



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021
ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
STATE OF CALIFORNIA

PHOTOGRAPHY CREDIT

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**(WITH INDEPENDENT AUDITORS' REPORT) ASSOCIATION OF MONTEREY BAY AREA
GOVERNMENTS – STATE OF CALIFORNIA**

PREPARED BY: AMBAG

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INTRODUCTORY SECTION



Transmittal Letter

December 21, 2022

Honorable Steve McShane, President and
Members of the Association of Monterey Bay Area Governments (AMBAG)
24580 Silver Cloud Court
Monterey, CA 93940

Subject: AMBAG's *Annual Comprehensive Financial Report (ACFR) for Fiscal Year (FY) 2020-2021*

Report Overview

In accordance with state law, the Association of Monterey Bay Area Governments (AMBAG) is pleased to present the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year (FY) ended June 30, 2021. The ACFR is in compliance with Government Code Section 26909 of the State of California. This statute requires all general-purpose local governments to issue an annual report on the financial position and activities of that government. The report must be presented in conformance with Generally Accepted Accounting Principles (GAAP) and must be audited by an independent firm of certified public accountants (CPA) in accordance with generally accepted government auditing standards (GAGAS). The financial statements contained in this ACFR meet these requirements.

This Letter of Transmittal is the first item in the introductory section of the ACFR. Its purpose is to assist the reader in assessing AMBAG and its financial condition. All disclosures reasonably necessary to enable an understanding of the government's financial activities have been included.

The responsibilities for the accuracy, fairness, and completeness of the financial statements, note disclosures, supplementary schedules, and statistical data presented rest with the management of AMBAG. Accordingly, we assert that to the best of our knowledge and belief, the ACFR is complete, accurate, and reliable in all material respects and we assume responsibility for the completeness and reliability of all of the financial information presented in this report.

The present accounting system and business structure includes the necessary internal controls to ensure reasonable, but not absolute assurance regarding the safekeeping of assets against misuse, loss, theft, and unauthorized use or disposition. It also ensures that adequate accounting data is compiled to provide sufficient reliable information for the preparation of financial statements in compliance with GAAP requirements. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived

and that the valuation of costs and benefits may require estimates and judgments by management. Evaluations of internal control occur on a periodic basis. We believe that AMBAG's current internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal, state, and local financial funding, AMBAG is also responsible for ensuring that an adequate internal control structure is in place to warrant compliance with applicable laws and regulations related to those programs. AMBAG is required to undergo an annual single audit in compliance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. The results of the single audit for the Fiscal Year ended June 30, 2021, provided no findings related to the compliance requirements of the Uniform Guidance or violations of applicable laws and regulations. Information relating to findings, recommendations and all other aspects concerning this single audit are included in the single audit section of this report.

Included in the ACFR is the Independent Auditors' Report, which is located in the financial section of this report. The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the Fiscal Year ended June 30, 2021, are free of material misstatement. The independent auditors of Hayashi and Wayland, Accounting and Consulting, LLP, have issued an unmodified ("clean") opinion on AMBAG's financial statements for the year ended June 30, 2021.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A), which can be found in the financial section of this report. We encourage readers to examine the MD&A, together with this transmittal letter.

Governmental Accounting Standards Board Statements No. 68 and 82

In June 2012, the Governmental Accounting Standards Board (GASB) issued new pension accounting and financial reporting requirements for state and local governmental employers that contribute to state and local public pension plans. GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27* and in November 2013, they issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. The statements include enhanced note disclosures and Required Supplementary Information (RSI) for defined benefit pension plans. AMBAG implemented the new standards with the publication of the ACFR for Fiscal Year ended June 30, 2015. The FY 2020-2021 financial statements and note disclosures reflect the requirements of these statements.

GASB Statement No. 68 revises and establishes financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 68

requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability on their financial statements and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through note disclosures and RSI. Additional information required for GASB Statement No. 68 is contained in the notes to the financial statements and RSI.

In March 2016, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 82, *Pension Issues*. Statement No. 82 addresses issues raised by stakeholders during the implementation of GASB's accounting and financial reporting standards for state and local governments: Statements No. 67, No. 68 and No. 73.

Statement No. 82, which amends Statements No. 67, No. 68 and No. 73, is generally effective for reporting periods beginning June 15, 2016 and addresses issues regarding:

- The presentation of payroll-related measures in required supplementary information.
- The selection of assumptions and the treatment of deviations from the guidance in Actuarial Standards of Practice for financial reporting purposes.
- The classification of employer-paid member contributions.

Profile of AMBAG

The Association of Monterey Bay Area Governments is a voluntary association of 18 cities and three counties in California's Central Coast region, encompassing 5,159 square miles and a population that exceeds 774,000. AMBAG was originally formed as a Council of Governments for Monterey and Santa Cruz Counties. The formation of AMBAG was enacted through a Joint Powers Agreement (JPA) in 1968 between the cities and the counties of Monterey, Santa Cruz and San Benito to serve as a forum for discussing issues of regional significance.

In 1975, AMBAG was designated as a Metropolitan Planning Organization (MPO). An MPO is a federally-designated and federally-funded transportation planning and policymaking organization for the metropolitan planning area in the United States that is made up of representatives from local government and governmental transportation authorities. Federal funding for transportation projects and programs is channeled through this metropolitan planning process. Congress created MPOs in order to ensure that existing and future expenditures of governmental funds for transportation projects and programs are based on a continuing, cooperative, and comprehensive ("3-C") planning process. Metropolitan transportation planning processes are governed by federal law (23 U.S.C. §§ 134–135). Federal law requires transparency through public access to participation in the planning process and electronic publication of plans.

AMBAG addresses issues and provides services for regional and municipal planning, economic and community development, cartography and Geographic Information Systems (GIS), hazard mitigation and emergency planning, aging services, water use, pollution control, transit

administration, transportation planning, long range transportation planning and programming, vanpool services, energy efficiency, greenhouse gas (GHG) inventorying, development and maintenance of the Regional Travel Demand Model (RTDM) and prepares regional housing, population and employment forecasts that are utilized in a variety of regional plans and programs.

AMBAG is governed by a 24 member Board of Directors which is comprised of elected officials from each city and county within the region. The officers of AMBAG are the President, Vice President, Second Vice President and Secretary. The President, Vice President and Second Vice President are elected for one year terms at a regular Board of Director's meeting. All policymaking decisions, the annual Overall Work Program (OWP) and Budget, program priorities, and all material financial matters are discussed and acted upon through the AMBAG Board of Directors. A listing of each member and the city and county they represent is included in the introductory section of this report. In addition, the AMBAG Board is comprised of nine ex-officio members from Caltrans District 5, Transportation Agency for Monterey County (TAMC), Santa Cruz Regional Transportation Commission (SCCRTC), San Benito County Council of Governments (SBCOG), Monterey Bay Air Resources District (MBARD), Monterey-Salinas Transit (MST) Santa Cruz Metropolitan Transit District (Santa Cruz METRO), Central Coast Community Energy, and Monterey Regional Airport.

The policymaking process, financial and operational oversight for AMBAG are guided by the work of the Executive Finance Committee, made up of AMBAG officers (President, Vice President, Second Vice President and the Immediate Past President) and such other members as may be appointed by the President with the consent of the Board of Directors. The Executive Finance Committee also assists and advises the Executive Director in developing an annual budget for review and approval by the Board, reviews and evaluates on a continuing basis the financial management practices of AMBAG, and analyzes potential financial issues and recommends alternatives for responding to these issues. The level of budgetary control is essentially at the Executive Finance Committee level. The Executive Finance Committee plans, reviews, and provides recommendations to the AMBAG Board of Directors in areas related to financial and budgetary transactions per the AMBAG By-Laws. Staff at AMBAG may not reallocate appropriations without the consent of the Executive Finance Committee and Board of Directors. Furthermore, the California Department of Transportation (Caltrans), the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) are the final approval before reallocated funds may be utilized. The department managers may make changes at their discretion within the budget for supplies and materials, current obligations and services, fixed charges, capital outlay, and other expenses. All budgetary items lapse at fiscal year-end and are then budgeted for the coming fiscal year. The budget is prepared on the modified accrual basis. The Board must approve additional grant requests or contracts not included in the amended budget resolution.

As the federally designated MPO for the Monterey Bay Region, AMBAG staff annually develops and maintains the OWP and Budget. The OWP and Budget defines the continuing, comprehensive, and coordinated metropolitan planning process for the Monterey Bay Region.

AMBAG staff and the FHWA, FTA, Caltrans, Regional Transportation Planning Agencies (RTPAs), transit operators, the Air Resources District and other parties meet and discuss the OWP and Budget within the broader goals and guidelines of the region. The OWP and Budget provides transportation, air quality, and other regional planning objectives, the methods and timing for achieving those objectives, and identifies planning responsibilities and funding to complete the work.

The OWP and Budget also serves as a management tool for AMBAG in that it identifies all projects and services to be provided during the year beyond those mandated by the metropolitan planning process. Annually, the AMBAG Board of Directors is required to adopt the OWP and Budget resolution and forward it to Caltrans, FHWA and FTA for their joint review and approval by June 30 each year. The OWP and Budget is subject to periodic adjustments resulting from changes in activities as well as revisions in revenues and expenditures during the fiscal year. Amendments to the OWP and Budget require AMBAG Board approval. Budget-to-actual comparisons are provided in the required supplementary information section. In addition, financial statements, which detail month-to-date and the year-to-date actual versus budgeted expenditure comparisons, are presented to the AMBAG Board and Executive Finance Committee for review during each regularly scheduled meeting.

AMBAG Non-Profit Arm (Blended Component Unit)

Regional Analysis and Planning Services, Inc. (RAPS), is the 501(c)(3) non-profit arm of AMBAG. The Corporation was formed in 1992 for the following purposes:

- Enhancement of the quality of public decision-making in local and other governments through research and development of improved analytic programs, providing technical and educational services, and offering an economic and efficient method of maintaining and distributing such information.
- Serving local governments and other governmental entities and providing educational programs, including workshops, forums, seminars and material on the use of programs, techniques and services.

RAPS Inc. is primarily funded by other governmental agencies seeking administrative and technical support. In addition, RAPS receives periodic sponsorship and grant funding from outside agencies to host educational forums of social, economic, and regional importance. In forming the entity, AMBAG staff was assigned the task of performing the day-to-day functions of the organization.

The non-profit arm of AMBAG is governed by a seven member Board of Directors. Five of the RAPS Directors are appointed annually on behalf of AMBAG from among its Board of Directors. The remaining Directors are nominated by the AMBAG President and confirmed by the AMBAG Board of Directors from among the public, one each from the County of Monterey and the County of Santa Cruz. The Directors serve a one-year term.

RAPS Inc. is legally separate from AMBAG and meets the test required by GAAP to be presented as a blended component unit in AMBAG's financial statements. In addition, individual financial statements are included for the blended component unit in the required supplementary information section.

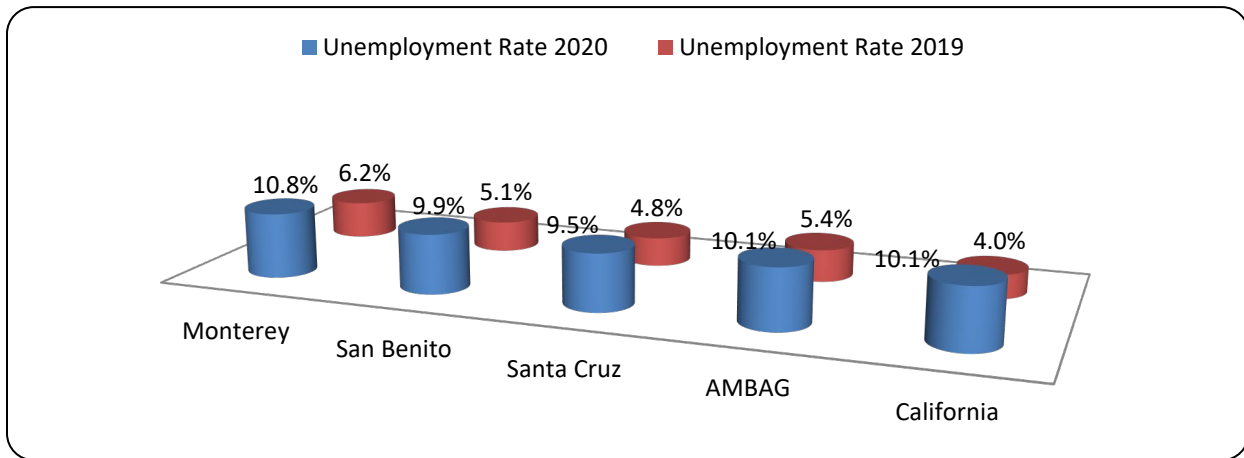
Monterey Bay Area Region Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which AMBAG operates.

The AMBAG regional economy has an industry structure that is quite different in some ways than the statewide structure or the industry structure in regions like Southern California or the San Francisco Bay Area. One difference is the large share of jobs in Agriculture. According to the California Employment Development Department, more than 15 percent of total jobs in the AMBAG region are in Agriculture compared to just 2.5 percent statewide. Other sectors with above average shares in the region include Government (19 percent) and Leisure and Hospitality (9 percent). Conversely, the AMBAG region has a below average share of jobs in the fast-growing, high wage Information (internet services) and Professional, Scientific and Technical Services sectors as well as in Finance, Transportation, Warehousing and Utilities (Source: California Employment Development Department, March 2020).

The region is projected to experience job growth at a slightly slower rate than the state and nation. The primary reason for this below-average job growth is the region's below-average concentration in fast-growing sectors such as Information and Professional, Scientific and Technical Services. The region also has a below-average exposure to growth in foreign trade. Positive factors include above-average performance relative to state trends in tourism and agriculture. Over the last year, unemployment has increased in the AMBAG region, as reported by the California Employment Development Department (see chart below). Ten-year unemployment rate trends are in the statistical section of this report.

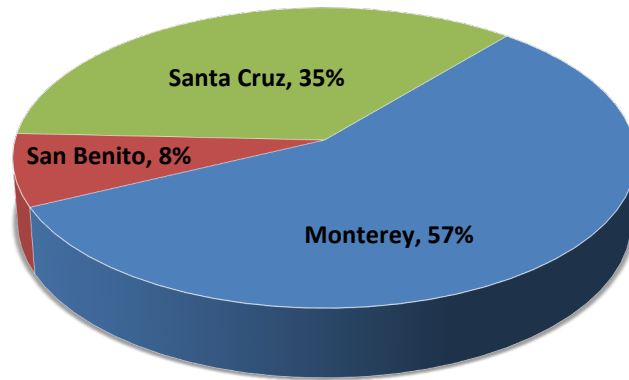
Comparison of Unemployment Rate



The nation is expected to add over 29 million jobs between 2015 and 2045 for an increase of 20 percent. Growth nationwide is expected to be fairly constant throughout the forecast period. The state of California is projected to experience job growth that is slightly faster than the nation's job growth in the early years of the forecast, and to slow down to a rate more similar to the national growth rate by 2045. The state is projected to see a 14 percent increase in total jobs between 2015 and 2045, with fastest growth in Professional and Business Services, Education and Healthcare, Transportation, Warehousing and Utilities. The AMBAG region is projected to add nearly 65,500 jobs between 2015 and 2045 (growth of 17 percent). The region is projected to have 442,800 jobs in 2045, per the AMBAG 2022 Regional Growth Forecast. These trends are according to projections from Population Reference Bureau (PRB) with input from the U.S. Bureau of Labor Statistics, California Employment Development Department Industry Employment Projections and California Department of Transportation.

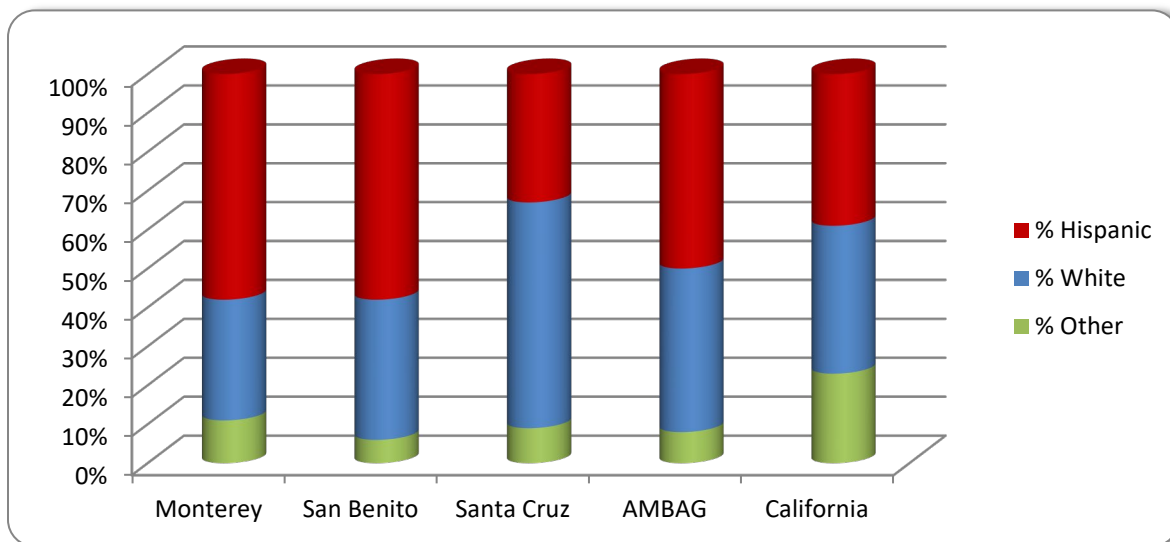
The tri-county AMBAG region has seen its population increase in the past decade. Between 2011 and 2020, the regional population has increased by 4.3 percent. Of the three counties in the AMBAG region, Monterey County has the most residents accounting for approximately 57 percent of the tri-county population in 2019. As depicted in the chart below, Santa Cruz County represented 35 percent, while San Benito County residents accounted for approximately 8 percent of the tri-county regional population.

