

COUNCIL OF SAN BENITO
COUNTY GOVERNMENTS
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

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Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2019

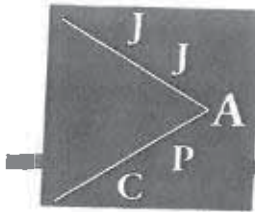
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Council of San Benito County Governments
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JJACPA, Inc.

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, 2019, 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, 2018 financial statements and, in our report dated December 18, 2018; 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.

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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, 2019, 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 3, 2019 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 3, 2019

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2019

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, 2019.

FINANCIAL HIGHLIGHTS

- The voters of San Benito County approved COG Ordinance 2018-01 Measure G. The measure is a one cent local transactions and use tax to be collected for 30 years to improve our local streets and roads, improve connectivity, and reduce congestion.
- The Council has been involved in planning, coordinating, and funding projects worth \$4,968,177 in fiscal year 2018/19.
- 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, 2019
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 districts, 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, 2019
Management's Discussion and Analysis, Continued

OVERVIEW OF FINANCIAL STATEMENTS, Continued

The Council maintains nine 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, PTMISEA & ARRA and Measure G 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 36-38 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 39-40 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 43-66 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 67-68 of this report.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2019
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 \$9,589,757 at the close of the most recent fiscal year. A large portion of the Council's net position, approximately 12%, 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
	2019	2018	2019	2018	2019	2018	
Assets and Deferred Outflows of Resources							
Current and other assets	\$ 8,479,724	\$ 6,181,080	\$ 372,745	\$ 410,125	\$ 8,852,469	\$ 6,591,205	34%
Net OPEB Asset	86,886	81,046	-	-	86,886	81,046	
Capital assets, net	-	-	1,121,457	1,309,138	1,121,457	1,309,138	
Total assets	8,566,610	6,262,126	1,494,202	1,719,263	10,060,812	7,981,389	26%
Deferred outflows	9,003	7,542	-	-	9,003	7,542	
Total assets and deferred outflows	\$ 8,575,613	\$ 6,269,668	\$ 1,494,202	\$ 1,719,263	\$ 10,069,815	\$ 7,988,931	26%
Liabilities and Deferred Inflows of Resources							
Current and other liabilities	166,391	131,803	130,082	115,411	296,473	247,214	20%
Noncurrent liabilities	138,047	138,537	37,888	43,236	175,935	181,773	-3%
Total liabilities	304,438	270,340	167,970	158,647	472,408	428,987	10%
Deferred Inflows	7,650	7,240	-	-	7,650	7,240	
Total Liabilities and Deferred Inflows	312,088	277,580	167,970	158,647	480,058	436,227	10%
Net Position:							
Invested in capital assets	-	-	1,121,457	1,402,390	1,121,457	1,402,390	-20%
Restricted for:							
Transportation	3,940,903	658,413	-	-	3,940,903	658,413	499%
Unrestricted	4,322,622	5,333,675	204,775	256,119	4,527,397	5,589,794	-19%
Total net position	\$ 8,263,525	\$ 5,992,088	\$ 1,326,232	\$ 1,658,509	\$ 9,589,757	\$ 7,552,704	27%

The remaining amount in *unrestricted net position* of \$4,527,397 will be used to meet the Council's ongoing obligations to citizens and creditors as funded through current revenues.

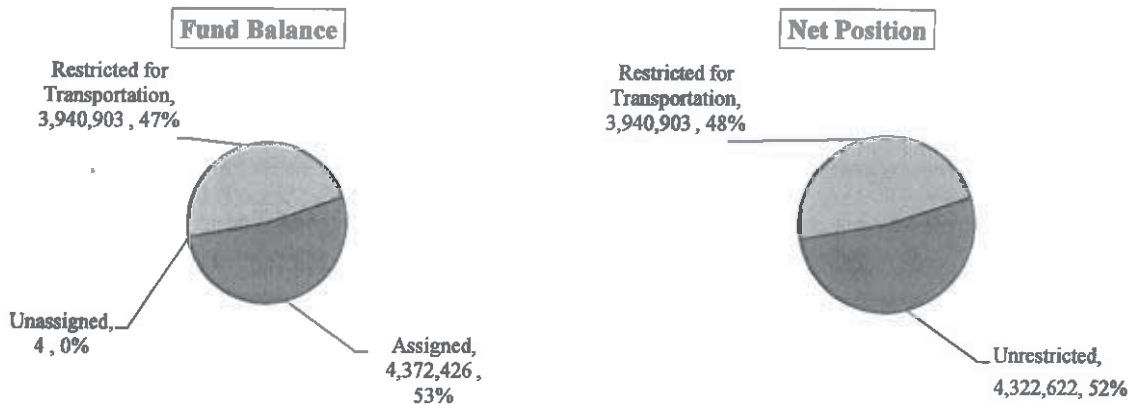
Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2019
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The cost of all Governmental activities this year was \$2,624,109. 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 (\$1,500) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$4,742,662) for operations with general revenues of \$151,383, the Council contributed to governmental activities \$2,271,437 increasing the beginning net position of \$5,992,088 to \$8,263,525.

Available net position are those amounts not subject to restriction in the current period, typically classified as designated or undesignated 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, 2019
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 \$4,895,545. This consisted of \$4,744,162 in program revenues and \$151,383 in general revenues. Total governmental activities operating expenses during the year were \$2,624,109; thus, net position at July 1, 2018, of \$5,992,008 was increased by \$2,271,437 to \$8,263,525

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.

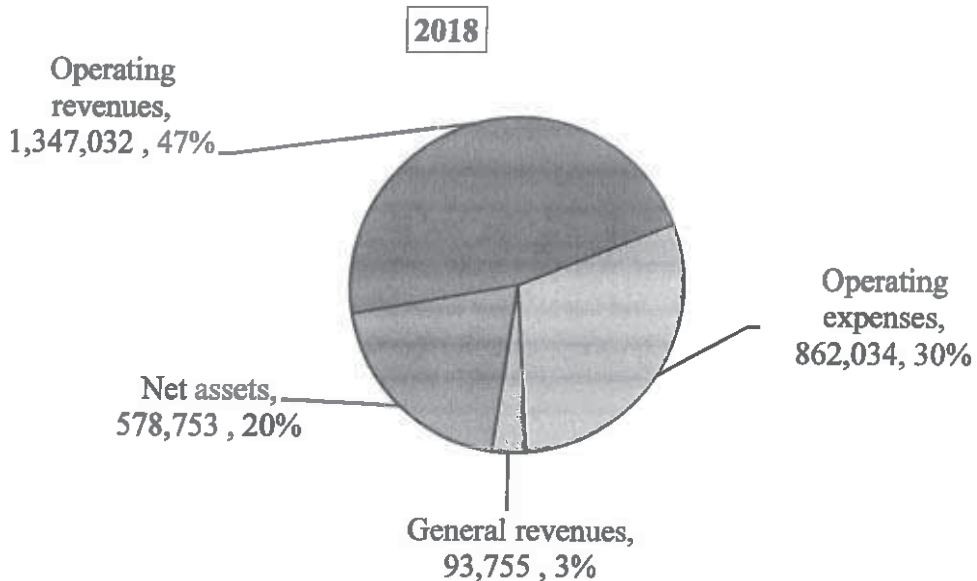
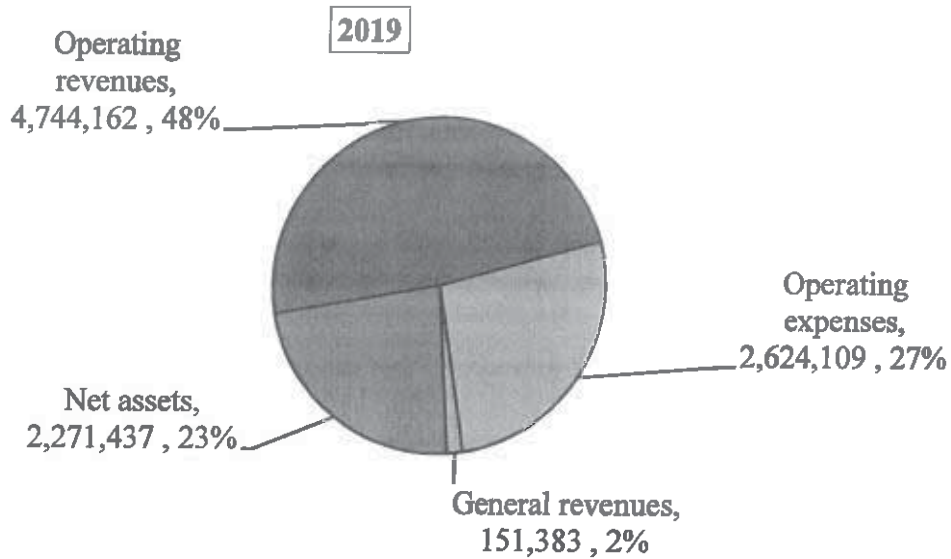
	Operating Revenue		Operating Expenses		Net (Expense)Revenue and Changes in Net Position	
	2019	2018	2019	2018	2019	2018
	Governmental activities:					
Transportation	\$ 4,895,545	\$ 1,347,032	\$ 2,624,109	\$ 862,034	\$ 2,271,436	\$ 484,998
Total governmental activities	\$ 4,895,545	\$ 1,347,032	\$ 2,624,109	\$ 862,034	\$ 2,271,436	\$ 484,998

