>

Governmental Activities – Planning and administration expenses, which represent the activities of the MPO and RTPA, are primarily driven by the various projects in a given year. Transportation and transit planning projects for the year totaled approximately \$1.7 million in expense. Road construction and mitigation projects totaled \$756 thousand for the year.

Expenses related to the design and construction of the BRT transit facility are not included in program expense on the statement of activities. For government-wide purposes, the transit facility is considered construction in progress, a non-depreciable asset on the statement of net position. Revenue used to fund current year construction in progress amounted to \$14.6 million and is included in capital grants and contributions on the statement of activities. In the current fiscal year,

the Association contributed approximately \$15.1 million of construction in progress assets to other entities, largely in regards to the New Markets Tax Credit funding arrangement, which accounts for the reduction in net position restricted for capital assets.

Transportation claimants received \$9.9 million in state exchange and Transportation Development Act (TDA) funds, which is consistent with last year. Regional Surface Transportation Plan (RSTP) funds are exchanged each year for more flexible state highway funds, which are considered operating contributions. Tax based revenues decreased slightly in the current year as State Transit Assistance dwindles.

Business-type Activities – Business-type activities in the government-wide financial statements reflect the same information found in the Association’s enterprise fund financial statement, but in a more consolidated format. Due to TDA regulations, there can be no earnings on operations funded with TDA, thus the transactions resulting in a \$1.6 million decrease in net position are all related to the purchase, disposal, and depreciation of transit fixed assets, which are discussed in the capital asset section below. Transit operations expenditures increased by 3.2 percent in the current year. This was anticipated since the contract for the transit operator included an increase in rate. Also, maintenance expense has been driven up in recent years by an aging fleet.

Financial Analysis of the Government’s Funds

Governmental funds – The focus of the Association’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Association’s net resources available for spending at the end of the fiscal year.

As of June 30, 2016, the Association’s governmental funds reported combined ending fund balance of \$4,045,276. Of this total amount, \$716,464 is fund balance of the planning and administration fund. The planning and administration fund is the operating fund for transportation planning responsibilities. The restricted portion of this fund balance, \$87,651, relates to the accumulation of California Prop 1B bond interest. Non-spendable fund balance of \$6,300, relates to prepaid expense. The assigned portion of \$108,869 represents payments from local sources towards the new construction facility that will be used for future construction expenses. The total unassigned fund balance was \$513,644. Unassigned fund balance represents carryover of Transportation Development Act (TDA) funds used for match requirements, and state planning, programing and monitoring (PPM) funds. Unassigned fund balance is also affected by over/under absorbed indirect costs. During the current fiscal year, indirect costs were under absorbed by \$61,903 which reduced the fund balance. The total remaining under absorbed indirect costs for the two-year carryover period is \$343,043. This amount will continue to be recouped in future years.

As a measure of the planning and administration fund’s liquidity, it may be useful to compare the unassigned balance to total fund expenditures less capital outlay. Unassigned fund balance represents 18.1% of total planning and administration fund expenditures less capital outlay.

TDA governmental fund balances totaled \$3,328,720, with \$1,845,000 apportioned to future transit capital purchases and \$1,483,720 in un-apportioned TDA funds that can be included in future year allocations to claimants.

Planning and Administration Fund Budgetary Highlights

The Association's final amended expenditure budget of \$20,428,096 was adopted by the Board in March of 2016. All adjustments were for the purpose of bringing estimates in line with actual costs and funding agreements. Fiscal year 2015/16 actual expenditures of \$17.5 million were 15% less than the final budgeted expenditures. Due to the unpredictable nature of construction projects, budgeted expense typically takes into account the total possible outlay for a project and therefore actual expense is normally below budgeted costs. Capital outlay on the BRT transit facility project was under budget by \$2.6 million due to construction delays. The Schedule of Revenues, Expenditures and Changes in Fund Balance by Activity in the Supplementary Information shows budget to actual amounts by project.

Enterprise fund – The Association's enterprise fund provides the same type of information found in the government-wide financial statements, business-type activities, but in more detail. The enterprise fund, Butte Regional Transit, reports the activities of the consolidated county-wide transit system administered by the Association, effective July 1, 2005. The enterprise fund reflected a decrease in fund balance of \$1,634,845. Due to TDA regulations, there can be no earnings on operations funded with TDA, thus the transactions resulting in this net change are all related to the purchase, disposal, and depreciation of transit fixed assets, which are discussed below under business-type activities.

Capital Assets

As of June 30, 2016, the Association's investment in capital assets for its governmental and business-type activities amounted to \$10,832,016, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, structures and improvements, vehicles and equipment. Capital assets are not booked in governmental funds but are recorded in the government-wide financial statements. Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental activities		Business-type activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 2,026,661	\$ 570,000	\$ -	\$ -	\$ 2,026,661	\$ 570,000
Construction in Progress	12,804,944	1,790,564	203,483	-	13,008,427	1,790,564
Structures and Improvements	-	-	1,387,859	1,350,729	1,387,859	1,350,729
Vehicles and Equipment	18,370	626,346	7,754,999	6,494,377	7,773,369	7,120,723
Total, net of depreciation	<u>14,849,975</u>	<u>2,986,910</u>	<u>9,346,341</u>	<u>7,845,106</u>	<u>24,196,316</u>	<u>10,832,016</u>

Construction on the BRT operations and administration facility broke ground in October of 2014. In May of 2016, BCAG held a grand opening at the new facility, though remodeling of the old facility to a board room and other external projects are still ongoing. Total cost of the construction project, including the old facility remodel and the Aztec Drive construction, is estimated at \$35 million and completion is estimated in May of 2017.

During the year, the Association transferred \$28.0 million out of land and construction in progress. \$0.6 million was added to equipment, \$1.6 million went to the City of Chico for road construction and \$25.8 million went to the Butte Regional Transportation Corporation (BRTC), net of the \$11.4 million note receivable. Assets contributed to the BRTC will be leased by the Association while the New Markets Tax Credit funding arrangement is in effect. See Note I in the financial statements for further discussion of the operating lease and Note A for discussion of the BRTC entity. Further discussion of capital assets can be found in the capital asset Note F in the financial statements.

Economic Factors and Next Year's Budgets and Rates

As the Association heads into the 2017 calendar year, California's economy continues to improve on a slow but steady pace. Unemployment is expected to drop from 5.5% to 5.3% over the course of the year with most industries seeing modest job gains. Housing and construction are expected to go up as well, and service retailers will likely see the largest job and income increases. The reduction of the recent drought conditions that affected Californian in the past few years will also provide some positive impacts to the state's economy and benefit the states large agriculture industry.

With regard to the state's transportation funding programs, it is hoped that the legislature will take action to address the state's lagging transportation programs this calendar year. In 2016 the California Transportation Commission (CTC) was required to reduce the 2016 State Transportation Improvement Program (STIP) by \$800 million dollars, with many areas including Butte County seeing project cuts. The legislature has proposed multiple funding proposals in the past three years, but has failed to act. Absent new funding, no new highway projects will be programmed in the 2018 STIP and funds available will be used to address cost issues for the currently programmed projects.

Local streets and road funding for cities and counties is also in need of a funding fix. For the past two years, the Governor has asked the state legislature to come up with a funding plan to address transportation needs including local streets and roads, but no action has been taken. It is anticipated that the state legislature will make some progress in 2017 with regard to a funding plan to address both state highways and local streets and roads. There are a couple of draft bills that propose funding of approximately \$8 billion per year that are being considered; hopefully action will be taken by spring of 2017

The outlook on federal transportation funding looks positive moving in to the 2017 calendar year as we head into the second year of the five-year surface transportation bill "Fixing Americas Surface Transportation Act (FAST)" signed in December 2015. The Fast Act provides \$305 billion over the five-year period for highway, transit and railway programs. Under the Fast Act, highway spending will see a 15% increase over current levels while transit will see an 18% increase over current funding levels. For the first time in the past twenty years, Butte County's Congressional Representative has a seat on the Transportation and Infrastructure Committee, and the sub-committee for Highways and Transit. With a successful federal lobbying program, Butte County hopes to capture additional discretionary funds for State Route 70 Projects.

In summary, the transportation funding programs that support the Association's planning work look stable. Because of recent administrative changes in Washington DC, BCAG's highway program is in a good position to better compete for discretionary highway funds, specifically for the State Route 70 Corridor. In addition, with the state's economy and budget showing slow but steady improvement, there is the likelihood that the state legislature will consider a

transportation funding plan to increase funding for the state's highway and transit programs, as well as planning.

Requests for Information

This financial report is designed to provide citizens, taxpayers, creditors and investors with a general overview of the Association's finances and to show accountability for the funds that it receives. If you have any questions about this report or need additional financial information, contact Mr. Jon Clark, Butte County Association of Governments, Executive Director, 326 Huss Drive, Suite 150, Chico, California, 95928.

