

COUNCIL OF SAN BENITO
COUNTY GOVERNMENTS
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017

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Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

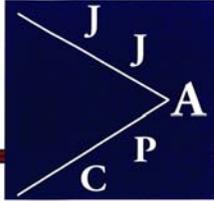
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Council of San Benito County Governments
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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Council of San Benito County Governments
Hollister, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the Council of San Benito County Governments (Council), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Council's June 30, 2016 financial statements and, in our report dated November 28, 2016; we expressed an unqualified opinion on those financial statements.

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 opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the Council of San Benito County Governments, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying supplementary information, which includes the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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. 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 combining and individual nonmajor fund financial statements 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 December 6, 2017 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Council's internal control over financial reporting and compliance.

December 6, 2017

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management for the Council of San Benito County Governments (Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The Council developed an Airport Land Use Commission Fee Schedule.
- The Council has been involved in planning, coordinating, and funding projects worth over \$3,302,463 in fiscal year 2016/17.
- The Council continues to provide needed services such as County Express public busses; promotion of Ridesharing; and providing 40 emergency roadside call boxes.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements present the financial picture of the Council from the economic resources measurement focus using the accrual basis of accounting similar to a private-sector business.

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

The *statement of activities* presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF FINANCIAL STATEMENTS, Continued

Both of the government-wide financial statements distinguish functions of the Council that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Council consist of transportation programs. The business-type activities of the Council include the Local Transportation Authority.

The government-wide financial statements include not only the Council itself (known as the primary government), but also Local Transportation Authority, a legally separate entity, whose operations are totally integrated with the legislative, legal, administrative, finance, and public works engineering and maintenance functions of the Council, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17, 18, and 19 of this report.

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 Council, like other special Councils, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into three categories: governmental funds, proprietary funds, and private purpose funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 useful in evaluating the Council'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. By doing so, readers may better understand the long-term impact of the Council's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF FINANCIAL STATEMENTS, Continued

The Council maintains eight individual 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 the general administration fund, state subvention, Highway 25 Safety Enhancement, Measure A and the PTMISEA & ARRA special revenue funds, all of which are considered to be major funds. Data from the other 4 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Council adopts an annual appropriated budget for its general administration fund and all governmental funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary funds. The Council maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Council uses enterprise funds to account for the Local Transportation Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

Private Purpose funds. Private purpose funds are fiduciary funds that account for assets held and distributed to other governments similar to assets held in trust in the private environment. There are two fiduciary funds used by the Council. Fiduciary funds are not reflected in the government-wide financial statements.

The basic fiduciary fund financial statements can be found on pages 38-39 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 can be found on pages 44-64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 66-67 of this report.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. In the case of the Council, assets exceeded liabilities by \$6,995,245 at the close of the most recent fiscal year. A large portion of the Council's net position, approximately 20%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, equipment, and vehicles) and, if applicable, less any related debt used to acquire those assets that are still outstanding. The Council uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Council's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business- Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Assets:							
Current and other assets	\$ 5,572,356	\$ 5,726,686	\$ 422,776	\$ 640,788	\$ 5,995,132	\$ 6,367,474	-6%
Capital assets, net	-	-	1,402,390	907,202	1,402,390	907,202	55%
Total assets	<u>5,572,356</u>	<u>5,726,686</u>	<u>1,825,166</u>	<u>1,547,990</u>	<u>7,397,522</u>	<u>7,274,676</u>	2%
Liabilities:							
Current and other liabilities	121,612	601,731	129,226	352,757	250,838	954,488	-74%
Noncurrent liabilities	114,008	37,431	37,431	37,138	151,439	74,569	103%
Total liabilities	<u>235,620</u>	<u>639,162</u>	<u>166,657</u>	<u>389,895</u>	<u>402,277</u>	<u>1,029,057</u>	-61%
Net Position:							
Net investment in capital assets	-	-	1,402,390	907,202	1,402,390	907,202	55%
Restricted for:							
Transportation	622,350	868,762	-	-	622,350	868,762	-28%
Unrestricted	4,714,386	4,155,829	256,119	250,893	4,970,505	4,406,722	13%
Total net position	<u>\$ 5,336,736</u>	<u>\$ 5,024,591</u>	<u>\$ 1,658,509</u>	<u>\$ 1,158,095</u>	<u>\$ 6,995,245</u>	<u>\$ 6,182,686</u>	13%

The remaining amount in *unrestricted net position* of \$4,970,505 will be used to meet the Council's ongoing obligations to citizens and creditors as funded through current revenues.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The cost of all Governmental activities this year was \$1,361,309. However, as shown in the Statement of Activities on pages 18 and 19, the amount that was paid by those who directly benefited from the programs (\$294,000) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$945,695) for operations with general revenues of \$434,061, the Council contributed to governmental activities \$312,444 increasing the beginning net position of \$5,024,292 to 5,336,736.

Available net position is those amounts not subject to restriction in the current period, typically classified as assigned or unassigned fund balance. These amounts are converted to net position by adding long-term assets and subtracting long-term liabilities. A graphic illustration of this conversion is as follows:



Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Total resources available during the year to finance governmental operations were \$1,673,753. This consisted of \$1,613,759 in program revenues and \$59,994 in general revenues. Total governmental activities operating expenses during the year were \$1,386,205 and transfers in of \$24,896; thus net position at July 1, 2016, of \$5,024,292 was increased by \$312,444 to \$5,336,736.

The Council’s programs include only transportation. This program’s *net* cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the Council’s resources by this function.

	Operating Revenue		Operating Expenses		Net (Expense)Revenue and Changes in Net Position	
	2017	2016	2017	2016	2017	2016
Governmental activities:						
Transportation	1,673,753	2,205,297	1,386,205	1,053,795	287,548	1,151,502
Total governmental activities	\$ 1,673,753	\$ 2,205,297	\$ 1,386,205	\$ 1,053,795	\$ 287,548	\$ 1,151,502

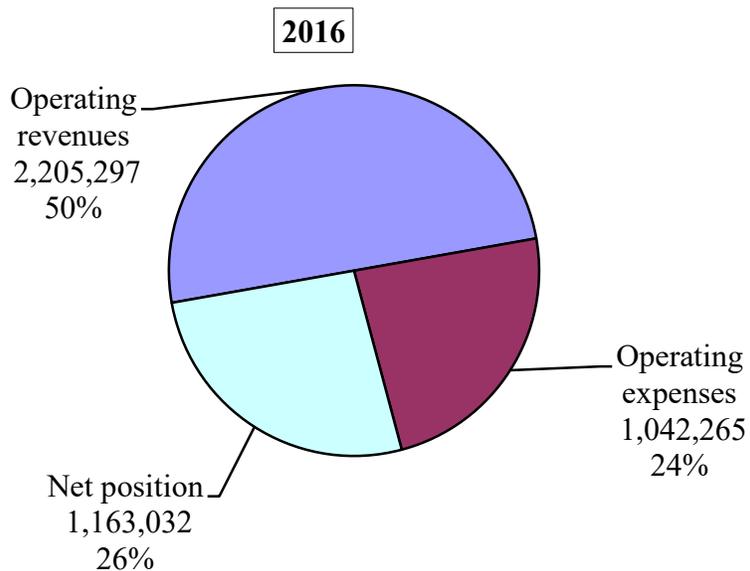
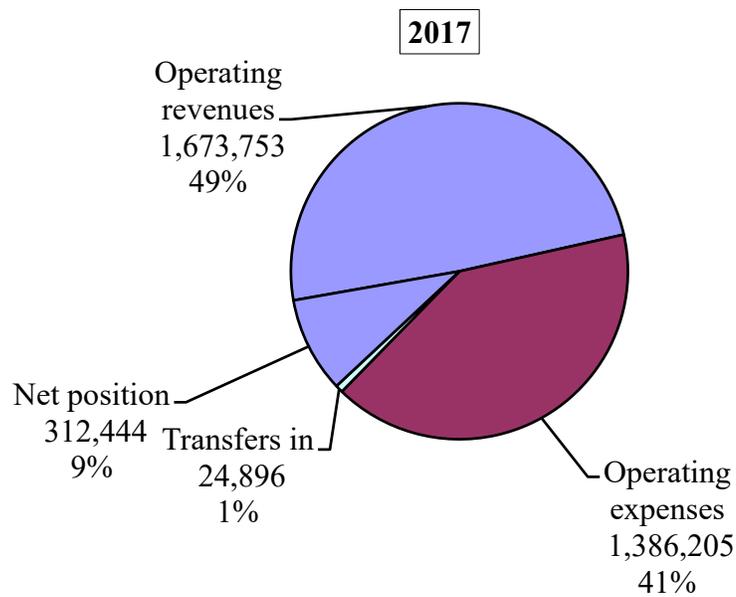
Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Operating resources (program revenues) and net position contributions for operating expenses can be depicted graphically as follows:



Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

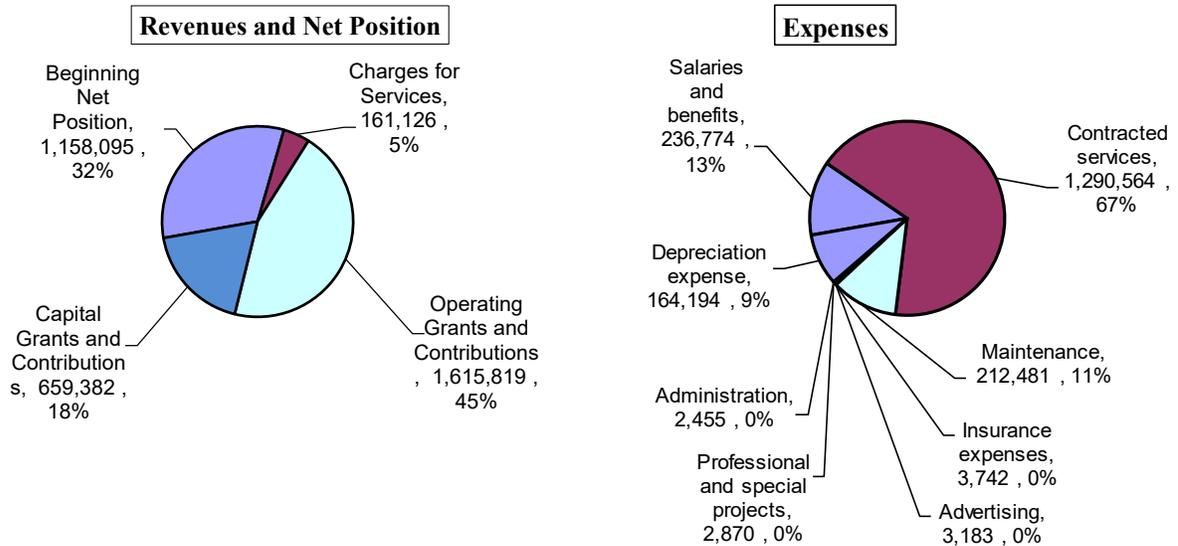
Business-type Activities

The Council’s business-type activities include only the Local Transportation Authority.

Total resources available during the year to finance the Local Transportation Authority were \$3,594,425 consisting of net position at July 1, 2016, of \$1,158,095 charges for services of \$161,126, \$1,615,819 of operating grants and contributions, and \$659,382 of capital contributions. Total general revenues amounted to \$5,246. Total business-type activities expenses during the year were \$1,916,263 and Transfers Out amounted to \$24,896, thus net position was increased by \$500,414 to \$1,658,509.

The cost of all Business-type activities this year was \$1,941,159. However, as shown in the Statement of Activities on pages 18 and 19, the amount that was paid by charges for services \$161,126, operating grants and contributions of \$1,615,819 and capital grants and contributions of \$659,382 leaving a remaining net revenue balance of \$495,168.

Revenues and expenses can be depicted graphically as follows:



Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type Activities, Continued

The program's *net* cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the Council's resources by this function.

	Operating Revenues		Operating Expense		Net (Expense) and Changes in Net Cost	
	2017	2016	2017	2016	2017	2016
	Business-type activities:					
Local Transportation Authority	\$ 1,776,945	\$ 1,550,352	\$ 1,916,263	\$ 1,845,127	\$ (139,318)	\$ (294,775)
Total business-type activities	\$ 1,776,945	\$ 1,550,352	\$ 1,916,263	\$ 1,845,127	\$ (139,318)	\$ (294,775)

Cash Management

To obtain flexibility in cash management, the Council employs a pooled cash system (Reference Note 2 in the notes to the basic financial statements). Under the pooled cash concept, the Council invests the cash of all funds with maturities planned to coincide with cash needs. Idle cash is invested in certain eligible securities as constrained by law and further limited by the Council's Investment Policy. The goals of the Council's Investment Policy are safety, liquidity, and yield in that order.

Capital Assets

The capital assets of the Council are those assets which are used in the performance of the Council's functions. At June 30, 2017, net capital assets of the governmental activities totaled \$0 and business-type activities totaled \$907,202. Depreciation on capital assets is recognized in the government-wide financial statements. The following table shows the Council's Capital Assets net of depreciation:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	Property, plant and equipment	\$ -	\$ -	\$ 1,402,390	\$ 907,202	\$ 1,402,390
Furniture and equipment	-	-	-	-	-	-
Total	\$ -	\$ -	\$ 1,402,390	\$ 907,202	\$ 1,402,390	\$ 907,202

Additional information on the Council's capital assets can be found in Note 4 on Page 55 of this report.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Debt Administration

The Council currently has no debt, but records a long term obligation for compensated absences, which increased by \$13,636. The debt incurred in 2016-2017 was a result of annual vacations taken later than in the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the Council Budget for fiscal year 2017-2018, the Council's Board and management used the following criteria:

The key assumptions in our revenue forecast were:

1. Sales tax revenues growth has been slower than estimated and it is predicted that the downward trend will reverse itself and begin to normalize.
2. Other tax revenues are expected to stay the same, however the State is predicting lower than budgeted tax revenues.
3. Interest earnings for the Council should be approximately the same.
4. Operating subventions are estimated to be approximately the same.
5. Charges for services are expected to be approximately the same.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES, Continued

The adopted budget for all Council funds for the new fiscal year of 2017-2018 was \$6,454,923 and is summarized as follows:

	FY 2017-18	FY 2016-17	Amount Change	Percentage Change
General Administration fund	\$ 219,163	\$ 257,054	\$ (37,891)	(14.7)%
Special revenue funds	2,550,293	2,574,184	(23,891)	(0.9)%
Capital projects funds	451,375	496,363	(44,988)	(9.1)%
Total operations and projects	3,220,831	3,327,601	(106,770)	(3.2)%
Local Transportation Authority	3,234,092	4,075,931	(841,839)	(20.7)%
Total budget	\$ 6,454,923	\$ 7,403,532	\$ (948,609)	(12.8)%

1. General Administration Fund - Shows an decrease of \$37,891 or 14.7 %, which breaks down as follows:

	FY 2017-18	FY 2016-17	Amount Change	Percentage Change
Salaries & Benefits	\$ 104,137	\$ 99,676	\$ 4,461	4.5%
Services & Supplies	115,026	157,378	(42,352)	(26.9)%
Total budget	\$ 219,163	\$ 257,054	\$ (37,891)	(14.7)%

2. Special Revenue and Capital Project Funds - Show an decrease of \$68,879 or 2.2%, which breaks down as follows:

	FY 2017-18	FY 2016-17	Amount Change	Percentage Change
Transportation Planning				
State Subvention	\$ 923,542	\$ 917,364	\$ 6,178	0.7%
State Transit Assistance	185,200	243,650	(58,450)	(24.0)%
Local Transportation Fund	1,352,859	1,334,224	18,635	1.4%
Highway 25 Project	451,375	496,363	(44,988)	(9.1)%
Measure A	-	-	-	0.0%
Service Authority for	-	-	-	-
Freeways and Expressways	66,001	57,058	8,943	15.7%
Rideshare Program	4,000	5,000	(1,000)	(20.0)%
Vanpool Program	18,691	16,888	1,803	10.7%
Total budget	\$ 3,001,668	\$ 3,070,547	\$ (68,879)	(2.2)%

Restricted revenues and grants are funding all of the projects.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

Management’s Discussion and Analysis, Continued

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES, Continued

1. Enterprise Fund - The decrease of \$841,839 or 20.7% breaks down for the Local Transportation Authority as follows:

	FY 2017-18	FY 2016-17	Amount Change	Percentage Change
Salaries & Benefits	\$ 249,512	\$ 241,588	\$ 7,924	3.3%
Services & Supplies	1,673,010	2,501,224	(828,214)	(33.1)%
Contracts	1,308,192	1,325,041	(16,849)	(1.3)%
Capital	-	-	-	0.0%
Other	3,378	8,078	(4,700)	0.0%
Total budget	\$ 3,234,092	\$ 4,075,931	\$ (841,839)	(20.7)%

This decrease is attributed to the award of Public Transportation Modernization, Improvement, and Service Enhancement funding that was used in 2016-2017.

CONTACTING THE COUNCIL

This financial report is designed to provide a general overview of the Council’s finances and assist anyone interested in the Council’s financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Council of San Benito County Governments, 330 Tres Pinos Road, Ste C7, Hollister, CA 95023.

