

MENDOCINO COUNCIL OF GOVERNMENTS

UKIAH, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino Council of Governments
Ukiah, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mendocino Council of Governments as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Mendocino Council of Governments' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mendocino Council of Governments, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mendocino Council of Governments, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mendocino Council of Governments' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Mendocino Council of Governments' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mendocino Council of Governments' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

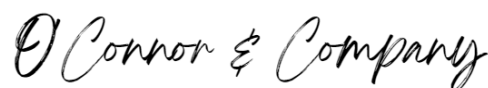
We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mendocino Council of Governments' basic financial statements. The supplementary information on pages 31-32 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

The schedules on pages 33 and 34 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



O'Connor & Company

Novato, California
January 31, 2024

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

This presents management's overview of the financial activities of Mendocino Council of Governments ("the Council") for Fiscal Year (FY) 2022/23, ended June 30, 2023. The discussion and analysis serves as an introduction to the Council's audited financials, which comprise the Council's official financial statements of record.

The required financial statements, required supplemental information, and additional supplemental information in the audit report are listed in the Table of Contents and described in the "Notes to Basic Financial Statements." All sections must be considered together to obtain a complete understanding of the financial picture of the Council and all funds held in trust by the Council.

Economic Trends

The sales tax is an essential economic indicator tracked by the Council, as the largest single source of Council funding. Revenue from the dedicated quarter-cent sales tax to the Local Transportation Fund (LTF) continued a trend of economic recovery and growth since the Great Recession began in 2008. Local sales tax revenues had been around \$3 million annually until the low point in 2009/10 of \$2.6 million. Annual revenues grew steadily to \$5 million in FY 2020/21 during the coronavirus pandemic, when LTF revenues came in a full 20 percent above the budget estimate. In 2021/22, there was again a substantial unallocated surplus, though slowing to 8.5%. Fiscal year 2022/23 actual revenues of \$4.5 million were a disappointing 11.6% below the budget estimate, though remained higher than 2019/20. Another substantial budget shortfall is projected for 2023/24, suggesting the growth trend is flattening to pre-pandemic levels. While sales tax revenues are expected to be slightly higher than four years ago, costs have risen with inflation. The Council has wisely set aside reserves during this period, which have buffered against shortfalls to date.

In a different trajectory, the State Transit Assistance (STA) fund from fuel taxes rebounded from its drop during the first pandemic year. The infusion of revenues from Senate Bill 1, the Road Repair & Accountability Act of 2017, had more than doubled STA annual revenues since its ten-year low point in FY 2016/17 of \$325,000, to a high of \$815,000 in 2018/19. While the ensuing pandemic impacted driving behavior, resulting in a loss of 20% in 2020/21, travel later resumed and revenues recovered, with 2021/22 in excess of both the estimates and pre-pandemic actual revenues. Fiscal year 2022/23 actual revenues approached \$1.3 million, an all-time high. STA is vital for transit operations and capital.

Revenues that originate from gasoline and diesel taxes through federal and state funding sources had been trending downward until the Legislature addressed the statewide transportation funding crisis by passing SB 1, which invests over \$5 billion a year in state and local transportation needs. It has been projected that 10 or so years from now, SB 1 revenues will level off as vehicles become more fuel efficient and transition to electricity. A combination of factors will make fuel taxes lose value in the coming years. For the future, alternative revenue streams are being tested, notably the California Road Charge Pilot completed in 2017. In 2021 the State tested how a road charge could work with four technologies: usage-based insurance, ridesharing, EV charging stations/pay-at-the-pump systems, and autonomous vehicles. In 2023 the Public/Private Roads Project gathered essential information for planning how a road charge program could address travel on and off public, private, and tribal roadways, with rural and tribal community members participating in a six-month pilot. More information: [California Road Charge \(caroadcharge.com\)](https://www.caroadcharge.com). Also, the federal Bipartisan Infrastructure Law, also known as the Investments in Infrastructure & Jobs Act (IIJA) includes a five-year Road User Fee National Pilot.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Grants and other revenue sources available to the Council have remained stable, with increasing opportunities ahead from state and federal funds. Various SB 1 programs have benefited local member agencies. Planning grants have continued to be active over the past several years, as management has consistently delivered grant products and helped to secure new grants that benefit the Council's membership and the region. Climate resiliency and adaptation are priorities of many grant programs.

For many years, MCOG's net assets were in the range of \$1.5 million in Governmental funds and \$3.5 million in Fiduciary funds. Since large projects such as the SAFE call box program have been completed, balances have changed. FY 2022/23 closing resulted in Governmental net position of approximately \$944,000 and Fiduciary funds of \$6 million.

The Council's management continues to carefully monitor expenditures and is committed to sound fiscal practices so as to deliver the highest quality of service to the citizens of the countywide region.

Fund Classifications

In all, the Council manages 15 separate fund accounts held in trust by the County of Mendocino as specified by the Council's Joint Powers Agreement (and partly by state law). The audit report classifies them as either Governmental Funds or Fiduciary Funds. These are presented separately in the statements. The reader will find more detailed descriptions of these funds and accounting policies in the Notes section prepared by the independent auditor.

The Governmental Funds, also known as Special Revenue Funds, provide the operational revenues that pay for the Council's services, including Administration, the Transportation Planning Overall Work Program (OWP), and Mendocino Service Authority for Freeway Emergencies (SAFE). These services are supported by specific program revenues from apportionments and grants made through the State of California Department of Transportation (Caltrans) and California Transportation Commission (CTC), from program allocations made by the Council for the countywide region, and from vehicle registration fees collected by the California Department of Motor Vehicles. These nine Governmental or Special Revenue Funds account for most of the Council's activities and major funds are presented individually with their budgets under Supplementary Information.