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 3,519,788	\$ 2,205,980	\$ 5,725,768
Receivables	4,589,588	3,860,461	8,450,049
Internal balances	(365,000)	365,000	-
Prepaid Expenses	6,300	10,000	16,300
Restricted Cash	1,773,927	254,125	2,028,052
Note Receivable- long term	11,364,500	-	11,364,500
Nondepreciated capital assets	2,360,564	-	2,360,564
Depreciated capital assets, net	626,346	7,845,106	8,471,452
Total assets	<u>23,876,013</u>	<u>14,540,672</u>	<u>38,416,685</u>
DEFERRED OUTFLOWS OF RESOURCES			
Employee pensions	<u>147,938</u>	<u>-</u>	<u>147,938</u>
LIABILITIES			
Payables	3,788,602	1,534,541	5,323,143
Unearned Revenues	1,690,725	5,057,693	6,748,418
Noncurrent Liabilities			
Due within one year	27,025	-	27,025
Due in more than one year	639,511	-	639,511
Total liabilities	<u>6,145,863</u>	<u>6,592,234</u>	<u>12,738,097</u>
DEFERRED INFLOWS OF RESOURCES			
Employee pensions	<u>109,677</u>	<u>-</u>	<u>109,677</u>
NET POSITION			
Net investment in capital assets	2,986,910	7,845,106	10,832,016
Restricted for transit / transportation	3,416,463	4,898	3,421,361
Unrestricted	11,365,038	98,434	11,463,472
Total net position	<u>\$ 17,768,411</u>	<u>\$ 7,948,438</u>	<u>\$ 25,716,849</u>

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Governmental Activities	Business-type Activities	Total
PROGRAM EXPENSES			
Governmental activities:			
Planning and administration	\$ 2,483,068	\$ -	\$ 2,483,068
Transportation claimants	9,992,058	-	9,992,058
Total governmental activities	12,475,126	-	12,475,126
Business-type activities:			
Transit operations	-	11,031,080	11,031,080
Total program expenses	12,475,126	11,031,080	23,506,206
 PROGRAM / OPERATING REVENUES			
Operating grants and contributions	3,867,749	7,830,137	11,697,886
Capital grants and contributions	14,626,266	793,435	15,419,701
Charges for services	-	1,738,951	1,738,951
Total program/operating revenues	18,494,015	10,362,523	28,856,538
Net program (expense) revenues	6,018,889	(668,557)	5,350,332
 GENERAL REVENUES AND TRANSFERS			
State shared revenue - sales and use taxes	8,748,447	-	8,748,447
Investment earnings	76,616	27,717	104,333
Loss on sale of assets	-	(10,000)	(10,000)
Transfer of asset to governmental activities	86,617	(86,617)	-
Contribution of asset to other government entity	(1,592,782)	(24,918)	(1,617,700)
Contribution of asset to non-profit	(13,567,964)	(872,470)	(14,440,434)
Total general revenues	(6,249,066)	(966,288)	(7,215,354)
Change in net position	(230,177)	(1,634,845)	(1,865,022)
Net position - beginning	17,998,588	9,583,283	27,581,871
Net position - ending	\$ 17,768,411	\$ 7,948,438	\$ 25,716,849

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	Total Governmental Funds
Assets					
Cash and investments	\$ 79,756	\$ 1,437,280	\$ 2,002,411	\$ 341	\$ 3,519,788
Interest receivable	4,590	92	2,840	-	7,522
Prepaid costs	6,300	-	-	-	6,300
Accounts receivable	509,893	-	-	-	509,893
Due from other governments	2,307,837	-	1,312,621	451,715	4,072,173
Restricted cash	1,773,927	-	-	-	1,773,927
Total assets	\$ 4,682,303	\$ 1,437,372	\$ 3,317,872	\$ 452,056	\$ 9,889,603
Liabilities and Fund Balances					
Liabilities:					
Warrants payable	\$ 288,388	\$ -	\$ -	\$ -	\$ 288,388
Accounts payable	738,951	-	-	-	738,951
Salaries and benefits payable	20,956	-	-	-	20,956
Due to other funds	365,000	-	-	-	365,000
Due to other governments	-	1,437,280	-	441,208	1,878,488
Retention payable	861,819	-	-	-	861,819
Unearned revenue	1,690,725	-	-	-	1,690,725
Total liabilities	3,965,839	1,437,280	-	441,208	5,844,327
Fund Balances:					
Nonspendable- prepaid costs	6,300	-	-	-	6,300
Restricted - grant interest	87,651	-	-	-	87,651
Restricted - apportioned for transit capital	-	-	1,845,000	-	1,845,000
Restricted - transit/ transportation	-	92	1,472,872	10,848	1,483,812
Assigned - construction project	108,869	-	-	-	108,869
Unassigned	513,644	-	-	-	513,644
Total fund balances	716,464	92	3,317,872	10,848	4,045,276
Total liabilities and fund balances	\$ 4,682,303	\$ 1,437,372	\$ 3,317,872	\$ 452,056	\$ 9,889,603

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

Fund balances - total governmental funds	\$ 4,045,276
Amounts reported for governmental activities in the statement of net assets are different because:	
Long term note receivable used in governmental activities are not available to pay current expenditures and therefore, are not reported in the governmental funds.	
Note receivable	11,364,500
Capital assets and capital assets under construction used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	
Nondepreciated capital assets	2,360,564
Depreciated capital assets, net of depreciation	626,346
Pension contributions subsequent to the valuation measurement date will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position	147,938
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(557,623)
Net OPEB obligation	(54,862)
Compensated absenses	(54,051)
Employee pension differenes to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position	(109,677)
Net position of governmental activities	\$ 17,768,411

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

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Planning and Administration	State Highway	Local Transportation Fund	State Transit Assistance	Total Governmental Funds
Revenues:					
Sales and use taxes	\$ -	\$ -	\$ 7,847,885	\$ 900,562	\$ 8,748,447
State highway funds	-	2,325,294	-	-	2,325,294
Federal grants	12,987,182	-	-	-	12,987,182
State grants	1,418,398	-	-	-	1,418,398
Local Contributions	1,763,141	-	-	-	1,763,141
Interest and other	406,861	1,856	13,587	336	422,640
Total revenues	16,575,582	2,327,150	7,861,472	900,898	27,665,102
Expenditures:					
Allocations:					
Butte Regional Transit	-	-	200,000	-	200,000
County of Butte	-	889,779	2,295,999	493,527	3,679,305
City of Biggs	-	14,466	58,097	-	72,563
City of Chico	-	869,356	2,501,343	479,492	3,850,191
City of Gridley	-	69,149	225,473	-	294,622
City of Oroville	-	186,306	451,969	86,638	724,913
Town of Paradise	-	298,002	732,119	140,343	1,170,464
Salaries and benefits	1,437,602	-	-	-	1,437,602
Services and supplies	1,393,226	-	-	-	1,393,226
Capital outlay	14,631,894	-	-	-	14,631,894
Total expenditures	17,462,722	2,327,058	6,465,000	1,200,000	27,454,780
Excess (deficiency) of revenues over (under) expenditures	(887,140)	92	1,396,472	(299,102)	210,322
Other financing sources (uses):					
Transfer in	450,000	-	-	-	450,000
Transfer out	-	-	(450,000)	-	(450,000)
Total other financing sources (uses)	450,000	-	(450,000)	-	-
Net change in fund balances	(437,140)	92	946,472	(299,102)	210,322
Fund balances - beginning	1,153,604	-	2,371,400	309,950	3,834,954
Fund balances - ending	\$ 716,464	\$ 92	\$ 3,317,872	\$ 10,848	\$ 4,045,276

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

Net change in fund balances - total governmental funds \$ 210,322

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Following are the changes to capital assets in the governmental activities.

Depreciation expense	(56,330)
Capital Outlay	14,631,894
Transfer of capital assets- net	(15,074,129)

The Statement of Activities is a government-wide statement which requires the elimination of intra-agency transactions reported in the individual Fund financial statements.