Share of Regional Population by County 2020



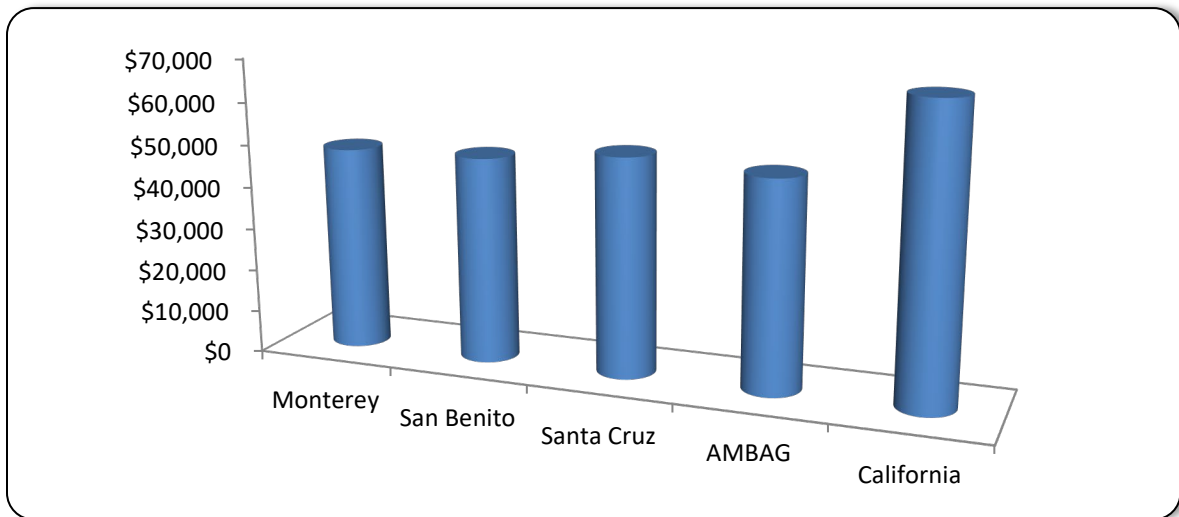
As depicted in the chart below, the Monterey Bay Area Region is a racially and ethnically diverse region. In 2019, the U.S. Census Bureau reported that Hispanic or Latino residents constitute approximately 58 percent of Monterey County, 57 percent of San Benito County, and 34 percent of Santa Cruz County. In the tri-county region, 29 percent of Monterey County residents, 33 percent of San Benito County residents, and 58 percent of Santa Cruz County residents self-identified as non-Hispanic White. Statewide, Hispanic or Latino residents are reported at 39 percent, while 37 percent of statewide residents are non-Hispanic White. The remaining residents self-identified as Other for Santa Cruz County at 8 percent, San Benito County at 11 percent, Monterey County at 13 percent and statewide at 25 percent.

Racial Diversity in the AMBAG Region 2019



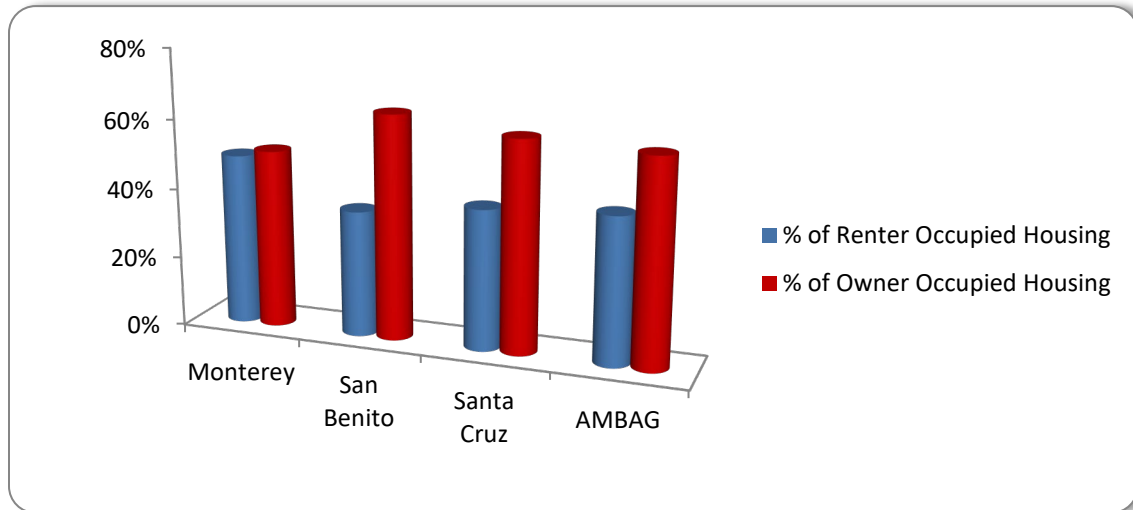
As noted in the chart on the following page, of the three counties in the AMBAG region, Santa Cruz County residents have the highest average annual wages of approximately \$60,045, followed by Monterey and San Benito Counties with average annual wages of \$52,888 and \$52,043 respectively. A high per capita income for tri-county residents is crucial in the context of the county's high housing costs. In addition, a higher relative per capita income signals greater discretionary income for the purchase of goods and services.

Average Annual Wages 2020



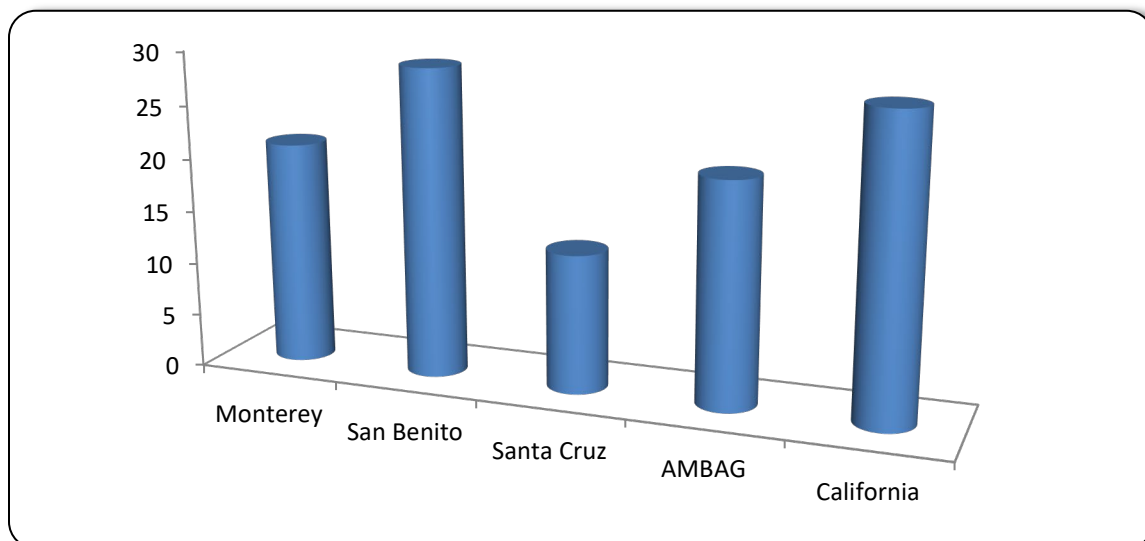
In 2019, the five-year estimate from the U.S. Census for percentage of renter-occupied housing was 42 percent for the AMBAG region. Monterey County showed the highest results with 49 percent, followed by 40 percent for Santa Cruz County, and 37 percent for San Benito County. The statistics for owner-occupied housing for the region was 58 percent, with San Benito County showing the highest with 64 percent, followed by Santa Cruz County with 60 percent and Monterey County with 51 percent (see chart below).

Renter Occupied vs. Owner Occupied Housing 2019



The California Association of Realtors® Traditional Housing Affordability Index (HAI) measures the percentage of households that can afford to purchase the median priced home within their respective counties. The HAI is considered a primary measure of housing well-being for buyers in the state. In the year 2020, approximately 21 percent of households in Santa Cruz County, 22 percent of households in Monterey County, and 36 percent of households in San Benito County could afford to purchase a median priced home within their County. The statewide HAI in 2020 was 31, while the AMBAG average was 26.

Housing Affordability Index 2020



Long-Term Financial Planning

The federal government funds transportation projects and programs in part through taxes on fuel consumption and other fees related to use of the transportation system. The Highway Revenue Act of 1956 tied the gas tax to transportation projects through the Federal-Aid Highway program. The 1956 act created a dedicated transportation funding account, the Highway Trust Fund (HTF). In the early 1980s, Congress expanded the definition of federal highways and created new programs to address transit infrastructure as well as established a Mass Transit Account within the trust fund.

AMBAG is primarily dependent upon formula revenues and planning grants from FHWA, FTA and the State of California. These funds are administered by Caltrans.

Major Initiatives

Fiscal Year 2020-2021 represents a watershed moment in the evolution of AMBAG as the organization strives to deliver planning for the region's future in an integrated and holistic fashion, rather than as a transportation silo.

Fixing America's Surface Transportation Act (FAST Act)

The FAST Act, which is a five-year transportation authorization bill, was signed into law on December 4, 2015 by President Obama. On October 1, 2020, Congress extended the Act through 2021. The FAST Act authorizes \$305 billion over fiscal years 2016 through 2020 for highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail and research, technology, and statistics programs. The FAST Act maintains focus on safety, keeps intact the established structure of the various highway-related programs we manage, continues efforts to streamline project delivery and, for the first time, provides a dedicated source of federal dollars for freight projects.

Senate Bill 1 (SB 1)

Senate Bill 1 (Chapter 5, Beall, 2017) is known as The Road Repair and Accountability Act of 2017 and provides the first significant, stable and ongoing increase in state transportation funding totaling an estimated \$5.2 billion annually for the State of California. SB 1 created the Road Maintenance and Rehabilitation Account and the Road Maintenance and Rehabilitation Program.

AMBAG received approximately \$324,884 in SB 1 funding for FY 2020-2021. In addition, AMBAG will receive a formula based apportionment of SB 1 funding annually for the next 10 years. This funding will assist in conducting local and regional multimodal transportation and land use planning that further AMBAG's Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS), contribute to the State's greenhouse gas (GHG) reduction goals and targets, and other sustainability goals.

There were a number of focus areas during the fiscal year that are ongoing. AMBAG continued the development of the 2045 Metropolitan Plan/Sustainable Communities Strategy (MTP/SCS). The MTP is the federally mandated long-range transportation plan for the Monterey Bay Area Region. This plan lays out a financially constrained list of transportation projects over the next 20 plus years that will enhance regional mobility as well as reduce greenhouse gas emissions. Given the size and complexity of our region, the MTP by necessity is a living document that must be adjusted on a regular basis to keep it valid, relevant, and in accordance with new challenges and opportunities. Accordingly, it may be amended occasionally between major updates, to ensure major projects being planned and implemented in the region remain consistent with the prevailing MTP. The draft 2045 MTP/SCS is scheduled to be released in November 2021 and adopted in June 2022.

AMBAG completed work on the SB 1 Adaptation grant to evaluate and identify the transportation needs, including the ultimate corridor concept in the Central Coast Highway 1 corridor near Elkhorn Slough area, while protecting and integrating the environmental needs of this unique corridor. This work was finalized in August 2020.

Another focus area is the Regional Growth Forecast (RGF). The RGF projects the region's population, employment and housing numbers for the tri-county area of Monterey, San Benito and Santa Cruz Counties. The purpose of the RGF is to show likely changes in employment, population and housing in the region by 2045, based on the most current information available. This forecast is used to inform regional and local planning projects such as the MTP/SCS, transportation projects, corridor studies and economic activity analyses. Results from this forecast are used as inputs in the AMBAG's Regional Travel Demand Model (RTDM) to forecast travel patterns. The 2022 RGF was accepted by the AMBAG Board for planning purposes in November 2020.

Biennially, AMBAG updates the Metropolitan Transportation Improvement Program (MTIP) for Monterey, San Benito and Santa Cruz Counties. The MTIP is AMBAG's transportation project programming document necessary to bring state and federal transportation funds to the region. It is the short-term component of the MTP and is developed to be consistent with AMBAG's adopted MTP for the tri-county (Monterey, Santa Cruz and San Benito Counties) Metropolitan Planning Region. The MTIP contains transportation improvement projects including public mass transit, highway, local road, bicycle, and pedestrian projects proposed for funding based on anticipated available federal, state and local funding to be implemented over the next four years (federal fiscal year (FFY) 2020-2021 to FFY 2023-2024).

The table on the following page shows the MTIP funding sources by year. The MTIP must be financially constrained by year and must be updated at least every four years and amended as needed through formal amendments or an administrative modification. The AMBAG Board of Directors adopted the MTIP for FFY 2020-2021 to FFY 2023-2024 at their February 10, 2021 meeting and it was jointly approved by FHWA and FTA on April 16, 2021. The MTIP is amended as needed. A total of 7 formal amendments and modifications to the MTIP were processed, as of June 30, 2021.

AMBAG Region MTIP Funding Sources by Year

Funding Source (\$ in 1,000s)					
Year	Local	State	Federal	Other (TIFIA)	Total
2020/21	\$116,141	\$134,064	\$28,567	\$8,449	\$287,221
2021/22	\$194,070	\$234,673	\$27,328	\$0	\$456,071
2022/23	\$88,921	\$99,155	\$22,857	\$0	\$210,933
2023/24	\$87,579	\$70,608	\$62,564	\$0	\$220,751
Total \$	\$486,711	\$538,500	\$141,316	\$8,449	\$1,174,976
% of Total	41.42%	45.83%	12.03%	0.72%	100%

In Fiscal Year 2016-2017, San Luis Obispo Council of Governments (SLOCOG), Santa Barbara County Association of Governments (SBCAG) and AMBAG, the three MPOs of the California's Central Coast region, were awarded a Caltrans planning grant in the amount of \$650,000 which was matched with local funds of \$400,000. Under this project, consulting support staff developed a cost effective and advanced activity-based modeling framework for all three MPOs. The final product will be three fully functional Regional Travel Demand Model (RTDM), utilized by the three MPOs, Caltrans, Regional Transportation Planning Agencies (RTPAs), transit agencies and local jurisdictions to evaluate land use and transportation policies while also meeting California State Senate Bill 375 (SB 375) requirements. During FY 2020-21, agency staff prepared draft model technical reports, presentation materials and presented at the national level professional panel to conduct peer review which was held on September 23-24, 2020. After incorporating peer review recommendations, the final RTDM was developed and used for the development of 2045 MTP/SCS. This is a multi-year project and was completed in August 2021.

The AMBAG Sustainability Program continued to work throughout the Monterey Bay to help communities and public agencies achieve their sustainability goals as well as reduce Greenhouse Gas (GHG) emissions in an equitable and cost effective manner. In the past year, the program focused on implementing four initiatives. First, the program provided technical assistance to school districts in order to close out their participation in the Proposition 39 program. Second, through agreements with Central Coast Community Energy (3CE), San Luis Obispo Air Control Pollution District (SLOAPCD), SLOCOG, and the County of Santa Barbara, AMBAG provided each jurisdiction on the Central Coast with a 2018 Community-wide GHG inventory and will be providing 3CE member jurisdictions with 2019 and 2020 inventories. Third, as part of an agreement with the San Joaquin Valley Clean Energy Organization (SJVCEO), staff worked with public agencies in Monterey County to support benchmarking and energy efficiency initiatives. Finally, sustainability program staff worked to continue building partnerships with rural energy efficiency program implementers throughout California in order to explore bringing new energy efficiency programs to the region.

AMBAG will continue the work associated with the aforementioned initiatives and many other agency projects that support the principles of efficient and multimodal regional transportation

that preserves the dynamic heritage of the region. The Work Program Initiatives section of this report provides additional details.

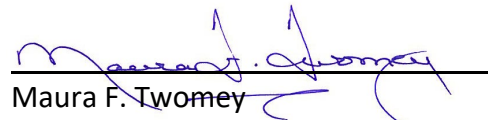
Acknowledgements

On behalf of all staff at AMBAG, we express our sincere gratitude to each of the Board Members for your leadership, hard work and support throughout the year. We recognize that being a member of the AMBAG Board of Directors is a demanding responsibility that requires a tremendous investment of time, and we do appreciate your efforts.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Association of Monterey Bay Area Governments for its Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2019. This was the 8th consecutive year that AMBAG has received this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The preparation of this report could not be accomplished without the dedication and efficient services of the entire AMBAG staff.