BASIC FINANCIAL STATEMENTS

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Council of San Benito County Governments

Statement of Net Position

June 30, 2017

(with comparative totals for June 30, 2016)

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
ASSETS				
Current assets:				
Cash and investments	\$ 5,413,798	\$ 124,151	\$ 5,537,949	\$ 4,956,474
Receivables (net)	158,558	298,625	457,183	1,411,002
Prepaid items	-	-	-	-
Total current assets	<u>5,572,356</u>	<u>422,776</u>	<u>5,995,132</u>	<u>6,367,476</u>
Noncurrent assets:				
Capital assets net of accumulated depreciation:				
Buildings, property and equipment	-	1,402,390	1,402,390	907,202
Total capital assets	<u>-</u>	<u>1,402,390</u>	<u>1,402,390</u>	<u>907,202</u>
Total noncurrent assets	<u>-</u>	<u>1,402,390</u>	<u>1,402,390</u>	<u>907,202</u>
Total assets	<u>\$ 5,572,356</u>	<u>\$ 1,825,166</u>	<u>\$ 7,397,522</u>	<u>\$ 7,274,678</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,901	\$ 129,226	\$ 141,127	\$ 216,208
Due to fiduciary activities	-	-	-	158,713
Due to other governments	109,711	-	109,711	579,567
Total current liabilities	<u>121,612</u>	<u>129,226</u>	<u>250,838</u>	<u>954,488</u>
Noncurrent liabilities:				
Long-term obligations:				
Vacation and compensated absence obligation	114,008	37,431	151,439	137,803
Total noncurrent liabilities	<u>114,008</u>	<u>37,431</u>	<u>151,439</u>	<u>137,803</u>
Total liabilities	<u>235,620</u>	<u>166,657</u>	<u>402,277</u>	<u>1,092,291</u>
NET POSITION				
Net investment in capital assets	-	1,402,390	1,402,390	907,202
Restricted for:				
Transportation	622,350	-	622,350	868,762
Unrestricted	4,714,386	256,119	4,970,505	4,406,423
Total net position	<u>5,336,736</u>	<u>1,658,509</u>	<u>6,995,245</u>	<u>6,182,387</u>
Total liabilities and net position	<u>\$ 5,572,356</u>	<u>\$ 1,825,166</u>	<u>\$ 7,397,522</u>	<u>\$ 7,274,678</u>

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

Net (Expense) Revenue and Changes in Net Position		Totals	
Governmental Activities	Business-Type Activities	2017	2016
\$ 227,554	\$ -	\$ 227,554	\$ 799,355
<u>227,554</u>	<u>-</u>	<u>227,554</u>	<u>799,355</u>
-	520,064	520,064	(297,034)
-	520,064	520,064	(297,034)
<u>227,554</u>	<u>520,064</u>	<u>747,618</u>	<u>502,321</u>
36,308	5,246	41,554	130,273
23,686	-	23,686	334,154
<u>59,994</u>	<u>5,246</u>	<u>65,240</u>	<u>464,427</u>
24,896	(24,896)	-	-
<u>84,890</u>	<u>(19,650)</u>	<u>65,240</u>	<u>715,088</u>
312,444	500,414	812,858	966,748
5,024,292	1,158,095	6,182,387	5,215,639
<u>\$ 5,336,736</u>	<u>\$ 1,658,509</u>	<u>\$ 6,995,245</u>	<u>\$ 6,182,387</u>

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FUND FINANCIAL STATEMENTS

Council of San Benito County Governments

Balance Sheet

Governmental Funds

June 30, 2017

(with comparative totals for June 30, 2016)

	Major Funds			
	General	State	Highway 25	
	Administration	Subvention Special Revenue	Safety Enhancement Capital Projects	Measure A Capital Projects
ASSETS				
Cash and cash equivalents	\$ 1,314	\$ 4,125,743	\$ 455,226	\$ 171
Receivables:				
Accounts Receivable	-	147,375	-	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 1,314	\$ 4,273,118	\$ 455,226	\$ 171
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 542	\$ 5,748	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	109,711	-	-
Total liabilities	542	115,459	-	-
Fund balances:				
Nonspendable for:				
Prepaid items	-	-	-	-
Restricted for:				
Transportation	-	-	-	171
Assigned	-	4,157,659	455,226	-
Unassigned (deficit)	772	-	-	-
Total fund balances	772	4,157,659	455,226	171
Total liabilities and fund balances	\$ 1,314	\$ 4,273,118	\$ 455,226	\$ 171

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

<u>PTMISEA & ARRA Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Totals</u>	
		<u>2017</u>	<u>2016</u>
\$ 622,179	\$ 209,165	\$ 5,413,798	\$ 4,956,474
-	-	147,375	758,826
-	11,183	11,183	11,388
-	-	-	-
-	-	-	-
<u>\$ 622,179</u>	<u>\$ 220,348</u>	<u>\$ 5,572,356</u>	<u>\$ 5,726,688</u>
\$ -	\$ 5,611	\$ 11,901	\$ 22,164
-	-	-	-
-	-	109,711	579,567
-	5,611	121,612	601,731
-	-	-	-
622,179	-	622,350	868,762
-	214,737	4,827,622	4,256,195
-	-	772	-
<u>622,179</u>	<u>214,737</u>	<u>5,450,744</u>	<u>5,124,957</u>
<u>\$ 622,179</u>	<u>\$ 220,348</u>	<u>\$ 5,572,356</u>	<u>\$ 5,726,688</u>

Council of San Benito County Governments
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the year ended June 30, 2017

Total fund balances - total governmental funds \$ 5,450,744

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the government's fund balance sheets.

Vacation and compensated absence obligation (114,008)

Net position of governmental activities \$ 5,336,736

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

Council of San Benito County Governments
Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position
Governmental Activities
June 30, 2017

	Governmental Funds Balance Sheet	Eliminations/ Reclassifications	Changes in GAAP	Statement of Net Position
ASSETS				
Current assets:				
Cash and investments	\$ 5,413,798	\$ -	\$ -	\$ 5,413,798
Receivables (net)	158,558	-	-	158,558
Prepaid items	-	-	-	-
Total assets	<u>\$ 5,572,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,572,356</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,901	\$ -	\$ -	\$ 11,901
Due to other funds	-	-	-	-
Due to other governments	109,711	-	-	109,711
Total current liabilities	<u>121,612</u>	<u>-</u>	<u>-</u>	<u>121,612</u>
Noncurrent liabilities:				
Vacation and compensated absence obligation	-	-	114,008	114,008
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>114,008</u>	<u>114,008</u>
Total liabilities	<u>121,612</u>	<u>-</u>	<u>114,008</u>	<u>235,620</u>
Restricted for:				
Transportation	622,350	-	(622,350)	-
Assigned	4,827,622	-	(4,827,622)	-
Unrestricted	<u>772</u>	<u>-</u>	<u>5,335,964</u>	<u>5,336,736</u>
Total net position	<u>5,450,744</u>	<u>-</u>	<u>(114,008)</u>	<u>5,336,736</u>
Total liabilities and net position	<u>\$ 5,572,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,572,356</u>

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

Council of San Benito County Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	Major Funds			
	General Administration	State Subvention Special Revenue	Highway 25 Safety Enhancement Capital Projects	Measure A Capital Projects
REVENUES:				
Use of money and property	\$ 4	\$ 27,671	\$ 3,056	\$ 1
Intergovernmental	234,508	877,707	-	-
Charges for services	1,200	-	-	-
Contributions in aid of construction	-	-	-	-
Other revenues	6,136	-	-	-
Total revenues	241,848	905,378	3,056	1
EXPENDITURES:				
Current:				
Salaries and benefits	95,693	288,139	-	-
Services and supplies	123,979	42,153	-	-
Other charges	-	-	-	-
Capital outlay:				
Highway 25 improvements	-	-	2,205	-
Measure A projects	-	-	-	132
Other capital	21,404	-	-	-
Total expenditures	241,076	330,292	2,205	132
REVENUES OVER (UNDER) EXPENDITURES	772	575,086	851	(131)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	772	575,086	851	(131)
FUND BALANCES:				
Beginning of year	-	3,582,573	454,375	302
End of year	\$ 772	\$ 4,157,659	\$ 455,226	\$ 171

