

FRESNO COUNCIL OF GOVERNMENTS

ANNUAL FINANCIAL REPORTS

FOR THE YEAR ENDED
JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Fresno Council of Governments
Fresno, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fresno Council of Governments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Fresno Council of Governments' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fresno Council of Governments, as of June 30, 2017, 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 and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fresno Council of Governments' basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters (Continued)

Other information (Continued)

The other supplementary information as listed in the table of contents 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 other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018, on our consideration of the Fresno Council of 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 Fresno Council of Governments' internal control over financial reporting and compliance.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
January 30, 2018

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following discussion and analysis of the financial performance and activity of the Fresno Council of Governments Basic Financial Statements provide an introduction and understanding of the basic financial statements of the Fresno Council of Governments (Fresno COG). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Fresno Council of Governments is a voluntary association of the County of Fresno and the 15 incorporated cities in Fresno County established on September 24, 1969, under a joint exercise of power agreement, to provide a cooperative body for discussion and resolution of issues which go beyond individual boundaries. Fresno COG's major function is the activity generated by its responsibilities as a designated transportation-planning agency, complying with federal and state requirements.

Each year the Policy Board adopts an overall Work Program and Budget setting forth the work activities for the next fiscal year. The major revenue sources come from the Federal Highway Works Administration and Federal Transit Administration. Fresno COG also receives grants from the State Department of Transportation and a variety of local revenue sources including Planning funds from the Transportation Development Act fund. Fresno COG administrates the Local Transportation fund and State Transit Assistance fund, which consist of allocations to local governments in Fresno County from the proceeds of ¼ cent sales tax and the state highway account. In addition, the Fresno COG provides much of the planning for the Measure C Program, a local transportation fund generated by a ½ cent sales tax approved by the voters of Fresno County.

The Financial Statements

The Council's basic financial statements include (1) the Statement of Net Position and (2) the Statement of Activities. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The Statement of Net Position reports assets, liabilities, and the difference between the two as Net Position. The entire equity section is combined to report total net position and is displayed in three components - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2017

The Financial Statements (Continued)

The net position component *invested in capital assets, net of related debt*, consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvements of those assets.

Restricted net position consist of assets where constraints on their use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

The Statement of Activities is reported using the accrual basis of accounting. Revenue is reported when earned and expenses are reported when incurred, regardless of when cash is received or paid. Revenues and expenses are categorized as either operating or non-operating based upon definitions provided by the Governmental Accounting Standards Board.

Financial Highlights

- Total net position of Fresno COG was \$1,445,933 and consisted of capital assets, net of related debt, of \$35,490; and unrestricted net position of \$1,410,443.
- Net position decreased \$189,340 during fiscal year 2017. The decrease in net position from governmental activities was attributable to net governmental program costs in excess of grant revenues and unretained earnings.
- Total capital assets, net of accumulated depreciation, were \$35,490 at June 30, 2017, representing a decrease of \$5,287, or 13%, over June 30, 2016. The decrease in capital assets was primarily the result of the excess of current year depreciation over additions.
- Fresno COG's governmental fund reported an ending fund balance of \$1,410,443, a decrease of \$184,053 compared to June 30, 2016.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2017

Statement of Net Position

A summary of the Fresno COG's Statement of Net Position for Governmental Activities as of June 30, 2017, with comparative totals as of June 30, 2016 is as follows:

Statement of Net Position Governmental Activities As of June 30, 2017 and 2016		
	2017	2016
Assets:		
Current and Other Assets	\$ 7,559,480	\$ 7,683,555
Capital Assets (Net of Depreciation)	35,490	40,777
Total Assets	\$ 7,594,970	\$ 7,724,332
Liabilities:		
Current and Other Liabilities	\$ 6,149,037	\$ 6,089,059
Net Position:		
Invested in Capital Assets, Net of Related Debt	35,490	40,777
Unrestricted	1,410,443	1,594,496
Total Net Position	\$ 1,445,933	\$ 1,635,273

As shown above, total assets of Governmental Activities were \$7,594,970 at June 30, 2017, including \$35,490 in capital assets (net of depreciation). Of the total \$7,559,480 in current assets, \$5,922,226 consists of pooled cash, which is invested in accordance with State law and the Fresno COG's investment policy.