General Revenues	(346,024)
Planning and Administration expenses	346,024

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Deferred outflows of resources related to employee pensions	(18,858)
Compensated absences	(8,033)
Other post employment benefits	12,367
Change in employee pension obligation	4,358
Deferred inflows of resources related to employee pensions	68,232

Change in net position of governmental activities \$ (230,177)

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PLANNING AND ADMINISTRATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Federal	\$ 16,666,797	\$ 16,602,566	\$ 12,987,182	\$ (3,615,384)
State	2,780,111	2,810,341	1,418,398	(1,391,943)
Local reimbursements	49,930	43,068	1,763,141	1,720,073
Interest and other	337,000	337,000	406,861	69,861
Total revenues	<u>19,833,838</u>	<u>19,792,975</u>	<u>16,575,582</u>	<u>(3,217,393)</u>
Expenditures:				
Salaries and benefits	1,486,462	1,487,360	1,437,602	(49,758)
Services and supplies	1,628,292	1,679,531	1,393,226	(286,305)
Capital Outlay	17,261,205	17,261,205	14,631,894	(2,629,311)
Total expenditures	<u>20,375,959</u>	<u>20,428,096</u>	<u>17,462,722</u>	<u>(2,965,374)</u>
Deficiency of revenues under expenditures	<u>(542,121)</u>	<u>(635,121)</u>	<u>(887,140)</u>	<u>(252,019)</u>
Other financing sources (uses):				
Transfer in	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Total other financing sources (uses)	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Net change in fund balance	(92,121)	(185,121)	(437,140)	<u>\$ (252,019)</u>
Fund balance - beginning	<u>1,153,604</u>	<u>1,153,604</u>	<u>1,153,604</u>	
Fund balance - ending	<u>\$ 1,061,483</u>	<u>\$ 968,483</u>	<u>\$ 716,464</u>	

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
BUTTE REGIONAL TRANSIT ENTERPRISE FUND
JUNE 30, 2016**

ASSETS:

Cash and investments	\$ 2,205,980
Interest receivable	4,683
Accounts receivable	54,513
Due from other funds	365,000
Due from other governments	3,801,265
Prepaid expense	10,000
Restricted Cash	254,125
Capital Assets, net of accumulated depreciation	<u>7,845,106</u>
 Total assets	 <u>14,540,672</u>

LIABILITIES:

Warrants payable	651,994
Accounts payable	882,547
Due to other funds	-
Unearned revenue	<u>5,057,693</u>
 Total liabilities	 <u>6,592,234</u>

NET POSITION:

Net investment in capital assets	7,845,106
Restricted grant interest	4,898
Unrestricted	<u>98,434</u>
 Total net position	 <u><u>\$ 7,948,438</u></u>

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
BUTTE REGIONAL TRANSIT ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES	
Revenue from fares	\$ 1,707,444
Other revenues	31,507
	<hr/>
Total operating revenues	1,738,951
OPERATING EXPENSES	
Administration	310,854
ADA certification	35,170
Insurance	391,075
Vehicle maintenance	203,111
Materials and equipment	569,448
Building maintenance	184,285
Computer maintenance	69,858
Printing and signage	14,268
Purchased transportation	6,944,597
Fuel	938,043
Public Relations	38,434
Lease	16,020
Travel	501
Depreciation	1,315,416
	<hr/>
Total operating expenses	11,031,080
OPERATING LOSS	(9,292,129)
NONOPERATING REVENUES (EXPENSES)	
Federal transit assistance	3,592,075
Local government contributions	4,197,810
Interest income	27,717
State grant	40,252
Contributions to others	(897,388)
Loss on sale of fixed assets	(10,000)
	<hr/>
Total nonoperating revenues	6,950,466
LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,341,663)
CAPITAL CONTRIBUTIONS	
Local government contributions	7,370
State capital grant	758,401
Federal capital contributions	27,664
	<hr/>
Total capital contributions	793,435
OTHER FINANCING USES	
Transfer of capital assets to governmental activities	(86,617)
CHANGE IN NET POSITION	(1,634,845)
NET POSITION - BEGINNING	9,583,283
NET POSITION - ENDING	<hr/> <hr/> <u>\$ 7,948,438</u>

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF CASH FLOWS
BUTTE REGIONAL TRANSIT ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers and users	\$ 1,869,010
Payments to suppliers and claimants	(8,802,567)
Payments for interfund services used	<u>(310,854)</u>
Net cash used by operating activities	<u>(7,244,411)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating grants received	7,629,066
Cash received from (paid to) other funds	<u>(165,000)</u>
Net cash provided by noncapital financing activities	<u>7,464,066</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital acquisitions	(739,033)
Proceeds from sales	255
Capital grants	363,956
Capital contributions	<u>200,000</u>
Net cash used by capital and related financing activities	<u>(174,822)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>23,034</u>
Net cash provided by investing activities	<u>23,034</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

67,867

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

2,392,238

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,460,105

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

Operating loss	<u>\$ (9,292,129)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,315,416
Changes in assets and liabilities:	
Accounts receivable	130,059
Prepaid expense	(340)
Warrants payable	496,181
Accounts payable	<u>106,402</u>
Total adjustments	<u>2,047,718</u>

NET CASH USED BY OPERATING ACTIVITIES

\$ (7,244,411)

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Reporting Entity*

The Butte County Association of Governments (the Association) is the regional transportation planning agency for the County of Butte (County) and was created pursuant to Title 3 of California Government Code Section 29535. The Board of Directors (Board) is comprised of one appointed councilperson from each of the cities of Biggs, Chico, Gridley, Oroville and the Town of Paradise and each of the five members of the County's Board of Supervisors. The Association is responsible for transportation planning activities as well as administration of the Local Transportation Fund (LTF), the State Transit Assistance (STA) Fund and the State Highway Fund. Effective with the 2005-06 fiscal year, the Association also assumed responsibility for the Butte Regional Transit (BRT) system. The Local Transportation Fund was created under the Transportation Development Act (TDA) to collect ¼ cent of the state's 7½ percent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each County based on the amount of tax collected in the county. The State Transit Assistance Fund is a second source of TDA funding for transportation planning and mass transportation purposes as specified by California legislation. STA funds are apportioned, allocated and paid in accordance with the Association's allocation instructions.

The Association does not exercise control over any other governmental agency or authority. The Association is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Association has established relations with Butte Regional Transportation Corporation (BRTC), a non-profit public benefit corporation, established to support transportation needs in Butte County. During the fiscal year, BRTC entered into loan agreements with community development entities (CDE) to provide funding for construction of the Butte Regional Transit (BRT) operations facility. The operations facility and land have been contributed by the Association to the BRTC, as described in Note F, and are provided as collateral for the loans with the CDEs. The Association will lease the facilities from the BRTC, as described in Note I in the financial statements. After March 10, 2023, the Association will have the option to acquire 100% interest in the New Markets Tax Credit Investment Fund referenced in Note E. At such time, the Association would own the assets in the Investment Fund, including its interest in the CDEs that hold the loans made to BRTC. The Association may then choose to dissolve the loans to BRTC and may take fee simple ownership of the facility. BRTC is a legally separate entity that is not included in the Association reporting entity because the Association does not have sufficient influence over the activities of the BRTC.

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. *Government-wide and Fund Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector business. The statement of net position and statement of activities report information on all of the activities of the Association. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Association's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Program revenues represent grants and contributions that are restricted to meeting the operational requirements of the Association's activities. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements show the activities of a grouping of related accounts, or fund that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Association fund financial statements include governmental and proprietary funds which are similar in nature to the governmental and business-type activities in the government-wide statements.

The Association considers all governmental funds as major, consisting of the following:

Planning and Administration Special Revenue Fund – used to account for transportation planning and administration activities of the Metropolitan Planning Organization (MPO) and the Regional Transportation Planning Agency (RTPA) which are funded from various federal, state and local sources.

State Highway Special Revenue Fund – used to account for Regional Surface Transportation Program funds allocated by the State for eligible city and county projects in accordance with the Transportation Equity Act for the 21st Century.

Local Transportation Special Revenue Fund – created pursuant to the TDA to account for the proceeds received from the State Board of Equalization of the ¼ cent of State's 7 1/2 percent retail sales tax collected within the County.

State Transit Assistance Special Revenue Fund – created pursuant to the TDA to account for the allocations received from the State for transportation planning and mass transportation purposes. Funds are derived from the statewide sales tax on gasoline and diesel fuel.

The Association reports the following major proprietary fund:

Butte Regional Transit (BRT) Enterprise Fund – accounts for the public transportation system's operations and capital assets funded by Transportation Development Act (TDA) funds, Federal Transit Administration (FTA) funds and fare revenues.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 90 days of the end of the current fiscal period for all revenues other than grant revenues. A one year period is used for revenue recognition for all grant revenues. Revenues considered susceptible to accrual primarily include sales tax revenues, state and federal revenues, and interest. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. *Assets, Liabilities and Net Position*

Cash and Investments

The Association maintains specific cash deposits with the County and voluntarily participates in the external investment pool of the County. The Association considers all amounts held in the County's Treasury pool to be cash equivalents.

Due from/to Other Governments

These amounts represent receivables/payables with other federal, state and local governments.

Capital Assets

Capital assets, which include improvements and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Association defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements and equipment are depreciated over the estimated useful lives of the assets (3-12 years) and the Oroville transit center is depreciated over the estimated useful life of 50 years on the straight-line method.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warrants Payable

Warrants payable represent the amount of checks issued but not yet presented to the County for payment. Such amounts are recorded in the individual funds. When the checks are mailed, expenditures are recorded in the individual funds and an outstanding warrants liability is created, pending clearing of the check at the County.

Compensated Absences

It is the Association's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. If the employee has accrued more than 240 hours of sick leave upon separation in good standing, the employee may be compensated for the portion over 240 hours at half (1/2) the normal rate of pay, up to a maximum of \$3000. CalPERS members may use their sick leave at retirement as a credit, with 0.004 year of service credit for each unused sick day. Sick leave is included in accrual. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Planning and Administration Fund has been used to liquidate the compensated absences liability.