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

Totals			
PTMISEA & ARRA Capital Projects	Other Governmental Funds	2017	2016
\$ 4,170	\$ 1,406	\$ 36,308	\$ 17,993
436,712	63,632	1,612,559	1,825,627
-	-	1,200	27,523
-	-	-	-
-	17,550	23,686	334,154
<u>440,882</u>	<u>82,588</u>	<u>1,673,753</u>	<u>2,205,297</u>
-	29,814	413,646	399,119
-	113,797	279,929	405,444
-	-	-	16,390
-	-	2,205	77,882
-	-	132	143,430
655,546	-	676,950	-
<u>655,546</u>	<u>143,611</u>	<u>1,372,862</u>	<u>1,042,265</u>
<u>(214,664)</u>	<u>(61,023)</u>	<u>300,891</u>	<u>1,163,032</u>
-	56,513	56,513	-
<u>(31,617)</u>	<u>-</u>	<u>(31,617)</u>	<u>-</u>
<u>(31,617)</u>	<u>56,513</u>	<u>24,896</u>	<u>-</u>
<u>(246,281)</u>	<u>(4,510)</u>	<u>325,787</u>	<u>1,163,032</u>
<u>868,460</u>	<u>219,247</u>	<u>5,124,957</u>	<u>3,961,925</u>
<u>\$ 622,179</u>	<u>\$ 214,737</u>	<u>\$ 5,450,744</u>	<u>\$ 5,124,957</u>

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Council of San Benito County Governments
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2017

Net change in fund balances - total governmental funds \$ 325,787

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

Long-term obligations are not reported in the governmental funds, but the changes are reported in the Statement of Activities as expenses:

Vacation and compensated absence obligation	(13,343)
Change in net position of governmental activities	<u>\$ 312,444</u>

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

Council of San Benito County Governments

Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget and Actual

General Administration Fund

For the year ended June 30, 2017

(with comparative actual amounts for the year ended June 30, 2016)

	Original Budget	Amended Budget	2017 Actual	Variance Positive (Negative)	2016 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ -	\$ -	\$ 4	\$ 4	
Intergovernmental:					
Local Transportation Funds (LTF)	241,263	241,263	234,508	(6,755)	224,419
Charges for services	-	-	1,200	1,200	600
Other	15,791	40,791	6,136	(34,655)	16,694
Total revenues	<u>257,054</u>	<u>282,054</u>	<u>241,848</u>	<u>(40,206)</u>	<u>241,713</u>
EXPENDITURES:					
Salaries and benefits	99,676	95,188	95,693	(505)	95,161
Services and supplies	107,292	107,292	92,490	14,802	113,803
Contractual services	19,000	31,488	31,489	(1)	16,359
Capital	7,000	32,000	21,404	10,596	-
Other charges	24,086	16,086	0	16,086	16,390
Total expenditures	<u>257,054</u>	<u>282,054</u>	<u>241,076</u>	<u>40,978</u>	<u>241,713</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	772	772	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>\$ -</u>	<u>\$ -</u>	772	<u>\$ 772</u>	-
FUND BALANCES:					
Beginning of year			-		-
End of year			<u>\$ 772</u>		<u>\$ -</u>

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

Council of San Benito County Governments

Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget and Actual

State Subvention Special Revenue Fund

For the year ended June 30, 2017

(with comparative actual amounts for the year ended June 30, 2016)

	Original Budget	Amended Budget	2017 Actual	Variance Positive (Negative)	2016 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ 15,000	\$ 15,000	27,671	\$ 12,671	\$ 13,298
Total use of money and property	15,000	15,000	27,671	12,671	13,298
Intergovernmental:					
RSTP	521,642	521,642	528,707	7,065	533,051
Rural Planning Assistance	294,000	294,000	294,000	-	366,382
STIP	55,000	55,000	55,000	-	-
Total intergovernmental	870,642	870,642	877,707	7,065	899,433
Charges for services:					
Planning, programming & monitoring	-	-	-	-	26,923
Total charges for services	-	-	-	-	26,923
Contributions in aid of construction	-	-	-	-	-
Other					27,231
Total revenues	885,642	885,642	905,378	19,736	966,885
EXPENDITURES:					
Salaries and benefits	297,414	293,874	288,139	5,735	277,617
Services and supplies	9,368	15,408	42,153	(26,745)	157,569
Contracts	30,305	30,305	-	30,305	-
Capital outlay:					
Other capital	580,277	577,777	-	577,777	-
Total expenditures	917,364	917,364	330,292	587,072	435,186
REVENUES OVER (UNDER) EXPENDITURES	(31,722)	(31,722)	575,086	606,808	531,699
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (31,722)	\$ (31,722)	575,086	\$ 606,808	531,699
FUND BALANCES:					
Beginning of year			3,582,573		3,050,874
End of year			<u>\$ 4,157,659</u>		<u>\$ 3,582,573</u>

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

Council of San Benito County Governments

Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget and Actual

Highway 25 Safety Enhancement Capital Projects Fund

For the year ended June 30, 2017

(with comparative actual amounts for the year ended June 30, 2016)

	Original Budget	Amended Budget	2017 Actual	Variance Positive (Negative)	2016 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ 3,500	\$ 3,500	\$ 3,056	\$ (444)	\$ 1,650
Total use of money and property	3,500	3,500	3,056	(444)	1,650
Other	-	142,534	-	(142,534)	141,732
Total revenues	3,500	146,034	3,056	(142,978)	143,382
EXPENDITURES:					
Capital outlay:					
Highway 25 improvements	496,393	601,615	2,205	599,410	77,882
Other capital	-	-	-	-	-
Total expenditures	496,393	601,615	2,205	599,410	77,882
REVENUES OVER (UNDER) EXPENDITURES	(492,893)	(455,581)	851	456,432	65,500
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (492,893)	\$ (455,581)	851	\$ 456,432	65,500
FUND BALANCES:					
Beginning of year			454,375		388,875
End of year			<u>\$ 455,226</u>		<u>\$ 454,375</u>

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

Council of San Benito County Governments

Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget and Actual

Measure A Capital Projects Fund

For the year ended June 30, 2017

(with comparative actual amounts for the year ended June 30, 2016)

	Original Budget	Amended Budget	2017 Actual	Variance Positive (Negative)	2016 Actual
REVENUES:					
Use of money and property:					
Investment income (losses)	\$ -	\$ -	\$ 1	\$ 1	\$ 354
Total use of money and property	-	-	1	1	354
Intergovernmental:					
STIP	-	-	-	-	-
Total intergovernmental	-	-	-	-	-
Other		66,100	-	(66,100)	66,100
Total revenues	-	66,100	1	(66,099)	66,454
EXPENDITURES:					
Salaries and benefits	-	-	-	-	-
Capital outlay:					
Measure A projects			132	(132)	143,430
Total expenditures	-	-	132	(132)	143,430
REVENUES OVER (UNDER) EXPENDITURES	-	66,100	(131)	(66,231)	(76,976)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>\$ -</u>	<u>\$ 66,100</u>	(131)	<u>\$ (66,231)</u>	(76,976)
FUND BALANCES:					
Beginning of year			302		77,278
End of year			<u>\$ 171</u>		<u>\$ 302</u>

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

Council of San Benito County Governments

Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget and Actual

PTMISEA & ARRA Capital Projects Fund

For the year ended June 30, 2017

(with comparative actual amounts for the year ended June 30, 2016)

	Original Budget	Amended Budget	2017 Actual	Variance Positive (Negative)	2016 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ -	\$ -	\$ 4,170	\$ 4,170	\$ 1,885
Total use of money and property	-	-	4,170	4,170	1,885
Intergovernmental:					
Office of Emergency Services	-	-	46,712	46,712	-
PTMISEA	1,445,315	1,445,315	390,000	(1,055,315)	617,308
Total intergovernmental	1,445,315	1,445,315	436,712	(1,008,603)	617,308
Total revenues	<u>1,445,315</u>	<u>1,445,315</u>	<u>440,882</u>	<u>(1,004,433)</u>	<u>675,706</u>
EXPENDITURES:					
Capital outlay:					
PTMISEA	2,062,570	2,062,570	611,681	1,450,889	
Cal EMA	46,712	46,712	43,865	2,847	
Other	143,890	143,890	-	143,890	-
Total expenditures	<u>2,253,172</u>	<u>2,253,172</u>	<u>655,546</u>	<u>1,597,626</u>	<u>21,295</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(807,857)</u>	<u>(807,857)</u>	<u>(214,664)</u>	<u>593,193</u>	<u>654,411</u>
Transfers out	-	-	(31,617)	(31,617)	-
Total other financing sources (uses)	-	-	(31,617)	(31,617)	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>\$ (807,857)</u>	<u>\$ (807,857)</u>	<u>(246,281)</u>	<u>\$ 561,576</u>	<u>654,411</u>
FUND BALANCES:					
Beginning of year			<u>868,460</u>		<u>214,049</u>
End of year			<u>\$ 622,179</u>		<u>\$ 868,460</u>

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

Council of San Benito County Governments

Statement of Net Position

Local Transportation Authority Enterprise Fund

June 30, 2017

(with comparative totals for June 30, 2016)