With leadership from the AMBAG Board of Directors and the work of management and our excellent staff, we are prepared to continue the complex and challenging work of planning for the Monterey Bay Area Region!

Sincerely,



Maura F. Twomey
Executive Director



Errol Osteraa
Director of Finance and Administrative Services

Work Program Initiatives

Work Program Initiatives

AMBAG performs metropolitan-level transportation planning on behalf of the region utilizing a continuous, comprehensive and cooperative framework. Among its many duties, AMBAG manages the region's transportation demand model, Geographic Information System (GIS) data services and prepares regional housing, population and employment forecasts that are utilized in a variety of regional plans. While transportation planning is AMBAG's federally mandated requirement, as an MPO, AMBAG also provides other services that are summarized below. All projects, plans and deliverables are detailed in AMBAG's OWP and Budget. Please visit www.ambag.org for additional details.

2045 METROPOLITAN TRANSPORTATION PLAN (MTP)/SUSTAINABLE COMMUNITIES STRATEGY (SCS)

AMBAG initiated the 2045 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS). The MTP is the federally mandated long-range transportation plan for the Monterey Bay Region. This plan lays out a financially constrained list of transportation projects and programs over the next 25 years that will enhance regional mobility while reducing greenhouse gas emissions. The 2045 MTP/SCS is scheduled to be adopted in June 2022.

REGIONAL GROWTH FORECAST (RGF)

The Regional Growth Forecast (RGF) projects the region's population, employment and housing numbers for the tri-county Monterey Bay Area Region. The purpose of the RGF is to show likely changes in employment, population and housing in the region by 2045 based on the most current information available. This forecast is used to support regional and local planning projects such as the MTP/SCS, transportation projects, corridor studies and economic activity analyses. Results from this forecast are used as inputs in the Regional Travel Demand Model (RTDM) to forecast travel patterns. The AMBAG Board of Directors accepted the 2022 RGF for planning purposes in November 2020. The 2022 RGF will be used in the development of the 2045 MTP/SCS and the Regional Housing Needs Allocation.

METROPOLITAN TRANSPORTATION IMPROVEMENT PROGRAM (MTIP)

The AMBAG Metropolitan Transportation Improvement Program (MTIP) is the four-year financially constrained short range transportation programming document for the tri-county Monterey Bay Region, updated every two years for the four years ahead. Staff processed seven amendments to include new projects or update project scope and/or funding in FY 2020-2021. AMBAG updated the program, in coordination and cooperation with FHWA, FTA, Caltrans, RTPAs, transit agencies and other interested stakeholders in the region. The FFY 2020-2021 to FFY 2023-2024 MTIP was finalized and adopted by the AMBAG Board of Directors on February 10, 2021. In addition, MAP-21 and the FAST Act established several performance management

requirements aiming to ensure the most efficient investment of transportation funds, support improved decision-making and increase accountability and transparency. Currently AMBAG is required to report on the safety, condition and performance of the transportation system in relation to its adopted performance targets (Title 23 CFR§ 450.324), as well as with other new federal requirements related to long-range planning including any potential scenario planning. These requirements were incorporated in the FFY 2020-2021 to FFY 2023-2024 MTIP in FY 2020-2021.

2018 GREENHOUSE GAS INVENTORIES FOR ALL CENTRAL COAST JURISDICTIONS

Through partnerships with 3CE, SLOAPCD, SLOCOG, and the County of Santa Barbara, the AMBAG Sustainability Program prepared 2018 Community-wide Greenhouse Gas Inventories for all jurisdictions in Monterey, San Benito, San Luis Obispo, Santa Barbara, and Santa Cruz counties. Community-wide GHG Inventories are a tool that jurisdictions can use to track the progress of existing GHG reduction strategies or as a starting point towards the development a Climate Action Plan.

REGIONAL TRAVEL DEMAND MODEL

The Regional Travel Demand Model (RTDM) is a tool used by AMBAG and its partner agencies to analyze the impacts of land use and transportation investment on the transportation network and its performance. Its primary output is a measure of vehicle miles traveled (VMT) in the tri-county area of Monterey, San Benito and Santa Cruz Counties. The AMBAG RTDM base year is 2015 and the future year is 2045. The latest data and travel demand modeling practices were applied to develop the 2045 MTP/SCS, scheduled for adoption by AMBAG Board of Directors in June 2022, which involves extensive modeling work and data analysis. AMBAG staff reviewed, compiled, and input various datasets to ensure a fully-functional hybrid model is available for the development of region's long range transportation plan, 2045 MTP/SCS.

CENTRAL COAST SUPRA-REGIONAL ACTIVITY BASE MODEL (ABM) PROJECT

San Luis Obispo Council of Governments (SLOCOG), Santa Barbara County Association of Governments (SBCAG) and AMBAG, three MPOs of the California's Central Coast region, were awarded a Caltrans planning grant in the amount of \$650,000 which is matched with local funds of \$400,000. Under this project, with consulting support staff developed cost effective and advanced hybrid trip-base model for all three MPO. The final product will be utilized by the three MPOs, Caltrans, Regional Transportation Planning Agencies (RTPAs), transit agencies and local jurisdictions to evaluate land use and transportation policies while also meeting California State Senate Bill 375 (SB 375) requirements.

GEOGRAPHIC INFORMATION SYSTEMS (GIS) AND DATA CLEARINGHOUSE

AMBAG launched a new GIS Portal leveraging the latest ESRI technology in FY 2020-2021, replacing our previous GIS Viewer. The GIS Portal allows jurisdictions to log in and edit data for inclusion in our long-range plan and also provides the ability for the public to view geospatial data in a live and interactive format. The Portal hosts spatial data holdings in a standardized, dynamic and accessible format. AMBAG compiled GIS datasets to show transportation project, managing agencies and the types of sensitive environmental or other resources are near projects to help them prepare Environmental Impact Reports (EIRs) and design projects which cause the least impact to these resources. In addition to the GIS Portal developed in FY20, AMBAG began evaluating the use of a GIS based land use mapping tool Urban Footprint back in 2018, as a case study to enhance the planning process for the upcoming Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS). In FY20, AMBAG updated the tool with additional land use data sets in preparation of the MTP/SCS scenario planning phase. However, in FY21, AMBAG decided best process was to leverage GIS Portal technology for staff to work with the 18 cities and three county local jurisdictions to enhance technical support amongst our member jurisdictions and introduce the ability to quickly update land use data and opportunity area focused growth. AMBAG staff is also working to incorporate the data captured in GIS Portal into Urban Footprint as a key component in MTP/SCS's public participation process.



Government Finance Officers Association

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Presented to

**Association of Monterey Bay Area Governments
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

AMBAG Governing Board

AMBAG Board of Directors

Kristen Petersen, City of Capitola, Councilmember
Karen Ferlito, City of Carmel-by-the-Sea, Councilmember
Kim Shirley, City of Del Rey Oaks, Councilmember
Scott Funk, City of Gonzales, Mayor Pro Tem
Lance Walker, City of Greenfield, Mayor
Rick Perez, City of Hollister, Councilmember
Carlos Victoria, City of King City, Mayor Pro Tem
Lisa Berkley, City of Marina, Councilmember
Ed Smith, City of Monterey, Councilmember
Jenny McAdams, City of Pacific Grove, Councilmember
Steve McShane, City of Salinas, Councilmember
John Freeman, City of San Juan Bautista, Councilmember
Mary Ann Carbone, City of Sand City, Mayor
Justin Cummings, City of Santa Cruz, Councilmember
Derek Timm, City of Scotts Valley, Mayor
Jon Wizard, City of Seaside, Councilmember
Anna Velazquez, City of Soledad, Mayor Pro Tempore
Eduardo Montesino, City of Watsonville, Councilmember
Mary Adams, County of Monterey, Supervisor
John Phillips, County of Monterey, Supervisor
Bob Tiffany, County of San Benito, Supervisor
Bea Gonzales, County of San Benito, Supervisor
Greg Caput, County of Santa Cruz, Supervisor
Manu Koenig, County of Santa Cruz, Supervisor

2021 Officers

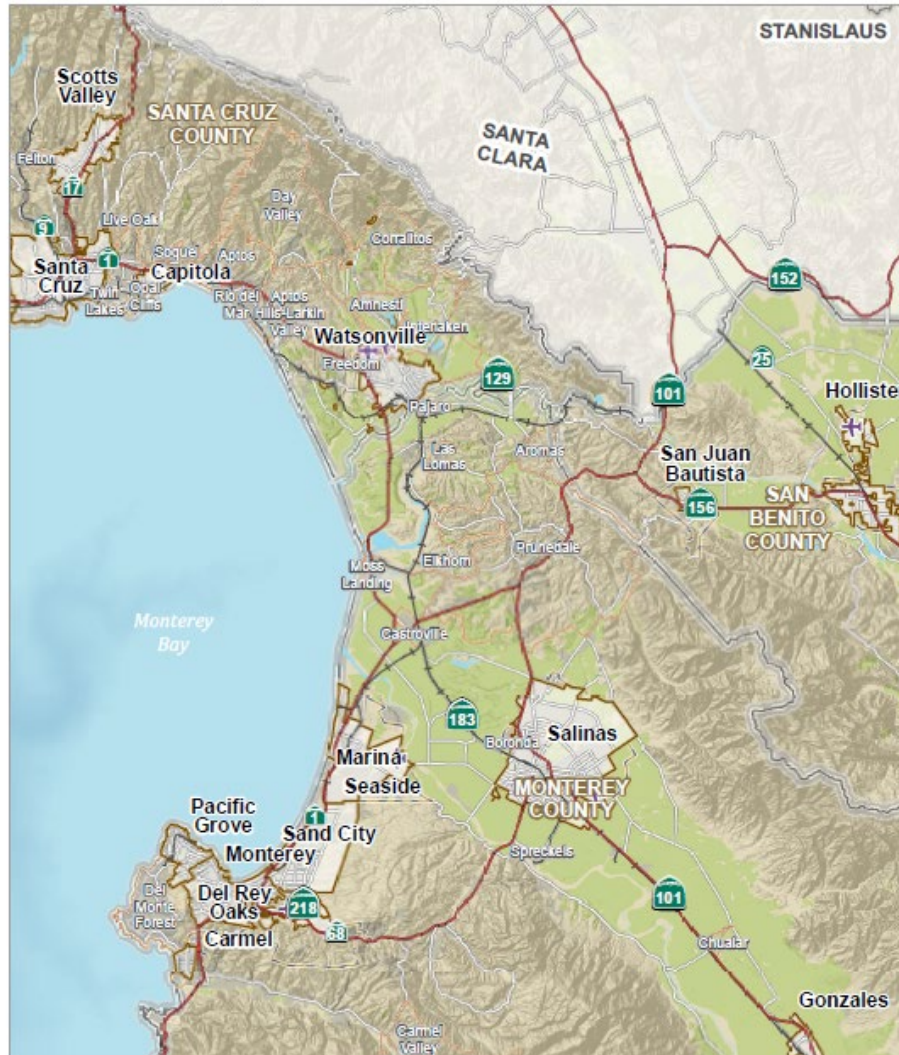
Steve McShane, City of Salinas, President
Kristen Petersen, City of Capitola, 1st Vice President
Lance Walker, City of Greenfield, 2nd Vice President

Ex-Officios

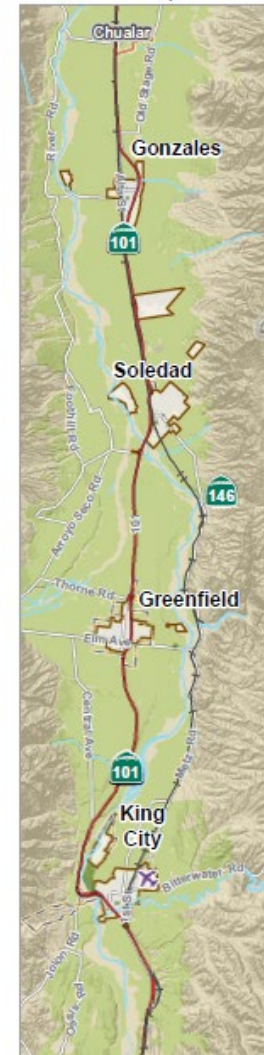
Tim Gubbins, California Department of Transportation (Caltrans), District 5
Richard Stedman, Monterey Bay Air Resources District (MBARD)
Mary Gilbert, San Benito County Council of Governments (SBtCOG)
Guy Preston, Santa Cruz County Regional Transportation Commission (SCCRTC)
Alex Clifford, Santa Cruz Metropolitan Transit District (METRO)
Debbie Hale, Transportation Agency for Monterey County (TAMC)
Carl Sedoryk, Monterey-Salinas Transit (MST)
Michael La Pier, Monterey Regional Airport
Tom Habaishi, Central Coast Community Energy

AMBAG Region

Central Monterey Bay Area



Salinas Valley



Monterey Bay Area

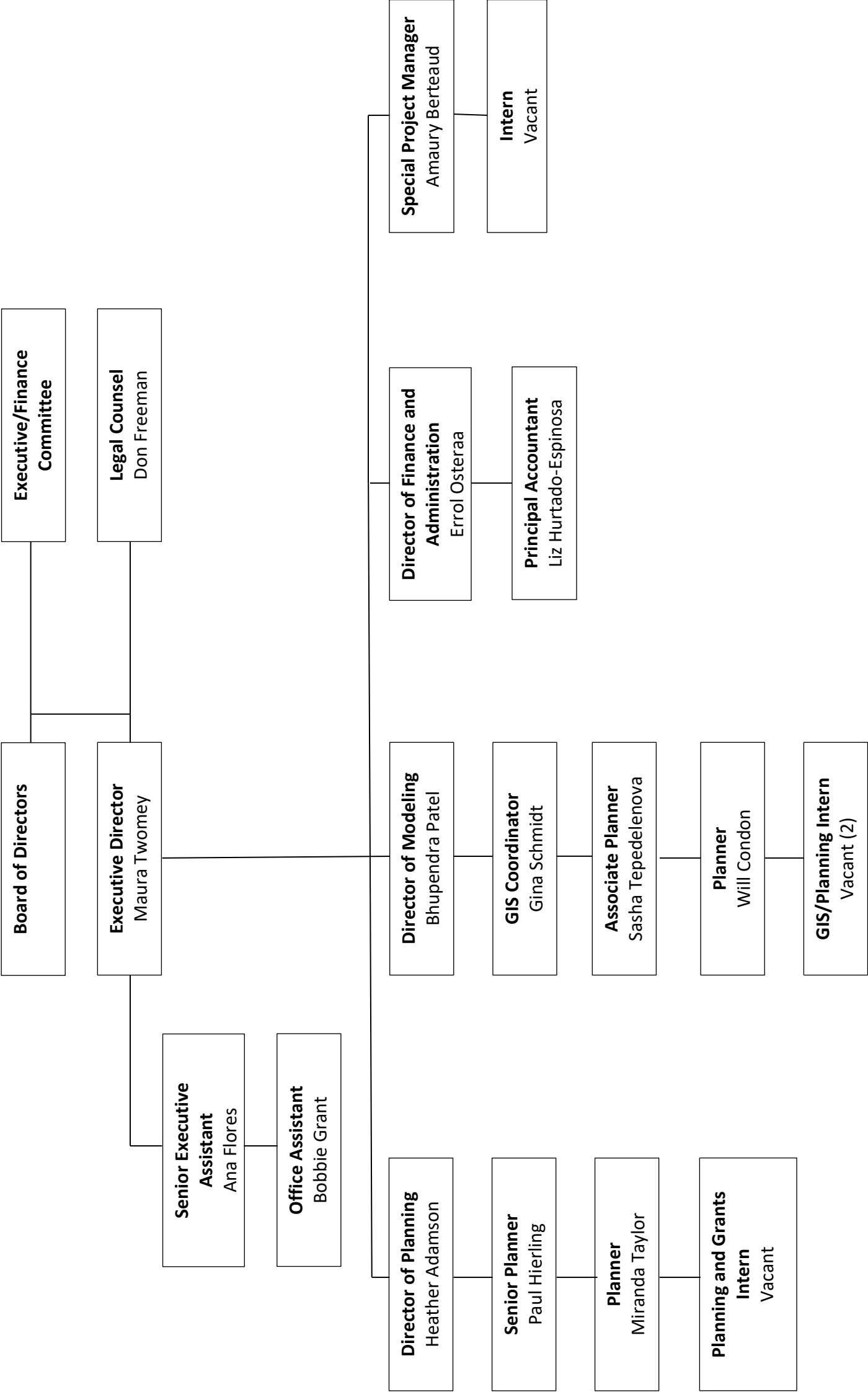


- Railroad
- Public Airport
- Highway
- Major Road
- Hydrography
- National Forests
- County Boundaries
- Census Designated Places
- Sphere of Influence
- City Boundaries

Data Sources:
ESRI Business Analyst;
CA Dept of Conservation
Farmland Mapping
and Monitoring Program;
AMBAG



Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Association of Monterey Bay Area Governments
Monterey, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the **Association of Monterey Bay Area Governments** (AMBAG), which comprise the basic financial statements as listed in the table of contents as of and for the year ended June 30, 2021.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and each major fund of the **Association of Monterey Bay Area Governments** as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios, the Schedule of Contributions – OPEB, Budgetary Comparison Schedules, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ***Association of Monterey Bay Area Governments'*** basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations and the introductory section, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of the ***Association of Monterey Bay Area Governments'*** 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 Association of Monterey Bay Area Governments' internal control over financial reporting and compliance.