Net Position/ Fund Balances

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, which is net of related debt, restricted and unrestricted.

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net position balance.

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

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

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

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

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

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Indirect Costs

Expenditures are accumulated and allocated to the projects using an indirect cost rate, pre-approved by the Federal Highway Administration (FHWA), applied on the basis of direct labor costs incurred by the projects.

Deferred Outflows and Inflows of Resources

In addition to liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditures/expense) or and inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the Association's pension plan, under GASB 68 as described in Note M.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Association's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE B – NEW PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)”, replaces the requirements of GASB Statement No. 45 and requires governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments, on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective beginning the year ended June 30, 2018.

In December 2015, the GASB issued Statement No.79, Certain External Investment Pools and Pool Participants. This Statement establishes criteria allowing investment pools meeting certain maturity, quality, diversification and other criteria to measure its investments at amortized cost for financial reporting purposes rather than at fair value and allowing the pool’s users to measure their investment in the pool at amortized cost. This Statement is effective for periods beginning after June 15, 2015 with some provisions effective for periods beginning after December 15, 2015.

In March 2016, the GASB issued Statement No. 82, Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement clarifies certain accounting and reporting issues related to pension plans, including the presentation of payroll related measures in required supplementary information, clarifies the use of the term deviation for the selection of assumptions, and clarifies the classification of employer-paid member contributions and the period in which they should be recognized. The requirements of this Statement are effective for periods beginning after June 15, 2016, and should be applied retroactively.

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

NOTE C – BUDGETARY INFORMATION

The Association’s Board of Directors approves all budgeted revenues and expenditures for the Planning and Administration Special Revenue Fund and the Butte Regional Transit Fund. The Association does not legally adopt annual budgets for the State Highway Fund, Local Transportation Fund and State Transit Assistance Special Revenue Funds. Budgeted revenues and expenditures represent the original budget, as approved by the Board, and the final budget, which includes modifications of the original budget through amendments approved by either the Executive Director or the Board during the year. Amendments which alter total expenditures of an approved Work Element budget within the Planning and Administration Fund or total expenditures in the Butte Regional Transit Fund require approval of the Board of Directors.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE D – CASH AND INVESTMENTS HELD BY COUNTY TREASURER

The Association maintains cash deposits with the County and voluntarily participates in the external investment pool of the County, which is not rated by national credit rating agencies. In accordance with California Government Code, the Association is required to maintain its cash deposits related to its Local Transportation Fund and State Transit Assistance allocations with the County Treasurer. The weighted average to maturity of the County's investment pool was 685 days. The County is restricted by State code in the types of investments it can make. Further, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than State code as to terms of maturity and types of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, negotiable certificates of deposit, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, medium-term corporate notes, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. At June 30, 2016, the Association's cash deposits, both restricted and unrestricted, of \$7,753,820 are stated at cost value, most of which is held in the County's investment pool. The fair value of the pooled County Treasury at June 30, 2016 is 100.63% of cost. However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is materially equivalent to the fair value of the Association's position in the pool. Information regarding the investments within the County's pool, including related risks, can be found in the County's Comprehensive Annual Financial Report (CAFR).

Restricted cash represents cash received from the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by voters as Proposition 1B, and other grant funding that may require separation of funds. Interest earned on these funds is also considered restricted. Grant funds are considered unearned revenue until used for the purpose specified for these funds; accumulated interest associated with these funds are held in the restricted fund balance. See Note O for description of Prop 1B PTMISEA grant projects.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE E – RECEIVABLES

Receivables as of June 30, 2016, for the Association’s major funds are as follows:

	Accounts Receivable	Due From Other Governments	Interest Receivable	Total
Planning and Administration	\$ 509,893	\$ 2,307,837	\$ 4,590	\$ 2,822,320
State Highway	-	-	92	92
Local Transportation Fund	-	1,312,621	2,840	1,315,461
State Transit Assistance	-	451,715	-	451,715
Butte Regional Transit	54,513	3,801,265	4,683	3,860,461
Receivables	<u>\$ 564,406</u>	<u>\$ 7,873,438</u>	<u>\$ 12,205</u>	<u>\$ 8,450,049</u>

The Association considers all receivables to be collectible.

LONG TERM NOTE RECEIVABLE

The Note Receivable on the Statement of Net Position represents a promissory note entered into between the Association and Chase New Markets Tax Credit BCAG Transportation Center Investment Fund, LLC, a Delaware limited liability corporation, with a maturity date of September 1, 2042. This note was secured by a Fund Pledge Agreement for the purpose of establishing a qualified equity investment (QEI) with community development entities (CDE). The CDEs collectively funded subsidized loans to the Butte Regional Transportation Corporation (BRTC) to partially fund the construction of the Butte Regional Transit operations facility. The contribution of transit facility assets in the amount of \$25,804,934 to the BRTC was offset by the \$11,364,500 note receivable, with the net amount reflected as a contribution expense in the Statement of Activities. Net position is unrestricted for the note receivable amount in the governmental activities.

From and after the effective date of March 10, 2016, the principal balance shall accrue interest at 1.452%, and such interest shall be payable in arrears, in quarterly installments, commencing on June 10, 2016. Principal payments begin March 10, 2024. After March 10, 2023, the tax credits from the investment will be exhausted. At which time, the Association will have the option to acquire 100% of the interest in the New Markets Tax Credit Investment Fund and would then own the interest in the CDEs that hold the loans made to BRTC. The Association may then choose to dissolve the loans and may take fee simple ownership of the facility.

NOTE F – CAPITAL ASSETS

As of June 30, 2016, the Association’s investment in capital assets for its governmental and business-type activities amounted to \$10,832,016, net of accumulated depreciation. Capital assets are recorded as capital outlay expense in the governmental funds statements but are recorded as capital assets in the government-wide financial statements. A reconciliation to government-wide statements can be found on the governmental funds statements.

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE F – CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciated Capital Assets:				
Land	\$ 2,026,661	\$ -	\$ (1,456,661)	\$ 570,000
Construction in Progress	12,804,944	14,626,265	(25,640,645)	1,790,564
Depreciated Capital Assets:				
Office Equipment	71,679	664,306	(39,031)	696,954
Accumulated Depreciation	<u>(53,309)</u>	<u>(56,330)</u>	<u>39,031</u>	<u>(70,608)</u>
	<u>14,849,975</u>	<u>15,234,241</u>	<u>(27,097,306)</u>	<u>2,986,910</u>
Business-type Activities (BRT):				
Nondepreciated Capital Assets:				
Construction in Progress	203,483	780,522	(984,005)	-
Depreciated Capital Assets:				
Structures & Improvements	1,644,021	-	-	1,644,021
Accumulated Depreciation	(256,162)	(37,130)	-	(293,292)
Vehicles & Equipment	17,098,169	27,664	(347,736)	16,778,097
Accumulated Depreciation	<u>(9,343,170)</u>	<u>(1,278,286)</u>	<u>337,736</u>	<u>(10,283,720)</u>
	<u>9,346,341</u>	<u>(507,230)</u>	<u>(994,005)</u>	<u>7,845,106</u>
Capital Assets, Net	<u>\$ 24,196,316</u>	<u>\$ 14,727,011</u>	<u>\$ (28,091,311)</u>	<u>\$ 10,832,016</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	\$ <u>56,330</u>
Business-type Activities (BRT)	\$ <u>1,315,416</u>

Construction in progress in both Governmental Activities and Business-type Activities are related to the design and construction of the BRT operations and administration facility and the remodel of the old facility to a board room and offices. Construction on the new facility broke ground in October of 2014. While construction on the facility and the remodel continue, the Association moved into the administration building in March of 2016 and the transit operator, Transdev, moved into the operations and maintenance facility in April of 2016.

Current year construction in progress additions for this project was \$15,406,787 in total. Capital outlay of \$14,631,894 in the governmental funds statement of revenues, expenditures and changes in fund balance includes the Governmental Activities current construction in progress and the purchase of a laptop for \$5,629. At fiscal year end, the Association removed a combined \$26,624,650 from construction in progress. \$658,677 was capitalized as office equipment in the Governmental Activities; \$1,617,700 was transferred to the City of Chico as road construction; and \$24,348,273 was contributed to Butte Regional Transportation Corporation (BRTC). Also transferred to BRTC was \$1,456,661 of land, upon which the facility was constructed. See Note A for further detail on BRTC. The Association maintains functional control of the assets transferred to BRTC with a 30-year lease, described in Note I. As discussed in Note E, the Association may take ownership of the facility after March 10, 2023. In the event that BRTC is dissolved, title to the facility will revert to the Association.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE F – CAPITAL ASSETS (Continued)

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

During the fiscal year, transit call center equipment was purchased and one older fixed route bus was removed from service with a net book value of \$10,000. A geographical information system (GIS) computer was added to the Governmental Activities while additional office equipment with a zero net book value was removed.