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2019
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, 2019

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

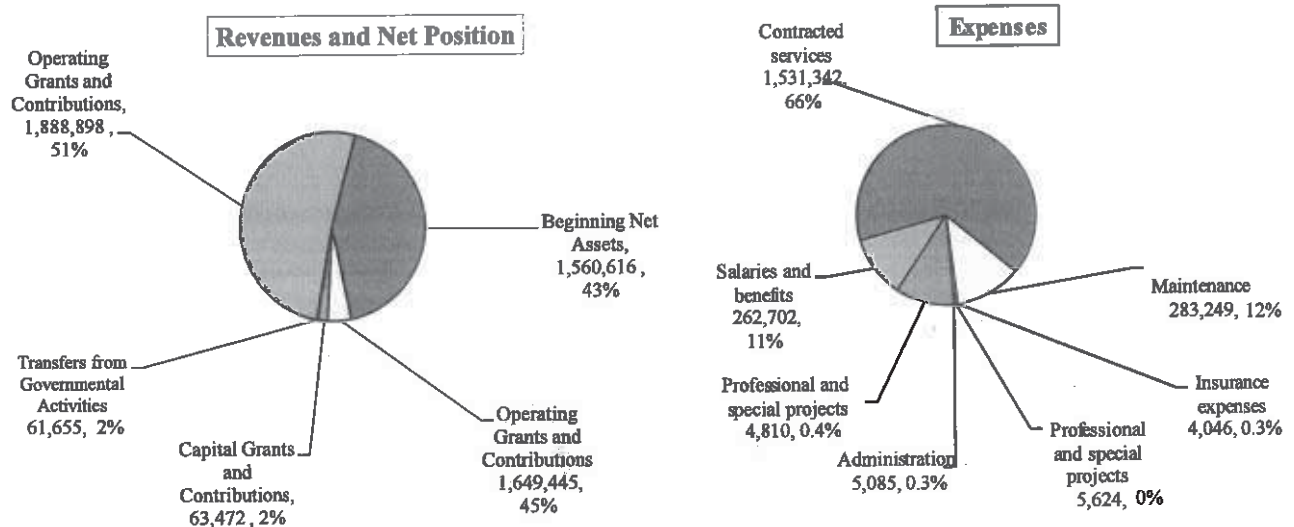
Business-type Activities

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 \$3,498,123 consisting of net position at July 1, 2018, of \$1,560,616 charges for services of \$151,384, \$1,888,898 of operating grants and contributions, and \$63,472 of capital contributions. Total general miscellaneous revenues amounted to \$5,930. Total business-type activities expenses during the year were \$2,344,068 thus net position was decreased by \$234,384 to \$1,326,232.

The cost of all Business-type activities this year was \$2,344,068. However, as shown in the Statement of Activities on pages 18 and 19, the amount that was paid by charges for services \$151,384, operating grants and contributions of \$1,888,898 and capital grants and contributions of \$63,472 leaving a remaining net expense balance of (\$240,314).

Revenues and expenses can be depicted graphically as follows:



Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2019

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	
	2019	2018	2019	2018	2019	2018
Business-type activities:						
Local Transportation Authority	\$ 2,103,754	\$ 1,995,362	\$ 2,344,068	\$ 2,094,419	\$ (240,314)	\$ (99,057)
Total business-type activities	\$ 2,103,754	\$ 1,995,362	\$ 2,344,068	\$ 2,094,419	\$ (240,314)	\$ (99,057)

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, 2019, net capital assets of the governmental activities totaled \$0 and business-type activities totaled \$1,121,457. 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	
	2019	2018	2019	2018	2019	2018
Property, plant and equipment	\$ -	\$ -	\$ 1,121,457	\$ 1,309,138	\$ 1,121,457	\$ 1,309,138
Total	\$ -	\$ -	\$ 1,121,457	\$ 1,309,138	\$ 1,121,457	\$ 1,309,138

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, 2019

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 decreased by \$490. There was no new debt incurred in 2018-2019 because of annual vacations taken earlier than in the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the Council Budget for fiscal year 2019-2020, the Council's Board and management used the following criteria:

The key assumptions in our revenue forecast were:

1. Other than Sales tax, revenues are expected to stay the same, however the State is predicting lower than budgeted tax revenues.
2. Interest earnings for the Council should be approximately the same.
3. Operating subventions are estimated to be approximately the same.
4. Charges for services are expected to be approximately the same.
5. In April 2019 the Council will start receiving 1% Transportation Sales Tax revenue with the passage of Measure G. This was not included in the 2019-2020 Council Budget and will need to be amended.

Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2019

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 2019-2020 was \$14,138,999 and is summarized as follows:

	FY 2019-20	FY 2018-19	Amount Change	Percentage Change
General Administration fund	\$ 299,910	\$ 233,639	\$ 66,271	28.4%
Special revenue funds	3,879,822	3,144,839	734,983	23.4%
Capital projects funds	6,005,990	670,226	5,335,764	796.1%
Total operations and projects	10,185,722	4,048,704	6,137,018	151.6%
Local Transportation Authority	3,953,277	3,245,402	707,875	21.8%
Total budget	\$ 14,138,999	\$ 7,294,106	\$ 6,844,893	93.8%

1. General Administration Fund - Shows an increase of \$66,171 or 28.4 %, which breaks down as follows:

	FY 2019-20	FY 2018-19	Amount Change	Percentage Change
Salaries & Benefits	\$ 177,233	\$ 108,054	\$ 69,179	64.0%
Services & Supplies	122,677	125,585	(2,908)	(2.3)%
Total budget	\$ 299,910	\$ 233,639	\$ 66,271	28.4%