The Fiduciary Funds are those held in trust for allocation to Council activities and to other entities for which the Council acts as an agent. These are in two categories: 1) Private Purpose Trust and 2) Custodial Funds. Fiduciary Fund activity is detailed under Supplemental Information representing these six funds: LTF, STA, STBG, LTF Bicycle & Pedestrian fund and two Reserves. (State of Good Repair program revenues are held within the STA fund, while activity is tracked separately as shown.)

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The Private Purpose Trust funds are:

- The Transportation Development Act (TDA) mandated funds, which consist of the Local Transportation Fund (LTF), from the quarter-cent transportation sales tax collected in county, and State Transit Assistance (STA), from statewide taxes on diesel fuel and gasoline; and
- The Surface Transportation Block Grant (STBG) Program (formerly known as Regional Surface Transportation Program or RSTP) is funded by the federal transportation authorizing legislation (now IIJA), and the Council typically opts to exchange these funds for more flexible State Highway Account funds. The Council has authority to allocate the entire STBG Mendocino County apportionment for regional transportation uses, not necessarily to other units of government. The Council's long-standing policy is to allocate most, but not all, of the STBG/RSTP revenues to its member governments by formula. The Council maintains a Partnership Funding Program for projects of regional significance. Additionally, a portion is set aside for a Regional Project Manager providing Local Assistance.

There are two Custodial Funds (refer to Council policy):

- The LTF-derived Capital Reserve Fund, which is set aside for claiming by Mendocino Transit Authority (MTA) based on their Five-Year Capital Program of infrastructure and vehicle replacement, as allowed under TDA statutes; and
- The Council's LTF Reserve Fund, which is meant to fulfill transit operating allocations in the event budget estimates do not materialize as actual tax revenues, or to provide for extraordinary operating costs, for the benefit of Mendocino Transit Authority.

The Council's fiduciary LTF Two Percent Bicycle & Pedestrian Program fund is considered "due to" the original Local Transportation Fund (LTF), the Private Purpose Trust fund from which the program revenues were allocated. The cash balances of both Reserve funds also are considered "due to" the LTF fund, detailed on Page 31.

Capital Assets & Long-Term Liabilities

In the Council's case, the only capital assets are the SAFE program's motorist aid call boxes and associated computer equipment, which are represented separately from the SAFE fund in the Statement of Net Position and further detailed in Note 4 – Capital Assets. These have a declining fund balance as the major system components have been depreciated. Typically items less than \$5,000 in value are expensed in the current year, not capitalized, as advised by the independent CPA auditor. A formal policy for these capital assets is yet to be adopted by the Council.

The Council does not engage in debt financing to fund its operations or programs, and so does not have any long-term liabilities.

Analysis of Governmental Funds

Special Revenue Funds revenue was \$1,887,396, an increase of \$257,679 (16%) compared to the previous fiscal year, mainly due to variable levels of state aid activity. Expenditures were \$1,573,919, an increase of \$34,943 (2%). Table 1 shows the Net Position of the Special Revenue Funds compared to FY 2021/22.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Table 1
Governmental Net Position at June 30

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current assets	\$ 1,203,940	\$ 1,012,207	\$ 191,733
Capital assets, net of depreciation	<u>23,654</u>	<u>32,006</u>	<u>(8,352)</u>
Total assets	<u>1,227,594</u>	<u>1,044,213</u>	<u>183,381</u>
Current liabilities	<u>259,810</u>	<u>381,386</u>	<u>(121,576)</u>
Total liabilities	<u>259,810</u>	<u>381,386</u>	<u>(121,576)</u>
Net position			
Invested in capital assets	23,654	32,006	(8,352)
Restricted	984,109	630,821	353,288
Unrestricted	<u>(39,979)</u>	<u>-</u>	<u>(39,979)</u>
Total net position	<u>\$ 967,784</u>	<u>\$ 662,827</u>	<u>\$ 304,957</u>

Net position comprised the following:

- Cash and investments of \$507,148 in the County of Mendocino Treasury;
- Current receivables, including reimbursements, grants, and apportionments, totaling \$604,083;
- Current liabilities, including accounts payable, claims, and other amounts due currently, totaling \$259,810;
- Inter-fund receivables, due from Expendable Trust funds, of \$92,709;
- Depreciated capital assets of \$23,654. *(refer to Page 22)*

The Council does not have any Governmental assets considered to be unrestricted that can be used to finance day-to-day operations without constraints established by legal requirements. Each of these funds is segregated by its intended use for the particular revenues and is considered restricted to those uses. In August 2015, the Council adopted fiscal policies in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54, detailing fund balance classifications within the restrictions as defined.

Administration

The Council allocated \$509,379 from the Local Transportation Fund for administration of all the Council's activities, including the ninth year of a contract effective October 1, 2014 as a result of the Council's procurement for Administrative & Fiscal Services, with a scheduled inflation increase of 4.2 percent. Most of the Administration budget is allocated to the contract for administrative staffing, office and equipment, with the remainder to direct costs. The budget for Direct Costs dipped to \$48,000, below the \$50,000 to \$60,000 customary over the previous seven years, due to pandemic savings.