Net position totaling \$1,445,933 includes \$1,410,443 in unrestricted assets that are available for discretionary spending, although a portion is reserved for encumbrances and a portion is designated for self-insurance. Total net position decreased from June 30, 2016 by \$189,340 or 12%.

The net position component invested in capital assets decreased by \$5,287 due to depreciation expense exceeding capital investments during the year. Unrestricted net position decreased by \$184,053, in large part due to the results of current year operations.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2017

Statement of Activities

The Statement of Net Position provides a measure of the financial health of an entity at a specific date in time (i.e., year-end). The Statement of Activities provides details of how net position changed from the beginning of the year to the end of the year, and whether net position increased or decreased. Thus, it indicates whether the Fresno COG as a whole is better off at June 30, 2017 than it was at June 30, 2016.

A summary of the Fresno COG's Statement of Activities for fiscal year ended June 30, 2017, with comparative totals for the fiscal year ended June 30, 2016 is as follows:

Statement of Activities Governmental Activities For the Years Ended June 30, 2017 and 2016		
	2017	2016
Revenues:		
Program Revenues	\$ 8,082,258	\$ 8,272,975
General Revenues	508,779	757,296
Total Revenues	8,591,037	9,030,271
Expenses:		
Transportation Planning	8,780,377	9,160,451
Changes in Net Position	(189,340)	(130,180)
Net Position - Beginning	1,635,273	1,765,453
Net Position - Ending	\$ 1,445,933	\$ 1,635,273

Total revenues of the funds included in the Governmental Activities category were \$8,591,037 for the year ended June 30, 2017. Of this total, \$7,537,736 (88%) was derived from grants. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. \$544,522 (6%) of total revenues was derived from charges for services, representing fees charged for various services. Revenues derived from charges for services help support programs largely subsidized from general tax revenues and thus reduce the burden on these limited resources.

Expenses for the year totaled \$8,780,377. All expenses were for transportation planning.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2017

General Fund Budgetary Highlights

Fresno COG revised the budget three times to add \$781,246 in additional federal and state grants and local government funding that became available during the fiscal year. Generally, federal and state grants are multi-year projects; however, due to funding agency authorization requirements, Fresno COG includes the amounts in the current year budget at the total authorized amounts. At the end of the year, there were significant variances between the final budget and the actual revenues and expenditures because of this convention.

Economic Factors and Next Year's Budget/Program

Fresno COG is a Regional Metropolitan Planning Organization receiving grants from a variety of sources. 36% of Fresno COG's revenues come from federal sources, 14% from state sources, and 44% local sources. Fresno COG has maintained a consistent level of staffing over the years and uses consultants for one time discretionary projects; so while Fresno COG's overall revenues may show large fluctuations from year to year, the large pool of resources Fresno COG has to draw from lends stability to the operation. Federal planning funds did not decrease significantly during the economic downturn, and regional planning funds that derive from transportation sales tax appear to have bottomed out and are now increasing. Fresno COG has adequate reserves set aside to continue operations should future events adversely affect revenues.

Contacting the Fresno COG's Financial Management

Fresno COG's financial report is designed to provide Fresno COG's Board of Directors, management, creditors, legislative and oversight agencies, citizens and customers with an overview of Fresno COG's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Les Beshears, Finance Director, Fresno Council of Governments, 2035 Tulare Street, Suite 201, Fresno, California 93721.