2. Special Revenue and Capital Project Funds - Show an increase of \$6,051,355 or 157.8%, which breaks down as follows:

	FY 2019-20	FY 2018-19	Change	Change
Transportation Planning				
State Subvention	\$ 1,124,202	\$ 1,137,650	\$ (13,448)	(1.2)%
State Transit Assistance	788,986	523,238	265,748	50.8%
Local Transportation Fund	1,890,726	1,414,090	476,636	33.7%
Highway 25 Project	250,000	670,226	(420,226)	(62.7)%
Measure A	-	-	-	0.0%
Measure G	5,755,990	-	5,755,990	100.0%
Service Authority for				
Freeways and Expressways	53,486	66,361	(12,875)	(19.4)%
Rideshare Program	3,127	3,500	(373)	(10.7)%
Vanpool Program	19,295	19,392	(97)	(0.5)%
Total budget	\$ 9,885,812	\$ 3,834,457	\$ 6,051,355	157.8%

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, 2019

Management's Discussion and Analysis, Continued

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

3. Enterprise Fund – The increase of \$501,836 or 15.4% breaks down for the Local Transportation Authority as follows:

	<u>FY 2019-20</u>	<u>FY 2018-19</u>	<u>Amount Change</u>	<u>Percentage Change</u>
Salaries & Benefits	\$ 305,737	\$ 280,731	\$ 25,006	8.9%
Services & Supplies	1,885,454	1,381,806	503,648	36.4%
Contracts	1,559,425	1,582,865	(23,440)	(1.5)%
Other	-	3,378	(3,378)	0.0%
Total budget	<u>\$ 3,750,616</u>	<u>\$ 3,248,780</u>	<u>\$ 501,836</u>	<u>15.4%</u>

This decrease is attributed to the award of Public Transportation Modernization, Improvement, and Service Enhancement funding that was used in 2019-2020.

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, 2019

(with comparative totals for June 30, 2018)

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
ASSETS				
Current assets:				
Cash and investments	\$ 5,852,660	\$ 48,739	\$ 5,901,399	\$ 5,554,959
Receivables (net)	2,627,064	324,006	2,951,070	1,036,246
Total current assets	8,479,724	372,745	8,852,469	6,591,205
Noncurrent assets:				
Net OPEB Asset	86,886	-	86,886	81,046
Capital assets net of accumulated depreciation:				
Buildings, property and equipment	-	1,121,457	1,121,457	1,309,138
Total noncurrent assets	86,886	1,121,457	1,208,343	1,390,184
Total assets	8,566,610	1,494,202	10,060,812	7,981,389
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB	9,003	-	9,003	7,542
Total deferred outflows of resources	9,003	-	9,003	7,542
Total assets and deferred outflows	\$ 8,575,613	\$ 1,494,202	\$ 10,069,815	\$ 7,988,931
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 55,618	\$ 130,082	\$ 185,700	\$ 137,502
Due to fiduciary activities	1,061	-	1,061	-
Due to other governments	109,712	-	109,712	109,712
Total current liabilities	166,391	130,082	296,473	247,214
Noncurrent liabilities:				
Long-term obligations:				
Vacation and compensated absence obligation	138,047	37,888	175,935	181,773
Total noncurrent liabilities	138,047	37,888	175,935	181,773
Total liabilities	304,438	167,970	472,408	428,987
DEFERRED INFLOWS OF RESOURCES				
Related to OPEB	7,650	-	7,650	7,240
Total deferred inflows of resources	7,650	-	7,650	7,240
NET POSITION				
Net investment in capital assets	-	1,121,457	1,121,457	1,309,138
Restricted for:				
Transportation	3,940,903	-	3,940,903	658,414
Unrestricted	4,322,622	204,775	4,527,397	5,585,152
Total net position	8,263,525	1,326,232	9,589,757	7,552,704
Total liabilities, deferred inflows and net position	\$ 8,575,613	\$ 1,494,202	\$ 10,069,815	\$ 7,988,931

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

Council of San Benito County Governments

Statement of Activities

For the year ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Transportation	\$ 2,624,109	\$ 1,500	\$ 4,742,663	\$ -
Total governmental activities	2,624,109	1,500	4,742,663	-
Business-type activities:				
Local Transportation Authority	2,344,068	151,384	1,888,898	63,472
Total business-type activities	2,344,068	151,384	1,888,898	63,472
Total primary government	\$ 4,968,177	\$ 152,884	\$ 6,631,561	\$ 63,472

Use of money and property
 Other revenues
 Total general revenues
 Transfers
 Total general revenues and transfers

Change in net position
 Net position:
 Beginning of year
 Restatements
 Beginning, as restated
 End of year

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	2019	2018
\$ 2,120,054	\$ -	\$ 2,120,054	\$ 484,998
2,120,054	-	2,120,054	484,998
-	(240,314)	(240,314)	(99,057)
-	(240,314)	(240,314)	(99,057)
2,120,054	(240,314)	1,879,740	385,941
127,675	727	128,402	67,432
23,708	5,203	28,911	27,487
151,383	5,930	157,313	94,919
-	-	-	-
151,383	5,930	157,313	94,919
2,271,437	(234,384)	2,037,053	480,860
5,992,088	1,560,616	7,552,704	6,995,245
-	-	-	76,599
5,992,088	1,560,616	7,552,704	7,071,844
\$ 8,263,525	\$ 1,326,232	\$ 9,589,757	\$ 7,552,704

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FUND FINANCIAL STATEMENTS

Council of San Benito County Governments

Balance Sheet

Governmental Funds

June 30, 2019

(with comparative totals for June 30, 2018)

	Major Funds			
	General Administration	State Subvention Special Revenue	Highway 25 Safety Enhancement Capital Projects	Measure A Capital Projects
ASSETS				
Cash and cash equivalents	\$ 1,977	\$ 3,072,545	\$ 336,040	\$ 140
Receivables:				
Accounts Receivable	-	771,739	-	-
Intergovernmental	-	-	-	-
Total assets	<u>\$ 1,977</u>	<u>\$ 3,844,284</u>	<u>\$ 336,040</u>	<u>\$ 140</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 912	\$ 50,703	\$ -	\$ -
Due to LTF	1,061	-	-	-
Due to other governments	-	109,712	-	-
Total liabilities	<u>1,973</u>	<u>160,415</u>	<u>-</u>	<u>-</u>
Deferred inflows - Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
PTMISEA	-	-	-	-
OHS	-	-	-	-
Transportation	-	-	-	140
Assigned	-	3,683,869	336,040	-
Unassigned (deficit)	4	-	-	-
Total fund balances	<u>4</u>	<u>3,683,869</u>	<u>336,040</u>	<u>140</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,977</u>	<u>\$ 3,844,284</u>	<u>\$ 336,040</u>	<u>\$ 140</u>

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

Measure G Capital Projects	PTMISEA & ARRA Capital Projects	Other Governmental Funds	Totals	
			2019	2018
\$ 467,037	\$ 1,737,630	\$ 237,291	\$ 5,852,660	\$ 5,450,209
			771,739	719,950
1,736,096		119,229	1,855,325	10,921
<u>\$ 2,203,133</u>	<u>\$ 1,737,630</u>	<u>\$ 356,520</u>	<u>\$ 8,479,724</u>	<u>\$ 6,181,080</u>

\$	\$	\$ 4,003	\$ 55,618	\$ 22,091
			1,061	
			109,712	109,712
		4,003	166,391	131,803

	1,492,504		1,492,504	
	152,852		152,852	
2,203,133	92,274		2,295,547	658,414
		352,517	4,372,426	5,390,090
			4	773
<u>2,203,133</u>	<u>1,737,630</u>	<u>352,517</u>	<u>8,313,333</u>	<u>6,049,277</u>
<u>\$ 2,203,133</u>	<u>\$ 1,737,630</u>	<u>\$ 356,520</u>	<u>\$ 8,479,724</u>	<u>\$ 6,181,080</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, 2019

Total fund balances - total governmental funds **\$ 8,313,333**

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 (138,047)

Net OPEB obligations/assets result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets and liabilities