	Totals	
	2017	2016
Current assets:		
Cash and investments	\$ 124,151	\$ -
Intergovernmental receivable	298,625	640,788
Total current assets	<u>422,776</u>	<u>640,788</u>
Property, plant and equipment	3,859,805	4,612,387
Less accumulated depreciation	<u>(2,457,415)</u>	<u>(3,705,185)</u>
Property, plant, and equipment, net	<u>1,402,390</u>	<u>907,202</u>
Total assets	<u><u>\$ 1,825,166</u></u>	<u><u>\$ 1,547,990</u></u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 129,226	\$ 194,044
Due to fiduciary activities/LTF	-	158,713
Total current liabilities	<u>129,226</u>	<u>352,757</u>
Vacation and compensated absence obligation	<u>37,431</u>	<u>37,138</u>
Total liabilities	<u>166,657</u>	<u>389,895</u>
Net Position:		
Net investment in capital assets	1,402,390	907,202
Unrestricted	<u>256,119</u>	<u>250,893</u>
Total net position	<u>1,658,509</u>	<u>1,158,095</u>
Total liabilities and net position	<u><u>\$ 1,825,166</u></u>	<u><u>\$ 1,547,990</u></u>

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

Council of San Benito County Governments
Statement of Revenues, Expenses, and Changes in Fund Net Position
Local Transportation Authority Enterprise Fund
For the year ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	Totals	
	2017	2016
OPERATING REVENUES:		
Charges for services:		
Passenger fares	\$ 161,126	\$ 158,460
FTA 5311 operating grant	298,186	295,228
Total operating revenues	459,312	453,688
OPERATING EXPENSES:		
Salaries and benefits	236,774	223,746
Contracted services	1,290,564	1,220,995
Maintenance	212,481	191,505
Advertising	3,742	36
Insurance expenses	3,183	4,835
Professional and special projects	2,870	6,767
Administration	2,455	17,172
Depreciation expense	164,194	182,330
Total operating expenses	1,916,263	1,847,386
OPERATING LOSS	(1,456,951)	(1,393,698)
NONOPERATING REVENUES:		
Local Transportation Funds	1,028,424	873,528
State Transit Assistance Funds	194,132	223,136
FTA 5311/5310/5304 (FTA Operating Grant, Transit Interns, LRTS & SRTP)	41,398	-
STIP	53,679	-
Investment income	796	2,259
Other	4,450	110,021
Total non-operating revenues (expenses), net	1,322,879	1,208,944
NET INCOME (LOSS) BEFORE TRANSFERS & CONTRIBUTIONS	(134,072)	(184,754)
Transfers in (out)	(24,896)	-
Capital Contributions	659,382	-
CHANGE IN NET POSITION	500,414	(184,754)
NET POSITION:		
Beginning of year	1,158,095	1,342,849
End of year	<u>\$ 1,658,509</u>	<u>\$ 1,158,095</u>

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

Council of San Benito County Governments

Statement of Cash Flows

Local Transportation Authority Enterprise Fund

For the year ended June 30, 2017

(with comparative amounts for the year ended June 30, 2016)

	Totals	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from passenger fares	\$ 161,126	\$ 158,460
Cash receipts from other governments	640,349	(21,010)
Cash payments to suppliers for goods and services	(1,580,113)	(1,430,831)
Cash payments to employees for services	(236,481)	(221,320)
Net cash used by operating activities	(1,015,119)	(1,514,701)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received (paid)	(179,159)	268,734
Other nonoperating receipts	95,077	-
Local Transportation Funds received	1,028,424	873,528
State Transit Assistance Funds received	194,132	223,136
Net cash provided by noncapital financing activities	1,138,474	1,365,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
Capital contributions	-	-
Net cash (used) by capital and related financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	796	2,259
Net cash provided by investing activities	796	-
Net increase (decrease) in cash and cash equivalents	124,151	(147,044)
CASH AND CASH EQUIVALENTS:		
Beginning of year	-	147,044
End of year	\$ 124,151	\$ -
Presentation in Statement of Net Position:		
Cash and investments	\$ 124,151	\$ -
Total cash and investments	\$ 124,151	\$ -
Reconciliation of income (loss) from operations to net cash used by operating activities:		
Operating income (loss)	\$ (1,456,951)	\$ (1,393,698)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	164,194	182,330
(Increase) decrease in current assets:		
Intergovernmental receivable	342,163	(316,238)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(64,818)	10,479
Vacation and compensated absence obligation	293	2,426
Net cash used by operating activities	\$ (1,015,119)	\$ (1,514,701)

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

Council of San Benito County Governments

Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2017

(with comparative actual amounts for the year ended June 30, 2016)

	Local Transportation Fund	State Transit Assistance Fund	Totals	
			2017	2016
ASSETS				
Cash and investments	\$ 3,047,812	\$ -	\$ 3,047,812	\$ 2,379,091
Intergovernmental receivable	244,100	-	244,100	246,000
Sales tax receivable	-	54,082	54,082	110,561
Due from other funds	53,918	-	53,918	110,561
Due from business-type activities/LTA	-	-	-	158,713
Total assets	3,345,830	54,082	3,399,912	3,004,926
LIABILITIES				
Due to other funds	-	53,918	53,918	110,561
Total liabilities	-	53,918	53,918	110,561
NET POSITION				
Restricted for pedestrian/bicycle	487,694	-	487,694	460,328
Restricted for other governments	2,858,136	164	2,858,300	2,434,037
Total net position	\$ 3,345,830	\$ 164	\$ 3,345,994	\$ 2,894,365

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

Council of San Benito County Governments

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the year ended June 30, 2017

(with comparative actual amounts for the year ended June 30, 2016)

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Totals	
			2017	2016
Additions				
Sales tax	\$ 1,668,335	\$ 194,132	\$ 1,862,467	\$ 1,773,877
Interest	20,483	164	20,647	8,736
Total additions	<u>1,688,818</u>	<u>194,296</u>	<u>1,883,114</u>	<u>1,782,613</u>
Deductions				
Claims paid to:				
Council of San Benito County Governments:				
Local Transportation Authority Fund	1,024,250	194,132	1,218,382	1,095,576
Administration Fund	213,103	-	213,103	225,505
Bike/pedestrian	-	-	-	6,000
Total deductions	<u>1,237,353</u>	<u>194,132</u>	<u>1,431,485</u>	<u>1,327,081</u>
Change in net position	<u>451,465</u>	<u>164</u>	<u>451,629</u>	<u>455,532</u>
Net position, beginning of year	<u>2,894,365</u>	<u>-</u>	<u>2,894,365</u>	<u>2,032,968</u>
Net position, end of year	<u>\$ 3,345,830</u>	<u>\$ 164</u>	<u>\$ 3,345,994</u>	<u>\$ 2,488,500</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2017

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Council of San Benito County Governments
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Council of San Benito County Governments, the regional transportation-planning agency for the County of San Benito, was created pursuant to Title 3 of Government Code Section 29535. The Council is responsible for transportation planning activities, as well as administration of the Transportation Trust Funds.

A. Financial Reporting Entity

The accompanying basic financial statements present the financial activity of the Council of San Benito County Governments (Council), which is the primary government, along with the financial activities of its component units, which are entities for which the Council is financially accountable. Although they are separate legal entities, blended component units are, in substance, part of the Council's operations and are reported as an integral part of the Council's basic financial statements. This Council's component units, which are described below, are blended units of the Council.

Measure A Authority

The Measure A Authority (Authority) was formed by voter approval of Measure A in 1988. As a part of Measure A, the County Board of Supervisors designated the Council to administer the Measure. The Authority Board has the same members as the Council's Board. The Council's staff provides services of the Authority, with the Council's Executive Director also being the Authority's Executive Director. The Authority obtains its funding through a .5% countywide sales tax, and has specific projects that were a part of the Measure that are to be completed with the sales tax funds. The Measure A Authority is included as a component unit in the accompanying financial statements. The activities of the foregoing entities have been aggregated and merged (termed "blending") with those of the Council's in the accompanying financial statements, as it meets the criteria for inclusion as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

Local Transportation Authority

The Local Transportation Authority (LTA) is a blended component of the Council. The LTA was established to operate the countywide transit system in San Benito County. The Council Board is the same as the LTA Board, the majority of the LTA operating funds are derived from Council managed funds, such as the Local Transportation and State Transit Assistance Funds. The Council's Executive Director is the LTA's Executive Director as well. The LTA is reported in these financial statements as an enterprise fund, in accordance with the State Controller's Office requirements for transit operations.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

The financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Council or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Activities

General Administration Fund

The General Administration Fund is used to account for resources traditionally associated with the Council, which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the Council's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Business-type Activities

Proprietary Funds

Enterprise Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Council has decided that periodic determination of net income is appropriate for accountability purposes.

Fiduciary Funds

Private Purpose Trust Funds

Private Purpose Trust Funds account for assets held and distributed to other governments similar to assets held in trust in the private environment. The fiduciary funds used by the Council are as follows:

Local Transportation Fund – this fund is utilized by the Council to receive and allocate Local Transportation funds to eligible claimants.