BASIC FINANCIAL STATEMENTS

FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 5,922,226
Accounts receivable	53,739
Due from other governments	1,578,984
Interest receivable	2,405
Prepays	2,126
Capital assets (net of accumulated depreciation)	<u>35,490</u>
Total assets	<u>7,594,970</u>
Liabilities:	
Accounts payable	712,581
Due to other governments	111,757
Accrued payroll	94,696
Deferred revenues	5,071,398
Compensated absences	<u>158,605</u>
Total liabilities	<u>6,149,037</u>
Net position:	
Invested in capital assets	35,490
Unrestricted	<u>1,410,443</u>
Total net position	<u><u>\$ 1,445,933</u></u>

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

FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT				
Governmental Activities:				
Transportation planning	\$ 8,780,377	\$ 544,522	\$ 7,537,736	\$ (698,119)
Total primary government	\$ 8,780,377	\$ 544,522	\$ 7,537,736	(698,119)
Component Unit:				
Abandoned vehicle abatement	\$ -	\$ -	\$ -	
Total component unit	\$ -	\$ -	\$ -	
General Revenues:				
Investment income				74,451
Miscellaneous				434,328
Total general revenues				508,779
Change in net position				(189,340)
Net position, beginning of year				1,635,273
Net position, end of year				\$ 1,445,933

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

FRESNO COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 5,922,226
Accounts receivable	53,739
Due from other governments	1,578,984
Interest receivable	2,405
Prepays	2,126
Total assets	<u>\$ 7,559,480</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 712,581
Due to other governments	111,757
Accrued payroll	94,696
Deferred revenues	5,071,398
Compensated absences	158,605
Total liabilities	<u>6,149,037</u>
Fund Balances:	
Nonspendable:	
Prepays	2,126
Committed for:	
Self-insurance	68,810
Assigned to:	
Project costs	1,339,507
Total fund balances	<u>1,410,443</u>
Total liabilities and fund balances	<u>\$ 7,559,480</u>
Amounts reported for governmental activities in the statement of net position (Page 9) are different because:	
Total fund balances	\$ 1,410,443
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	<u>35,490</u>
Net position of governmental activities (Page 9)	<u>\$ 1,445,933</u>

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

FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
Revenues:	
Aid from federal government	\$ 3,102,506
Aid from state government	1,190,202
Aid from local government	3,789,550
Interest revenue	74,451
Miscellaneous	<u>434,328</u>
Total revenues	<u>8,591,037</u>
Expenditures:	
General government:	
Salaries and benefits	2,624,161
Supplies and services	5,903,542
Contributions to other local agencies	<u>247,387</u>
Total expenditures	<u>8,775,090</u>
Net changes in fund balances	(184,053)
Fund balances at beginning of year	<u>1,594,496</u>
Fund balances at end of year	<u><u>\$ 1,410,443</u></u>
Amounts reported for governmental activities in the statement of activities (Page 10) are different because:	
Net change in fund balances - total governmental funds	\$ (184,053)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation (\$5,287) exceeded capital outlays (\$0) in the current period.	<u>(5,287)</u>
Change in net position of governmental activities (Page 10)	<u><u>\$ (189,340)</u></u>

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

FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION
ALL FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Trust Funds</u>
Assets:	
Cash and investments	\$ 4,476,050
Interest receivable	6,536
Due from other governments	1,055,307
Total assets	5,537,893
Liabilities:	
Due to other governments	4,000,058
Total liabilities	4,000,058
Net position:	
Held in trust	1,537,835
Total net position	\$ 1,537,835

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

FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Trust Funds
Additions:	
Sales tax	\$ 35,241,910
Aid from state government	5,859,665
Interest revenue	250,675
Total additions	41,352,250
Deductions:	
Administration expense	100,000
TDA claims paid	35,245,380
STA distributions	5,336,428
Total deductions	40,681,808
Change in net position	670,442
Net position, beginning of year	867,393
Net position, end of year	\$ 1,537,835

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

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Financial Reporting Entity

The Fresno Council of Governments (Fresno COG) is a voluntary association of local governments formed in September 1969 by the County of Fresno and the 15 incorporated cities in the County. The purpose of the organization is to provide “a cooperative body” to solve certain problems which cross over governmental boundaries.

b. Basis of Presentation - Fund Accounting

Fresno COG’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Statements:

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of Fresno COG. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenue. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, which are properly not included among program revenues, are reported instead as general revenues.