OPEB Asset	86,886
Deferred Outflows	9,003
Deferred Inflows	(7,650)

Net position of governmental activities **\$ 8,263,525**

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, 2019

	Governmental Funds Balance Sheet	Eliminations/ Reclassifications	Changes in GAAP	Statement of Net Position
ASSETS				
Current assets:				
Cash and investments	\$ 5,852,660	\$ -	\$ -	\$ 5,852,660
Receivables (net)	2,627,064	-	-	2,627,064
Total current assets	<u>8,479,724</u>	<u>-</u>	<u>-</u>	<u>8,479,724</u>
Noncurrent assets:				
Net OPEB Asset	-	-	86,886	86,886
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>86,886</u>	<u>-</u>
Total assets	<u>8,479,724</u>	<u>-</u>	<u>86,886</u>	<u>8,566,610</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB	-	-	9,003	9,003
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>9,003</u>	<u>9,003</u>
Total assets and deferred outflows	<u>\$ 8,479,724</u>	<u>\$ -</u>	<u>\$ 95,889</u>	<u>\$ 8,575,613</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 55,618	\$ -	\$ -	\$ 55,618
Due to LTP/fiduciary activities	1,061	-	-	1,061
Due to other governments	109,712	-	-	109,712
Total current liabilities	<u>166,391</u>	<u>-</u>	<u>-</u>	<u>166,391</u>
Noncurrent liabilities:				
Vacation and compensated absence obligation	-	-	138,047	138,047
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>138,047</u>	<u>138,047</u>
Total liabilities	<u>166,391</u>	<u>-</u>	<u>138,047</u>	<u>304,438</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB	-	-	7,650	7,650
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>7,650</u>	<u>7,650</u>
Fund Balance/Net Position				
Fund Balance:				
Restricted for:				
Transportation	3,940,903		(3,940,903)	
Assigned	4,372,426		(4,372,426)	
Unassigned (deficit)	4		(4)	
Net Position				
Net investment in capital assets				
Restricted for:				
Transportation		-	3,940,903	3,940,903
Unrestricted		-	4,322,622	4,322,622
Total net position	<u>8,313,333</u>	<u>-</u>	<u>(49,808)</u>	<u>8,263,525</u>
Total liabilities, deferred inflows and net position	<u>\$ 8,479,724</u>	<u>\$ -</u>	<u>\$ 95,889</u>	<u>\$ 8,575,613</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, 2019

(with comparative totals for the year ended June 30, 2018)

	Major Funds			
	General Administration	State Subvention Special Revenue	Highway 25 Safety Enhancement Capital Projects	Measure A Capital Projects
REVENUES:				
Use of money and property	\$ -	\$ 66,843	\$ 7,293	\$ 3
Intergovernmental	221,505	1,028,452	-	-
Charges for services	1,500	-	-	-
Other revenues	8	-	-	-
Total revenues	<u>223,013</u>	<u>1,095,295</u>	<u>7,293</u>	<u>3</u>
EXPENDITURES:				
Current:				
Salaries and benefits	115,469	372,888	-	-
Services and supplies	108,313	90,150	-	-
Capital outlay:				
Highway 25 improvements	-	-	64,624	-
Measure A projects	-	-	-	12
Other capital	-	1,725,270	-	-
Total expenditures	<u>223,782</u>	<u>2,188,308</u>	<u>64,624</u>	<u>12</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(769)</u>	<u>(1,093,013)</u>	<u>(57,331)</u>	<u>(9)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(769)</u>	<u>(1,093,013)</u>	<u>(57,331)</u>	<u>(9)</u>
FUND BALANCES:				
Beginning of year	773	4,776,882	393,371	149
End of year	<u>\$ 4</u>	<u>\$ 3,683,869</u>	<u>\$ 336,040</u>	<u>\$ 140</u>

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

Measure G Capital Projects	PTMISEA & ARRA Capital Projects	Other Governmental Funds	Totals	
			2019	2018
\$ 9,900	\$ 37,589	\$ 6,047	\$ 127,675	\$ 66,268
2,193,233	1,055,315	244,158	4,742,663	1,346,132
-	-	-	1,500	900
-	-	23,700	23,708	27,487
<u>2,203,133</u>	<u>1,092,904</u>	<u>273,905</u>	<u>4,895,546</u>	<u>1,440,787</u>
-	-	26,302	514,659	473,305
-	-	114,923	313,386	224,864
-	-	-	64,624	66,646
-	-	-	12	24
-	13,539	-	1,738,809	77,415
-	13,539	141,225	2,631,490	842,254
<u>2,203,133</u>	<u>1,079,365</u>	<u>132,680</u>	<u>2,264,056</u>	<u>598,533</u>
-	-	-	-	-
-	-	-	-	-
<u>2,203,133</u>	<u>1,079,365</u>	<u>132,680</u>	<u>2,264,056</u>	<u>598,533</u>
-	658,265	219,837	6,049,277	5,450,744
<u>\$ 2,203,133</u>	<u>\$ 1,737,630</u>	<u>\$ 352,517</u>	<u>\$ 8,313,333</u>	<u>\$ 6,049,277</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, 2019

Net change in fund balances - total governmental funds **\$ 2,264,056**

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:

Net OPEB asset	6,891
Accrued compensated absences	490
	<hr/>

Change in net position of governmental activities **\$ 2,271,437**

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, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	Original Budget	Amended Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ 2
Intergovernmental:					
Local Transportation Funds (LTF)	232,739	232,739	221,505	(11,234)	222,490
Charges for services	900	900	1,500	600	900
Other	-	-	8	8	4,944
Total revenues	<u>233,639</u>	<u>233,639</u>	<u>223,013</u>	<u>(10,626)</u>	<u>228,336</u>
EXPENDITURES:					
Salaries and benefits	108,054	108,054	115,469	(7,415)	108,602
Services and supplies	77,965	75,448	73,272	2,176	54,803
Contractual services	43,000	43,000	35,041	7,959	43,526
Capital	-	-	-	-	21,404
Other charges	4,620	7,137	-	7,137	-
Total expenditures	<u>233,639</u>	<u>233,639</u>	<u>223,782</u>	<u>9,857</u>	<u>228,335</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	(769)	(769)	1
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(769)</u>	<u>\$ (769)</u>	<u>1</u>
FUND BALANCES:					
Beginning of year			773		772
End of year			<u>\$ 4</u>		<u>\$ 773</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, 2019

(with comparative actual amounts for the year ended June 30, 2018)

	Original Budget	Amended Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ 18,000	\$ 18,000	66,843	\$ 48,843	\$ 50,729
Total use of money and property	18,000	18,000	66,843	48,843	50,729
Intergovernmental:					
RSTP	588,908	588,908	606,226	17,318	588,908
Rural Planning Assistance	360,446	360,446	367,226	6,780	308,210
SB1 Community Grant	150,000	150,000	-	(150,000)	-
STIP	55,000	55,000	55,000	-	55,000
Total intergovernmental	1,154,354	1,154,354	1,028,452	(125,902)	952,118
Charges for services:					
Planning, programming & monitoring	-	-	-	-	-
Total charges for services	-	-	-	-	-
Contributions in aid of construction	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	1,172,354	1,172,354	1,095,295	(77,059)	1,002,847
EXPENDITURES:					
Salaries and benefits	336,252	336,252	372,888	(36,636)	331,262
Services and supplies	14,631	16,895	90,150	(73,255)	52,362
Contracts	215,500	213,236	-	213,236	-
Capital outlay:					
Other capital	571,267	2,296,537	1,725,270	571,267	-
Total expenditures	1,137,650	2,862,920	2,188,308	674,612	383,624
REVENUES OVER (UNDER) EXPENDITURES	34,704	(1,690,566)	(1,093,013)	597,553	619,223
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ 34,704	\$ (1,690,566)	(1,093,013)	\$ 597,553	619,223
FUND BALANCES:					
Beginning of year			4,776,882		4,157,659
End of year			<u>\$ 3,683,869</u>		<u>\$ 4,776,882</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, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	Original Budget	Amended Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ 4,000	\$ 4,000	\$ 7,293	\$ 3,293	\$ 4,824
Total use of money and property	4,000	4,000	7,293	3,293	4,824
Other	235,000	235,000	-	(235,000)	-
Total revenues	239,000	239,000	7,293	(231,707)	4,824
EXPENDITURES:					
Capital outlay:					
Highway 25 improvements	670,226	670,226	64,624	605,602	66,646
Other capital	-	-	-	-	33
Total expenditures	670,226	670,226	64,624	605,602	66,679
REVENUES OVER (UNDER) EXPENDITURES	(431,226)	(431,226)	(57,331)	373,895	(61,855)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (431,226)	\$ (431,226)	(57,331)	\$ 373,895	(61,855)
FUND BALANCES:					
Beginning of year			393,371		455,226
End of year			<u>\$ 336,040</u>		<u>\$ 393,371</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, 2019