State Transit Assistance Fund - this fund is utilized by the Council to receive and allocate State Transit Assistance funds to eligible claimants.

These funds are accounted for on an accrual basis similar to proprietary funds.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

<u>Fund Type</u>	<u>Brief Description</u>
<i>Major:</i>	
<i>Governmental Activities:</i>	
General Administration Fund	The primary operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund.
State Subvention Special Revenue Fund	State funds to reduce air pollution for motor vehicles and transportation planning for San Benito County.
Highway 25 Safety Enhancement Special Revenue Fund	Grant from the City of Hollister Redevelopment Agency for safety and operation enhancement projects along Highway 25.
Measure A Special Revenue Fund	Sales tax revenue for construction of voter approved projects.
PTMISEA, ARRA & OHS Capital Projects Fund	This fund accounts for small government short-term grants, such as the Public Transportation Modernization, Improvement, and Service Enhancement Account, the American Recovery and Reinvestment Act, and the Office of Homeland Security grants.
<i>Business-type Activities:</i>	
Local Transportation Authority Enterprise Fund	This fund accounts for the activities of providing a countywide transit system and a specialized service for the elderly and handicapped.
<i>Non-Major:</i>	
<i>Governmental Activities:</i>	
Service Authority Freeway Emergencies Fund (SAFE)	State funds for administration and operation of freeway call boxes and roadside assistance.
Rideshare Fund	State funds to provide means and incentives for ridesharing in order to reduce traffic and air pollution.
Vanpool Fund	To account for funds to encourage the use of carpools and vanpools.
Low Carbon Transit Operations Program (LCTOP)	This fund accounts for providing operating assistance for transit to continue the expansion of the intercounty services to reduce greenhouse gas emissions.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New and Closed Funds

The LCTOP Special Revenue Fund was opened during the year ended June 30, 2017 and there were no closed funds for the year.

C. Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The enterprise and private purpose trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Enterprise fund equity is classified as net position.

D. Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Accounting, Continued

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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 Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Council has elected not to follow subsequent private-sector guidance.

E. Cash and Investments

The Council pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

The Council participates indirectly in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Receivables, Continued

include sales and use taxes, intergovernmental subventions and grants, interest earnings and expense reimbursements.

Business-type activities report intergovernmental receivables as major receivables. See Note 3 for additional disclosures. In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Intergovernmental accounts receivable comprise the majority of proprietary fund receivables. The Council's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

G. Capital Assets

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment	3 – 5 years
Facilities	30 years

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

H. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the Council with the exception of one employee as they are vested and within retirement age. Sick leave is paid out at half upon retirement.

I. Budgetary Policies

Budgets are prepared on the modified accrual basis of accounting in which capital assets acquired are recorded as expenditures and depreciation is not recorded.

The legal budget is the same as the operating budget in total. Total expenditures may not exceed the budgeted expenditures without approval of the Council's Governing Board. The budget lapses at the end of each fiscal year.

Estimated revenues and recommended appropriations are shown and supported by detailed documentation at each administrative level within the Council. The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the Council prepares a budget for each fiscal year on or before August 30.
- Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the Council's Board of Directors. The operating budget includes proposed expenditures and the means of financing them.
- Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the Council Manager's office and must be approved by the Board of Directors.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Budgetary Policies, Continued

- Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Directors. Pursuant to Board Resolution, the Council's Manager is authorized to approve transfers and revision of appropriations under \$50,000 within a single budget unit as deemed necessary and appropriate.
- Formal budgeting is employed as a management control device during the year for the Council's governmental funds.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Budgeted amounts are as originally adopted or as amended by the Governing Board. Individual amendments were not material in relation to the original appropriations.

2. CASH AND INVESTMENTS

The Council had the following cash and investments at June 30, 2017 and June 30, 2016:

	June 30, 2017		June 30, 2016
	Not rated	Fair Value	
San Benito County Treasury	\$ 8,585,761	\$ 8,585,761	\$ 7,335,565
Total	\$ 8,585,761	\$ 8,585,761	\$ 7,335,565
Amounts reported in:			
Governmental activities		\$ 5,413,798	\$ 4,956,474
Business-type activities		124,151	-
Fiduciary activities		3,047,812	2,379,091
Total		\$ 8,585,761	\$ 7,335,565

A. Cash Deposits

The Council pools cash from all sources. The Council invests excess cash in the San Benito County Treasury investment pool, which at June 30, 2017, approximated fair value of \$8,585,761.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County has waived these collateralization requirements.

The County Treasurer maintains a cash and investment pool, on behalf of the Council, as their custodian, which includes cash balances and authorized investments for all Council funds, which is invested to enhance interest earnings. The pooled interest earned is allocated quarterly to the Council based on average daily cash and investment balance.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

B. Investments

The Council is authorized by State statutes and Governing Board action to invest in the following:

- United States Treasury notes, bonds, bills, or certificates of indebtedness.
- Registered state warrants or treasury notes or bonds of the State of California.
- Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California.
- Obligations issued by banks and guaranteed by federal agency or United States government-sponsored enterprise.
- Negotiable certificates of deposit or time deposits placed with commercial banks and/or savings and loan companies.
- Bankers' acceptances.
- Commercial paper.
- California Local Agency Investment Fund (LAIF).
- San Benito County Treasury

The Council's practice has been to limit investments to the San Benito County Treasury, an unrated investment pool, which limits the exposure of Council funds to interest rate and credit risk by treating all balances as current.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments recorded in interest/investment income.

C. Investments in External Investment Pools

The Council's investments with the County at June 30, 2017, included a portion of the pool funds invested in structured notes and asset backed securities and similar transactions. These investments may include the following:

Structured Notes – are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depends on one or more indices and/or that have embedded forwards or options.

Asset-backed Securities – the bulk of which are mortgage-backed securities, entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

The Council is, indirectly through the County pool, a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Council reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments matured in an average of 167 days. As of June 30, 2017, the County Treasury had \$42,100,000 invested in LAIF. The County investment pool currently holds no derivative products in the form of asset-backed securities. The current average maturity of the portfolio is 1 to 217 days with an average duration of 142 days.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2017:

	Governmental	Business-type	Fiduciary	Totals	
	Activities	Activities	Activities	2017	2016
Accounts receivable	\$ 147,375	\$ -	\$ -	\$ 147,375	\$ 758,826
Intergovernmental	11,183	298,625	244,100	553,908	898,176
Sales tax receivable	-	-	54,082	54,082	110,561
Total accounts receivable	<u>\$ 158,558</u>	<u>\$ 298,625</u>	<u>\$ 298,182</u>	<u>\$ 755,365</u>	<u>\$ 1,767,563</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	73%
Sales tax	7%
Other	20%

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

4. CAPITAL ASSETS

Capital asset activity for business-type activities for the year ended June 30, 2017, was as follows:

	July 1, 2016	Additions	Retirements	June 30, 2017
<u>Business-type activities:</u>				
Property, plant, and equipment	\$ 4,612,387	\$ 659,382	\$ (1,411,964)	\$ 3,859,805
Less: accumulated depreciation	<u>(3,705,185)</u>	<u>(164,194)</u>	<u>1,411,964</u>	<u>(2,457,415)</u>
Total business-type activities	<u>907,202</u>	<u>495,188</u>	<u>-</u>	<u>1,402,390</u>
Net book value	<u>\$ 907,202</u>	<u>\$ 495,188</u>	<u>\$ -</u>	<u>\$ 1,402,390</u>

In fiscal year 2012-13, the Council retired its' remaining governmental capital assets and had no capital assets recorded in governmental activities in the current year.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2017:

	Governmental	Business-type	Totals	
	Activities	Activities	2017	2016
Accounts payable and accrued liabilities	\$ 11,901	\$ 129,226	\$ 141,127	\$ 216,208
Due to other governments	<u>109,711</u>	<u>-</u>	<u>109,711</u>	<u>579,568</u>
Total	<u>\$ 121,612</u>	<u>\$ 129,226</u>	<u>\$ 250,838</u>	<u>\$ 795,776</u>

These amounts resulted in the following concentrations in payables:

Vendors	56%
Other governments	44%

6. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2017, are shown below:

	Balance			Balance
	July 1, 2016			Additions
<u>Governmental activities:</u>				
Compensated absences	\$ 100,665	\$ 13,343	\$ -	\$ 114,008
Total governmental activities	<u>100,665</u>	<u>13,343</u>	<u>-</u>	<u>114,008</u>
<u>Business-type activities:</u>				
Compensated absences	37,138	293	-	37,431
Total business-type activities	<u>37,138</u>	<u>293</u>	<u>-</u>	<u>37,431</u>
Totals	<u>\$ 137,803</u>	<u>\$ 13,636</u>	<u>\$ -</u>	<u>\$ 151,439</u>

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

7. FUND BALANCES/NET POSITION

Fund Balances consist of the following: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance consists of investments that will not convert to cash soon enough to affect the current period. Restricted fund balance consists of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government. Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the Council's highest level of decision-making authority. Assigned fund balance consists of amounts where intent is expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned amounts represent deficits in fund balance as reflected by the necessity to show nonspendable and restricted balances in an amount greater than total fund balance. Currently, the Council uses only the restricted, assigned and unassigned categories.