Fund Financial Statements:

The fund financial statements provide information about Fresno COG funds, including its fiduciary funds, though the latter are excluded from the government-wide financial statements. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Fresno COG’s only governmental fund is a General Fund.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Basis of Presentation - Fund Accounting (Continued)

Fund Financial Statements (Continued):

Fresno COG reports the following major governmental fund:

General Fund – is the general operating fund of Fresno COG. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, Fresno COG reports the following fiduciary fund:

Trust Funds – are used to account for Local Transportation funds and State Transportation Assistance funds held by Fresno COG in a trustee capacity.

c. Basis of Accounting

The government-wide and fiduciary fund 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term obligations which is recorded when paid, are recorded when they are expected to be liquidated with expendable available resources.

Intergovernmental revenues (primarily grants and subventions), which are received as reimbursement for specific purposes or projects, are recognized based upon the expenditures recorded. Intergovernmental revenues, which are usually unrestricted as to use and are revocable only for failure to meet prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier, if they meet the availability criterion.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, unrestricted resources are used only after the restricted resources are depleted.

d. Implementation of New Pronouncements

Government Accounting Standards Board Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement were considered but had no effect on FCRTA's current fiscal year.

Government Accounting Standards Board Statement No. 77

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this statement were considered but had no effect on FCRTA's current fiscal year.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Implementation of New Pronouncements (Continued)

Government Accounting Standards Board Statement No. 78

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement were considered but had no effect on FCRTA's current fiscal year.

Government Accounting Standards Board Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The requirements of this statement were considered but had no effect on FCRTA's current fiscal year.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Implementation of New Pronouncements (Continued)

Government Accounting Standards Board Statement No. 80

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this statement were considered but had no effect on FCRTA's current fiscal year.

Government Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements NO. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement were considered but had no effect on FCRTA's current fiscal year.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Cash

In accordance with the Joint Powers Agreement, under which Fresno COG is governed, all cash is deposited with the Fresno County Auditor-Controller/Treasurer. Fresno COG's cash is held within Fresno County's cash and investment pool which is managed by the Auditor-Controller/Treasurer as authorized by California statutes and the County's investment policy.

f. Capital Assets

Purchases of capital assets are capitalized at cost in the Government-Wide Statement of Net Position at the time of purchase and recorded as expenditures in the General Fund. Capital assets are defined by Fresno COG as assets with an estimated useful life in excess of one year and initial individual cost of \$5,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, from five to ten years. Depreciation recognized on capital assets acquired is transferred to net position, invested in capital assets, net of related debt, after being charged to operations.

g. Deferred Revenues

Deferred revenues consist primarily of Measure C funds received, but not yet earned, for program planning and administration purposes.

h. Compensated Absences

Compensated absences are made up of accrued vacation payable and vested accrued sick leave payable as determined by office policy established by the Board of Directors. Fresno COG policy states that all vacation pay earned vests and that one-fourth of sick leave hours in excess of forty hours vests and is compensable.

i. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets, restricted, and unrestricted.

Invested in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Net Position (Continued)

Restricted Net Position - This category 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 Net Position - This category represents net assets of Fresno COG, not restricted for any project or other purpose.

j. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which Fresno COG is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by formal action of Fresno COG's highest level of decision-making authority (the Board) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be Board resolution.
- *Assigned fund balance* - amounts that are constrained by Fresno COG's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Assigned funds cannot cause a deficit in unassigned fund balance.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Fund Balance (Continued)

- *Unassigned fund balance* - the residual classification for Fresno COG's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is Fresno COG's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

Minimum Fund Balance Policy:

Fresno COG has not adopted and does not maintain a minimum fund balance policy.

k. Overhead

Administrative and office overhead is allocated to each project on the basis of their approved indirect cost rate. Professional and specialized services are charged directly to the applicable project.

l. Risk Management Liability

Fresno COG is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Fresno COG is insured with commercial carriers. Fresno COG's schedule of insurance coverage is included on page 42.

m. Use of Management Estimates

The preparation of the basic 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, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

FRESNO COUNCIL OF GOVERNMENTS
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

2. CASH AND INVESTMENTS

Investments Authorized by the California Government Code and Fresno COG's Investment Policy