(with comparative actual amounts for the year ended June 30, 2018)

	Original Budget	Amended Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
REVENUES:					
Use of money and property:					
Investment income (losses)	\$ -	\$ -	\$ 3	\$ 3	\$ 2
Total use of money and property	-	-	3	3	2
Intergovernmental:					
STIP	-	-	-	-	-
Total intergovernmental	-	-	-	-	-
Other					
Total revenues	-	-	3	3	2
EXPENDITURES:					
Salaries and benefits	-	-	-	-	-
Capital outlay:					
Measure A projects			12	(12)	24
Total expenditures	-	-	12	(12)	24
REVENUES OVER (UNDER) EXPENDITURES	-	-	(9)	(9)	(22)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>\$ -</u>	<u>\$ -</u>	(9)	<u>\$ (9)</u>	(22)
FUND BALANCES:					
Beginning of year			149		171
End of year			<u>\$ 140</u>		<u>\$ 149</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 G Capital Projects Fund

For the year ended June 30, 2019

(with comparative actual amounts for the year ended June 30, 2018)

	Original Budget	Amended Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
REVENUES:					
Use of money and property:					
Investment income (losses)	\$ -	\$ -	\$ 9,900	\$ 9,900	\$ -
Total use of money and property	-	-	9,900	9,900	-
Intergovernmental:					
Sales Tax	-	-	2,193,233	2,193,233	-
Total intergovernmental	-	-	2,193,233	2,193,233	-
Other	-	-	-	-	-
Total revenues	-	-	2,203,133	2,203,133	-
EXPENDITURES:					
Salaries and benefits	-	-	-	-	-
Capital outlay:					
Measure G projects	-	-	-	-	-
Total expenditures	-	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	2,203,133	2,203,133	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>2,203,133</u>	<u>\$ 2,203,133</u>	-
FUND BALANCES:					
Beginning of year			-		-
End of year			<u>\$ 2,203,133</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

PTMISEA & ARRA Capital Projects Fund

For the year ended June 30, 2019

(with comparative actual amounts for the year ended June 30, 2018)

	Original Budget	Amended Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
REVENUES:					
Use of money and property:					
Investment income	\$ -	\$ -	\$ 37,589	\$ 37,589	\$ 7,983
Total use of money and property	-	-	37,589	37,589	7,983
Intergovernmental:					
Office of Emergency Services	84,081	84,081	-	(84,081)	-
PTMISEA	1,065,905	1,065,905	1,055,315	(10,590)	84,081
Total intergovernmental	1,149,986	1,149,986	1,055,315	(94,671)	84,081
Total revenues	1,149,986	1,149,986	1,092,904	(57,082)	92,064
EXPENDITURES:					
Capital outlay:					
PTMSIEA	1,149,986	1,149,986	13,539	1,136,447	55,978
Cal EMA	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	1,149,986	1,149,986	13,539	1,136,447	55,978
REVENUES OVER (UNDER) EXPENDITURES	-	-	1,079,365	1,079,365	36,086
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ -	\$ -	1,079,365	\$ 1,079,365	36,086
FUND BALANCES:					
Beginning of year			658,265		622,179
End of year			\$ 1,737,630		\$ 658,265

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, 2019

(with comparative totals for June 30, 2018)

	Totals	
	2019	2018
Current assets:		
Cash and investments	\$ 48,739	\$ 104,750
Intergovernmental receivable	324,006	305,375
Total current assets	<u>372,745</u>	<u>410,125</u>
Property, plant and equipment	3,829,291	3,812,181
Less accumulated depreciation	(2,707,834)	(2,503,043)
Property, plant, and equipment, net	<u>1,121,457</u>	<u>1,309,138</u>
Total assets	<u>\$ 1,494,202</u>	<u>\$ 1,719,263</u>
 LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 130,082	\$ 115,411
Total current liabilities	<u>130,082</u>	<u>115,411</u>
Vacation and compensated absence obligation	37,888	43,236
Total liabilities	<u>167,970</u>	<u>158,647</u>
Net Position:		
Net investment in capital assets	1,121,457	1,309,138
Unrestricted	204,775	251,478
Total net position	<u>1,326,232</u>	<u>1,560,616</u>
Total liabilities and net position	<u>\$ 1,494,202</u>	<u>\$ 1,719,263</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, 2019
(with comparative totals for the year ended June 30, 2018)

	Totals	
	2019	2018
OPERATING REVENUES:		
Charges for services:		
Passenger fares	\$ 151,384	\$ 155,747
FTA 5311 operating grant	322,026	304,997
Total operating revenues	<u>473,410</u>	<u>460,744</u>
OPERATING EXPENSES:		
Salaries and benefits	262,702	258,821
Contracted services	1,531,342	1,308,151
Maintenance	283,249	228,927
Insurance expenses	4,427	4,045
Professional and special projects	5,624	4,810
Administration	7,116	6,243
Depreciation expense	249,608	283,422
Total operating expenses	<u>2,344,068</u>	<u>2,094,419</u>
OPERATING LOSS	<u>(1,870,658)</u>	<u>(1,633,675)</u>
NONOPERATING REVENUES:		
MBUAPC	-	27,937
Local Transportation Funds	1,006,235	948,282
State Transit Assistance Funds	489,262	368,229
FTA 5311/5310/5304 (FTA Operating Grant, Transit Interns, LRTS & SRTP)	71,375	-
Investment income	727	1,164
Other	5,203	-
Total non-operating revenues (expenses), net	<u>1,572,802</u>	<u>1,345,612</u>
NET INCOME (LOSS) BEFORE TRANSFERS & CONTRIBUTIONS	<u>(297,856)</u>	<u>(288,063)</u>
Transfers in (out)		
Capital Contributions	63,472	190,170
CHANGE IN NET POSITION	<u>(234,384)</u>	<u>(97,893)</u>
NET POSITION:		
Beginning of year	<u>1,560,616</u>	<u>1,658,509</u>
End of year	<u>\$ 1,326,232</u>	<u>\$ 1,560,616</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, 2019

(with comparative amounts for the year ended June 30, 2018)