NOTE G – PAYABLES

Payables as of June 30, 2016, for the Association’s major funds are as follows:

	Warrants Payable	Accounts Payable	Salaries and Benefits Payable	Due To Other Governments	Retention Payable	Total
Planning and Administration	\$ 288,388	\$ 738,951	\$ 20,956	\$ -	\$ 861,819	\$ 1,910,114
State Highway	-	-	-	1,437,280	-	1,437,280
Local Transportation Fund	-	-	-	-	-	-
State Transit Assistance	-	-	-	441,208	-	441,208
Butte Regional Transit	651,994	882,547	-	-	-	1,534,541
Payables	<u>\$ 940,382</u>	<u>\$ 1,621,498</u>	<u>\$ 20,956</u>	<u>\$ 1,878,488</u>	<u>\$ 861,819</u>	<u>\$ 5,323,143</u>

NOTE H – LONG TERM LIABILITIES

Long term liability activity for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 46,018	\$ 93,540	\$ 85,507	\$ 54,051	\$ 27,025
Net pension liability	561,981	-	4,358	557,623	
Other post employment benefits obligation	67,229	17,633	30,000	54,862	-
Total	<u>\$ 675,228</u>	<u>\$ 111,173</u>	<u>\$ 119,865</u>	<u>\$ 666,536</u>	<u>\$ 27,025</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE I – OPERATING LEASE

The Association had a lease agreement for the BCAG administration office building that ended February 2016. Total lease expenditures for the main office and various equipment leases in the governmental fund totaled \$106,446 for the fiscal year ending June 30, 2016.

Butte Regional Transit is committed to a lease agreement, which is cancelable with six months' notice, for the use and maintenance of the Chico Transit Center Building and grounds. Future minimum lease commitments are \$16,260 annually for years ending June 30, 2001 through June 30, 2019 and are subject to possible rate increases based on negotiated contractual service agreements with City personnel. Lease expenditures were \$16,020 for the year ended June 30, 2016.

The Association entered into a lease agreement with Butte Regional Transportation Corporation (BRTC) for the BRT operations facility for a 30-year period commencing September 1, 2016. The Association maintains functional control and responsibility for maintenance. As described in Note E, the Association may take ownership of the facility after March 10, 2023, at which time the lease would be cancelled. There were no lease payments in the fiscal year ending June 30, 2016.

Future lease commitments under the BRTC agreement are as follows:

<u>Fiscal Year</u>	<u>Annual Lease Payments</u>
9/1/2016 - 6/30/2017	\$ 146,250
7/1/2017 - 6/30/2018	195,000
7/1/2018 - 6/30/2019	195,000
7/1/2019 - 6/30/2020	195,000
7/1/2020 - 6/30/2021	195,000
7/1/2021 - 6/30/2026	2,278,250
7/1/2026 - 6/30/2031	3,910,000
7/1/2031 - 6/30/2036	3,910,000
7/1/2036 - 6/30/2041	3,910,000
7/1/2041 - 6/30/2046	3,910,000
7/1/2046 - 6/30/2047	195,500
	<u>\$ 19,040,000</u>

NOTE J – UNEARNED REVENUE

Unearned revenue activity as of June 30, 2016, was as follows:

Unearned Revenue	<u>Beginning Balance</u>	<u>Received/Adjusted</u>	<u>Expended</u>	<u>Ending Balance</u>
Planning and Administration				
PTMISEA	\$ 2,084,629	\$ 251,264	\$ 645,937	\$ 1,689,956
Oroville match contribution	1,733	29,015	29,979	769
Butte Regional Transit				
Capital reserve	3,465,936	200,000	14,875	3,651,061
Operations	408,341	925,771	408,341	925,771
CalOES	684,632	363,956	798,653	249,935
LCTOP	-	230,926	-	230,926
	<u>\$ 6,645,271</u>	<u>\$ 2,000,932</u>	<u>\$ 1,897,785</u>	<u>\$ 6,748,418</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE J – UNEARNED REVENUE (Continued)

The largest portion of the BRT unearned revenue balance, \$3,651,061, consists of local transportation fund contributions designated by the county and cities for the purchase of transit capital assets. These funds will be recognized as earned revenues at the time they are utilized for eligible capital purchases. Unearned operations revenue of \$925,771 represents the contributions by local agencies for transit operations in excess of actual net expenses in fiscal year 2015/16 which may be used to reduce the required operating contributions for fiscal year 2016/17. California State Proposition 1B grant funds include \$249,935 of grant funding from California Office of Emergency Services for security systems, and \$1,689,956 of Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) grant funding for design and construction of the transit operations and maintenance facility. See Note O for further information on PTMISEA grants. The City of Oroville contribution is a match for state grant funds that support the Highway 162 Corridor Plan. In fiscal year 2015/16 BRT received a Low Carbon Transit Operations Program (LCTOP) grant in the amount of \$230,926 from the California Department of Transportation to fund a new B-Line commuter express service. That service will begin in fiscal year 2016/17.

NOTE K – INTERFUND TRANSACTIONS

During the fiscal year, the Local Transportation Fund transferred \$450,000 to the Planning and Administrative Fund as part of the annual allocation of local transportation funds to support transit planning and Transportation Development Act administration.

The Association has recorded a due to other fund in the amount of \$365,000 in the Planning and Administration Fund and a corresponding due from other funds in the Butte Regional Transit Statement of Net Position. This due to/due from was a cash reconciling item and was cleared as of July 1, 2016.

The \$86,617 transfer from the Business-type Activities to the Governmental Activities represents the transfer of security cameras and alarm systems built into the new facility. These assets were originally purchased with CalOES Prop 1B funds granted to Butte Regional Transit and included in BRT construction in progress.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE L – RISK MANAGEMENT

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

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

The Association's maximum coverage follows:

	Limits of Insurance
<u>Held by Butte County Association of Governments:</u>	
COMMERCIAL GENERAL LIABILITY COVERAGES (all locations)	
General aggregate limit	\$ 2,000,000
Each occurrence limit	1,000,000
Personal & advertising injury	1,000,000
Damage to rented premises (each occurrence)	100,000
 PERSONAL PROPERTY COVERAGES	
<u>Location #1: BCAG Admin/ BRT Operations Facility, 326 Huss Dr, Chico, CA</u>	
Blanket building	19,400,000
Business personal property	600,000
 <u>Location #2: Chico Transit Center, corner of 2nd & Salem</u>	
Business personal property	27,700
 <u>Location #3: Oroville Transit Center, 2465 Spencer Ave</u>	
Business personal property	5,600
Two Restrooms - coverage limit each	113,200
 DIRECTORS AND OFFICERS	 500,000
 <u>Held by Butte Regional Transit Contractor:</u>	
Commercial general liability	5,000,000
Business automobile insurance	5,000,000
Umbrella liability	10,000,000
Workers' compensation and employers liability	1,000,000
Damage to rented premises	1,000,000
Medical expense	10,000
Personal & advertising injury	5,000,000
Products- Comp/Op AGG	5,000,000

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

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE M – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the Association’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The Association currently participates in the CalPERS Miscellaneous Plan, with separate contribution rates for employees hired after January 1, 2013 per California Public Employees’ Pension Reform Act of 2013 (PEPRA).

Benefit provisions under the Plan is established by state statute and BCAG Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

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

The Plan’s provisions and benefits in effect July 1, 2015 to June 30, 2016, are summarized as follows:

Hire date	Miscellaneous Plan Rate (Prior to January 1, 2013)	PEPRA Miscellaneous Plan Rate (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.003%	6.237%

In addition to the contribution rates above, the Association was also required to make payments totaling \$40,860 toward its unfunded actuarial liability during the year ended June 30, 2016. The Miscellaneous Plan Rate is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Association is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the Association’s contributions made to the Miscellaneous Plan were \$110,360, which includes \$40,860 of required contributions to the unfunded accrued liability. Employee contributions, including these made by the Association on behalf of the employees, totaled \$61,739 during the year ended June 30, 2016.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE M – PENSION PLANS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
As of June 30, 2016, the Association reported a net pension liability of \$557,623 for its proportionate share of the net pension liability. The Association's net pension liability is measured as the proportionate share of the Plan pool net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2016 using standard update procedures. The Association's proportion of the net pension liability was based on a projection of the Association's long-term share of contributions to the pension plan, relative to the projected contributions of all participating employers, actuarially determined. The Association's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2014 and 2015 was as follows:

Proportionate share - June 30, 2014	0.02274%
Proportionate share - June 30, 2015	0.02033%
Decrease in Net Pension Liability share	(0.0000241)

For the year ended June 30, 2016, the Association recognized an accrued pension expense of \$56,628 and reported the following deferred outflows of resources and deferred inflows of resources related to the Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 110,360	\$ -
Differences between actual and expected experience	7,137	-
Differences between actual and allocated contribution	-	(8,308)
Changes in assumptions	-	(67,520)
Change in employer's proportion	30,442	-
Net differences between projected and actual earnings on plan investments	-	(33,849)
Total	<u>\$ 147,939</u>	<u>\$ (109,677)</u>

In the deferred outflows of resources above, the \$110,360 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year 2016-17	\$ (43,990)
Fiscal Year 2017-18	(41,399)
Fiscal Year 2018-19	(29,976)
Fiscal Year 2019-20	43,267
	<u>\$ (72,098)</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE M – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2015 GASB 68 accounting valuation report were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75%

The underlying mortality rate table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB For more details on this table, please refer to the 2014 experience study report. All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the experience study can found on the CalPERS website.