	Totals	
	2017	2016
Nonspendable:		
Prepaid items	\$ -	\$ -
Restricted for:		
Transportation	622,350	868,762
Assigned for:		
State Subvention	4,157,659	3,582,573
Highway 25 Enhancement	455,226	454,375
Service Authority	180,424	166,954
Rideshare	1,296	3,453
Vanpool	30,162	48,840
LCTOP	2,855	-
Total Assigned	<u>4,827,622</u>	<u>4,256,195</u>
Unassigned (deficit)	<u>772</u>	<u>-</u>
Total Fund Balance	<u>\$ 5,450,744</u>	<u>\$ 5,124,957</u>

Net position consists of restricted and unrestricted amounts. Restricted amounts reflect balances which cannot be influenced by Council Governing Board action, such as the investment in capital assets net of any related debt. Unrestricted amounts reflect balances available for current operations.

	Net Position			
	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Net investment in capital assets	\$ -	\$ -	\$ 1,402,390	\$ 907,202
Restricted for Transportation	622,350	868,762	-	-
Unrestricted	4,714,386	4,155,530	256,119	250,893
Total	<u>\$ 5,336,736</u>	<u>\$ 5,024,292</u>	<u>\$ 1,658,509</u>	<u>\$ 1,158,095</u>

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

8. PTMISEA

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

At year ended June 30, 2012 \$15,121 was deferred to fiscal year 2012/2013. In fiscal year 2012/2013 the Council applied for and received an additional \$263,079 from the State's PTMISEA account to upgrade transit fueling infrastructure, transit maintenance and operations improvement and customer service enhancements. In fiscal year 2015/2016 the Council applied for and received \$622,179 for the purchase of six new buses and repairs of bus #55. In fiscal year 2016/2017 the Council applied for and received \$390,000 for Bus Yard Capital Project, Technology Expansion Project and Bus Stop Capital Improvements.

As of June 30, 2017, PTMISEA funds received and expended were verified in the course of our audit as follows:

	<u>Thru 6/30/2016</u>	<u>6/30/2017</u>	<u>Total</u>
Proceeds Received:			
PTMISEA	\$895,508	\$390,000	\$1,285,508
Expenditures incurred:			
Tokens - FY 09/10	14,650		14,650
Bus Stop schedules - FY 11/12	1,598		1,598
Fuel Station - FY 12/13	87,000		87,000
Senior Step - FY 13/14	1,068	-	1,068
Proration of Bus Stop Shelter	1,624	-	1,624
Telephone Systems	11,762	-	11,762
Maintenance Vehicle/Maint. Imp	43,014	1,415	44,429
Buses (5)	-	609,105	609,105
Maintenance on Bus #55	6,405	1,161	7,566
	<u>\$728,387</u>	<u>(221,681)</u>	<u>\$506,706</u>
Unexpended proceeds at June 30, 2017			

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

9. OES

The Governor’s Office of Emergency Services (OES) approved the Local Transportation Authority’s application from the Transit System Safety, Security, and Disaster Response Account for Fiscal Years 2008-2009 and 2009-2010. The TSSSDRA funds were allocated to agencies and transit operators eligible to receive State Transit Assistance funds pursuant to Sections 99313 and 99314 of the Public Utility Code. These funds are the Highway Safety, Traffic Reduction, and Port Security Bond Act of 2006 (Proposition 1B). TSSSDRA funds expended and received were verified in the course of our audit as follows:

Fiscal Year	Date Received	Amount Received	Expended FY 12/13	Expended FY 13/14	Expended FY 14/15	Expended FY15/16	Expended FY16/17	Unexpended at 06/30/17
OHS 2010/11	2/22/2013	46,712	27,500	-	-	-	-	19,212
OHS 2012/13	6/29/2015	46,712	-	-	-	-	43,865	2,847
OHS 2014/15	3/22/2017	46,712	-	-	-	-	-	46,712

10. RISK MANAGEMENT

The Council is self-insured for claims arising from employee injuries, general and automobile claims, property and vehicle losses, earthquake damage, and flood and storm water damage. The Council also contracts with San Benito County for employees and these employees are covered additionally with the county. The cost of any claims are reflected and charged through the County’s cost plan. The Council purchases insurance with CSAC Excess Insurance Authority with \$1,000,000 limit per occurrence subject to a \$25,000 self-insured retention per occurrence. San Benito County also uses CSAC Excess Insurance Authority with \$1,000,000 limit per occurrence subject to a \$100,000 self-insured retention per occurrence. There were no insurance claims either with the Council or San Benito County on behalf of the Council employees.

11. PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

Plan Description

The Council contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing, multiple-employer defined benefit pension plan through the County of San Benito. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and County Board as well as Council Board ordinance. Copies of CalPERS’ annual financial report may be obtained from their executive office 400 P Street, Sacramento, CA, 95814.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

11. PUBLIC EMPLOYEES’ RETIREMENT SYSTEM, Continued

Funding Policy

Participants are required to contribute 7% (7% of monthly salary over \$133.33) of their annual covered salary. The Council makes the contributions required of Council employees on their behalf and for their account. The Council is required to contribute at an actuarially determined rate; the FY 2016-16 rate is 18.028% for employees. The contribution requirements of plan members and the Council are established and may be amended by CalPERS. All actuarial information for Council employees is combined with County reported amounts and a separate actuarial is not performed, therefore the net pension obligation cannot be ascertained. The current value of the County’s net pension obligation is \$32,559,472 as of the measurement date of June 30, 2016. The amount applicable to the Council cannot be determined and should not be inferred from the County’s liability amount.

12. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description. The Council has indicated that the only OPEB provided is medical plan coverage. This coverage is available for employees who satisfy the requirements for retirement under CalPERS. An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

As provided by the Public Employees’ Medical and Hospital and Care Act (PEMHCA), the Council has been under contract with CalPERS for medical plan coverage since 1993 and has chosen to satisfy its retiree medical benefit commitment using the unequal contribution method. Under this approach, the Council will eventually be required to provide retiree medical benefits identical to that which it provides for active employees in the same plan at the same coverage levels. Between now and this eventual equal contribution date, the obligation increases annually by 5% of the contributions for active employees. For calendar year 2017, the Council is contributing 100% of the amounts being contributed for similarly situated active employees. The coverage and the Council’s subsidy toward the cost of coverage may be continued at the retiree’s option for his or her lifetime. A surviving spouse may continue coverage and receive the subsidy for the remainder of his or her lifetime as well. The Retiree Healthcare Plan does not issue a financial report.

Eligibility: A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employer will notify CalPERS and the member’s coverage will continue into retirement.

Membership of the plan consisted of the following at June 30, 2017:

Retirees and beneficiaries receiving benefits	1
Other participants fully eligible for benefits	7
Other participants not yet fully eligible for benefits	0
	<hr/>
Total	8
	<hr/> <hr/>

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

12. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

Funding Policy. The contribution requirements of the Plan participants and the Council are established by and may be amended by the Council. Since the Council has no retirees there is no pay-as-you-go contribution requirement for the current year.

Annual OPEB Cost and Net OPEB Obligation. The Council's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Council's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Council's Net OPEB obligation:

Annual required contribution	\$ 8,391
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>8,391</u>
Contributions made to irrevocable trust	(8,391)
Benefit payments made outside of trust	-
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

The Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	41,186	100%	0
6/30/15	15,912	100%	0
6/30/16	16,390	100%	0
6/30/17	8,391	100%	0

Funded Status and Funding Progress. The funded status of the Plan as of July 1, 2013, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 292,731
Actuarial value of Plan assets	<u>162,362</u>
Unfunded actuarial accrued liability (UAAL)	\$ 130,369
Funded ratio (actuarial value of Plan assets/AAL)	55%
Covered payroll (active Plan participants)	\$1,200,000
UAAL as a percentage of covered payroll	11%

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

12. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence 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 annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

For the July 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare 9% to 4.5%. The actuarial assumption for salary increases was 3.25% per year. The Unfunded Actuarial Accrued Liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization as of 06/30/2017 was 26 years.