Planning

Over the past five years, the Transportation Planning Overall Work Program (OWP) budget has averaged \$1.2 million annually (refer to the Governmental Funds for sources). For FY 2022/23, the amended budget was slightly over \$1.2 million, consistent with this trend. The OWP funded 14 project work elements that benefited the five member agencies, Mendocino Transit Authority, and Caltrans.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2023

SAFE Program

The Mendocino SAFE motorist aid call box program has completed 141 installations. Budgets are adopted annually. Revenues have been consistently above \$100,000 annually from vehicle registration fees countywide. Five-Year Strategic & Financial Plans have been adopted to reflect operation and maintenance of the system, most recently in 2017. A brief history: a series of technical and legal issues delayed implementation over several years of system development. The cash fund balance had accumulated nearly \$1 million in 2013; this was reduced as expenditures were made to implement the SAFE Plan during FY 2013/14 through 2016/17. The plan was fully implemented on state highways in FY 2017/18. Mendocino SAFE operates 45 boxes using satellite technology, as the first in the nation to test and demonstrate early adoption of equipment for use in remote areas where little or no cellular reception is available. These are more expensive to operate. The other 96 call boxes have cellular service, recently subject to costly cellular network changes by the service operator. With reduced funding available, the current focus is on maintenance of the existing system.

Table 2
Changes in Governmental Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<u>Expenses</u>			
Planning and administration	\$ <u>1,582,271</u>	\$ <u>1,581,797</u>	\$ <u>474</u>
Total expenses	<u>1,582,271</u>	<u>1,581,797</u>	<u>474</u>
<u>Revenues</u>			
Program revenues:			
Local Transportation Funds	824,867	639,702	185,165
DMV Fees	105,971	107,368	(1,397)
Aid from State Governments	<u>913,420</u>	<u>894,476</u>	<u>18,944</u>
Total program revenues	<u>1,844,258</u>	<u>1,641,546</u>	<u>202,712</u>
General revenues:			
Interest income	<u>43,138</u>	<u>3,755</u>	<u>39,383</u>
Total general revenues	<u>43,138</u>	<u>3,755</u>	<u>39,383</u>
Total revenues	<u>1,887,396</u>	<u>1,645,301</u>	<u>242,095</u>
Change in net position	<u>\$ 305,125</u>	<u>\$ 63,504</u>	<u>\$ 241,621</u>

Contacting the Council's Financial Management

This annual financial report is intended to provide citizens, taxpayers, member local governments, and funding agencies with a general overview of finances under the Council's authority. Please direct any questions about this report to Mendocino Council of Governments, Attn. Administration, 525 South Main St., Suite B, Ukiah, CA 95482. Further contact information is available at the Council's website: www.mendocinocog.org.

Prepared by Janet M. Orth, Deputy Director & CFO

Mendocino Council of Governments
STATEMENT OF NET POSITION
 June 30, 2023

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 507,148
Due from other governments	604,083
Due from fiduciary funds	92,709
Capital assets, net of accumulated depreciation	23,654
Total assets	1,227,594
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Accounts payable	259,810
Total liabilities	259,810
Net position:	
Net investment in capital assets	23,654
Restricted	984,109
Unrestricted (deficit)	(39,979)
Total net position	\$ 967,784

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

Mendocino Council of Governments
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2023

<u>Functions/Programs</u>	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Governmental Activities
Governmental activities:				
Planning and administration	\$ 1,582,271	\$ -	\$ 1,844,258	\$ 261,987
Total governmental activities	\$ 1,582,271	\$ -	\$ 1,844,258	261,987
General revenues:				
Use of money and property				43,138
Total general revenues				43,138
Change in net position				305,125
Net position beginning				662,659
Net position ending				\$ 967,784

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

Mendocino Council of Governments
GOVERNMENTAL FUNDS - BALANCE SHEET
 Special Revenue Funds
 June 30, 2023

	Local Planning	PPM	RPA State Planning	SAFE	Admin	State Grants	Infrastructure Grant	Housing Grants	Total
<u>ASSETS</u>									
Current assets:									
Cash and investments	\$ 262,263	\$ -	\$ -	\$ 155,595	\$ 56,026	\$ -	\$ 33,264	\$ -	\$ 507,148
Due from other governments	-	131,000	54,912	-	-	21,955	290,826	105,390	604,083
Due from other funds	78,872	-	-	-	127,345	-	-	-	206,217
Total assets	<u>\$ 341,135</u>	<u>\$ 131,000</u>	<u>\$ 54,912</u>	<u>\$ 155,595</u>	<u>\$ 183,371</u>	<u>\$ 21,955</u>	<u>\$ 324,090</u>	<u>\$ 105,390</u>	<u>\$ 1,317,448</u>
<u>LIABILITIES AND FUND BALANCE</u>									
Liabilities:									
Due to other funds	\$ -	\$ 766	\$ 29,919	\$ -	\$ -	\$ 7,098	\$ -	\$ 75,725	\$ 113,508
Accounts payable	21,570	10,876	24,993	15,660	39,741	14,857	62,469	69,644	259,810
Total liabilities	<u>21,570</u>	<u>11,642</u>	<u>54,912</u>	<u>15,660</u>	<u>39,741</u>	<u>21,955</u>	<u>62,469</u>	<u>145,369</u>	<u>373,318</u>
Fund balances:									
Restricted	319,565	119,358	-	139,935	143,630	-	261,621	-	984,109
Unassigned	-	-	-	-	-	-	-	(39,979)	(39,979)
Total fund balances	<u>319,565</u>	<u>119,358</u>	<u>-</u>	<u>139,935</u>	<u>143,630</u>	<u>-</u>	<u>261,621</u>	<u>(39,979)</u>	<u>944,130</u>
Total liabilities and fund balances	<u>\$ 341,135</u>	<u>\$ 131,000</u>	<u>\$ 54,912</u>	<u>\$ 155,595</u>	<u>\$ 183,371</u>	<u>\$ 21,955</u>	<u>\$ 324,090</u>	<u>\$ 105,390</u>	<u>\$ 1,317,448</u>