	Totals	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from passenger fares	\$ 151,384	\$ 155,747
Cash receipts from other governments	303,395	298,247
Cash payments to suppliers for goods and services	(1,817,087)	(1,565,991)
Cash payments to employees for services	(268,050)	(253,016)
Net cash used by operating activities	(1,630,358)	(1,365,013)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received (paid)	5,203	-
Other nonoperating receipts	71,375	27,937
Local Transportation Funds received	1,006,235	948,282
State Transit Assistance Funds received	489,262	368,229
Net cash provided by noncapital financing activities	1,572,075	1,344,448
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
Capital contributions	1,545	-
Net cash (used) by capital and related financing activities	1,545	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	727	1,164
Net cash provided by investing activities	727	1,164
Net increase (decrease) in cash and cash equivalents	(56,011)	(19,401)
CASH AND CASH EQUIVALENTS:		
Beginning of year	104,750	124,151
End of year	\$ 48,739	\$ 104,750
Presentation in Statement of Net Position:		
Cash and investments	\$ 48,739	\$ 104,750
Total cash and investments	\$ 48,739	\$ 104,750
Reconciliation of income (loss) from operations to net cash used by operating activities:		
Operating income (loss)	\$ (1,870,658)	\$ (1,633,675)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	249,608	283,422
(Increase) decrease in current assets:		
Intergovernmental receivable	(18,631)	(6,750)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	14,671	(13,815)
Vacation and compensated absence obligation	(5,348)	5,805
Net cash used by operating activities	\$ (1,630,358)	\$ (1,365,013)

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, 2019

(with comparative actual amounts for the year ended June 30, 2018)

	Local	State Transit	Totals	
	Transportation Fund	Assistance Fund	2019	2018
ASSETS				
Cash and investments	\$ 4,830,404	\$ 11,089	\$ 4,841,493	\$ 4,057,676
Intergovernmental receivable	322,225	-	322,225	320,090
Sales tax receivable	-	142,395	142,395	116,582
Due from other funds	1,061	-	1,061	64,337
Total assets	5,153,690	153,484	5,307,174	4,558,685
LIABILITIES				
Due to other funds	-	-	-	64,337
Total liabilities	-	-	-	64,337
NET POSITION				
Restricted for pedestrian/bicycle	1,665,020	-	1,665,020	487,694
Restricted for other governments	3,488,670	153,484	3,642,154	4,006,654
Total net position	\$ 5,153,690	\$ 153,484	\$ 5,307,174	\$ 4,494,348

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, 2019

(with comparative actual amounts for the year ended June 30, 2018)

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Totals	
			2019	2018
Additions				
Sales tax	\$ 1,834,570	\$ 590,165	\$ 2,424,735	\$ 2,637,265
Interest	104,757	336	105,093	50,090
Total additions	1,939,327	590,501	2,529,828	2,687,355
Deductions				
Claims paid to:				
Council of San Benito County Governments:				
Local Transportation Authority Fund	1,006,235	489,262	1,495,497	1,336,669
Administration Fund	221,505	-	221,505	202,332
Total deductions	1,227,740	489,262	1,717,002	1,539,001
Change in net position	711,587	101,239	812,826	1,148,354
Net position, beginning of year	4,442,103	52,245	4,494,348	3,345,994
Net position, end of year	\$ 5,153,690	\$ 153,484	\$ 5,307,174	\$ 4,494,348

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

NOTES TO BASIC FINANCIAL STATEMENTS

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Council of San Benito County Governments
Basic Financial Statements
For the year ended June 30, 2018

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Council of San Benito County Governments
Notes to Basic Financial Statements
For the year ended June 30, 2018

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, 2019

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, 2019

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.

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

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, 2019

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>
Major:	
Governmental Activities:	
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.
Measure G Capital Projects	The measure is a one cent local transactions and use tax to be collected for 30 years to improve local streets and roads, improve connectivity, and reduce congestion.
PTMISEA & ARRA 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.
Business-type Activities:	
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.
Non-Major:	
Governmental Activities:	
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.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New and Closed Funds

The Measure G Special Revenue Fund was opened during the year ended June 30, 2019 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019 and June 30, 2018:

	June 30, 2019		June 30, 2018
	Not rated	Fair Value	
San Benito County Treasury	\$ 10,742,892	\$ 10,742,892	\$ 9,612,635
Total	<u>\$ 10,742,892</u>	<u>\$ 10,742,892</u>	<u>\$ 9,612,635</u>
Amounts reported in:			
Governmental activities		\$ 5,852,660	\$ 5,450,209
Business-type activities		48,739	104,750
Fiduciary activities		4,841,493	4,057,676
Total		<u>\$ 10,742,892</u>	<u>\$ 9,612,635</u>

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, 2019, approximated fair value of \$10,742,892.

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, 2019

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, 2019, 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, 2019

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, 2019, these investments matured in an average of 173 days. As of June 30, 2019, the County Treasury had \$75,676,302 invested in LAIF and CAMP. 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 331 days with an average duration of 182 days.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Totals	
				2019	2018
Accounts receivable	\$ 771,739	\$ -	\$ -	\$ 771,739	\$ 1,040,040
Intergovernmental	1,855,325	324,006	322,225	2,501,556	316,296
Sales tax receivable	-	-	142,395	142,395	116,582
Total accounts receivable	\$ 2,627,064	\$ 324,006	\$ 464,620	\$ 3,415,690	\$ 1,472,918

These amounts resulted in the following concentrations in receivables:

Other Governments	73%
Sales tax	4%
Other	23%

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

4. CAPITAL ASSETS

Capital asset activity for business-type activities for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
<u>Business-type activities:</u>				
Property, plant, and equipment	3,812,182	122,822	(105,712)	3,829,291
Less: accumulated depreciation	(2,503,044)	104,167	(308,957)	(2,707,834)
Total business-type activities	<u>1,309,138</u>	<u>226,989</u>	<u>(414,669)</u>	<u>1,121,457</u>
Net book value	<u>\$ 1,309,138</u>	<u>\$ 226,989</u>	<u>\$ (414,669)</u>	<u>\$ 1,121,457</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, 2019:

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
Accounts payable and accrued liabilities	\$ 55,619	\$ 130,082	\$ 185,701	\$ 137,502
Due to fiduciary activities	1,061	-	1,061	-
Due to other governments	109,712	-	109,712	109,712
Total	<u>\$ 166,392</u>	<u>\$ 130,082</u>	<u>\$ 296,474</u>	<u>\$ 247,214</u>

These amounts resulted in the following concentrations in payables:

Vendors	63%
Other governments	37%

6. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2019, are shown below:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
<u>Governmental activities:</u>				
Compensated absences	\$ 138,537	\$ -	\$ (490)	\$ 138,047
Total governmental activities	<u>138,537</u>	<u>-</u>	<u>(490)</u>	<u>138,047</u>
<u>Business-type activities:</u>				
Compensated absences	43,236	-	(5,348)	37,888
Total business-type activities	<u>43,236</u>	<u>-</u>	<u>(5,348)</u>	<u>37,888</u>
Totals	<u>\$ 181,773</u>	<u>\$ -</u>	<u>\$ (5,838)</u>	<u>\$ 175,935</u>

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

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	
	2019	2018
Restricted for:		
Transportation	\$ 1,737,630	\$ 658,414
Assigned for:		
State Subvention	3,683,869	4,776,882
Highway 25 Enhancement	336,040	393,371
Service Authority	203,451	188,733
Rideshare	447	2,627
Vanpool	40,148	28,419
Measure G	2,203,133	-
LCTOP	108,471	58
Total Assigned	<u>6,575,699</u>	<u>5,390,090</u>
Unassigned	<u>4</u>	<u>773</u>
Total Fund Balance	<u>\$ 8,313,333</u>	<u>\$ 6,049,277</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	
	2019	2018	2019	2018
Invested in capital assets	\$ -	\$ -	\$ 1,121,457	\$ 1,309,138
Restricted for Transportation	3,940,903	658,414	-	-
Unrestricted	4,322,621	5,333,674	204,775	251,474
Total	<u>\$ 8,263,524</u>	<u>\$ 5,992,088</u>	<u>\$ 1,326,232</u>	<u>\$ 1,560,612</u>

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

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 (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, 2016, \$728,387 was deferred to fiscal year 2016/2017. In fiscal year 2016/2017 the Council applied for and received an additional \$390,000 from the State's PTMISEA account for a Yard Capital Project, Technology Expansion Project and Bus Stop Capital Improvement. In fiscal year 2018/2019 the Council applied for and received \$1,055,315 for Bus Stop Improvement Upgrades, Passenger Notification (Real Time) and Three-Year Vehicle Purchase.