In Fiscal Year 2013-2014 San Benito County determined that Council employees were actually County employees. Due to this action the Council did not have an actuarial valuation performed for June 30 2017. Instead, the Council will be included with San Benito County's Plan valuation, but separated with their own account. San Benito County performed the Actuarial Valuation of OPEB Plan in August 2017 for fiscal years 2017 and 2018.

Based on the calculation, the ARC for FY 2016-2017 was \$8,391. This amount was paid to the County for payments for retiree insurance made directly to the provider and contributed toward the ARC for fiscal year ended June 30, 2017.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

13. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2017. The Council will implement this Statement in fiscal year ending June 30, 2018.

The GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, as amended, and No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, for OPEB. Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, establishes new accounting and financial reporting requirements for OPEB plans. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

The GASB has issued Statement No. 77, “Tax Abatement Disclosures”. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

13. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2016. This Statement was not applicable to the Council's financial statements.

The GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017. This Statement was not applicable to the Council's financial statements.

The GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2017. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

The GASB has issued Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions will take effect for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

14. CONTINGENCIES

The Council participates in a number of Federal, State, and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the Council may be required to reimburse the grantor government. As of June 30, 2017, some amounts of grant expenditures have not been audited, but the Council believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the Council.

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SUPPLEMENTAL INFORMATION

Council of San Benito County Governments

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

(with comparative totals for June 30, 2016)

	Special Revenue Funds			Non-Major Funds Totals		
	Service Authority for Freeways and Expressways Fund	Rideshare	Van Pool	LCTOP	2017	2016
ASSETS						
Pooled cash and investments	\$ 174,852	\$ 1,296	\$ 30,162	\$ 2,855	\$ 209,165	\$ 212,878
Receivables:						
Intergovernmental	11,183	-	-	-	11,183	11,388
Total assets	<u>\$ 186,035</u>	<u>\$ 1,296</u>	<u>\$ 30,162</u>	<u>\$ 2,855</u>	<u>\$ 220,348</u>	<u>\$ 224,266</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 5,611	\$ -	\$ -	\$ -	\$ 5,611	\$ 5,019
Total liabilities	<u>5,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,611</u>	<u>5,019</u>
Fund Balances:						
Assigned	180,424	1,296	30,162	2,855	214,737	219,247
Total fund balances	<u>180,424</u>	<u>1,296</u>	<u>30,162</u>	<u>2,855</u>	<u>214,737</u>	<u>219,247</u>
Total liabilities and fund balances	<u>\$ 186,035</u>	<u>\$ 1,296</u>	<u>\$ 30,162</u>	<u>\$ 2,855</u>	<u>\$ 220,348</u>	<u>\$ 224,266</u>

Council of San Benito County Governments
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	Special Revenue Funds				Non-Major Funds Totals	
	Service Authority for Freeways and Expressways Fund	Rideshare	Van Pool	LCTOP	2017	2016
REVENUES:						
Use of money and property:						
Interest	\$ 1,173	\$ 9	\$ 203	\$ 21	\$ 1,406	\$ 806
Intergovernmental:						
Motor vehicle in lieu fees	61,771	-	-	-	61,771	59,467
Monterey Bay	-	-	-	-	-	25,000
LCTOP	-	-	-	1,861	1,861	-
Other revenues:						
Van pool payments	-	-	17,550	-	17,550	17,775
Reimbursements	-	-	-	-	-	8,109
Total revenues	62,944	9	17,753	1,882	82,588	111,157
EXPENDITURES:						
Current:						
Salaries and benefits	18,447	-	11,367	-	29,814	26,341
Services and supplies	31,027	2,166	25,064	55,540	113,797	96,418
Total expenditures	49,474	2,166	36,431	55,540	143,611	122,759
REVENUES OVER (UNDER) EXPENDITURES	13,470	(2,157)	(18,678)	(53,658)	(61,023)	(11,602)
Transfers in	-	-	-	56,513	56,513	-
Total other financing sources and uses	-	-	-	56,513	56,513	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	13,470	(2,157)	(18,678)	2,855	(4,510)	(11,602)
FUND BALANCES:						
Beginning of year	166,954	3,453	48,840	-	219,247	230,849
End of year	\$ 180,424	\$ 1,296	\$ 30,162	\$ 2,855	\$ 214,737	\$ 219,247

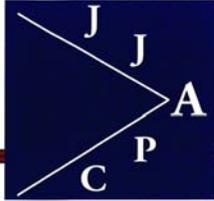
Council of San Benito County Governments
Schedule of Amounts Allocated and Disbursed by Purpose
 State Transit Assistance Fund
 For the year ended June 30, 2017

	San Benito County Local Transportation Authority Section 6730 (a) 6730 (b) 6731 (c) <u>Operating, Capital</u>	
Allocations Outstanding June 30, 2016	\$	-
Allocations		194,296
Disbursements:		
2016-17 Claims		194,132
Total Disbursements	\$	<u>194,132</u>
Allocations Outstanding June 30, 2017	\$	<u>164</u>

Council of San Benito County Governments
Schedule of Amounts Allocated and Disbursed by Purpose
Local Transportation Fund
For the year ended June 30, 2017

	San Benito County and Unincorporated Area	Regional Transportation Planning	San Benito County Local Transportation Authority	
	Pedestrian and Bicycle Section 99234	Administration Planning & Programming Section 99233.1 & 99233.2	Community Transit Public Transportation Section 99233.7 & 99233.8	Totals
Allocations Outstanding June 30, 2016	\$ -	\$ 234,508	\$ 1,028,424	\$ 1,262,932
Disbursements:				
2016-17 Claims	-	234,508	1,024,250	1,258,758
Total Disbursements	-	234,508	1,024,250	1,258,758
Allocations Outstanding June 30, 2017	\$ -	\$ -	\$ 4,174	\$ 4,174

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JJACPA, Inc.

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INDEPENDENT AUDITORS' COMPLIANCE REPORT

To the Governing Board of the
Council of San Benito County Governments
Hollister, CA

We have audited the compliance of Council of San Benito County Governments (Council) Transportation Development Act Article III Funds (TDA Funds) with the types of compliance requirements described in Section 6666 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987 (Act)* and the allocation instructions and resolutions of the Council of San Benito County Governments. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the TDA Funds is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA)

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

At year ended June 30, 2012 \$15,121 was deferred to fiscal year 2012/2013. In fiscal year 2012/2013 the Council applied for and received an additional \$263,079 from the State's PTMISEA account to upgrade transit fueling infrastructure, transit maintenance and operations improvement and customer service enhancements. In fiscal year 2015/2016 the Council applied for and received \$617,308 for the purchase of six new buses and repairs of bus #55. In fiscal year 2016/2017 the Council applied for and received \$390,000 for Bus Yard Capital Project, Technology Expansion Project and Bus Stop Capital Improvements.

As of June 30, 2017, PTMISEA funds received and expended were verified in the course of our audit as follows:

	<u>Thru 6/30/2016</u>	<u>6/30/2017</u>	<u>Total</u>
Proceeds Received:			
PTMISEA	\$895,508	\$390,000	\$1,285,508
Expenditures incurred:			
Tokens - FY 09/10	14,650	-	14,650
Bus Stop schedules - FY 11/12	1,598	-	1,598
Fuel Station - FY 12/13	87,000		87,000
Senior Step - FY 13/14	1,068	-	1,068
Proration of Bus Stop Shelter	1,624	-	1,624
Telephone Systems	11,762	-	11,762
Maintenance Vehicle/Maint. Imp	43,014	1,415	44,429
Maint on Bus #55	6,405	1,161	7,566
Buses		609,105	609,105
	<u> </u>	<u> </u>	<u> </u>
Unexpended proceeds at June 30, 2017	<u>\$728,387</u>	<u>(\$221,681)</u>	<u>\$506,706</u>

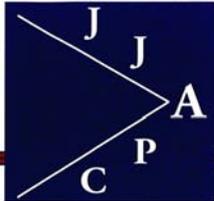
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those require that we plan and perform 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 the TDA Funds. An audit includes examining, on a test basis, evidence about the Council’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. Our audit does not provide a legal determination of the Council’s compliance with those requirements.

In our opinion, the TDA Funds allocated to and received by the Council pursuant to the Act were expended in conformance with the applicable statutes, rules, and regulations of the Act and the allocation instructions and resolutions of the Council of San Benito County Governments.

This report is intended for the information of the Council of San Benito County Governments’ Council Members and management. However, this report is a matter of public record and its distribution is not limited.

December 6, 2017

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA



JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

To the Governing Board of the
Council of San Benito County Governments
Hollister, CA

We have audited, in accordance with the 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 governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the Council of San Benito County Governments (Council), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 6, 2017.

Internal Control Over Financial Reporting

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

As part of obtaining reasonable assurance about whether Council's financial statements are free from 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. 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 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 Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 6, 2017

JJACPA, Inc.

JJACPA, Inc.

Dublin, CA