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

Mendocino Council of Governments
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the Governmental Activities
STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2023

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 944,130

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital Assets

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

23,654

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 967,784

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

Mendocino Council of Governments
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
Special Revenue Funds
For the Year Ended June 30, 2023

	<u>Local Planning</u>	<u>PPM</u>	<u>RPA State Planning</u>	<u>SAFE</u>	<u>Admin</u>	<u>State Grants</u>	<u>Infrastructure Grant</u>	<u>Housing Grants</u>	<u>Total</u>
Revenues:									
Local transportation fund	\$ 315,488	\$ -	\$ -	\$ -	\$ 509,379	\$ -	\$ -	\$ -	\$ 824,867
Aid from state governments	-	131,000	302,567	-	-	137,787	249,089	92,977	913,420
DMV Fees	-	-	-	105,971	-	-	-	-	105,971
Interest and other income	4,116	658	-	2,196	36,168	-	-	-	43,138
Total revenues	<u>319,604</u>	<u>131,658</u>	<u>302,567</u>	<u>108,167</u>	<u>545,547</u>	<u>137,787</u>	<u>249,089</u>	<u>92,977</u>	<u>1,887,396</u>
Expenditures:									
Services and supplies	<u>215,265</u>	<u>91,635</u>	<u>302,567</u>	<u>100,095</u>	<u>521,258</u>	<u>137,787</u>	<u>71,767</u>	<u>133,545</u>	<u>1,573,919</u>
Total expenditures	<u>215,265</u>	<u>91,635</u>	<u>302,567</u>	<u>100,095</u>	<u>521,258</u>	<u>137,787</u>	<u>71,767</u>	<u>133,545</u>	<u>1,573,919</u>
Excess (deficiency) of revenues over (under) expenditures	104,339	40,023	-	8,072	24,289	-	177,322	(40,568)	313,477
Fund balances beginning of period	<u>215,226</u>	<u>79,335</u>	<u>-</u>	<u>131,863</u>	<u>119,341</u>	<u>-</u>	<u>84,299</u>	<u>589</u>	<u>630,653</u>
Fund balances at end of period	<u>\$ 319,565</u>	<u>\$ 119,358</u>	<u>\$ -</u>	<u>\$ 139,935</u>	<u>\$ 143,630</u>	<u>\$ -</u>	<u>\$ 261,621</u>	<u>\$ (39,979)</u>	<u>\$ 944,130</u>

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

Mendocino Council of Governments
 Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2023

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 313,477
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Amounts reported for governmental activities in the Statement of Activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:

Depreciation expense is deducted from the fund balance	<u>(8,352)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 305,125</u>
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The accompanying notes are an integral part of these financial statements.

Mendocino Council of Governments
STATEMENT OF FIDUCIARY NET POSITION

Fiduciary Funds
 June 30, 2023

	Private Purpose Trust	Custodial Funds
<u>ASSETS</u>		
Cash and investments	\$ 3,757,664	\$ 1,391,273
Accounts receivable	2,124,319	-
Due from other funds	1,391,273	440,850
Total assets	7,273,256	1,832,123
<u>LIABILITIES</u>		
Liabilities:		
Accounts payable	644,479	327,342
Due to other governments	533,559	1,391,273
Total liabilities	1,178,038	1,718,615
<u>NET POSITION</u>		
Restricted for other governments	6,095,218	113,508
Total net position	\$ 6,095,218	\$ 113,508

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

Mendocino Council of Governments
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Fiduciary Funds
 For the Year Ended June 30, 2023

	Private Purpose Trust	Custodial Funds
Revenue:		
Taxes	\$ 6,939,482	\$ -
Allocations	134,297	100,392
Other income	-	-
Interest	57,218	23,723
Total revenue	7,130,997	124,115
Expenditures:		
Administration, planning, bicycle & pedestrian	1,046,988	-
Capital projects	-	-
Local allocations and project awards	289,394	10,607
Senior operations	729,019	-
MTA reserves	-	-
MTA operations	5,095,463	-
Total expenditures	7,160,864	10,607
Change in net position	(29,867)	113,508
Net position, beginning of period	6,125,085	-
Net position, end of period	\$ 6,095,218	\$ 113,508

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

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - REPORTING ENTITY

Mendocino Council of Governments (the Council) was created pursuant to a joint powers' agreement between the County of Mendocino and the Cities of Fort Bragg, Point Arena, Ukiah, and Willits, as a Regional Transportation Planning Agency to provide regional transportation planning activities for the area of Mendocino County. The Council is also responsible for the administration of the Transportation Development Act Funds (Local Transportation and State Transit Assistance Fund) that were created under the State Transportation Development Act (TDA). The Council does not exercise control over any other governmental agency or authority. The criteria used in determining the reportable entity was based on control or dependence determined based on budget adoption, funding, and appointment of the respective governing board.

In 1994, the Council's governing board established the Service Authority for Freeway Emergencies (SAFE) within its authority and includes SAFE in its reporting entity. The Council's Board has direct control over the activities of the SAFE Board.