Change of Assumptions: GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of the pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate: The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. 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. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for each 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.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE M – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55)%	(1.05)%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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, calculated using the discount rate for the Plan, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous Plan</u>
1% Decrease	6.65%
Net Pension Liability	\$ 935,173
Current Discount Rate	7.65%
Net Pension Liability	\$ 557,623
1% Increase	8.65%
Net Pension Liability	\$ 245,912

Pension Plan Fiduciary Net Position: Detailed information about each pension the plans fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Plan Payable: At June 30, 2016, the Association reported no payables to the pension plan.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE N – OTHER POST EMPLOYEE BENEFITS

Effective September 1, 2006, the Association established a post-employment healthcare benefits plan (the Plan) which is contracted with the California Public Employees Retirement System (CalPERS). The Plan is a single-employer defined benefit plan under the Public Employee’s Medical and Hospital Care Act (PEMHCA).

Plan Description and Funding Policy: Employees who retire under the provisions of the Associations Retirement Contract with CalPERS may continue to cover themselves and their dependents under the health plan. Medical coverage is provided through CalPERS under the Public Employee’s Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. Employees become eligible to retire upon attainment of age 50 and 5 years of service. The retired employee is responsible for the total premium less the minimum statutory amount under PEMHCA contributed by the Association, which is \$125/month for 2016. Additionally, employees with 10 years of continuous service are entitled to twelve months of paid health plan coverage at the same rate immediately following retirement as the current employee contribution.

As of June 30, 2016, the Association has 11 active full-time employees who are eligible for post-retirement health benefits and no retirees who receive post-retirement health benefits.

To ensure funding availability for these future post-employment benefits, the Association established a trust fund, effective June 24, 2015 with the California Employers’ Benefit Trust (CERBT), a Section 155 trust fund dedicated to prefunding Other Post-Employment Benefits (OPEB) liabilities for all eligible California public agencies. The contribution requirements are established, and may be amended by, the Association. The contribution amount to prefund the benefits are determined annually during the budget process, based on availability of funds. For the year ended June 30, 2016, the Association contributed \$30,000 to the plan.

Annual OPEB Costs and Net OPEB Obligation: The Association’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, and amount actuarially determined in accordance with the GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded accrued liabilities (UAL) and funding costs over a period of 30 years. The following table shows the components of the Association’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Associations net OPEB obligation to the Plan for the year ended June 30, 2016:

	Fiscal Year Ended June 30, 2016
Annual Required Contribution	\$ 18,483
Interest on Net OPEB Obligation	4,034
Adjustment to Annual Required Contributions	(4,884)
Annual OPEB Cost for the year (ARC)	17,633
Contributions made for the year	(30,000)
Decrease in Net OPEB obligation	(12,367)
Net OPEB obligation, beginning	67,229
Net OPEB obligation, ending	<u>\$ 54,862</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE N – OTHER POST EMPLOYEE BENEFITS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation by fiscal years are as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 17,633	170.14%	\$ 54,862
June 30, 2015	14,038	0.00%	67,229
June 30, 2014	14,292	0.00%	53,191

Actuarial Methods and Assumptions: Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits and costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The Plan's most recent actuarial valuation was performed as of July 1, 2015. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 6% per annum discount rate, a 6% per annum return on assets. The medical/prescription drug trend rate was 8% graded down by 1% per year to an ultimate of 5% for fiscal years beginning 2015 and thereafter. The dental trend rate was 4% per year for all future years. The medical CPI increase, used to project the statutory PEMHCA minimum benefit, was 3.5% per year for all future years. The Association's Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2016 was 30 years.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE O – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) GRANT VERIFICATION OF EXPENDITURES

In November 2006, California Voters passed a bond measure Proposition 1B, 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, \$3.6 billion was allocated to PTMISEA to be available to transit operators over a ten-year period. These funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (busses and rail cars) procurement, rehabilitation or replacement. Funds in this account are appropriated annually by the Legislature to the State Controller's Office (SCO) for allocation in accordance with Public Utilities Code formula distributions: 50% allocated to Local Operators based on fare-box revenue and 50% to Regional Entities based on population.

At June 30, 2016, the Association had one project funded with PTMISEA funds. Grant funds are considered unearned revenue until expenditures are incurred, while accumulated interest is considered restricted fund balance.

During fiscal year 2015/16, qualifying expenditures of \$645,937 were verified for use on the design and construction of a transit operations and maintenance facility. An adjustment of grant expense in the amount of \$251,264 was made to reflect the removal of construction costs that were funded elsewhere. PTMISEA funds for this project to date total \$8,723,355, from state allocations for fiscal years 2008/09, 2009/10, 2010/11 and 2014/15. \$1,717,305 was received in fiscal year 2011/12, \$4,548,390 was received in fiscal year 2012/13 and \$2,457,660 was received in fiscal year 2014/15. Interest earned on PTMISEA funds for this project for the year ending June 30, 2016 was \$17,363. The remaining balance of grant funds is \$1,689,956, with accumulated interest of \$87,651.

NOTE P – COMMITMENTS

On June 28, 2012, the Association entered into a five-year agreement with Transdev to provide transit operations and maintenance services. This agreement, upon approval from the Association, may be extended for up to two additional years at a future negotiated price. The maximum amounts payable to Transdev for operations and maintenance services for the remaining period July 1, 2016 through June 30, 2017 is \$ 7,293,053.

On October 14, 2014, the Association broke ground on a transit operations and administration facility to house the Butte Regional Transit operations and the BCAG administration offices. In March of 2016 the BCAG administration staff moved into the administration building, and in April of 2016 the BRT operator moved into the transit operations facility. At June 30, 2016, construction continues on the grounds and the old operations facility is being remodeled to house a board room and additional offices. As of June 30, 2016, combined building design and construction commitments on this project total \$24,781,126. The remaining contract commitments are \$3,160,071, including \$861,819 in construction retainage.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE Q – CONTINGENT LIABILITIES

The Association receives a significant portion of its revenues from the state of California and federal government agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies and the state controller’s office. Any disallowed claims, including amounts already collected, may constitute a liability of the Association. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Association expects such amounts, if any, would be immaterial.

NOTE R – COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The Transportation Development Act (TDA) is defined at Chapter 4 of the California Public Utilities Code commencing with Section 99200. The Butte Regional Transit Fund is subject to TDA provisions requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the Butte Regional Transit Rural Fixed Route and Para-transit operations must maintain minimum fare ratios of 10%, while the Urban Fixed Route operation must maintain a minimum fare ratio of 20%. The Butte Regional Transit fare ratios, of operating revenues to operating expenses, as calculated below, indicates that all routes were in compliance with the provisions of the TDA for the fiscal year ended June 30, 2016.

	June 30, 2016			
	Rural Fixed Route	Urban Fixed Route	Rural Para-transit	Urban Para-transit
Fare revenues	\$ 543,032	\$ 837,406	\$ 171,573	\$ 186,940
Operating expenses	\$ 2,989,937	\$ 4,253,862	\$ 1,750,084	\$ 1,910,965
Less: Depreciation Expense	(541,737)	(504,749)	(108,925)	(160,005)
Net operating expenses	\$ 2,448,200	\$ 3,749,113	\$ 1,641,159	\$ 1,750,960
Fare Ratio	22.18%	22.34%	10.45%	10.68%

NOTE S – CHANGE IN FUND REPORTING

In the prior fiscal year, the Association included the Butte Regional Transportation Corporation (BRTC) Fund, a special revenue fund to account for activity with the 501c3 entity that was created to receive New Market Tax Funds for the construction of the new transit facility. In the current fiscal year, it was determined that the purpose of the special revenue fund was congruent with the planning and administration fund. Therefore, the beginning fund balance of \$(117,212) in the BRTC fund was consolidated with the \$1,270,816 beginning balance in the planning and administration fund for a total beginning balance of \$1,153,604. The non-profit organization, Butte Regional Transportation Corporation, is not part of the Association’s reporting entity. See Note A for further information on BRTC.

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REQUIRED SUPPLEMENTARY INFORMATION

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.02033%	0.02274%
Proportionate share of the net pension liability	\$ 557,623	\$ 561,981
Covered employee payroll - measurement date	\$ 900,972	\$ 815,082
Proportionate share of the net pension liability as a percentage of covered payroll	61.89%	68.95%
Plan fiduciary net position as a percentage of the total pension liability	81.71%	80.02%
Measurement date	June 30, 2015	June 30, 2014

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes in assumptions: The discount rate was changed from 7.5% for the June 30, 2014 measurement date, to 7.65% for the June 30, 2015 measurement date.