Hayashi Wayland, LLP

Salinas, California
December 13, 2021

Management's Discussion & Analysis

The Management Discussion and Analysis (MD&A) of the Association of Monterey Bay Area Governments (AMBAG) presents an overview and analysis of the financial activities and changes in financial position for AMBAG and its blended component unit, Regional Analysis and Planning Services, Inc. (RAPS), a non-profit organization for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

Highlights of AMBAG and RAPS financial performance during the fiscal year ended June 30, 2021 are below:

AMBAG had a negative change in net position of \$87,254.

RAPS had a positive change in net position of \$14,436.

Due to the previous implementation of GASB Statement Nos. 68 and 82, the overall net position of AMBAG is \$(520,403), which is a decrease of \$87,254 in comparison to the prior year.

AMBAG funded \$49,405 of its Annual Required Contribution (ARC) for Other Post-Employment Benefits (OPEB). The annual OPEB cost for the year ended June 30, 2021 was \$18,654. The difference between the ARC funded and the annual OPEB cost is \$30,751, which was the implicit subsidy. AMBAG is current on ARC payments. AMBAG currently has a net OPEB asset of \$112,945.

The Line of Credit was not utilized during FY 2020-2021.

The COVID-19 Pandemic continues to impact AMBAG. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the agency operates. It is unknown how long these conditions will last and what the financial effect will be to the Agency. On March 19, 2020, Governor Newsom issued a shelter in place order due to the COVID-19 pandemic. The Agency has made modifications to the work environment to comply with the Governor's order and regional

requirements. The Agency continues to update policies and procedures to appropriately respond to changing conditions. AMBAG staff has performed admirably under difficult circumstances and consistently met all project and work commitments.

During FY 2016-2017, AMBAG was awarded a grant in the amount of \$650,000 from FHWA for a Supra-Regional Activity-Based Model Framework. AMBAG, San Luis Obispo Council of Governments (SLOCOG), Santa Barbara County Association of Governments (SBCAG), and Caltrans partnered to develop a cost-effective and advanced activity-based modeling (ABM) framework for California's Central Coast region. Funding from the grant ended in June 2020. The project was completed in August 2021 using cash match.

In FY 2018-2019, AMBAG initiated the 2045 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS). The MTP/SCS is a long-range transportation plan for the Monterey Bay region that is completed on a four-year cycle. The 2045 MTP/SCS includes transportation projects and programs that will enhance regional mobility and reduce greenhouse gas emissions over the next 25 years. It is scheduled to be adopted by the AMBAG Board of Directors in June 2022.

In FY 2017-2018, AMBAG was awarded a grant in the amount of \$360,000 from Caltrans to complete the Central Coast Highway 1 Climate Resiliency Study. The study evaluated and identified the transportation needs, including the ultimate corridor concept in the Central Coast Highway 1 corridor near the Elkhorn Slough area, while protecting and integrating the environmental needs of this unique corridor. The study began in late spring 2018 and was completed in August 2020.

RAPS continued to provide administrative and technical services to Pajaro River Watershed Flood Prevention Authority (PRWFPA), as well as public agencies throughout the Monterey Bay Area Region and California. Revenues from services provided equaled \$53,656.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an overview of AMBAG's basic financial statements. The basic financial statements are comprised of the Government-Wide financial statements, the Governmental Fund financial statements and notes to the basic financial statements. These various presentations combine to form an integrated set of basic financial statements. In this MD&A, the Statement of Net Position and the individual accounts, which comprise total assets and liabilities, are discussed and analyzed for the reader. Specific information about the functional areas of grant revenues and expenses reported in the Statement of Activities is also provided.

The financial statements provide both long- and short-term information about AMBAG's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information that further explains and supports the information in the financial statements.

AMBAG's financial statements are prepared on the modified accrual basis in conformity with General Accepted Accounting Principles (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and depreciation of assets is recognized in the Statement of Activities. All assets and liabilities associated with the operation of AMBAG are included in the Statement of Net Position. See notes to the basic financial statements for additional information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of AMBAG's finances, as well as its blended component unit, RAPS, in a manner similar to private-sectors financial statements. This means reporting the extent to which AMBAG met its operating objectives. The government-wide statements ignore the partitions created by the funds, bringing the financial activity together in one place and using just one type of information: accrual-based economic resources. As a result, all assets and liabilities are accounted for, as well as all inflows and outflows of resources. The statements organize information by whether it relates to governmental activities or business-type activities (AMBAG has no business-type activities).

Generally, the governmental activities are those accounted for in the governmental funds. Additionally, component units are included in the basic financial statements and consist of legally separate entities for which the primary government (AMBAG) is financially accountable and has a majority of the governing body. Regional Analysis and Planning Services, Inc. (RAPS) is included as a blended component unit in these financial statements.

The government-wide financial statements include all the governmental activities of AMBAG. The governmental activities of AMBAG include the General Fund and the RAPS, Inc. Fund. The government-wide statements distinguish between the activities of AMBAG that are principally supported by grants or contracts and the General Fund activities, which are intended to be covered primarily by dues paid by AMBAG's members. Changes in net position are a result of the financial activities of the General Fund, not from the grant funds, which operate on a cost reimbursement basis.

There are two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents information on all of AMBAG's assets and liabilities, with the difference between the two reported as net position. Implementation of GASB Statement No. 63 required the reclassification of net assets to net position as noted in Table 1 of the Statistical Section of this ACFR. The Statement of Net Position presents the same information as a balance sheet: It assesses the balance of a government's assets, the resources it can use to provide services and operate the government against its liabilities and obligations to turn over resources to other organizations or individuals. The name of the statement reflects its emphasis on what a government would have left over after satisfying its liabilities. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of AMBAG is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities presents information showing how AMBAG's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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., accounts receivable). The Statement of Activities accomplishes the tasks of more recognizable income statements—revenues, expenses, and other changes in net position are presented, allowing the reader to see how AMBAG's net position changed during the year. The arrangement of the Statement of Activities also provides detail that focuses on how a government finances its services. The statement compares the costs (expenses) of a government's functions and programs with the resources those functions or programs generate themselves (program revenues). To the degree that functions or programs cost more than they raise, the statement shows how the government chose to finance the difference (principally general revenues).

The government-wide financial statements can be found in the Basic Financial Statements section of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds, not AMBAG as a whole. AMBAG, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of AMBAG's funds are governmental fund types. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, 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.

AMBAG's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of AMBAG's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance AMBAG's projects. Because the focus of the 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 in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements. Information is presented separately in the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the General Fund and the RAPS, Inc. Fund, both of which are considered to be major funds.

AMBAG adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for certain governmental funds (major funds) and these are presented in the required supplementary section of this report. The fund financial statements can be found in the basic financial statements section of this report.

NOTES TO THE 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 financial statements are located in the basic financial statements section of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning AMBAG's progress in funding its obligation to provide pension and OPEB benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of AMBAG's financial position. Due to the issuance of GASB Statement No. 68 in June 2012, AMBAG's liabilities

exceeded assets by \$520,403 at the close of the most recent fiscal year. The following table shows AMBAG's condensed government-wide statement of net position for the last two fiscal years.

STATEMENT OF NET POSITION FOR THE YEARS ENDED JUNE 30, 2021 AND 2020				
		2021 Governmental Activities	2020 Governmental Activities	Increase (Decrease)
ASSETS				
Current assets		\$ 4,863,914	\$ 1,410,408	\$ 3,453,506
Capital assets - net		19,106	30,269	(11,163)
TOTAL ASSETS		\$ 4,883,020	\$ 1,440,677	\$ 3,442,343
DEFERRED OUTFLOWS OF RESOURCES		673,861	752,250	(78,389)
TOTAL ASSETS AND DEFERRED OUTFLOWS		\$ 5,556,881	\$ 2,192,927	\$ 3,363,954
LIABILITIES				
Current liabilities		\$ 3,642,662	\$ 204,362	\$ 3,438,300
Long-term liabilities		2,232,420	2,129,746	102,674
TOTAL LIABILITIES		\$ 5,875,082	\$ 2,334,108	\$ 3,540,974
DEFERRED INFLOWS OF RESOURCES		202,202	291,268	(89,066)
TOTAL LIABILITIES AND DEFERRED INFLOWS		\$ 6,077,284	\$ 2,626,076	\$ 3,451,208
NET POSITION				
Investment in capital assets		\$ 19,106	\$ 30,269	\$ (11,163)
Unrestricted (deficit)		(539,509)	(463,148)	(76,361)
TOTAL NET POSITION (DEFICIT)		\$ (520,403)	\$ (433,149)	\$ (87,254)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION		\$ 5,556,881	\$ 2,192,927	\$ 3,363,954

During fiscal year ended June 30, 2016, AMBAG implemented Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues* (an amendment to GASB Statements No. 67, 68, and 73). GASB Statement No. 82 amends Statement No. 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for the purpose of Statement No. 67 and as employee contributions for the purposes of Statement No. 68. In addition, as a result of GASB Statement No. 68, AMBAG had a negative net position as of fiscal

year ended June 30, 2021 of \$520,403. Additional information regarding the GASB Statement No. 68 is provided in the Notes to the Basic Financial Statements section of this report.

AMBAG experienced a material change in current assets and current liabilities in FY 2020-2021 over the prior year. The change resulted from \$3,982,827 in Regional Early Action Program advance funds that AMBAG received in August 2020. The funds were recorded as unearned revenue and a corresponding liability. The funds will be earned over the three year period of the program.

At the end of the current fiscal year, AMBAG reported a negative net position for the government as a whole as a result of AMBAG's pension obligations.

AMBAG'S overall net position decreased \$87,254 from the prior fiscal year. The decrease is primarily due to increased pension costs resulting from a change in the discount rate from 7.25 to 7.00 as established by the California Public Employees' Retirement System for Fiscal Year 2020-21.

GOVERNMENTAL ACTIVITIES

During the current fiscal year, net position for governmental activities decreased. The following table shows AMBAG's condensed government-wide statement of activities for the last two fiscal years.

STATEMENT OF Activities FOR THE YEARS ENDED JUNE 30, 2021 AND 2020			
	2021 Governmental Activities	2020 Governmental Activities	Increase (Decrease)
REVENUES			
Charges for services	\$ 1,575,891	\$ 217,511	\$ 1,358,380
Operating grants and contributions	2,244,757	3,344,555	(1,099,798)
Investment income	324	420	(96)
Total Revenues	\$ 3,820,972	\$ 3,562,486	\$ (258,486)
EXPENSES			
Transportation	\$ 3,908,226	\$ 3,763,759	\$ 144,467
Total Expenses	\$ 3,908,226	\$ 3,763,759	\$ 144,467
CHANGE IN NET POSITION	(87,254)	(201,273)	(114,019)
NET POSITION, BEGINNING OF YEAR	(433,149)	(231,876)	(201,273)
NET POSITION, END OF YEAR	\$ (520,403)	\$ (433,149)	\$ (87,254)

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

AMBAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

At June 30, 2021, AMBAG'S governmental funds reported combined fund balances of \$1,191,811, an increase of \$103,849 in comparison with the prior year. Approximately 100 percent of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of AMBAG. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,164,535. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balances represent approximately 30 percent of total general fund expenditure.

During the current fiscal year, AMBAG'S general fund balance increased by \$89,413. The increase was due to various factors, such as sharing resources, an increase in billing rates, a reduction in operating expenditures as a result of cost cutting efforts and utilizing toll credits to meet non-federal local match grant requirements.

The RAPS, Inc. Fund had a \$14,436 increase in its fund balance during the current fiscal year, which is attributed to an increase in technical services.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2021, there were three amendments to the Overall Work Programs (OWP) and Budget. The amendments were to reallocate revenue and expenditures among work elements, incorporate AMBAG's Indirect Cost Allocation Plan (ICAP) Rate and add funding from the Regional Early Action Program.

Actual revenue was \$7,675,935 less than anticipated. AMBAG is designated as the fiscal administrator for the Regional Early Action Program created in FY 2018/2019. In that role, AMBAG administers funds dedicated to housing planning in the Central Coast. That work will continue through FY 2022-2023 and revenue will be earned over the three year period.

AMBAG continually works to identify and implement more changes for various programs and activities, such as the increased billing rates where applicable. This effort has been moderately successful in increasing the proportion of total revenues of governmental funds that results from these charges. A review of actual expenditures compared to the final budget yields no significant variances with the exceptions of salaries, fringe benefits and professional services. Actual expenditures for the aforementioned categories did not exceed the related final budget

amounts. The variance between actual and budget for these expenditures is mainly due to delay in project work because of the timing of grant award and the approval to expend funding.

The following table provides a budget to actual comparison for the General fund:

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021					
		Budgeted Amounts		Actual	Variance With Final
		Original	Final	Amounts	Amounts
REVENUES					
	Income from federal sources	\$ 1,846,130	\$ 2,182,538	\$ 1,449,568	\$ (732,970)
	Income from state sources	8,406,848	8,379,650	375,276	(8,004,374)
	Income from local sources	423,950	591,170	1,695,406	1,104,236
	Non-federal local match	205,277	244,393	201,566	(42,827)
	TOTAL REVENUES	\$ 10,882,205	\$ 11,397,751	\$ 3,721,816	\$ (7,675,935)
EXPENDITURES					
	Salaries and fringe benefits	\$ 2,393,063	\$ 2,749,506	\$ 2,165,484	\$ 584,022
	Professional services	7,857,465	7,951,745	1,042,625	6,909,120
	Equipment and space rentals	91,000	91,000	80,042	10,958
	Communications	24,800	24,800	19,277	5,523
	Supplies	117,100	123,400	15,749	107,651
	Printing and reproduction	10,050	11,550	872	10,678
	Transportation	76,500	75,500	503	74,997
	Other costs	106,950	101,180	106,285	(5,105)
	Non-federal local match	205,277	244,393	201,566	42,827
	TOTAL EXPENDITURES	\$ 10,882,205	\$ 11,373,074	\$ 3,632,403	\$ 7,740,671
NET CHANGE IN FUND BALANCES		n/a	24,677	89,413	(64,736)
FUND BALANCE, BEGINNING OF YEAR		1,075,122	1,075,122	1,075,122	n/a
FUND BALANCE, END OF YEAR		\$ 1,075,122	\$ 1,099,799	\$ 1,164,535	\$ (64,736)

CAPITAL ASSETS

Investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$19,106 (net of accumulated depreciation). This investment in capital assets includes equipment, vehicles and software.

See notes 1 and 5 for additional information.

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Equipment, vehicles and software	\$ 188,031	n/a	n/a	\$ 188,031
Less accumulated Depreciation	(157,762)	(11,163)	n/a	(168,925)
Total Capital assets - net	\$ 30,269	\$ (11,163)	n/a	\$ 19,106

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

An ongoing challenge for AMBAG over the last several years has been the loss of revenues from the close out of certain multi-year discretionary grants and finding new revenues to replace them. To address this issue, AMBAG has focused on cost-containment measures and the development of additional sources of revenue, including grants and technical services contracts. In addition, AMBAG staff has also continued their efforts with state, federal and local agencies in pursuing revenue streams.

While many of the revenues AMBAG receives are based on formula planning funds or discretionary grant awards, the requirement to match those funds with non-federal dollars can be a challenge. The primary sources of those matching dollars are toll credits or AMBAG member dues.

Accounting for pensions under GASB Statement No. 68 will have a significant impact on AMBAG's financial reporting and disclosures in the upcoming years. The impact could adversely affect AMBAG's ability to pursue lines of credit. AMBAG is proactively staying apprised of the requirements under GASB No. 68 and will continue to educate the AMBAG Board on the financial implications.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 and No. 57 related to post-employment benefits other than pensions. Statement No. 75 establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this statement will improve the usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition

of the entire OPEB liability and a more comprehensive measure of OPEB expense. The provisions in this Statement are effective for fiscal years beginning after June 15, 2017. Implementation of Statement No. 75 in FY 2017-2018 resulted in the recognition of a net OPEB asset.

The economic outlook for the upcoming year will also depend on economic growth in the region and potential economic impacts arising from the Covid-19 Pandemic. A more immediate issue is the Highway Trust Fund and its constrained resources to support transportation projects and planning efforts. On November 15, 2021, President Biden signed into law the \$1.2 billion Infrastructure Investment and Jobs Act which will provide much needed funding for infrastructure projects. AMBAG staff is aggressively monitoring the Act's implementation to best position the AMBAG region to take advantage of the enhanced funding. AMBAG staff also continues to actively seek alternative funding sources.