Dow & Associates and Davey-Bates Consulting (DBC) were hired under a thorough procurement process resulting in two new, separate five-year contracts starting October 1, 2014. Dow & Associates services include administration and other support, such as grant writing assistance, local assistance to member agencies and project development. DBC provides transportation planning services and related support. Dow & Associates has worked with the Council for more than 30 years. DBC comprises staff members previously employed by Dow & Associates, providing continuity to the Council.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Council conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The Council's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A. These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Council. These statements include the financial activities of the overall Council, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Council and for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

The Council's financial statements reflect only its own activities; it has no component units (other government units overseen by the Council).

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Fund Financial Statements

Fund Financial Statements of the Council are organized into funds, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled. Special Revenue Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The Council's resources are accounted for based on the purposes for which they are to be spent and how spending activities are controlled. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Council or meets the following criteria:

Total assets, liabilities, revenues, or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The Council reported the following major governmental fund in the accompanying financial statements:

Local Planning Fund: This fund accounts for local planning work elements. The major revenue source for this fund is Local Transportation Funds and interest income. Expenditures are made for local planning projects.

PPM Fund: This fund accounts for state transportation improvement planning, programming, and monitoring projects. The major revenue source for this fund is state grants. Expenditures are made for state and regional transportation improvement projects.

RPA State Planning Fund: This fund accounts for Rural Planning Assistance (RPA) provided by the State for mandated transportation planning projects. The major revenue source for this fund is state grants. Expenditures are made for regional planning projects.

SAFE: This fund accounts for the Service Authority for Freeway Emergencies. The major revenue source for this fund is state vehicle license fees. Expenditures are made for administration, operations, and capital programs.

Administration Fund: This is one of the operating funds of the Council. The major revenue source for this fund is Local Transportation Funds. Expenditures are made for administration.

State Grants Fund: This fund accounts for transportation planning projects. The major revenue source for this fund is state grants. Expenditures are made for state, regional and local planning projects.

Infrastructure Grant Fund: This fund accounts for the design and construction of a multi-use trail in Round Valley.

Housing Grants Fund: This fund accounts for state housing grant activities.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when “measurable and available.” The Council considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as *expenditures* in governmental funds.

Those revenues susceptible to accrual are LTF Claims, grants, and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Council gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Council may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Council’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Due from Other Governments

Grant and contract revenues which have been earned but not received at the end of the fiscal year.

C. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for Special Revenue Funds.

Special Revenue Funds - The Council annually adopts a budget for administration, planning, and SAFE. The various planning funds are budgeted through the preparation of the transportation planning overall work program (OWP). This work program describes the projects, or work elements, that are to be funded and the types of funds that will pay for the expenditures, such as Local Transportation, Rural Planning Assistance, State grants, and Federal Transit Administration (FTA) grants. The work program, in draft form, is prepared by Davey-Bates Consulting; reviewed and recommended by the Technical Advisory Committee; submitted for comment to the State of California, Department of Transportation (Caltrans) in March; approved by the Council in June; and the final work program is submitted to Caltrans by June 30. Caltrans, as the grantor of all state and federal planning funds, approves the work program, which then becomes part of the budget for operating funds of the Council. The Mendocino Service Authority for Freeway Emergencies (SAFE) agency separately approves a budget for its motorist aid call box program in a five-year plan.

Expenditures exceeded budgeted appropriations for the Administrative fund for the year ended June 30, 2023 in the amount of \$11,879.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets (concluded)

Private Purpose Trust Funds - There are private purpose trust funds, the Local Transportation Fund (LTF), the State Transit Assistance Fund (STA), the Surface Transportation Block Grant Program Fund (STBG) and State of Good Repair Program. The LTF funds are available for transit, pedestrian and bicycle, administration of the Regional Transportation Planning Agency, transportation planning, and streets and roads. The STA funds are available for transit purposes. The eligible recipients are the Council, the County of Mendocino, the Cities of Fort Bragg, Point Arena, Ukiah and Willits, and Mendocino Transit Authority.

The process for delivering the LTF and STA funds to the various recipients is as follows:

- The Mendocino County Auditor-Controller estimates the amount of funds to be available in the LTF and notifies the Council by February 1 of each year.
- The Council determines how much funding it will need for the planning work program and administration of the Transportation Development Act (TDA), as well as how much of the funds will be reserved for pedestrian and bicycle facilities. The Council then determines the split of LTF funds between the County and the Cities based upon the population amounts provided by the State of California Department of Finance. Each recipient is then notified of the amount of LTF funds available in its area of apportionment (apportionment being the process of dividing the funds based upon population). Mendocino Transit Authority then submits a claim for LTF funds as a joint power of eligible claimants, with transit needs required to be met before any street and roads funds can be claimed.
- The Council acts upon the one annual transit claim, adopting resolutions, and preparing allocation instructions that notify the recipient of the funds approved, and notifies the Mendocino County Auditor-Controller of what expenditures are approved, and when they are to be paid.

The STA process is similar, except that the estimate is made by the State of California Controller's Office, and the funds cannot be used for administration, streets and roads, or pedestrian and bicycle facilities. Mendocino Transit Authority is the only eligible claimant.

Mendocino Transit Authority applies directly to California Department of Transportation for State of Good Repair funding of projects, which the Council reviews and approves for release of funds from its account.

D. Fiduciary Fund Types

These funds account for assets held by the Council as a trustee or agent for other units of government. Private purpose trust funds are used by the Council for the following purposes:

Local Transportation Fund (LTF) - This fund is utilized by the Council, as trustee, to receive the 1/4 of 1% retail sales tax that is returned to each county by the State Board of Equalization. These funds are apportioned and allocated by the Council to eligible claimants for transit, transportation planning, and for administration of the TDA. While it is legal to allocate LTF funds for street and road purposes under certain conditions, the Council has adopted a Local Transportation reserve fund policy that precludes any street and roads allocations.