As of June 30, 2019, PTMISEA funds received and expended were verified in the course of our audit as follows:

	<u>Thur 6/30/2018</u>	<u>6/30/2019</u>	<u>Total</u>
Proceeds Received:			
PTMISEA	<u>\$1,285,508</u>	<u>\$1,055,315</u>	<u>\$2,340,823</u>
Expenditures incurred:			
Token - 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 - FY13/14	1,068	-	1,068
Protion of Bus Stop Shelter	1,624	-	1,624
Telephone Systems	11,762	-	11,762
Maintenance Vehicle/Maint. Imp	44,429	5,009	49,438
Buses (5)	609,105	-	609,105
Maintenance on Bus #55	7,777	-	7,777
Technical Expansion	55,767	8,530	64,297
Unexpended proceeds at June 30, 2019	<u>\$450,728</u>	<u>\$13,539</u>	<u>\$1,492,504</u>

9. OHS

The Governor's Office of Homeland Security (OHS) 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.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

9. OHS, Continued

These funds are the Highway Safety, Traffic Reduction, and Port Security Bond Act of 2006 (Proposition 1B). There were no expenditures or revenues received in 2018/2019 TSSSDRA funds expended and received were verified in the course of our audit as follows:

<u>Fiscal Year</u>	<u>Date Received</u>	<u>Amount Received</u>	<u>Expended FY 12/13</u>	<u>Expended FY16/17</u>	<u>Expended FY17/18</u>	<u>Expended FY 18/19</u>	<u>Unexpended at 06/30/19</u>
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
OHS 2015/16	4/30/2018	46,712	-	-	-	-	46,712
OHS 2016/17	5/9/2018	37,369	-	-	-	-	37,369
TOTAL UNEXPENDED							152,852

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, 2019

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 2018-19 rate is 22.5113% 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 \$42,027,389 as of the measurement date of June 30, 2019. 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 is currently under contract with EIA for medical plan coverage has chosen to satisfy its retiree medical benefit commitment using the unequal contribution method. Under this approach, the Council is required to provide retiree medical benefits identical to that which it provides for active employees in the same plan at the same coverage levels. For calendar year 2019, 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 and eligible dependents may continue coverage and receive the subsidy for the remainder of his or her lifetime as well.

Eligibility: A member is eligible to enroll in the EIA 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 and enroll within 30 days of retirement. If a member is currently enrolled in an EIA health plan and wants to continue enrollment into retirement, the employer will notify EIA and the member's coverage will continue into retirement.

Membership of the plan consisted of the following at June 30, 2019:

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

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

Council Contribution to the Plan

The contribution requirements of the Plan participants and the Council are established by and may be amended by the Council. The Council prefunds the plan through the California Employers' Retiree Benefit Trust (CERBT).

Net OPEB Asset

The Council's net OPEB asset was measured as of June 30 2018 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Actuarial Valuation Date	June 30, 2018
Funding Practice	Fund a recommended actuarially determined contribution (ADC) to fully fund the benefits over a reasonable period of time through an amortization of the net (unfunded) OPEB Liability
Asset Return	7.00% per year; assumes the Council invests in the CERBT asset allocation Strategy 1 with a margin for adverse deviation of 28bps.
Discount Rate	7.0% per annum. This discount rate assumes the Council continues to fully fund for its retiree health benefits through the California Employers' Retiree Trustee (CERBT) under its investment allocation strategy 1. The rate reflects the CERBT published median interest rate for strategy 1 of 7.28% with an additional margin for adverse deviation.
General Inflation	2.75% per annum
Salary Increase	3.25% per annum
Mortality Improvement	Mortality projected fully generational with Scale
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Medical Trend Rates	PPO – 7% for 2018, decreasing to an ultimate rate of 5.0% in 2022 and later years HMO – 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2022 and later years
Participation at Retirement	100% (50% for non-participating) of eligible active employees are assumed to elect medical coverage at retirement. For employees only eligible for the CalPERS minimum required contribution, the participation assumption is reduced 50%. Currently elected plan coverage is used for both future retirees and current retirees.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class Component	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	57%	5.5%
Fixed Income	27%	2.35%
TIPS	5%	1.50%
Commodities	3%	1.75%
REITs	8%	3.65%
	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability

Changes in the OPEB Liability

The changes in the net OPEB asset for the Plan are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at 6/30/2018*	\$ 214,310	\$ 295,356	\$ (81,046)
Changes for the year			
Service Cost	9,203	-	9,203
Interest	15,459	-	15,459
Difference between actual and expected experience	-	-	-
Assumption changes	-	-	-
Contributions – employer	-	7,542	(7,542)
Contributions – employee	-	-	-
Net investment income	-	23,508	(23,508)
Benefit payments	(5,345)	(5,345)	-
Administrative expenses	-	(157)	157
Other expenses	-	(359)	359
Net Changes	19,317	25,157	(5,840)
Balance at 6/30/2019**	\$ 233,627	\$ 320,513	\$ (86,886)

*Measured date 6/30/2017

**Measured date 6/30/2018

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The discount rate used for the fiscal year end 2019 is 7%. The following presents the net OPEB asset of the Council if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018.

Change in Discount Rate	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net OPEB Liability/(Asset)	\$ (57,217)	\$ (86,886)	\$ (112,108)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB asset of the Council if it were calculated using health care cost trend rates that are one percentage lower or one percentage point higher than the current rate, for measurement period ending June 30, 2018:

Change in Healthcare Cost Trend Rate	1% Decrease (5.0% HMO/5.5% PPO decreasing to 4% HMO/H4.00% PPO)	Current Trend (6.00%HMO/6.5% PPO decreasing to 5.00% HMO/5.00% PPO)	1% Increase (7.00%HMO/7.5% PPO decreasing to 6.00% HMO/6.00% PPO)
Net OPEB Liability/(Asset)	\$ (119,202)	\$ (86,886)	\$ (47,326)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2017)

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS (OPEB), CONTINUED

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Council recognized OPEB expense of \$2,112. As of fiscal year ended June 30, 2018, the Council reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	7,650
Employer contributions made subsequent to the measurement date	9,003	-
Total	9,003	7,650

The \$9,003 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB asset during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year ended June 30	Deferred Outflow/(Inflows) of Resources
2019	(2,365)
2020	(2,365)
2021	(2,365)
2022	(555)
2023	-
Thereafter	

13. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement had no effect on these financial statements.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

13. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 84, "*Fiduciary Activities*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

The GASB has issued Statement No. 87, "*Leases*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial

reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset,

and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement had no effect on these financial statements.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 90, "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

Council of San Benito County Governments
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

13. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 91, "*Conduit Debt Obligations*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Council will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

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, 2019, 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.