The AMBAG Board of Directors adopted the Overall Work Program (OWP) and Budget, as amended, of \$10,543,302 to fund planning projects in fiscal year 2021-2022. A significant portion of the \$10,543,302 consisted of funding from the Regional Early Action Program, rollover grant funding and newly acquired grants.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of AMBAG's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to AMBAG's Finance Office via email at: info@ambag.org or by calling (831) 883-3750. Written correspondence should be addressed to the Finance Office c/o AMBAG, 24580 Silver Cloud Court, Monterey, CA 93940.

BASIC FINANCIAL STATEMENTS

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Cash and cash equivalents	\$ 4,156,884
Accounts receivable – net	549,794
Prepays	44,291
Net OPEB asset	112,945
Capital assets – net	<u>19,106</u>
TOTAL ASSETS	<u>4,883,020</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension	531,607
Deferred OPEB	<u>142,254</u>
Total Deferred Outflows of Resources	<u>673,861</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 5,556,881</u>

LIABILITIES

Accounts payable	\$ 378,468
Employee benefits payable	1,575
Long-term liabilities:	
Due within one year	83,504
Due in more than one year	<u>2,232,420</u>
TOTAL LIABILITIES	<u>5,695,967</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension	58,883
Deferred OPEB	143,319
Unearned revenue	<u>3,179,115</u>
Total Deferred Inflows of Resources	<u>3,381,317</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6,077,284</u>

NET POSITION

Investment in capital assets	19,106
Unrestricted (deficit)	<u>(539,509)</u>
TOTAL NET POSITION (DEFICIT)	<u>(520,403)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 5,556,881</u>

See Notes to Basic Financial Statements.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>FUNCTIONS/PROGRAMS</u>				
Governmental activities:				
Transportation	\$ 3,832,655	\$ 1,575,891	\$ 2,196,346	\$ (60,418)
Sustainability	<u>75,571</u>	<u>—</u>	<u>48,411</u>	<u>(27,160)</u>
Total governmental activities	<u>\$ 3,908,226</u>	<u>\$ 1,575,891</u>	<u>\$ 2,244,757</u>	<u>(87,578)</u>
General revenue –				
Investment income				<u>324</u>
Total general revenue				<u>324</u>
CHANGE IN NET POSITION				(87,254)
NET POSITION (DEFICIT), BEGINNING OF YEAR				<u>(433,149)</u>
NET POSITION (DEFICIT), END OF YEAR				<u>\$ (520,403)</u>

See Notes to Basic Financial Statements.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General</u>	<u>Regional Analysis and Planning Services, Inc.</u>	<u>Total Govern- mental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,140,367	\$ 16,517	\$ 4,156,884
Accounts receivable – net	486,270	38,726	524,996
Interfund receivable – net	24,798	–	24,798
Prepaid expenses	<u>44,291</u>	<u>–</u>	<u>44,291</u>
Total assets	<u>\$ 4,695,726</u>	<u>\$ 55,243</u>	<u>\$ 4,750,969</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND</u>			
<u>FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 350,501	\$ 3,169	\$ 353,670
Interfund payable	–	24,798	24,798
Employee benefits payable	<u>1,575</u>	<u>–</u>	<u>1,575</u>
Total liabilities	<u>352,076</u>	<u>27,967</u>	<u>380,043</u>
Deferred inflows of resources –			
Unearned revenue	<u>3,179,115</u>	<u>–</u>	<u>3,179,115</u>
Total deferred inflows of resources	<u>3,179,115</u>	<u>–</u>	<u>3,179,115</u>
Fund balances:			
Assigned	–	27,276	27,276
Unassigned	<u>1,164,535</u>	<u>–</u>	<u>1,164,535</u>
Total fund balances	<u>1,164,535</u>	<u>27,276</u>	1,191,811
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,695,726</u>	<u>\$ 55,243</u>	
Amounts reported in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
	Governmental capital assets		188,031
	Less accumulated depreciation		(168,925)
Amounts paid to the trust for other post-employment benefits in excess of the required contributions, the net OPEB asset, are not financial resources and therefore are not reported in the funds.			112,945
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Compensated absences		(133,156)
	Net pension liability		(2,182,768)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:			
	Deferred outflows		673,861
	Deferred inflows		<u>(202,202)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES			<u>\$ (520,403)</u>

See Notes to Basic Financial Statements.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Regional Analysis and Planning Services, Inc.</u>	<u>Total Governmental Funds</u>
REVENUES:			
Income from federal sources	\$ 1,449,568	\$ –	\$ 1,449,568
Income from state sources	375,276	–	375,276
Income from local sources	1,695,406	99,156	1,794,562
Non-federal local match	<u>201,566</u>	<u>–</u>	<u>201,566</u>
Total revenues	<u>3,721,816</u>	<u>99,156</u>	<u>3,820,972</u>
EXPENDITURES:			
Salaries	1,424,949	–	1,424,949
Fringe benefits	740,535	–	740,535
Professional services	1,042,625	83,332	1,125,957
Equipment and space rentals	80,042	–	80,042
Communications	19,277	–	19,277
Supplies	15,749	–	15,749
Printing and reproduction	872	–	872
Transportation	503	–	503
Other costs	106,285	1,388	107,673
Non-federal local match	<u>201,566</u>	<u>–</u>	<u>201,566</u>
Total expenditures	<u>3,632,403</u>	<u>84,720</u>	<u>3,717,123</u>
NET CHANGE IN FUND BALANCES	89,413	14,436	103,849
FUND BALANCES, BEGINNING OF YEAR	<u>1,075,122</u>	<u>12,840</u>	<u>1,087,962</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,164,535</u>	<u>\$ 27,276</u>	<u>\$ 1,191,811</u>

See Notes to Basic Financial Statements.

ASSOCIATION OF MONTEREY BAY AREA 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, 2021

NET CHANGE IN FUND BALANCES	\$ 103,849
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
Capital outlay	—
Current year depreciation	(11,163)
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(31,947)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Current year pension cost difference	(167,779)
Current year OPEB cost difference	<u>19,786</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (87,254)</u>

See Notes to Basic Financial Statements.

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ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Association of Monterey Bay Area Governments (AMBAG) is a voluntary association of eighteen cities and Monterey, Santa Cruz, and San Benito Counties, with 5,159 square miles and a population of over 770,000. AMBAG was formed in 1968 as a Council of Governments (COG), by a Joint Powers Agreement (JPA). In 1975 AMBAG was designated as the Metropolitan Planning Organization (MPO) for the tri-county region. AMBAG was created as a forum for planning, discussion and study of regional issues of mutual interest and concern in California's Monterey Bay Area Region, and for the preparation of studies, plans, policy and action recommendations. Among its many duties, AMBAG manages the region's transportation demand model and prepares regional housing, population and employment forecasts that are utilized in a variety of regional plans.

AMBAG is a legally independent entity and is governed by a twenty-four member board of directors, the members of which are appointed by each of its member agencies. AMBAG's principal sources of revenue to fund its governmental operations include federal, state and local grants from the Federal Highway Administration (FHWA), Federal Transit Administration (FTA), the California Department of Transportation (Caltrans) and other agency grants. Member agency dues provide approximately five percent of total revenue, and no one agency accounts for more than twenty percent of the dues. No other entity has oversight responsibility for AMBAG and its financial statements are not a part of any other reporting entity.

Component Units – Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statements No. 14 and 39 have been considered and there are no agencies or entities which should be presented with AMBAG as component units except those noted below.

Blended Component Unit – Regional Analysis and Planning Services, Inc. (RAPS) is a non-profit organization that sponsors conferences and community forums and provides technical assistance in planning activities on issues affecting the Monterey Bay region to public entities who request it. AMBAG selects the board of directors for RAPS, with the majority of members coming from the AMBAG board, and AMBAG personnel are involved with RAPS operations. The financial statements of RAPS have been blended with those of AMBAG's because RAPS is fiscally dependent on AMBAG and RAPS receives revenue from a combination of local and state sources. RAPS did not issue separate financial statements for the year ended June 30, 2021.

Accounting Policies – The accounting policies of AMBAG conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

Government-wide and Fund Financial Statements – The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of AMBAG. The effect of all significant interfund activity has been removed from the government-wide statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of AMBAG's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. AMBAG allocates indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of AMBAG.

Fund financial statements report detailed information about AMBAG. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and any non-major funds are combined into one column. AMBAG has no non-major funds.

The government-wide focus is more on the sustainability of AMBAG as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

When both restricted and unrestricted resources are available for use, it is AMBAG's policy to use restricted resources first, then unrestricted resources, as they are needed.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, AMBAG considers revenues to be available if they are collected within 90 days of year end, with the following exception, revenue received from government contracts. These revenues are considered available if collected within one year of the current fiscal period.

Grant revenues are recognized in the fiscal year in which all grant requirements are satisfied. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Revenue from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place.

AMBAG utilizes governmental funds to record its financial operating activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a description of the Governmental funds used by AMBAG:

- The General Fund is the general operating fund of AMBAG. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.
- The RAPS Fund is the operating fund of Regional Analysis and Planning Services, Inc. All Regional Analysis and Planning Services, Inc.'s financial resources, except those required to be accounted for in another fund, are accounted for in the RAPS Fund. This includes revenue to provide administrative and technical services to Pajaro River Watershed Flood Prevention Authority.

Cash and Cash Equivalents – Balances in cash and cash equivalents consist of bank accounts insured by the Federal Deposit Insurance Corporation (FDIC), Securities Investment Protection Corporation (SIPC) or are collateralized by the pledging institution under the California Government Code and unsecured and uncollateralized deposits in the California State Treasurer's Investment Pool, known as the Local Agency Investment Fund. AMBAG considers all highly liquid assets which have an original term of less than ninety days to maturity as cash equivalents.

Receivables and Payables – Accounts receivable primarily represent funds to be received from other local governments, state grant-in-aid, state contracts or federal funds. Estimated uncollectible accounts are based upon historical experience rates.

During the course of operations, transactions occur between individual funds that result in amounts owed between funds, which are classified as "due to/from other funds." Eliminations have been made on the government-wide statements for amounts due to/from within governmental funds.

Subrecipient payables represent funds due to agencies for work performed in adherence to AMBAG's Overall Work Program and Budget and Continuing Cooperative Agreements.

Capital Assets – Capital assets include property and equipment which is reported in the applicable governmental columns in the government-wide financial statements. All capital assets are carried at historical cost, if purchased or constructed. Contributed capital assets are valued at their acquisition value at the date of the contribution. Capital assets have an initial cost of more than \$5,000 and estimated useful life in excess of one year.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The estimated useful lives are as follows:

Equipment and vehicles	5 – 7 Years
Software	5 Years

Fair Value – AMBAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 – inputs are quoted prices in active markets for identical assets;
- Level 2 – inputs are significant other observable inputs;
- Level 3 – inputs are significant unobservable inputs.

All investments are stated at Level 1.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue – Unearned revenues arise when contract monies are received prior to incurring qualified expenses. In subsequent periods, when revenue recognition criteria are met, revenue is recognized.

AMBAG is the recipient of grants that require expenditures for specified activities before the organization is reimbursed by the grantor for those costs incurred. Documentation showing actual costs expended is included when submitting a monthly report for reimbursement. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount is reported as unearned revenue.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences – Accrued vacation hours in excess of 240 hours for an employee must be used by January 1 each year. Payment for accrued vacation on termination is made up to a maximum of 240 hours. Administrative leave is accrued annually for the Executive Director and any unused portion is paid out in full by December 31 each year. Vacation time and administrative leave payable are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the AMBAG's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Net Position – The Statement of Net Position presents AMBAG's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted* presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* represents net position not restricted for any project or other purpose.

Fund Balances – In the Fund financial statements, fund balance consists of non-spendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balances are amounts restricted to specific purposes. Committed fund balances are amounts that can only be used for specific purposes as pursuant to official action by the Board prior to the end of the reporting period (passage of resolution). Assigned fund balances are amounts the Board intends to use for a specific purpose but is neither restricted nor committed. The Executive Director has authority to assign fund balance by the approval of contracts up to \$15,000. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund. When restricted and other fund balance resources are available for use, it is AMBAG's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

Effects of New Pronouncements – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. 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 implementation of this statement had no impact on the accompanying financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2018, GASB issued Statement No. 90 Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement established that ownership of majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The implementation of this statement had no impact on the accompanying financial statements.

In October 2021, GASB issued Statement No. 98 The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. AMBAG properly modified the term in the accompanying financial statements.

Authoritative Pronouncements Issued but not yet Adopted – In June 2017, GASB issued Statement No. 87, *Leases*. 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 requirements of this Statement are effective for fiscal years beginning after June 30, 2021. GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which, in light of the COVID-19 pandemic, postpones the effective date of this statement by 18 months. At this time AMBAG is not certain of the effect the adoption of Statement No. 87 will have on the accompanying financial statements.

In June 2018, GASB issued Statement No. 89 Accounting for Interest Cost Incurred Before the End of a Construction Period. 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. This Statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which, in light of the COVID-19 pandemic, postpones the effective date of this statement by one year. At this time AMBAG is not certain of the effect of the adoption of Statement No. 89 will have on the accompanying financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2020. GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which, in light of the COVID-19 pandemic, postpones the effective date of this statement by one year. At this time AMBAG is not certain of the effect of the adoption of Statement No 91 will have on the accompanying financial statements.

In January 2020, GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which, in light of the COVID-19 pandemic, postpones the effective date of this statement by one year. At this time AMBAG is not certain of the effect of the adoption of Statement No. 92 will have on the accompanying financial statements.

In March 2020, GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which, in light of the COVID-19 pandemic, postpones the effective date of this statement by one year. At this time AMBAG is not certain of the effect of the adoption of Statement No. 93 will have on the accompanying financial statements.

In March 2020, GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. AMBAG has no plan for early implementation of this Statement. At this time AMBAG is not certain of the effect the adoption of Statement No. 94 will have on the accompanying financial statements.

In May 2020, GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. AMBAG has no plan for early implementation of this Statement. At this time AMBAG is not certain of the effect the adoption of Statement No. 96 will have on the accompanying financial statements.

In June 2020, GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. AMBAG has no plan for early implementation of this Statement. At this time AMBAG is not certain of the effect the adoption of Statement No. 97 will have on the accompanying financial statements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND CASH EQUIVALENTS

AMBAG's policies relating to deposits and investments are governed by various State statutes. Those statutes specify the type of deposits and investments as well as the methods of securing those deposits and investments.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. AMBAG has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statutes.

Credit risk – AMBAG's practice is to place idle funds in Federal Deposit Insurance Corporation (FDIC) accounts in banks for savings and loan associations or the California State Treasurer's Local Agency Investment Fund (LAIF). The LAIF is not rated. The LAIF is managed by the Pool Investment Board.

Custodial credit risk – The 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 deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that AMBAG's total bank balance, \$250,000 is insured by the Federal Depositary Insurance Corporation. The remaining \$3,895,482 on deposit is collateralized with securities held by the pledging financial institution's agent. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral. At June 30, 2021, the carrying amount of AMBAG's deposits was \$4,152,701 and the corresponding bank balance was \$4,161,998. The difference of \$9,297 was principally due to outstanding checks.

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

Concentration of credit risk – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. AMBAG manages this risk by placing funds with financial institutions that are FDIC insured and by the fact that the monies in the State of California Local Agency Investment Fund are diverse according to the policies of the investment pool.

Cash Equivalents – AMBAG has deposits invested in the California State Treasurer’s Local Agency Investment Fund. All investments are recorded at fair value, which equals cost. The investment of state pooled funds is governed by state law, by policies adopted by the Pooled Money Investment Board (PMIB) and by accepted norms for prudent fiduciary management of investments. PMIB funds may be invested in a wide range of interest-bearing securities, such as Treasury notes, prime commercial paper, certain California municipal and agency obligations, highly rated corporate bonds, obligations of such agencies as FannieMae and negotiable certificates of deposit. Also allowed are time deposits in California banks, savings and loans and credit unions that have not less than a “satisfactory” Community Reinvestment Act (CRA) rating. The value of each participating dollar equals the fair value divided by the amortized cost. AMBAG’s fair value of its position in the pool is the same as the value of the pool shares. The method used to determine the value of participants equity withdrawn is based on the book value of the participants percentage at the date of such withdrawal. Investments at June 30, 2021 consisted of the following:

Governmental activities –	
Local Agency Investment Fund	\$ 3,683
Total cash equivalents	<u>\$ 3,683</u>

NOTE 3. ACCOUNTS RECEIVABLE – NET

Receivables at June 30, 2021 for AMBAG’s individual major funds, including applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>RAPS</u>	<u>Total</u>
Trade receivables	\$ 541,409	\$ 38,726	\$ 580,135
RAPS	<u>24,798</u>	<u>–</u>	<u>24,798</u>
Gross receivables	566,207	38,726	604,933
Less allowances for uncollectible accounts	<u>55,139</u>	<u>–</u>	<u>55,139</u>
Accounts receivable – net	<u>\$ 511,068</u>	<u>\$ 38,726</u>	<u>\$ 549,794</u>

NOTE 4. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2021, interfund receivables and payables consist of:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 24,798	\$ –
RAPS	<u>–</u>	<u>24,798</u>
	<u>\$ 24,798</u>	<u>\$ 24,798</u>

Interfund payables and receivables arise primarily from the General Fund providing consultant services to RAPS.