Local Bicycle & Pedestrian Fund - These funds are apportioned and allocated by the Council for Pedestrian and Bicycle projects.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Fiduciary Fund Types (concluded)

State Transit Assistance Fund (STA) - This fund is utilized by the Council, as trustee, to receive tax derived from statewide sales of diesel fuel and excise tax on gasoline. Each county receives its share of these funds based upon a population and operator revenue formula. These funds are allocated by the Council to transit operators. Also received in the fund are State of Good Repair revenues from Senate Bill 1 for eligible transit operators.

State of Good Repair - This fund is utilized by the Council, as trustee, to receive funding for capital assistance in rehabilitating and modernizing California's existing local transit systems. This is an increase in transit STA funding. They pass through the Council directly to MTA.

Local Transportation Reserve Fund (LTRF) - This fund is utilized by the Council, as trustee, to account for excess Local Transportation Funds that have not been allocated for a specific purpose. According to the Council's adopted policy, the minimum balance shall be established at the larger of \$100,000 or five percent of the Mendocino County Auditor's official LTF estimate for the next fiscal year, and the excess will be rolled into the upcoming fiscal year's LTF budget estimate for immediate allocation. This fund is to be used for LTF revenue shortfalls and for existing approved services or programs provided by Mendocino Transit Authority.

Surface Transportation Block Grant (STBG) - This fund is utilized by the Council, as trustee, to receive federal gas tax revenues passed through the State of California. The Council has elected to exchange almost all STBG funds for State funds in the current and prior years. These funds are used for the Council's Partnership Program, local assistance and transportation projects that improve and maintain streets, roads, and highways in Mendocino County. The programmatic component breakdown for the net position held in trust is as follows:

- Partnership Funding Program - \$521,896
- Local Assistance - \$301,017
- Formula Distribution - \$2,088,577
- Unassigned - \$249,181
- Total at June 30, 2023: \$3,160,671

Capital Reserve Fund - This fund is utilized by the Council for transit capital replacement and development of new facilities.

E. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

NOTE 3 - CASH AND INVESTMENTS

The Council maintains a cash and investment pool with the County of Mendocino. The County of Mendocino allocates interest to the various funds based upon the average monthly cash balances. The Council's cash on deposit with the Mendocino County Treasury at June 30, 2023 was \$507,148 reported in governmental activity type funds and \$5,148,937 reported in fiduciary type funds.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - CASH AND INVESTMENTS (continued)

Credit Risk, Carrying Amount and Market Value of Investments

The Council maintains specific cash deposits with the County of Mendocino (the County) and involuntarily participates in the external investment pool of the County. The County is restricted by state code in the types of investments it can make. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than the state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2023, the Council's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Council's position in the pool.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depository has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California agents of depository is held for, and in the name of, the local government.

Credit Risk - Investments

Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2023 are provided by Standard and Poor's except as noted. None of the Council investment types are rated.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Council was not exposed to the concentration of credit risk.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Council was not exposed to interest rate risk.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Council was not exposed to foreign currency risk.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 3 - CASH AND INVESTMENTS (concluded)

Fair Value Hierarchy - GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The Council's holdings with the Mendocino Co. Treasurer's Pool is not subject to the fair value hierarchy.

The following is a summary of the fair value hierarchy of the fair value of investments of the Council as of June 30, 2023:

<u>Investment Type</u>	<u>Level 2</u>	<u>Exempt</u>	<u>Total</u>
Mendocino County Treasurer's Pool	\$ -	\$ 5,656,085	\$ 5,656,085
Total cash and investments	<u>\$ -</u>	<u>\$ 5,656,085</u>	<u>\$ 5,656,085</u>

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets at June 30, 2023 comprised the following:

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2023</u>
Equipment	\$ 155,035	\$ -	\$ -	\$ 155,035
Less accumulated depreciation	<u>(123,029)</u>	<u>(8,352)</u>	<u>-</u>	<u>(131,381)</u>
Total capital assets, net	<u>\$ 32,006</u>	<u>\$ (8,352)</u>	<u>\$ -</u>	<u>\$ 23,654</u>

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Total depreciation expense for the year was \$8,352. The Council has assigned the useful lives listed below to capital assets:

Equipment and furniture	5 Years
-------------------------	---------

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets with a value of \$5,000 or more and with a useful life of one year or more are capitalized.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 - INTERFUND TRANSACTIONS

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2023, interfund balances comprised the following:

	Due From	Due To
RPA State Planning	\$ -	\$ 29,919
LTF Reserve	440,850	675,204
Capital Reserve	-	716,069
Local Transportation Fund	1,391,273	533,559
State Grants	-	7,098
Housing grant	-	75,725
PPM	-	766
Admin	127,345	-
Local Planning	78,872	-
Total	\$ 2,038,340	\$ 2,038,340

NOTE 6 - CONTINGENCIES

The Council receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditure would be a liability to be refunded to the appropriate agency.

NOTE 7 - NET POSITION AND FUND BALANCE

GASB Statement No. 54 added the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis. On August 31, 2015, the Council adopted by resolution its fiscal policies in compliance with GASB 54.

The Statement of Net Position breaks out net position as follows: *Restricted* describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the Council cannot unilaterally alter. *Unrestricted* describes the portion of Net Position that is not restricted from use.

Net Investment in Capital Assets describes the portion of Net Position that is represented by the current netbook value of the Council's capital assets, less the outstanding balance of any debt issued to finance these assets.