Omitted years: GASB Statement No. 68 requires 10 years of information with this required supplementary schedule. As this was implemented the year ending June 30, 2015, there was no information available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN-
MISCELLANEOUS PLAN (UNAUDITED)**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	110,360	\$ 111,351
Contributions in relation to the actuarially determined contributions	(110,360)	(111,351)
Contribution deficiency (excess)	<u>\$ -</u>	<u></u>
Covered employee payroll- fiscal year	\$ 894,787	\$ 900,972
Contributions as a percentage of covered employee payroll	12.33%	12.36%
Valuation date:	June 30, 2013	June 30, 2012

Notes to Schedule: None

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.0%, average, incl inflation of 2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years

Omitted years: GASB Statement No. 68 requires 10 years of information with this required supplementary schedule. As this was implemented the year ending June 30, 2015, there was no information available prior to this date.

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**OTHER POST EMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ -	\$ 43,846	\$ 43,846	0.00%	\$ 774,271	5.66%
July 1, 2012	-	90,617	90,617	0.00%	897,667	10.09%
July 1, 2015	-	116,009	116,009	0.00%	900,972	12.88%

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SUPPLEMENTARY INFORMATION

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE BY ACTIVITY - BUDGET AND ACTUAL
PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Work Element Number	Budgeted Amounts		Actual-Funding Sources											Variance with Final Budget	
	Original	Final	FHWA-PL Grants	FTA 5303-4 FHWA-PP	LTF/ Interest/ Other	State PPM	State Prop 1B	FTA 5309	Federal Section 6	Fed CMAQ	Federal SAFETEUQU	STIP	NMTC		Totals
Revenues:															
Sales and use taxes	\$ 450,000	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ -
Federal	16,666,797	16,602,566	686,948	162,752	-	-	-	11,376,082	27,876	17,562	708,394	7,568	-	12,987,182	(3,615,384)
State	2,780,111	2,810,341	-	-	-	94,000	394,672	-	-	-	-	929,726	-	1,418,398	(1,391,943)
Local Reimbursements	49,900	43,068	-	-	287,104	-	-	-	-	-	-	-	1,476,037	1,763,141	1,720,073
Interest and other	337,000	337,000	-	-	406,861	-	-	-	-	-	-	-	-	406,861	69,861
Total revenues	20,283,838	20,242,975	686,948	162,752	1,143,965	94,000	394,672	11,376,082	27,876	17,562	708,394	937,294	1,476,037	17,025,582	(3,217,393)
Expenditures:															
Administration of 2015/16 OWP	100	231,192	231,192	182,542	-	23,650	17,595	-	-	-	-	-	-	223,787	7,405
Intergovernmental Coordination	101	121,604	121,604	107,656	-	19,339	-	-	-	-	-	-	-	126,995	(5,391)
Regional transportation model	102	81,612	81,612	50,119	-	6,494	13,134	-	-	-	-	-	-	69,747	11,865
Regional GIS Coordination	103	145,320	145,320	93,240	-	12,080	27,695	-	-	-	-	-	-	133,015	12,305
Transportation Air Quality Planning	104	31,074	31,074	20,597	-	2,668	-	-	-	-	-	-	-	23,265	7,809
Federal Trans. Improvement Program (FTIP)	105	59,412	59,412	-	12,759	1,653	43,483	-	-	-	-	-	-	57,895	1,517
2016 RTP	106	17,215	17,215	15,162	-	1,965	-	-	-	-	-	-	-	17,127	88
2016 MTP/SCS	107	132,164	132,164	94,872	-	12,292	54,272	-	-	-	-	-	-	161,436	(29,272)
US census data center	109	23,306	23,306	17,112	-	2,217	-	-	-	-	-	-	-	19,329	3,977
Intelligent Transport Systems	110	8,606	8,606	6,804	-	882	-	-	-	-	-	-	-	7,686	920
HWY 162 Corridor Plan (FHWA PP)	111	201,102	147,009	-	100,857	42,300	-	-	-	-	-	-	-	143,157	3,852
Butte Regional Conservation Plan	114	352,728	388,728	98,844	-	291,380	-	-	27,876	-	-	-	-	418,100	(29,372)
Butte Regional PEV Readiness Plan	119	26,842	26,842	-	-	-	-	-	-	-	-	-	-	-	26,842
FH 171 Surfacing Project	203	75,673	105,903	-	-	-	30,230	-	-	-	22,406	-	-	52,636	53,267
Freshwater Marsh/Vernal Pool Mitigation	PY 205-6	-	-	-	-	-	1,173	-	-	-	-	(1,173)	-	-	-
SR 70 Ophir Rd Mitigation Project	208	35,673	35,673	-	-	-	-	-	-	-	-	9,721	-	9,721	25,952
Singer Creek Mitigation	212	100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	100,000
Butte Regional Trans Ops/Maint	213	17,261,205	17,261,205	-	-	433,166	-	394,672	11,376,082	17,562	-	928,746	1,476,037	14,626,265	2,634,940
SR 70 PA/ED	214	719,534	719,534	-	-	-	-	-	-	-	685,988	-	-	685,988	33,546
Paradise Transit Center	215	33,011	33,011	-	-	8,243	-	-	-	-	-	-	-	8,243	24,768
TDA administration	300	83,429	123,429	-	-	98,627	-	-	-	-	-	-	-	98,627	24,802
Public transit planning	301	75,307	75,307	-	44,831	5,808	-	-	-	-	-	-	-	50,639	24,668
Butte Regional Transit Admin	302	314,724	314,724	-	-	310,854	-	-	-	-	-	-	-	310,854	3,870
ADA Certification	303	57,122	57,122	-	-	52,239	-	-	-	-	-	-	-	52,239	4,883
ADA Transition Plan	306	7,711	7,711	-	-	993	-	-	-	-	-	-	-	993	6,718
Blinc Mobile App (FTA 5304)	307	105,003	105,003	-	4,305	557	-	-	-	-	-	-	-	4,862	100,141
Indirect Costs net of applied cost rate	999	75,390	75,390	-	-	160,116	-	-	-	-	-	-	-	160,116	(84,726)
Total expenditures	20,375,959	20,428,096	686,948	162,752	1,487,523	187,582	394,672	11,376,082	27,876	17,562	708,394	937,294	1,476,037	17,462,722	2,965,374
Excess (deficiency) of revenues over (under) expenditures	\$ (92,121)	\$ (185,121)	\$ -	\$ -	(343,558)	(93,582)	-	-	-	-	-	-	-	(437,140)	\$ (252,019)
Fund balance - beginning					949,156	204,448								1,153,604	
Fund balance - ending			\$ -	\$ -	\$ 605,598	\$ 110,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 716,464	

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF DIRECT AND INDIRECT COSTS
PLANNING AND ADMINISTRATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Direct Costs	Allowable Indirect Costs	Unallowable Indirect Costs	Total
Salaries	\$ 618,577	\$ 285,233	\$ 3,058	\$ 906,868
Benefits	300,974	227,970	1,790	530,734
Total salaries and benefits	919,551	513,203	4,848	1,437,602
Direct services and supplies	15,681,856	-	-	15,681,856
INDIRECT COSTS OTHER THAN SALARY & BENEFITS:				
Communications	-	12,066	-	12,066
Household	-	11,762	-	11,762
Insurance	-	11,763	-	11,763
Maintenance - equipment	-	9,060	-	9,060
Memberships	-	5,957	870	6,827
Office expense	-	15,567	-	15,567
Professional services	-	56,930	63,183	120,113
Public notices	-	7,753	-	7,753
Equipment lease	-	17,508	-	17,508
Rent	-	88,938	-	88,938
Special expense	-	6,215	-	6,215
Training	-	1,681	-	1,681
Travel	-	12,436	5,719	18,155
Utilities	-	9,284	-	9,284
Small equipment	-	944	-	944
Fixed assets-depreciation	-	5,910	50,420	56,330
Subtotal	-	273,774	120,192	393,966
Total costs	\$ 16,601,407	786,977	\$ 125,040	\$ 17,513,424
Under-absorbed indirect costs		(51,336)		
Total allocated indirect costs		\$ 735,641		
Reconciliation of expenditures to the Planning and Administration Fund:				
Total direct and indirect costs		\$ 17,513,424		
Depreciation		(56,330)		
Fixed asset purchase		5,628		
Total Planning and Administration Fund expenditures		\$ 17,462,722		