NOTE 5. CAPITAL ASSETS – NET

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Equipment, vehicles and software	\$ 188,031	\$ —	\$ —	\$ 188,031
Less accumulated depreciation	<u>157,762</u>	<u>11,163</u>	<u>—</u>	<u>168,925</u>
Total capital assets – net	<u>\$ 30,269</u>	<u>\$ 11,163</u>	<u>\$ —</u>	<u>\$ 19,106</u>

NOTE 6. LINE OF CREDIT

AMBAG has available a line of credit with a bank for \$100,000. The line of credit expires February 2022. Borrowings under the line of credit bear interest at the Wall Street Journal Prime rate, plus a margin of 2.25 percent, but is subject to an interest rate floor of 5.25 percent. The interest rate at June 30, 2021 was 5.25 percent. The line of credit is secured by Uniform Commercial Code (UCC) collateral. The outstanding balance at June 30, 2021 was \$ —.

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due within One year
Compensated absences	\$ 101,209	\$ 95,166	\$ 63,219	\$ 133,156	\$ 83,504
Net pension liability	<u>2,028,536</u>	<u>1,096,770</u>	<u>942,538</u>	<u>2,182,768</u>	<u>—</u>
Total	<u>\$ 2,129,745</u>	<u>\$ 1,191,936</u>	<u>\$ 1,005,757</u>	<u>\$ 2,315,924</u>	<u>\$ 83,504</u>

For governmental activities, compensated absences and other post-employment benefits are generally liquidated by the general fund.

NOTE 8. JOINT POWERS AGREEMENT

AMBAG participates in one joint venture under a Joint Powers Agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between AMBAG and the JPA is such that the JPA is not a component unit of AMBAG for financial reporting purposes.

SDRMA was formed under a JPA pursuant to California Government Code Section 6500 et seq. effective August 1, 1986 to provide general liability, comprehensive/collision liability and property damage, and errors and omissions risk financing for the member districts. SDRMA is administered by a Board of Directors, consisting of one member appointed by the California Special Districts Association and five members elected by the districts participating. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium to commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

SDRMA did not have long-term debt outstanding at June 30, 2021, other than claims liabilities and capital lease obligations. AMBAG's share of year-end assets, liabilities and risk margin has not been calculated by SDRMA.

NOTE 9. PENSION PLAN**General Information about the Pension Plan**

Plan Description – All qualified permanent and probationary employees are eligible to participate in AMBAG’s Miscellaneous Employee Pension Plan, cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to ten months of full-time employment for one year’s credit. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Public Employees’ Pension Reform Act 2013 (PEPRA) Miscellaneous members become eligible for Service Retirement upon attainment of age 52 with at least 5 years of service with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at June 30, 2021, is summarized as follows:

<u>Hire date</u>	<u>PERS Classic</u>	<u>PEPRA</u>
	<u>Miscellaneous</u>	<u>Miscellaneous</u>
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 4.18 %	1.0% to 2.5%
Required employee contribution rates	7%	7.25%
Required employer contribution rates	11.816%	7.847%

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

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>
Contributions	\$ 317,005

NOTE 9. PENSION PLAN (Continued)**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2021, AMBAG reported its proportionate share of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 2,182,768

AMBAG's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard updated procedures. AMBAG's proportion of the net pension liability was based on a projection of AMBAG's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. AMBAG's proportionate share of the net pension liability as of June 30, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.050656%
Proportion - June 30, 2020	0.051748%
Change - Increase (Decrease)	0.001092%

For the year ended June 30, 2021, AMBAG recognized pension expense of \$484,784. Pension expense is allocated between the Transportation and Sustainability funds based on the percentage of Sustainability employees as a percentage of the total. At June 30, 2021, AMBAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 317,005	\$ -
Differences between actual and expected experience	112,484	-
Changes in assumption	-	15,567
Adjustment due to differences in proportions	25,822	15,012
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	11,453	28,304
Net differences between projected and actual earnings on plan investments	<u>64,843</u>	<u>-</u>
Total	<u>\$ 531,607</u>	<u>\$ 58,883</u>

NOTE 9. PENSION PLAN (Continued)

Deferred outflows of resources in the amount of \$317,005 were reported related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of June 30 as follows:

2022	\$	20,602
2023	\$	57,921
2024	\$	46,094
2025	\$	31,102

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-Age Normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary increases	Varies by entry age and service
Investment Rate of Return	7.0%
Mortality rate table	Derived using CalPERS' membership data for all funds

(1) Net of pension plan investment and administrative expenses, including inflation.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% scale MP 2016. For more details on this table, please refer to the December 2017 experience study report located on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on CalPERS' website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS performed crossover testing of the plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 9. PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The long-term expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>Asset Real Return Allocation</u>	<u>Years 1 - 10(a)</u>	<u>Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	3.0%	—	—
Total	100%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents AMBAG's proportionate share of the net pension liability, calculated using the discount rate, as well as what AMBAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net pension liability	\$ 3,442,698
Current discount rate	7.15%
Net pension liability	\$ 2,182,767
1% Increase	8.15%
Net pension liability	\$ 1,141,725

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 10. OTHER POST–EMPLOYMENT BENEFITS (OPEB)

Plan Description and Eligibility – AMBAG provides post-retirement health insurance coverage, in accordance with the Public Employees’ Medical and Hospital Care Act (PEMHCA), Chapter One, Article 8 of the California Public Employees Retirement Law, to employees who retire under the Public Employee’s Retirement System on or after attaining the age of 50 with 5 years of State or public agency service or approved disability retirement. Employees receive 100 percent of their health premiums up to the maximum amount of the Single Party Basic/Medicare Rate of the plan enrolled per month.

AMBAG participates in the California Employer’s Retiree Benefit Trust (CERBT) Fund, which is administered by CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to prefund retiree healthcare benefits. CERBT, an agent multiple-employer trust, issues a publicly available financial report including GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, disclosure information in aggregate with other CERBT participating employers. That report can be obtained from the CalPERS website at www.calpers.ca.gov. The plan provides health benefits to all retired employees.

Funding Policy – The contribution rate is determined on an annual basis by an independent actuary and is authorized by the AMBAG Board of Directors. The contribution rate is based on the Actuarially Determined Contribution (ADC), an amount that is actuarially determined. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (for funding excess) over a period not to exceed 30 years. The ADC for the fiscal year ended June 30, 2021 was 3.29% percent of annual covered payroll. The specific calculation of the ADC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. AMBAG prefunds its OPEB liability by consistently making contributions greater than or equal to the ADC. Therefore, liabilities are developed using a discount rate of 6.75 percent.

Employees Covered – As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active employees	14
Inactive employees or beneficiaries currently receiving benefits	<u>1</u>
Total	15

Contributions – The obligations of the Plan members and AMBAG are established by action of AMBAG’s Board of Directors pursuant to the passing of a resolution. The annual contribution is based on the actuarially determined contribution, which is paid to the California Employer’s Retiree Benefit Trust Program (CERBT). Cash subsidy and implied subsidy benefit payments and PEMCHA administrative fees are currently paid with AMBAG assets on a prefunded basis and are not reimbursed by CERBT. For the fiscal year ended June 30, 2021, AMBAG’s prefunded payments were \$5,993 and the estimated implied subsidy was \$3,332 resulting in total payments of \$9,325 and contributions to CERBT were \$38,707 for a total contribution of \$49,405.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB AMBAG Liability/(Asset) – AMBAG’s net OPEB liability/(asset) was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.5%
Salary Increases	3.0% annually
Investment Rate of Return	6.75%
Mortality Rate (1)	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover(1)	Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	5.4% decreasing to 4.0%

Notes:

- (1) Information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from CalPERS rates, adjusted back out 15 years of Scale MP 2016 to central year 2015 then projected. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Years 1-10)</u>	<u>Long-term Expected Real Rate of Return (Years 11+)</u>
Global Equity	59%	4.80%	5.98%
Fixed Income	25%	1.10%	2.62%
TIPS	5%	0.25%	1.46%
REITs	8%	3.20%	5.00%
Commodities	3%	1.50%	2.87%
	100%		

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that AMBAG 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.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net OPEB Liability/ (Asset) – The changes in the net OPEB liability/(asset) for the Plan are as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability/(Asset)</u>
Balance at June 30, 2019	\$ 530,014	\$ 648,098	\$ (118,084)
<i>Changes recognized for measurement period:</i>			
Service cost	39,830	–	39,830
Interest	38,150	–	38,150
Expected investment income	–	45,088	(45,088)
Investment experience	–	(21,328)	21,328
Contributions - employer	–	49,405	(49,405)
Benefit payments	(9,325)	(9,325)	–
Administrative expense	–	(324)	324
Net Changes	<u>\$ 68,655</u>	<u>\$ 63,516</u>	<u>\$ 5,139</u>
Balance at June 30, 2020	<u>\$ 598,669</u>	<u>\$ 711,614</u>	<u>\$ (112,945)</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate – The following presents the net OPEB liability/(asset) of AMBAG if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB Liability/ (Asset)	\$ (22,046)	\$ (112,945)	\$ (187,291)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rates – The following presents the net OPEB liability/(asset) of AMBAG if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability/ (Asset)	\$ (205,166)	\$ (112,945)	\$ 3,474

OPEB Plan Fiduciary Net Position- CERBT issues a publicly available financial report that may be obtained from California Employer's Retiree Benefit Trust Program at the CalPERS website.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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) (8.32 years at June 30, 2020)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the fiscal year ended June 30, 2021, AMBAG recognized OPEB expense of \$19,787. As of fiscal year ended June 30, 2021, AMBAG reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
OPEB contributions subsequent to measurement date	\$ 43,974	\$ –
Changes of assumptions	81,012	–
Differences between expected and actual experience	–	143,319
Net difference between projected and actual earnings on OPEB plan investments	17,268	–
Total	<u>\$ 142,254</u>	<u>\$ 143,319</u>

The \$43,974 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Deferred Fiscal Year Ended June 30:	Outflows/(Inflows) Of Resources
2022	\$(9,028)
2023	\$(6,290)
2024	\$(5,866)
2025	\$(7,132)
2026	\$(11,396)
Thereafter	\$(5,327)

NOTE 11. DEFERRED COMPENSATION PLANS

AMBAG has two deferred compensation plans for its eligible employees wherein amounts earned by the employees are paid at a future date. These plans meet the requirements of Internal Revenue Code Section 457. All employees are permitted to participate in the plan beginning on the date of hire.

The employee may elect to make tax deferred contributions up to the limits established by the Internal Revenue Service for this type of plan. The employee is 100 percent vested in their contributions from the first date of participation. The plans do not provide for AMBAG contributions. The participant has a choice of investment options.

The plans are administered by International City Management Association Retirement Corporation (ICMA-RC) and CalPERS Voya Financial. The assets of the plans are held in trust, with AMBAG serving as trustee. The plan assets held in the ICMA-RC Retirement Trust and CalPERS are held for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted to any other purpose. The CalPERS 457 plan permits loans to plan participants.

Government Accounting Standards Board Statement (GASB) 32 states that if a fiduciary relationship does not exist between the governmental entity and the Section 457 deferred compensation plan, the government entity should not report the assets of the plan in its financial statements.

AMBAG believes that since it does not provide investment advice or administer the plans, it does not maintain a fiduciary relationship with the plan. Therefore, AMBAG does not report plan assets in its financial statements.

NOTE 12. RISK FINANCING

AMBAG is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which AMBAG carries commercial insurance. The commercial insurance carried by AMBAG includes policies for workers' compensation, general liability, errors and omissions and vehicular liability.

There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three years.

NOTE 13. OPERATING LEASES

AMBAG leases its office and office equipment for various terms. The leases for office equipment expire at various dates through the year ending June 30, 2021 and provides for renewal options for the same period as the leases. The office lease expires on February 18, 2026.

Rent expense totaled \$80,042 during the year ended June 30, 2021. The following is a schedule by year of future minimum rental payments required under the operating lease agreements for the years ending June 30:

2022	\$ 72,792
2023	72,792
2024	72,792
2025	72,204
2026 and thereafter	<u>47,744</u>
Total	<u>\$ 338,324</u>

NOTE 14. COMMITMENTS

In June 2017, AMBAG entered into a contract with Caliper Corporation for the Central Coast Supra-Regional Activity-Based Model Framework project. The amount of this contract is not to exceed \$899,680. For this contract \$10,370 was outstanding at June 30, 2021.

In August 2019, AMBAG entered into a contract with The Sohagi Law Group to provide legal assistance in preparation of the Environmental Impact Report (EIR). The amount of the contract is not to exceed \$75,000. For this contract \$62,548 was outstanding at June 30, 2021.

In April 2019, AMBAG entered into a contract with Population Reference Bureau for technical assistance in developing the forecast for AMBAG to update and implement the Metropolitan Transportation Plan (MTP). The amount of the contract is not to exceed \$50,000. For this contract \$13,392 was outstanding at June 30, 2021.

In September 2019, AMBAG entered into a contract with Rincon Consultants, Inc. to develop/update and implement the Metropolitan Transportation Plan (MTP) for the Monterey Bay Metropolitan Planning Region, in accordance with MAP-21/FAST Act's regulations. The amount of the contract is not to exceed \$225,000. For this contract \$171,889 was outstanding at June 30, 2021.

In April 2021, AMBAG entered into a contract with Caliper Corporation for the Regional Travel Demand Model project. The amount of this contract is not to exceed \$250,000. For this contract \$245,363 was outstanding at June 30, 2021.

NOTE 15. CONTINGENCIES

AMBAG receives significant financial assistance from the Federal and State government in the form of agreements and grants. Entitlement to these resources is generally contingent on the availability of Federal and State funds and the passage of the applicable State Budget Act. These funds may be terminated, limited, or otherwise adversely affected by factors which may include, but are not limited to, changes in State or Federal law regarding the encumbrance and reimbursement of the funds provided by each funding source. Entitlement to these resources is also contingent upon compliance with terms and conditions of the contract or grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Failure to fulfill those conditions could result in the return of the funds to the grantor. Although the possibility remains, AMBAG deems the contingency remote and has recognized all agreement services and grants received as income in the year earned.

NOTE 16. SUBSEQUENT EVENTS

AMBAG has evaluated subsequent events through December 13, 2021, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
For the Measurement Periods Ended June 30

	Measurement Period			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 39,830	\$ 38,775	\$ 37,555	51,625
Interest on the total OPEB liability	38,150	37,280	32,517	34,152
Actual and expected experience difference	-	(85,591)	-	(137,522)
Changes in assumptions	-	69,193	-	49,971
Benefit payments	(9,325)	(5,903)	(5,847)	(7,383)
Net change in total OPEB liability	<u>68,655</u>	<u>53,754</u>	<u>64,225</u>	<u>(9,157)</u>
Total OPEB liability - beginning	<u>530,014</u>	<u>476,260</u>	<u>412,035</u>	<u>421,192</u>
Total OPEB liability - ending (a)	<u>598,669</u>	<u>530,014</u>	<u>476,260</u>	<u>412,035</u>
Plan Fiduciary Net Position				
Contribution - employer	49,405	44,610	41,785	62,093
Net investment income	23,760	36,783	39,653	44,706
Benefit payments	(9,325)	(5,903)	(5,847)	(7,383)
Administrative expense	(324)	(125)	(266)	(226)
Other expense	-	-	(659)	-
Net Change in plan fiduciary net position	<u>63,516</u>	<u>75,365</u>	<u>74,666</u>	<u>99,190</u>
Plan fiduciary net position - beginning	<u>648,098</u>	<u>572,733</u>	<u>498,067</u>	<u>398,877</u>
Plan fiduciary net position - ending (b)	<u>711,614</u>	<u>648,098</u>	<u>572,733</u>	<u>498,067</u>
Net OPEB liability/(asset) - ending (a)-(b)	<u>\$ (112,945)</u>	<u>\$ (118,084)</u>	<u>\$ (96,473)</u>	<u>(86,032)</u>
Plan fiduciary net position as percentage of the total OPEB liability	118.87%	122.28%	120.26%	120.88%
Covered-employee payroll	1,367,160	1,449,758	1,368,028	1,322,768
Net OPEB liability/(asset) as a percentage of covered-employee payroll	(8.26%)	(8.15)%	(7.05)%	(6.50)%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF CONTRIBUTIONS – OPEB
 Last Ten Fiscal Years*

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution (ADC) Contributions in relation to the ADC	\$ 35,367 (43,965)	\$ 44,351 (49,405)	\$ 42,945 (44,610)	41,785 (41,785)
Contribution deficiency (excess)	\$ (8,598)	\$ (5,054)	\$ (1,665)	–
Covered-employee payroll	1,336,776	1,493,251	1,449,758	1,368,028
Contributions as a percentage of covered-employee payroll	3.29%	3.31%	3.08%	3.05%

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were from the June 30, 2019 actuarial valuations, respectively.