The Council's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - NET POSITION AND FUND BALANCE (concluded)

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the Council's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the Council for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available, the Council considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Council considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

NOTE 8 - DEFICIT FUND EQUITY

For the year ended June 30, 2023 the Housing Grants Fund ended the year with a negative equity balance.

Mendocino Council of Governments
 Local Planning Fund
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2023
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Local transportation fund	\$ 384,068	\$ 481,134	\$ 315,488	\$ (165,646)
Interest	<u>-</u>	<u>-</u>	<u>4,116</u>	<u>4,116</u>
Total revenue	<u>384,068</u>	<u>481,134</u>	<u>319,604</u>	<u>(161,530)</u>
Expenditures:				
Service and supplies	<u>384,068</u>	<u>481,134</u>	<u>215,265</u>	<u>265,869</u>
Total expenditures	<u>384,068</u>	<u>481,134</u>	<u>215,265</u>	<u>265,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>104,339</u>	<u>104,339</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>104,339</u>	<u>\$ 104,339</u>
Fund balance, beginning of period			<u>215,226</u>	
Fund balance, end of period			<u>\$ 319,565</u>	

Mendocino Council of Governments
 PPM Fund
SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2023
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 204,750	\$ 245,636	\$ 131,000	\$ (114,636)
Interest	<u>-</u>	<u>-</u>	<u>658</u>	<u>658</u>
Total revenue	<u>204,750</u>	<u>245,636</u>	<u>131,658</u>	<u>(113,978)</u>
Expenditures:				
Service and supplies	<u>204,750</u>	<u>245,636</u>	<u>91,635</u>	<u>154,001</u>
Total expenditures	<u>204,750</u>	<u>245,636</u>	<u>91,635</u>	<u>154,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>40,023</u>	<u>40,023</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>40,023</u>	<u>\$ (26,829)</u>
Fund balance, beginning of period			<u>79,335</u>	
Fund balance, end of period			<u>\$ 119,358</u>	

Mendocino Council of Governments
RPA State Planning
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2023
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 294,000	\$ 320,882	\$ 302,567	\$ (18,315)
Interest and other income	-	-	-	-
Total revenue	<u>294,000</u>	<u>320,882</u>	<u>302,567</u>	<u>(18,315)</u>
Expenditures:				
Service and supplies	<u>294,000</u>	<u>320,882</u>	<u>302,567</u>	<u>18,315</u>
Total expenditures	<u>294,000</u>	<u>320,882</u>	<u>302,567</u>	<u>18,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of period			-	
Fund balance, end of period			<u>\$ -</u>	

Mendocino Council of Governments
SAFE
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2023
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
DMV Fees	\$ 107,000	\$ 260,027	\$ 105,971	\$ (154,056)
Interest	1,000	1,000	2,196	1,196
Total revenue	108,000	261,027	108,167	(152,860)
 Expenditures:				
Service and supplies	106,952	116,668	100,095	16,573
Total expenditures	106,952	116,668	100,095	16,573
 Excess (deficiency) of revenues over (under) expenditures	\$ 1,048	\$ 144,359	8,072	\$ (136,287)
Fund balance, beginning of period			131,863	
 Fund balance, end of period			\$ 139,935	

Mendocino Council of Governments
Administration
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2023
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Local transportation fund	\$ 509,379	\$ 509,379	\$ 509,379	\$ -
RCTF dues	-	-	34,500	34,500
Interest	-	-	1,668	1,668
Total revenue	509,379	509,379	545,547	36,168
Expenditures:				
Service and supplies	509,379	509,379	521,258	(11,879)
Total expenditures	509,379	509,379	521,258	(11,879)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	24,289	\$ 24,289
Fund balance, beginning of period			119,341	
Fund balance, end of period			\$ 143,630	

Mendocino Council of Governments
State Grants
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2023
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Aid from state governments	\$ 166,780	\$ 155,662	\$ 137,787	\$ (17,875)
Total revenue	166,780	155,662	137,787	(17,875)
Expenditures:				
Service and supplies	166,780	155,662	137,787	17,875
Total expenditures	166,780	155,662	137,787	17,875
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ -	-	\$ -
Fund balance, beginning of period			-	
Fund balance, end of period			\$ -	

Mendocino Council of Governments
COMBINING STATEMENT OF FIDUCIARY NET POSITION
 Fiduciary Fund Types
 For the Year Ended June 30, 2023

	Private Purpose Trust				Custodial Funds		Totals	
	Local Transportation Fund	Local Bicycle & Pedestrian Fund	State of Good Repair Fund	State Transit Assistance Fund	Surface Transportation Block Grant Program Fund	Local Transportation Reserve Fund		Capital Replacement Reserve Fund
<u>ASSETS</u>								
Current assets:								
Cash and investments	\$ 93,991	\$ 178,809	\$ 666,645	\$ 434,419	\$ 2,383,800	\$ 675,204	\$ 716,069	\$ 5,148,937
Due from other governments	791,517	-	25,429	329,521	977,852	-	-	2,124,319
Due from other funds	1,391,273	-	-	-	-	440,850	-	1,832,123
Total assets	<u>2,276,781</u>	<u>178,809</u>	<u>692,074</u>	<u>763,940</u>	<u>3,361,652</u>	<u>1,116,054</u>	<u>716,069</u>	<u>9,105,379</u>
<u>LIABILITIES AND NET POSITION</u>								
Liabilities:								
Accounts payable	151,654	-	-	291,844	200,981	327,342	-	971,821
Due to other funds	533,559	-	-	-	-	675,204	716,069	1,924,832
Total liabilities	<u>685,213</u>	<u>-</u>	<u>-</u>	<u>291,844</u>	<u>200,981</u>	<u>1,002,546</u>	<u>716,069</u>	<u>2,896,653</u>
<u>NET POSITION</u>								
Restricted for other governments	1,591,568	178,809	692,074	472,096	3,160,671	113,508	-	6,208,726
Total net position	<u>\$ 1,591,568</u>	<u>\$ 178,809</u>	<u>\$ 692,074</u>	<u>\$ 472,096</u>	<u>\$ 3,160,671</u>	<u>\$ 113,508</u>	<u>\$ -</u>	<u>\$ 6,208,726</u>