SUPPLEMENTAL INFORMATION

Council of San Benito County Governments
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(with comparative totals for June 30, 2018)

	Special Revenue Funds			Non-Major Funds Totals		
	Service Authority for Freeways and Expressways Fund	Rideshare	Van Pool	LCTOP	2019	2018
ASSETS						
Pooled cash and investments	\$ 195,000	\$ 447	\$ 40,989	\$ 855	\$ 237,291	\$ 211,873
Receivables:						
Intergovernmental	11,614	-	-	107,615	119,229	10,921
Total assets	\$ 206,614	\$ 447	\$ 40,989	\$ 108,470	\$ 356,520	\$ 222,794
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 3,162	\$ -	\$ 841	\$ -	\$ 4,003	\$ 2,957
Total liabilities	3,162	-	841	-	4,003	2,957
Deferred inflows: Unavailable revenue	-	-	-	-	-	-
Fund Balances:						
Assigned	203,452	447	40,148	108,470	352,517	219,837
Total fund balances	203,452	447	40,148	108,470	352,517	219,837
Total liabilities, deferred inflows and fund balances	\$ 206,614	\$ 447	\$ 40,989	\$ 108,470	\$ 356,520	\$ 222,794

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, 2019
(with comparative totals for the year ended June 30, 2018)

	Special Revenue Funds				Non-Major Funds Totals	
	Service Authority for Freeways and Expressways Fund	Rideshare	Van Pool	LCTOP	2019	2018
REVENUES:						
Use of money and property:						
Interest	\$ 4,222	\$ 56	\$ 885	\$ 884	\$ 6,047	\$ 2,728
Intergovernmental:						
Motor vehicle in lieu fees	65,255	-	-	-	65,255	62,460
Monterey Bay	-	-	-	-	-	-
LCTOP	-	-	-	178,903	178,903	24,983
Other revenues:						
Van pool payments	-	-	23,450	-	23,450	19,043
Reimbursements	-	-	250	-	250	3,500
Total revenues	69,477	56	24,585	179,787	273,905	112,714
EXPENDITURES:						
Current:						
Salaries and benefits	16,826	-	9,476	-	26,302	33,441
Services and supplies	37,932	2,236	3,380	71,375	114,923	74,173
Total expenditures	54,758	2,236	12,856	71,375	141,225	107,614
REVENUES OVER (UNDER) EXPENDITURES	14,719	(2,180)	11,729	108,412	132,680	5,100
Transfers in	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	14,719	(2,180)	11,729	108,412	132,680	5,100
FUND BALANCES:						
Beginning of year	188,733	2,627	28,419	58	219,837	214,737
End of year	\$ 203,452	\$ 447	\$ 40,148	\$ 108,470	\$ 352,517	\$ 219,837

Council of San Benito County Governments
Schedule of Amounts Allocated and Disbursed by Purpose
 State Transit Assistance Fund
 For the year ended June 30, 2019

San Benito County
 Local Transportation Authority Section
 6730 (a), 6730 (b), 6731 (c)
 Operating, Capital

Allocations Outstanding June 30, 2018	\$	52,245
Allocations		590,501
Disbursements:		
2018-19 Claims		489,262
Total Disbursements		489,262
Allocations Outstanding June 30, 2019	\$	153,484

Council of San Benito County Governments
Schedule of Amounts Allocated and Disbursed by Purpose
Local Transportation Fund
For the year ended June 30, 2019

	San Benito County and Unincorporated Area	Regional Transportation Planning Administration	San Benito County Local Transportation Authority	
	Pedestrian and Bicycle Section 99234	Planning & Programming Section 99233.1 & 99233.2	Community Transit Public Transportation Section 99233.7 & 99233.8	Totals
Allocations Outstanding June 30, 2018	\$ -	\$ 221,505	\$ 1,006,235	\$ 1,227,740
Disbursements:				
2018-19 Claims	-	221,505	1,006,235	1,227,740
Total Disbursements	<u>-</u>	<u>221,505</u>	<u>1,006,235</u>	<u>1,227,740</u>
Allocations Outstanding June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Council of San Benito County Governments
Required Supplementary Information - Schedule of Changes in the
Net OPEB Asset and Related Ratios
for the Measurement Periods Ended June 30,

	2019	2018
Total OPEB Liability		
Service Cost	\$ 9,203	\$ 8,601
Interest on the total OPEB liability	15,459	14,369
Benefit payments	(5,345)	(10,654)
Net change in Total OPEB Liability	19,317	12,316
Total OPEB liability - beginning	214,310	201,994
Total OPEB liability - ending (a)	\$ 233,627	\$ 214,310
Plan fiduciary net position		
Contributions - employer	\$ 7,542	\$ 17,610
Net Investment income	23,508	27,557
Benefit payments, including refunds of member contributions	(5,345)	(10,654)
Administrative expenses	(157)	(140)
Other	(391)	-
Net change in plan fiduciary net position	25,157	34,373
Plan fiduciary net position - beginning	295,356	260,983
Plan fiduciary net position - ending (b)	\$ 320,513	\$ 295,356
Net OPEB liability/(asset) - ending (a) - (b)	\$ (86,886)	\$ (81,046)
Plan fiduciary net position as a percentage of the total OPEB liability	137.2%	137.8%
Covered-employee payroll	N/A	N/A
Net OPEB liability/(asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule

1) GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability/(Asset). However, since the initial year of implementation was 6/30/18, only two years are currently available.

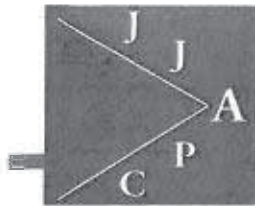
Council of San Benito County Governments
Required Supplementary Information - Schedule of Contributions
for the Measurement Periods Ended June 30,

Fiscal Year Ended June 30,	2019	2018
Actuarially Determined Contribution (ADC)	\$ 2,197	\$ 1,388
Contributions in relation to the ADC	7,542	17,610
Contribution deficiency (excess)	\$ (5,345)	\$ (16,222)
 Covered-employee payroll	 N/A	 N/A
 Contributions as a percentage of covered-employee payroll	 N/A	 N/A

Notes to Schedule

1) GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability/(Asset). However, since the initial year of implementation was 6/30/18, only two years are currently available.

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JJACPA, Inc.

A Professional Accounting Services Corp.

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 (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.

During the fiscal year ended June 30, 2008, the Council applied for and received \$467,009 from the State's PTMISEA account for County Express Replacement Vehicles, County Express Commuter Vehicles and Bus Stop Signage, brochures, tokens, and token holders. At year ended June 30, 2008, only a portion of PTMISEA funds were spent, \$172,902, leaving \$294,107 that was deferred to fiscal year 2008/2009. At year ended June 30, 2010, \$35,480 was deferred to fiscal year 2010/2011. 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 2015/1016 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. In fiscal year 2018/2019, the Council applied for and received \$1,055,315 for Bus Stop Improvement Upgrades, Passenger Notification (Real Time and Three-Year Vehicle Purchase).

As of June 30, 2019, PTMISEA funds received and expended verified in the course of our audit:

	<u>Thur 6/30/2018</u>	<u>6/30/2019</u>	<u>Total</u>
Proceeds Received:			
PTMISEA	\$1,285,508	\$1,055,315	\$2,340,823
Expenditures incurred:			
Token - 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 - FY13/14	1,068	-	1,068
Portion of Bus Stop Shelter	1,624	-	1,624
Telephone Systems	11,762	-	11,762
Maintenance Vehicle/Maint. Imp	44,429	5,009	49,438
Buses (5)	609,105	-	609,105
Maintenance on Bus #55	7,777	-	7,777
Technical Expansion	55,767	8,530	64,297
Unexpended proceeds at June 30, 2019	<u>\$450,728</u>	<u>\$13,539</u>	<u>\$1,492,504</u>

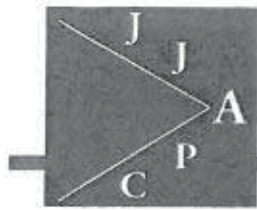
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those require that we plan and perform 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 3, 2019

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, 2019, 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 3, 2019.

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 3, 2019

JJACPA, Inc.

JJACPA, Inc.

Dublin, CA