Methods and assumptions used to determine contributions:

	2020	2019	2018	2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Inflation	2.5% annually	2.5% annually	2.75% annually	2.75% annually
Payroll Growth	3.25% annually	3.25% annually	3.25% annually	3.25% annually
Investment Rate of Return	6.75%	6.75%	6.75%	7.28%
Healthcare cost-trend rates	5.4% decreasing to 4.00%	7.5% decreasing to 5.00%	6.0% decreasing to 5.00%	
Retirement Age	Misc.	Misc.	Misc.	Misc.
Hired < 1/1/13	7% @ 52	7% @ 52	7% @ 52	7% @ 52
Hired > 12/31/12	20% @ 50	20% @ 50	20% @ 50	20% @ 50
Mortality	Pre-retirement mortality probability based on December 2017 CalPERS 1997-2015 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS rates, adjusted back out 15 years of Scale MP 2015 then projected.			

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Amounts</u>
REVENUES:				
Income from federal sources	\$ 1,846,130	\$ 2,182,538	\$ 1,449,568	\$ (732,970)
Income from state sources	8,406,848	8,379,650	375,276	(8,004,374)
Income from local sources	423,950	591,170	1,695,406	1,104,236
Non-federal local match	<u>205,277</u>	<u>244,393</u>	<u>201,566</u>	<u>(42,827)</u>
Total revenues	<u>10,882,205</u>	<u>11,397,751</u>	<u>3,721,816</u>	<u>(7,675,935)</u>
EXPENDITURES:				
Salaries and fringe benefits	2,393,063	2,749,506	2,165,484	584,022
Professional services	7,857,465	7,951,745	1,042,625	6,909,120
Equipment and space rentals	91,000	91,000	80,042	10,958
Communications	24,800	24,800	19,277	5,523
Supplies	117,100	123,400	15,749	107,651
Printing and reproduction	10,050	11,550	872	10,678
Transportation	76,500	75,500	503	74,997
Other costs	106,950	101,180	106,285	(5,105)
Non-federal local match	<u>205,277</u>	<u>244,393</u>	<u>201,566</u>	<u>42,827</u>
Total expenditures	<u>10,882,205</u>	<u>11,373,074</u>	<u>3,632,403</u>	<u>7,740,671</u>
NET CHANGE IN FUND BALANCES	–	24,677	89,413	64,736
FUND BALANCE, BEGINNING OF YEAR	<u>1,075,122</u>	<u>1,075,122</u>	<u>1,075,122</u>	<u>–</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,075,122</u>	<u>\$ 1,099,799</u>	<u>\$ 1,164,535</u>	<u>\$ 64,736</u>

See Accompanying Notes to Required Supplementary Information.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL - REGIONAL ANALYSIS AND PLANNING SERVICES, INC. FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Amounts</u>
REVENUES –				
Income from local sources	\$ 117,369	\$ 117,369	\$ 99,156	\$ (18,213)
Total revenues	117,369	117,369	99,156	(18,213)
EXPENDITURES:				
Professional services	112,910	112,910	83,332	29,578
Other costs	1,870	1,870	1,388	482
Total expenditures	114,780	114,780	84,720	30,060
Excess (deficiency) of revenues over expenditures	2,589	2,589	14,436	11,847
FUND BALANCE, BEGINNING OF YEAR	12,840	12,840	12,840	–
FUND BALANCE, END OF YEAR	\$ 15,429	\$ 15,429	\$ 27,276	\$ 11,847

See Accompanying Notes to Required Supplementary Information.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. BUDGETARY DATA

AMBAG and RAPS adopt annual budgets. All budgetary items lapse at fiscal year end and then are budgeted for the coming fiscal year. Encumbrance accounting is not used. The budgets are prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

A budget review is performed when anticipated revenues and expenditures change. The budget is amended and adopted by the board of directors. The Board must approve additional grant requests or contracts not included in the amended budget resolution.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF AMBAG'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(LAST 10 YEARS*)
FOR THE YEAR ENDED JUNE 30, 2021

	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Proportionate share of the net pension liability as percentage of covered employee payroll	Plan's fiduciary net position	Plan fiduciary net position as a percentage of the total pension liability
2014						
Miscellaneous Plan	0.02453%	\$ 1,526,353	\$ 1,136,161	134.34%	\$10,639,461,174	81.15%
2015						
Miscellaneous Plan	0.05612%	\$ 1,539,765	\$ 1,148,537	134.06%	\$10,896,036,068	79.89%
2016						
Miscellaneous Plan	0.05287%	\$ 1,836,564	\$ 1,185,532	154.91%	\$10,923,476,287	75.87%
2017						
Miscellaneous Plan	0.05089%	\$ 2,006,211	\$ 1,262,690	158.88%	\$12,074,499,781	75.39%
2018						
Miscellaneous Plan	0.05010%	\$ 1,888,154	\$ 1,370,055	137.82%	\$13,122,440,092	77.69%
2019						
Miscellaneous Plan	0.05066%	\$ 2,028,536	\$ 1,369,865	148.08%	\$13,979,687,268	77.73%
2020						
Miscellaneous Plan	0.05175%	\$ 2,182,768	\$ 1,367,160	159.66%	\$14,702,361,183	87.04%

Notes to Schedule:

Benefit Changes

For 2016, the figures above do not include any liability impact that may have resulted from plan changes, which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

In 2016, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2017, the discount rate was changed from 7.65 to 7.15 percent.

In 2018, demographic assumptions and the inflation rate were changed in accordance with the CalPERS Experience Study and review of Actuarial Assumptions December 2017.

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES TO SCHEDULE
(LAST 10 YEARS*)
FOR THE YEAR ENDED JUNE 30, 2021

<u>Fiscal Year</u>	<u>Contractually required contribution (actuarially determined)</u>	<u>Contributions in relation to the actuarially determined contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2015					
Miscellaneous Plan	\$ 211,829	\$ 211,829	\$ –	\$ 1,148,537	18.44%
2016					
Miscellaneous Plan	\$ 257,171	\$ 257,171	\$ –	\$ 1,185,532	21.69%
2017					
Miscellaneous Plan	\$ 296,519	\$ 296,519	\$ –	\$ 1,262,690	23.48%
2018					
Miscellaneous Plan	\$ 287,133	\$ 287,133	\$ –	\$ 1,370,055	20.96%
2019					
Miscellaneous Plan	\$ 272,964	\$ 272,964	\$ –	\$ 1,369,865	19.93%
2020					
Miscellaneous Plan	\$ 293,550	\$ 293,550	\$ –	\$ 1,367,160	21.47%
2021					
Miscellaneous Plan	\$ 317,005	\$ 317,005	\$ –	\$ 1,336,776	23.71%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year are as follows:

For year end June 30, 2015 – June 30, 2012 funding valuation report
For year end June 30, 2016 – June 30, 2013 funding valuation report
For year end June 30, 2017 – June 30, 2014 funding valuation report
For year end June 30, 2018 – June 30, 2015 funding valuation report
For year end June 30, 2019 – June 30, 2016 funding valuation report
For year end June 30, 2020 – June 30, 2017 funding valuation report
For year end June 30, 2021 – June 30, 2018 funding valuation report

Actuarial Cost Method -	Entry age normal
Amortization Method/Period -	Level percentage of payroll
Asset Valuation Method -	Market value
Inflation -	2.50%
Salary Increases -	Varies by Entry Age and Service
Payroll Growth -	2.75%
Investment Rate of Return -	7.0% Net Investment and Administrative Expenses; includes Inflation
Retirement Age -	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality -	Derived using CalPERS' Membership Data for all Funds. The post- retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries

Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

SUPPLEMENTARY INFORMATION

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF DIRECT, INDIRECT AND UNALLOWABLE EXPENDITURES –
GOVERNMENTAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Direct Costs</u>	<u>Indirect Costs</u>	<u>Unallowable Costs</u>	<u>Totals</u>
SALARIES AND BENEFITS:				
Salaries	\$ 788,425	\$ 636,524	\$ –	\$ 1,424,949
Fringe benefits	<u>415,919</u>	<u>324,616</u>	<u>–</u>	<u>740,535</u>
Total salaries and benefits	<u>1,204,344</u>	<u>961,140</u>	<u>–</u>	<u>2,165,484</u>
OTHER EXPENDITURES:				
Professional services	930,811	111,814	–	1,042,625
Equipment and space rentals	–	80,042	–	80,042
Communications	196	19,081	–	19,277
Supplies	1,567	14,148	34	15,749
Printing and reproduction	–	872	–	872
Transportation	47	456	–	503
Other costs	27,468	62,469	16,348	106,285
Non-federal local match	<u>201,566</u>	<u>–</u>	<u>–</u>	<u>201,566</u>
Total other expenditures	<u>1,161,655</u>	<u>288,882</u>	<u>16,382</u>	<u>1,466,919</u>
Depreciation expense	<u>2,902</u>	<u>8,261</u>	<u>–</u>	<u>11,163</u>
Total expenditures	<u>\$ 2,368,901</u>	<u>\$ 1,258,283</u>	<u>\$ 16,382</u>	<u>\$ 3,643,566</u>

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF EXPENDITURES
CONSOLIDATED PLANNING GRANT NO. 74A0815
FOR THE YEAR ENDED JUNE 30, 2021

		<u>TOTAL</u>
Authorized Expenditures:		
Federal Highway Administration Funds	\$	1,755,557
Federal Transit Administration Section 5303		426,980
SB1 Formulas and Competitive Grants		396,236
Sustainable Communities Grants		<u>3,692</u>
Total authorized expenditures		<u>2,582,465</u>
Actual Expenditures		
Association of Monterey Bay Area Governments (AMBAG)		
Program		
<u>No.</u>	<u>Program Name</u>	
101	Overall Work Program, Budget and Administration	91,995
112	Transportation Plans Coordination and Interagency Liaison	194,138
113	Public Participation Plan	27,789
231	Data Collection, Uniformity, Coordination and Access	266,979
251	Regional Travel Demand Model (RTDM)	490,887
411	Clearinghouse	8,452
605	Sustainable Community Planning (FY19-20)*	80,597
606	Sustainable Community Planning (FY20-21)*	284,936
610	Transportation Performance Management	32,489
621	Elderly and Disabled and Americans with Disabilities Act	7,214
622	Regional/Metropolitan Transportation Planning	411,792
624	San Benito County Regional Transportation Planning**	20,910
641	Metropolitan Transportation Improvement Program (MTIP)	181,586
642	San Benito Transportation Improvement Program**	11,773
680	Rail Planning/Corridor Studies	11,337
684	Central Coast Highway 1 Resiliency Study*	<u>3,681</u>
Total Expenditures		<u>2,126,555</u>
Balance of Federal Highway Administration Grant		<u>\$ 455,910</u>

*Expenditures reported at federal reimbursement rate (88.53%)

**AMBAG performs the planning work on behalf of the Council of San Benito County Governments

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STATISTICAL SECTION

Statistical Section

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS **Statistical Section Introduction**

The Association of Monterey Bay Area Governments (AMBAG) annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. (Table 1-5)
Revenue Capacity	These schedules contain information to help the reader assess the government's ability to generate its own revenue. (Table 6-7)
Demographic & Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. (Table 8-14)
Operating	These schedules contain service and infrastructure data to help the information reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. (Table 15-16)

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year. Schedules presenting government-wide financial statements include information beginning with that year.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
Table 1 - Net Position by Component – Last Ten Fiscal Years

	2012	2013	2014¹	2015²
Governmental activities:				
Investment in capital assets	15,399	46,906	70,356	87,417
Restricted for repayment of deposits	-	-	-	-
Unrestricted	235,733	227,773	331,201	(1,029,304)
Total governmental activities				
Net position	251,132	274,679	(1,029,304)	(941,887)

¹The net position of governmental activities significantly decreased in fiscal year ended June 30, 2014 as a result of implementing GASB Statements No. 68 and No. 71, requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

²A prior period adjustment was made to net position for fiscal year ended June 30, 2015 as a result of implementing GASB Statement No. 82, which recognizes the classification of employer-paid member contributions.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
Table 1 - Net Position by Component – Last Ten Fiscal Years

2016	2017	2018	2019	2020	2021
62,295	39,876	33,635	19,498	30,269	19,106
-	-	-	-	-	-
(871,966)	(492,764)	(333,975)	(251,374)	(463,418)	(539,509)
(809,671)	(452,888)	(300,340)	(231,876)	(433,149)	(520,403)

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 2 - Changes in Net Position – Last Ten Fiscal Years

	2012	2013	2014¹
Expenses			
Governmental activities:			
Transportation	\$ 2,592,360	\$ 3,443,131	\$ 2,907,159
Energy watch (Sustainability from 2021)	885,879	970,598	595,743
Total governmental activities expenses	<u>3,478,239</u>	<u>4,413,729</u>	<u>3,502,902</u>
Program Revenues			
Governmental activities:			
Charges for services	44,742	40,893	218,252
Operating grants and contributions	3,211,822	4,222,462	3,411,368
Total governmental activities program revenues	<u>3,256,564</u>	<u>4,263,355</u>	<u>3,629,620</u>
Net revenues/(expenses)	(221,675)	(150,374)	126,718
General Revenues			
Investment income	239	221	158
Membership dues	173,700	173,700	-
Loss on sale of capital assets	-	-	-
Total general revenues	<u>173,939</u>	<u>173,921</u>	<u>158</u>
CHANGE IN NET POSITION	(47,736)	23,547	126,876
NET POSITION, BEGINNING OF YEAR	<u>298,868</u>	<u>251,132</u>	<u>274,679</u>
NET POSITION, END OF YEAR	<u>\$ 251,132</u>	<u>\$ 274,679</u>	<u>\$ (1,168,989)</u>

¹The net position of governmental activities significantly decreased in fiscal year ended June 30, 2014 as a result of implementing GASB Statements No. 68 and No. 71, requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

²A prior period adjustment was made to net position for fiscal year ended June 30, 2015 as a result of implementing GASB Statement No. 82, which recognizes the classification of employer paid member contributions.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 2 - Changes in Net Position – Last Ten Fiscal Years

2015²	2016	2017	2018	2019	2020	2021
\$ 2,178,019	\$ 2,391,469	\$ 2,422,284	\$ 2,800,986	\$ 2,454,574	\$ 3,143,874	\$ 3,832,655
620,562	602,845	521,967	666,572	677,623	619,885	75,571
2,798,581	2,994,314	2,944,251	3,467,558	3,132,197	3,763,759	3,908,226
214,584	246,063	258,634	295,578	262,544	217,511	1,575,891
2,810,924	2,937,533	3,042,186	3,284,460	2,937,691	3,344,555	2,244,757
3,025,508	3,183,596	3,300,820	3,580,038	3,200,235	3,562,066	3,820,648
226,927	189,282	356,569	112,480	68,038	(201,693)	(87,578)
175	170	214	291	426	420	324
-	-	-	-	-	-	-
-	-	-	-	-	-	-
175	170	214	291	426	420	324
227,102	189,452	356,783	112,771	68,464	(201,273)	(87,254)
(1,168,989)	(999,123)	(809,671)	(413,111)	(300,340)	(231,876)	(433,149)
\$ (941,887)	\$ (809,671)	\$ (452,888)	\$ (300,340)	\$ (231,876)	\$ (433,149)	\$ (520,403)

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 3 - Fund Balances of Governmental Funds – Last Ten Fiscal Years

	2012	2013	2014	2015
General fund				
Committed	50,002	-	-	-
Unassigned	315,986	397,150	460,353	511,457
Total general fund	365,988	397,150	460,353	511,457
Other governmental fund				
Unassigned	(1,600)	(2,279)	(3,615)	(4,030)
Total other governmental funds	(1,600)	(2,279)	(3,615)	(4,030)

¹Fiscal year ended 2010 has not been restated per GASB Statement No. 54. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 3 - Fund Balances of Governmental Funds – Last Ten Fiscal Years

2016	2017	2018	2019	2020	2021
-	-	-	-	-	-
648,291	783,094	993,171	1,054,274	1,075,122	1,164,535
648,291	783,094	993,171	1,054,274	1,075,122	1,164,535
(3,646)	(4,014)	2,849	10,753	12,840	27,276
(3,646)	(4,014)	2,849	10,753	12,840	27,276

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 4 - Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years

	2012	2013	2014	2015
REVENUES:				
Income from federal sources	\$ 1,770,691	\$ 2,139,456	\$ 1,798,562	\$ 1,551,319
Income from state sources	178,760	715,543	427,488	758,293
Income from local sources	1,386,935	1,427,345	1,259,012	551,761
Non-federal local match	94,117	154,932	144,716	164,310
Total revenues	3,430,503	4,437,276	3,629,778	3,025,683
EXPENDITURES:				
Salaries	1,135,346	1,099,428	1,185,089	1,143,154
Fringe benefits	450,482	551,630	649,501	705,020
Professional services	793,218	1,605,290	955,698	513,469
Equipment and space rentals	74,474	76,782	75,406	74,747
Communications	17,983	18,707	17,925	17,819
Supplies	36,113	39,369	23,546	20,616
Printing and reproduction	10,898	4,587	5,080	2,960
Transportation	9,012	13,058	21,446	27,814
Other costs	117,686	134,809	101,148	136,720
Subrecipients	650,868	669,827	380,047	130,000
Non-federal local match	94,117	154,932	144,716	164,310
Bad debt recovery	-	-	(27,047)	-
Capital outlay	-	38,374	35,356	38,365
Total expenditures	3,390,197	4,406,793	3,567,911	2,974,994
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	40,306	30,483	61,867	50,689
NET CHANGE IN FUND BALANCES	\$ 40,306	\$ 30,483	\$ 61,867	\$ 50,689