Mendocino Council of Governments
COMBINING STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
 Fiduciary Fund Types
 For the Year Ended June 30, 2023

	<u>Private Purpose Trust</u>					<u>Custodial Funds</u>		<u>Total</u>
	<u>Local Transportation Fund</u>	<u>Local Bicycle & Pedestrian Fund</u>	<u>State of Good Repair Fund</u>	<u>State Transit Assistance Fund</u>	<u>Surface Transportation Block Grant Program Fund</u>	<u>Local Transportation Reserve Fund</u>	<u>Capital Replacement Reserve Fund</u>	
Additions:								
Taxes	\$ 4,543,795	\$ -	\$ 148,688	\$ 1,269,147	\$ 977,852	\$ -	\$ -	\$ 6,939,482
Allocations	-	92,560	-	-	41,737	100,392	-	234,689
Other income	-	-	-	-	-	-	-	-
Interest	4,153	2,405	-	14,898	35,762	13,116	10,607	80,941
Total additions	<u>4,547,948</u>	<u>94,965</u>	<u>148,688</u>	<u>1,284,045</u>	<u>1,055,351</u>	<u>113,508</u>	<u>10,607</u>	<u>7,255,112</u>
Deductions:								
Administration, planning, bicycle & pedestrian	917,427	-	-	-	129,561	-	-	1,046,988
Capital projects	-	-	-	-	-	-	-	-
Local allocations and project awards	89,785	30,000	-	-	169,609	-	10,607	300,001
Senior operations	729,019	-	-	-	-	-	-	729,019
MTA reserves for operations and capital	-	-	-	-	-	-	-	-
MTA operations	3,928,088	-	-	1,167,375	-	-	-	5,095,463
Total deductions	<u>5,664,319</u>	<u>30,000</u>	<u>-</u>	<u>1,167,375</u>	<u>299,170</u>	<u>-</u>	<u>10,607</u>	<u>7,171,471</u>
Change in net position	<u>(1,116,371)</u>	<u>64,965</u>	<u>148,688</u>	<u>116,670</u>	<u>756,181</u>	<u>113,508</u>	<u>-</u>	<u>83,641</u>
Net position, beginning of period	<u>2,707,939</u>	<u>113,844</u>	<u>543,386</u>	<u>355,426</u>	<u>2,404,490</u>	<u>-</u>	<u>-</u>	<u>6,125,085</u>
Net position, end of period	<u>\$ 1,591,568</u>	<u>\$ 178,809</u>	<u>\$ 692,074</u>	<u>\$ 472,096</u>	<u>\$ 3,160,671</u>	<u>\$ 113,508</u>	<u>\$ -</u>	<u>\$ 6,208,726</u>

Mendocino Council of Governments
SCHEDULE OF ALLOCATIONS, EXPENDITURES AND OPERATING TRANSFERS
 Local Transportation Fund
 For the Year Ended June 30, 2023
 (UNAUDITED)

	Public Utilities Code Section							Total
	99233.1	99233.2	99233.3	99260(A)	99400(A)	99400(B)	99400(C)	
Allocations:								
Mendocino Transit Authority	\$ -	\$ -	\$ -	\$ 3,928,087	\$ -	\$ -	\$ 729,019	\$ 4,657,106
Mendocino Council of Governments	509,379	315,488	92,560	-	-	-	-	917,427
Total allocations	<u>509,379</u>	<u>315,488</u>	<u>92,560</u>	<u>3,928,087</u>	<u>-</u>	<u>-</u>	<u>729,019</u>	<u>5,574,533</u>
Expenditures:								
Mendocino Transit Authority	-	-	-	3,928,087	-	-	729,019	4,657,106
County of Mendocino	-	-	30,000	-	-	-	-	30,000
City of Fort Bragg	-	-	-	-	-	-	-	-
City of Point Arena	-	-	-	-	-	-	-	-
City of Ukiah	-	-	-	-	-	-	-	-
Mendocino Council of Governments	<u>521,258</u>	<u>215,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736,523</u>
Total expenditures	<u>521,258</u>	<u>215,265</u>	<u>30,000</u>	<u>3,928,087</u>	<u>-</u>	<u>-</u>	<u>729,019</u>	<u>5,423,629</u>
Allocations over (under) expenditures	<u>(11,879)</u>	<u>100,223</u>	<u>62,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,904</u>
Over (under) expended allocations	<u>\$ (11,879)</u>	<u>\$ 100,223</u>	<u>\$ 62,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,904</u>

Mendocino Council of Governments
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
 State Transit Assistance Fund
 For the Year Ended June 30, 2023
 (UNAUDITED)

	Public Utilities Code Section
	Operating Costs 6730(a)
Allocations:	
Mendocino Transit Authority	\$ 1,167,375
Total allocations	1,167,375
Expenditures:	
Mendocino Transit Authority	1,167,375
Total expenditures	1,167,375
Unexpended (overexpended) allocations	\$ -