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

		Allocated Balance June 30, 2015	Net Amount Allocated	Net Amount Expended	Allocated Balance June 30, 2016
<u>Allocations</u>					
Biggs					
99400(c)	General Public	\$ -	\$ 7,071	\$ 7,071	\$ -
99402	Planning	-	51,026	51,026	-
	Total	<u>-</u>	<u>58,097</u>	<u>58,097</u>	<u>-</u>
Chico					
99260(a)	Transit	-	1,380,921	1,380,921	-
99400(a)	Bike Ped	-	62,715	62,715	-
99400(a)	S & R	-	556,706	556,706	-
99400(b)	Other Passenger Rail	-	46,983	46,983	-
99402	Planning	-	454,018	454,018	-
	Total	<u>-</u>	<u>2,501,343</u>	<u>2,501,343</u>	<u>-</u>
Gridley					
99260(a)	Transit	-	122,763	122,763	-
99400(c)	General Public	-	16,666	16,666	-
99402	Planning	-	86,044	86,044	-
	Total	<u>-</u>	<u>225,473</u>	<u>225,473</u>	<u>-</u>
Oroville					
99400(c)	General Public	-	107,296	107,296	-
99400(c)	Elderly & Handicap	-	135,078	135,078	-
99402	Planning	-	209,595	209,595	-
	Total	<u>-</u>	<u>451,969</u>	<u>451,969</u>	<u>-</u>
Paradise					
99400(c)	Elderly & Handicap	-	672,539	672,539	-
99402	Planning	-	59,580	59,580	-
	Total	<u>-</u>	<u>732,119</u>	<u>732,119</u>	<u>-</u>
Butte County					
99233.1	TDA Admin	-	25,029	25,029	-
99260(a)	Transit	-	892,592	892,592	-
99400(b)	Other Passenger Rail	-	1,680	1,680	-
99400(c)	Elderly & Handi	-	1,500	1,500	-
99402	Planning	-	1,375,198	1,375,198	-
	Total	<u>-</u>	<u>2,295,999</u>	<u>2,295,999</u>	<u>-</u>
Butte Regional Transit					
99262	Planning	960,000	1,085,000	200,000	1,845,000
Butte County Association of Governments					
99233.1	TDA Admin	-	98,627	98,627	-
99233.2	Transportation	-	351,373	351,373	-
	Total	<u>-</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Total current : Total Planning		<u>\$ 960,000</u>	<u>\$ 7,800,000</u>	<u>\$ 6,915,000</u>	<u>\$ 1,845,000</u>

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
STATE TRANSIT ASSISTANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

		Allocated Balance June 30, 2015	Net Amount Allocated	Net Amount Expended	Allocated Balance June 30, 2016
<u>Allocations</u>					
Chico					
6730(a)	Operating	\$ -	\$ 479,492	\$ 479,492	\$ -
	Total	<u>-</u>	<u>479,492</u>	<u>479,492</u>	<u>-</u>
Oroville					
6731(b)	General Public	-	86,638	86,638	-
	Total	<u>-</u>	<u>86,638</u>	<u>86,638</u>	<u>-</u>
Paradise					
6731(b)	General Public	-	140,343	140,343	-
	Total	<u>-</u>	<u>140,343</u>	<u>140,343</u>	<u>-</u>
Butte County					
6730(a)	Operating	-	493,527	493,527	-
	Total	<u>-</u>	<u>493,527</u>	<u>493,527</u>	<u>-</u>
	Total	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>

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COMPLIANCE REPORTS



550 Howe Avenue, Suite 210
Sacramento, California 95825

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, THE TRANSPORTATION DEVELOPMENT ACT AND THE PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) GUIDELINES

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Butte County Association of Governments (the Association), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated March 8, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters (including PTMISEA)

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the Association were expended in conformance with the applicable statutes, rules and regulations of the TDA and Sections 6661, 6662 and 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Notes O to the financial statements, in accordance with the PTMISEA statutes and guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA or the PTMISEA Guidelines.

To the Board of Directors
Butte County Association of Governments

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, the TDA and PTMISEA Guidelines in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

March 8, 2017



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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Butte County Association of Governments' (the Association) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Association's major federal programs for year ended June 30, 2016. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

To the Board of Directors
Butte County Association of Governments

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Association, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 8, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richardson & Company, LLP

March 8, 2017

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

A. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 2. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

20.500 and 20.507

Federal Transit Cluster: Federal Transit Capital Investment Grants, 20.500; and Federal Transit Formula Grants, 20.507

20.205

U.S. Department of Transportation, Highway Planning and Construction

20.505

U.S. Department of Transportation, Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR, Section 200.516(a)? | Yes |

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2016

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS

None

**BUTTE COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	State Agency Number	BCAG Project Number	Grants Receivable June 30, 2015	Cash Received - Prior Year Grants	Cash Received - Current Year Grants	Expenditures	Grants Receivable June 30, 2016
MAJOR FEDERAL AWARDS								
<u>Department of Transportation</u>								
Direct Award from Department of Transportation								
Federal Transit Administration- Capital Program Bus and Bus-related Grants	20.500	-	FTA 5309 BRT Ops Facility	\$ 1,219,531	\$ 1,219,531	\$ 10,218,940	\$ 11,376,082	\$ 1,157,142
Federal Transit Administration- Formula Grants Urbanized Area Formula Program (CMAQ xfer)	20.507	-	BRT Ops Facility- CMAQ	3,532	7,920	12,832	17,562	4,730
Urbanized Area Formula Program	20.507	-	FTA 5307 BRT Capital	-	-	-	448,452	448,452
Urbanized Area Formula Program	20.507	-	FTA 5307 BRT Operating -Urban	2,092,401	2,092,401	-	2,016,055	2,016,055
Subtotal 20.507				2,095,933	2,100,321	12,832	2,482,069	2,469,237
Passed through the State of California,								
Department of Transportation								
Federal Regional Improvement Program	20.205	03-0282	14205 SR149 FWM	109	-	-	(109)	-
Federal Regional Improvement Program	20.205	03-0281	14206 SR149 VP	929	-	-	(929)	-
Federal Regional Improvement Program	20.205	03-0327	16208 OPHIR RD	2,529	2,529	4,485	8,606	4,121
SAFETEA-LU	20.205	RPSTPL 6092(018)	16203 FHWHY 171 PH II	727	727	3,039	3,039	-
SAFETEA-LU	20.205	RPSTPL 6092(056)	16203 FHWHY 171 PH III	47,072	47,072	19,367	19,367	-
SAFETEA-LU	20.205	HP21LN 6092(057)	16214 SR 70 PSR/ PDS	127,370	127,370	439,718	685,988	246,270
Transportation Enhancement Activities	20.205	RPSTPLE-6092(061)	15118 Bike Map	12,210	12,210	-	-	-
Subtotal 20.205				190,946	189,908	466,609	715,962	250,391
Passed through the State of California,								
Department of Transportation								
Metropolitan Planning	20.505	MFTA 74A0808	FHWA PL	115,849	115,849	678,031	686,948	8,917
Federal Transit - Metropolitan Planning Grants	20.505	MFTA 74A0808	FTA 5303	4,256	4,256	56,868	57,590	722
State Planning & Research	20.505	MFTA 74A0808	FTA 5304- B There	-	-	4,305	4,305	1,524
Partnership Planning for Sustainable Transportation	20.505	MFTA 74A0808	Hwy 162 Corridor Plan	28,047	28,047	98,028	100,857	2,829
Subtotal 20.505				148,152	148,152	837,232	849,700	13,992
TOTAL MAJOR FEDERAL AWARDS				3,654,562	3,657,912	11,535,613	15,423,813	3,890,762
NON-MAJOR FEDERAL AWARDS								
<u>Department of the Interior</u>								
Passed through the State of California,								
Department of Fish & Game Agreement								
Co-op Endangered Species Conserv Fund	15.615	P0982006	16114 Grant 5	66,981	66,981	27,876	27,876	-
<u>Department of Transportation</u>								
Passed through the State of California,								
Department of Transportation								
Formula Grants for Rural Areas								
Rural Area Program	20.509	SA 644900	FTA 5339 BRT Capital	99,887	99,887	-	84,948	84,948
Intercity Bus Program	20.509	SA 64C015-00337	FTA 5311(f) BRT Operating-Rural FR	-	-	-	269,541	269,541
Nonurbanized Area Formula Program	20.509	SA 64B015-00249	FTA 5311 BRT Operating-Rural FR	685,643	685,643	-	650,743	650,743
Subtotal 20.209				785,530	785,530	-	1,005,232	1,005,232
Enhanced Mobility of Seniors and Individuals w/Disabilities	20.513	SA 64AO16-00048	BRT Operating- Rural DAR	-	-	-	150,000	150,000
Job Access and Reverse Commute Program	20.516	SA 643609	15301 Help Central	29,814	29,814	-	-	-
TOTAL NON-MAJOR FEDERAL AWARDS				882,325	882,325	27,876	1,183,108	1,155,232
TOTAL FEDERAL AWARDS				\$ 4,536,887	\$ 4,540,237	\$ 11,563,489	\$ 16,606,921	\$ 5,045,994

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

For the Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Butte County Association of Governments (the Association) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Association's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Association.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST ALLOCATION PLAN

The Association has an indirect cost allocation plan (ICAP) approved by the California State Transportation Agency, Department of Transportation (CalTrans) that is charged to programs where allowed under the related agreements. The ICAP during the year ended June 30, 2016 included an approved indirect cost rate of 80% of the total direct salaries and wages.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the Association's programs during the year ended June 30, 2016.