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 4 - Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years

2016	2017	2018	2019	2020	2021
\$ 1,515,681	\$ 1,458,360	\$ 1,782,164	\$ 1,544,949	\$ 1,834,086	\$ 1,449,568
964,838	965,240	975,202	1,066,017	1,269,853	375,276
537,288	731,568	604,523	417,452	282,776	1,794,562
165,959	145,866	218,440	172,243	175,771	201,566
3,183,766	3,301,034	3,580,329	3,200,661	3,562,486	3,820,972
1,176,094	1,252,840	1,299,810	1,436,819	1,427,975	1,424,949
687,384	773,994	757,772	738,261	759,603	740,535
640,895	656,599	740,256	453,226	889,643	1,125,957
78,009	80,488	77,687	88,247	81,054	80,042
20,958	15,103	17,258	19,853	17,766	19,277
43,630	26,561	13,726	31,096	24,161	15,749
2,037	4,031	7,564	6,474	3,530	872
19,785	33,009	31,935	33,995	25,260	503
122,517	100,918	110,040	146,175	108,256	107,673
89,278	77,190	74,390	-	-	-
165,959	145,866	218,440	172,243	175,772	201,566
-	-	-	-	-	-
-	-	14,511	5,265	26,531	-
3,046,546	3,166,599	3,363,389	3,131,654	3,539,551	3,717,123
137,220	134,435	216,940	69,007	22,935	103,849
\$ 137,220	\$ 134,435	\$ 216,940	\$ 69,007	\$ 22,935	\$ 103,849

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 5 – Indirect and Fringe Benefit Costs – Last Ten Fiscal Years

Year	Indirect Cost	Fringe Benefits	Totals
2012	807,827	361,886	1,169,713
2013	799,282	393,111	1,192,393
2014	888,443	386,206	1,274,649
2015	932,641	392,347	1,324,988
2016	971,486	438,762	1,410,248
2017	981,338	499,705	1,481,043
2018	1,009,673	478,674	1,488,347
2019	1,155,050	456,688	1,611,738
2020	1,227,606	456,226	1,683,832
2021	1,258,283	415,919	1,674,202

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 6 - Member Dues – Last Ten Fiscal Years

	Member Cities			Member Counties		
	No. of Members	Population	Annual Dues ¹	No. of Members	Population	Annual Dues ¹
2012	18	484,277	99,924	3	248,341	73,776
2013	18	489,193	99,974	3	249,894	73,726
2014	18	491,600	100,530	3	250,864	73,670
2015	18	493,048	100,574	3	251,777	73,626
2016	18	498,678	100,564	3	256,190	73,636
2017	18	498,859	100,562	3	256,544	73,638
2018	18	509,776	100,876	3	259,952	73,324
2019	18	514,299	100,940	3	261,523	73,260
2020	18	517,239	101,205	3	259,994	72,995
2021	18	520,848	101,342	3	261,733	72,858

¹As prescribed by Section 8B of the AMBAG By-Laws, dues are allocated one half by population ratio, and one half by assessed valuation ratio. Population figures are those published by the California State Dept. of Finance. Assessed valuations are those reported by County Auditor-Controllers.

Source: AMBAG Finance Department

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 7 - Principle Members – Current Year and Five Years Ago

City/County	2021		2016	
	Percent of Total Dues		Percent of Total Dues	
	Annual Dues	Assessment	Annual Dues	Assessment
City of Capitola	3,231	2%	3,279	2%
City of Carmel	3,795	2%	3,766	2%
City of Del Rey Oaks	883	1%	881	1%
City of Gonzales	1,801	1%	1,755	1%
City of Greenfield	2,912	2%	2,822	2%
City of Hollister	7,372	4%	6,842	4%
City of King City	2,536	1%	2,416	1%
City of Marina	4,513	3%	4,047	2%
City of Monterey	7,525	4%	7,821	4%
City of Pacific Grove	4,063	2%	4,087	2%
City of Salinas	25,008	14%	24,978	14%
City of San Juan Bautista	874	1%	829	0%
City of Sand City	753	0%	733	0%
City of Santa Cruz	13,968	8%	13,888	8%
City of Scotts Valley	3,634	2%	3,653	2%
City of Seaside	5,688	3%	5,816	3%
City of Soledad	3,942	2%	3,870	2%
City of Watsonville	8,844	5%	9,081	5%
County of Monterey	34,209	20%	34,462	20%
County of San Benito	6,006	3%	5,872	3%
County of Santa Cruz	32,643	19%	33,302	19%

Source: AMBAG Finance Department

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 8 - Population by County in the AMBAG Region – Last Ten Calendar Years

Year	Monterey	San Benito	Santa Cruz	Total Region
2010	416,005	55,527	262,813	734,345
2011	420,485	56,081	265,851	742,417
2012	424,867	56,726	268,379	749,972
2013	426,959	57,254	271,105	755,318
2014	429,418	57,892	272,102	759,412
2015	434,604	58,464	274,514	767,582
2016	438,591	59,207	275,247	773,045
2017	439,822	59,737	274,574	774,133
2018	441,764	60,781	273,426	775,971
2019	443,397	62,051	272,185	777,633
2020	441,290	62,789	270,067	774,146

Source: State of California, Department of Finance

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 9 - Number of Household Units by County in the AMBAG Region - Last Ten Calendar Years

Year	Monterey	San Benito	Santa Cruz	Total Region
2010	137,910	17,870	104,476	260,256
2011	138,206	17,892	104,566	260,664
2012	138,308	18,060	104,642	261,010
2013	138,451	18,090	104,843	261,384
2014	138,817	18,130	105,047	261,994
2015	139,177	18,262	105,221	262,660
2016	139,435	18,347	105,380	263,162
2017	139,821	18,510	105,501	263,832
2018	140,330	18,935	105,646	264,911
2019	141,007	19,395	105,692	266,094
2020	141,763	19,913	106,135	267,811

Source: State of California, Department of Finance

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 10 - Labor Force & Unemployment by County in the AMBAG Region – Last Ten Calendar Years

	2011				2012			
	Labor Force	Employment	Unemployment	Unemployment Rate	Labor Force	Employment	Unemployment	Unemployment Rate
Monterey	216,300	188,400	27,900	12.9%	217,400	191,800	25,600	11.8%
San Benito	28,300	24,100	4,200	14.8%	28,600	24,800	3,800	13.3%
Santa Cruz	141,300	122,400	18,800	13.3%	141,800	124,800	17,000	12.0%
	2013				2014			
	Labor Force	Employment	Unemployment	Unemployment Rate	Labor Force	Employment	Unemployment	Unemployment Rate
Monterey	215,700	193,200	22,500	10.4%	217,400	197,400	19,900	9.2%
San Benito	28,800	25,600	3,200	11.2%	29,100	26,400	2,700	9.4%
Santa Cruz	141,600	126,900	14,700	10.4%	142,000	129,500	12,600	8.9%
	2015				2016			
	Labor Force	Employment	Unemployment	Unemployment Rate	Labor Force	Employment	Unemployment	Unemployment Rate
Monterey	218,300	200,500	17,800	8.2%	218,800	202,000	16,800	7.7%
San Benito	29,800	27,500	2,300	7.6%	29,800	28,400	2,000	6.7%
Santa Cruz	143,200	132,400	10,800	7.5%	143,800	133,700	10,000	7.0%
	2017				2018			
	Labor Force	Employment	Unemployment	Unemployment Rate	Labor Force	Employment	Unemployment	Unemployment Rate
Monterey	219,600	203,800	15,900	7.2%	221,900	207,700	14,300	6.4%
San Benito	30,600	28,800	1,800	5.8%	31,200	29,600	1,600	5.1%
Santa Cruz	142,700	134,500	8,200	5.7%	141,300	134,200	7,100	5.0%
	2019				2020			
	Labor Force	Employment	Unemployment	Unemployment Rate	Labor Force	Employment	Unemployment	Unemployment Rate
Monterey	221,200	207,100	14,100	6.4%	213,500	190,400	23,100	10.8%
San Benito	32,300	30,600	1,600	5.0%	31,500	28,400	3,100	9.9%
Santa Cruz	141,100	134,100	7,000	5.0%	133,600	120,900	12,700	9.5%

Source: State of California, Employment Development Department

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 11 - Median Household Income by County in the AMBAG Region - Last Ten Calendar Years

Year	Monterey	San Benito	Santa Cruz	Regional Average
2010	53,735	58,194	60,247	57,392
2011	52,746	62,618	61,228	58,864
2012	56,038	60,577	65,799	60,805
2013	55,411	66,780	65,282	62,491
2014	57,864	68,444	65,368	63,892
2015	60,047	76,521	64,841	67,136
2016	62,999	73,298	75,929	70,742
2017	70,294	77,200	76,633	74,709
2018	69,665	80,063	84,213	77,980
2019	76,509	84,209	85,770	82,163
2020	85,031	91,185	93,015	89,744

Source: U.S. Census Bureau, Small Area Estimates Branch

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
Table 12 - Employment by Industry in the AMBAG Region - Prior Year & Ten Years Ago

2020				2010			
	Firm	Number of Employed	Percent of Total Employment Listed	Firm	Number of Employed	Percent of Total Employment Listed	
Monterey	Agriculture	54,000	29%	Agriculture	45,100	27%	
	Natural Resources, Mining and Construction	6,400	3%	Natural Resources, Mining and Construction	4,300	3%	
	Manufacturing	4,700	3%	Manufacturing	5,600	3%	
	Wholesale Trade	5,400	3%	Wholesale Trade	4,900	3%	
	Retail Trade	15,500	8%	Retail Trade	15,200	9%	
	Transportation, Warehousing and Utilities	3,800	2%	Transportation, Warehousing and Utilities	3,400	2%	
	Information	800	0%	Information	1,700	1%	
	Financial Activities	4,100	2%	Financial Activities	4,300	3%	
	Professional and Business Services	14,400	8%	Professional and Business Services	11,500	7%	
	Educational and Health Services	19,900	11%	Educational and Health Services	16,500	10%	
	Leisure and Hospitality	18,800	10%	Leisure and Hospitality	20,000	12%	
	Other Services	4,400	2%	Other Services	4,600	3%	
	Government	33,800	18%	Government	32,600	19%	
San Benito	Agriculture	2,200	13%	Agriculture	1,600	11%	
	Natural Resources, Mining and Construction	1,600	10%	Natural Resources, Mining and Construction	800	6%	
	Manufacturing	2,700	16%	Manufacturing	2,500	17%	
	Wholesale Trade	400	2%	Wholesale Trade	400	3%	
	Retail Trade	1,300	8%	Retail Trade	2,000	14%	
	Transportation, Warehousing and Utilities	500	3%	Transportation, Warehousing and Utilities	300	2%	
	Information	-	0%	Information	100	1%	
	Financial Activities	300	2%	Financial Activities	300	2%	
	Professional and Business Services	1,300	8%	Professional and Business Services	700	5%	
	Educational and Health Services	1,400	8%	Educational and Health Services	1,100	8%	
	Leisure and Hospitality	1,400	8%	Leisure and Hospitality	1,100	8%	
	Other Services	400	2%	Other Services	400	3%	
	Government	3,000	18%	Government	3,000	21%	
Santa Cruz	Agriculture	8,000	8%	Agriculture	9,600	10%	
	Natural Resources, Mining and Construction	4,400	4%	Natural Resources, Mining and Construction	3,000	3%	
	Manufacturing	6,800	7%	Manufacturing	5,000	5%	
	Wholesale Trade	3,300	3%	Wholesale Trade	3,500	4%	
	Retail Trade	10,700	11%	Retail Trade	11,400	12%	
	Transportation, Warehousing and Utilities	1,700	2%	Transportation, Warehousing and Utilities	1,500	2%	
	Information	600	1%	Information	900	1%	
	Financial Activities	3,200	3%	Financial Activities	3,300	3%	
	Professional and Business Services	10,400	10%	Professional and Business Services	9,600	10%	
	Educational and Health Services	17,000	17%	Educational and Health Services	15,100	15%	
	Leisure and Hospitality	10,000	10%	Leisure and Hospitality	10,900	11%	
	Other Services	4,500	4%	Other Services	3,700	4%	
	Government	20,500	20%	Government	20,300	21%	

Source: State of California Employment Development Department, Employment by Industry Data

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 13 - Average Annual Wages by County in the AMBAG Region - Last Ten Calendar Years

	2011		2012		2013	
	Average Weekly Wages	Average Annual Wages	Average Weekly Wages	Average Annual Wages	Average Weekly Wages	Average Annual Wages
Monterey	\$787	\$40,903	\$796	\$41,394	\$804	\$41,812
San Benito	\$740	\$38,504	\$752	\$39,092	\$758	\$39,417
Santa Cruz	\$830	\$43,158	\$855	\$44,454	\$866	\$45,035

	2014		2015		2016	
	Average Weekly Wages	Average Annual Wages	Average Weekly Wages	Average Annual Wages	Average Weekly Wages	Average Annual Wages
Monterey	\$818	\$42,526	\$848	\$42,526	\$874	\$45,426
San Benito	\$791	\$41,130	\$839	\$44,080	\$854	\$44,402
Santa Cruz	\$859	\$44,653	\$888	\$46,189	\$913	\$47,497

	2017		2018		2019	
	Average Weekly Wages	Average Annual Wages	Average Weekly Wages	Average Annual Wages	Average Weekly Wages	Average Annual Wages
Monterey	\$907	\$47,146	\$924	\$48,027	\$952	\$49,504
San Benito	\$890	\$46,285	\$931	\$48,428	\$975	\$50,677
Santa Cruz	\$949	\$49,372	\$986	\$51,268	\$1,066	\$55,434

	2020	
	Average Weekly Wages	Average Annual Wages
Monterey	\$1,017	\$52,888
San Benito	\$1,001	\$52,043
Santa Cruz	\$1,155	\$60,045

Source: United States Department of Labor, Bureau of Labor Statistics
https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 14 - Transit Providers by County in the AMBAG Region - Current Year

County	Transit Providers
Monterey	MST (Monterey-Salinas Transit)
San Benito	San Benito County Express
Santa Cruz	Santa Cruz METRO

Source: AMBAG Finance Department

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Table 15 – Full-Time and Part-Time Employees by Function - Last Ten Fiscal Years

Year	Transportation	Energy Watch*	Administration	Total
2012	8	3.5	4.5	16
2013	8	3.5	4.5	16
2014	8.5	4.1	4.5	17.1
2015	8.25	4.5	4.75	17.5
2016	9.25	3.5	4.75	17.5
2017	8.5	3.42	4.75	16.67
2018	8.35	3	4.75	16.1
2019	8	3.5	4.75	16.25
2020	9	3	4.4	16.4
2021	9	1.5	5.7	16.2

* Sustainability Programs from 2021

Source: AMBAG Finance Department

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
Table 16 - Net Capital Assets by Function - Last Ten Fiscal Years

Year	Transportation
2012	15,399
2013	46,906
2014	70,356
2015	87,417
2016	62,295
2017	39,876
2018	33,635
2019	19,498
2020	30,270
2021	19,106

Source: AMBAG Finance Department

SINGLE AUDIT SECTION

**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***

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Association of Monterey Bay Area Governments
Monterey, California**

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 ***Association of Monterey Bay Area Governments***, which comprise the statement of net position as of June 30, 2021, and the related statements of activities, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the ***Association of Monterey Bay Area Governments'*** 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*.

Purpose of this Report

The purpose of this report is solely 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 the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Hayashi Wayland, LLP

Salinas, California
December 13, 2021

**REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Association of Monterey Bay Area Governments
Monterey, California**

Report on Compliance for Each Major Federal Program

We have audited the ***Association of Monterey Bay Area Governments*** (AMBAG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AMBAG's major federal programs for the year ended June 30, 2021. AMBAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, AMBAG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Hayashi Wayland, LLP

Salinas, California
December 13, 2021

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	ASSISTANCE LISTING	IDENTIFYING NUMBER	PROGRAM EXPENDITURES
U.S. Department of Transportation			
Pass-Through Grant:			
California Department of Transportation:			
Federal Highway Metropolitan Planning	20.505	74A0815	\$ 1,449,569
Federal Transit Administration Section 5303	20.505	74A0815	<u>350,122</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,799,691</u>

See Notes to the Schedule of Expenditures of Federal Awards.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of AMBAG under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of AMBAG, it is not intended to and does not present the financial position, changes in net assets, or cash flows of AMBAG.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

AMBAG has a federally negotiated indirect cost rate that is being used for federal awards.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? No
- Significant deficiency (ies) identified that are not considered material weakness (es)? None noted

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over the program:

- Material weakness (es) identified? No
- Significant deficiency (ies) identified that are not considered to be material weakness (es)? None noted

Type of auditor's report issued on compliance for the program – Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200 516 (a)? No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.505	Metropolitan Transportation Planning

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings and questioned costs for federal awards.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

There were no findings or questioned costs for the year ended June 30, 2020.

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