The table below identifies the investment types that are authorized for Fresno COG by the California Government Code (or Fresno COG's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or Fresno COG's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Notes and Bonds	5 Years	None	None
U.S. Government Agency Obligations	5 Years	None	None
Banker's Acceptances	180 Days	None	None
Commercial Paper	270 Days	None	None
Negotiable Certificates of Deposit	13 Months	None	None
Non-negotiable Certificates of Deposit	13 Months	None	None
Repurchase Agreements	Overnight	None	None
Local Agency Investment Fund (LAIF)	5 Years	None	None
Medium-Term Notes	5 Years	None	None
Mutual Funds	5 Years	None	None
Mortgage-Backed Securities	5 Years	None	None

Disclosures Relating to 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.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

2. CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of Fresno COG’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of Fresno COG’s investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Governmental Activities					
County Investment Pool	\$ 5,922,226	\$ 5,922,226	\$ -	\$ -	\$ -
Total	\$ 5,922,226	\$ 5,922,226	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, Fresno COG’s investment policy, and the actual rating as of year-end for each investment type. The column marked “exempt from disclosure” identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
Governmental Activities					
County Investment Pool	\$ 5,922,226	N/A	\$ 5,922,226	\$ -	\$ 5,922,226
Total	\$ 5,922,226	N/A	\$ 5,922,226	\$ -	\$ 5,922,226

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

2. CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools. The County of Fresno issues a financial report that includes custodial credit risk disclosures for the County Investment Pool. The report may be obtained by writing to the Office of the Auditor-Controller/Treasurer-Tax Collector, 2281 Tulare Street, Fresno, California 93721.

3. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:				
Computer equipment	\$ 171,959	\$ -	\$ -	\$ 171,959
Office furniture and equipment	82,322	-	-	82,322
Traffic monitoring equipment	53,563	-	-	53,563
	<u>307,844</u>	<u>-</u>	<u>-</u>	<u>307,844</u>
Total capital assets being depreciated				
	<u>307,844</u>	<u>-</u>	<u>-</u>	<u>307,844</u>
	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
Less accumulated depreciation for:				
Computer equipment	\$ 171,959	\$ -	\$ -	\$ 171,959
Office furniture and equipment	41,545	5,287	-	46,832
Traffic monitoring equipment	53,563	-	-	53,563
	<u>267,067</u>	<u>5,287</u>	<u>-</u>	<u>272,354</u>
Total accumulated depreciation				
	<u>267,067</u>	<u>5,287</u>	<u>-</u>	<u>272,354</u>
Total capital assets being depreciated, net	<u>40,777</u>	<u>5,287</u>	<u>-</u>	<u>35,490</u>
Total capital assets, net	<u>\$ 40,777</u>	<u>\$ 5,287</u>	<u>\$ -</u>	<u>\$ 35,490</u>

The estimated useful lives are as follows:

	Estimated Useful Life
Computer equipment	5 to 10 years
Office furniture and equipment	5 to 10 years
Traffic monitoring equipment	5 to 10 years

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

4. DUE TO/FROM MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual receivables from members and other governmental entities for services rendered at June 30, 2017 consist of the following:

Primary Government	
Fresno County Rural Transit Agency	\$ 42,241
Fresno County Transportation Authority	478,454
Due from City of Fresno	21,836
Due from Federal and State Governments	<u>1,036,453</u>
Total	<u>\$ 1,578,984</u>
Fiduciary Funds	
Due from State of California - STA Article 4	<u>\$ 1,055,307</u>
Total	<u>\$ 1,055,307</u>

Individual payables to members and other governmental entities for services provided at June 30, 2017 consist of the following:

Primary Government	
City of Clovis	\$ 10,724
City of Fresno	25,711
Fresno County	50,322
Fresno County Economic Opportunities Commission	<u>25,000</u>
Total	<u>\$ 111,757</u>
Fiduciary Funds	
Article 3	\$ 27,537
Article 4	2,278,244
Article 8A	<u>1,694,277</u>
Total	<u>\$ 4,000,058</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

5. DEFERRED REVENUES

The Fresno County Transportation Authority allocates Measure “C” funds to the Fresno Council of Governments to provide various program administrative and planning services. Allocations are considered earned when they are properly spent for operations. Allocations received but not earned are recorded as deferred revenues. Changes in the deferred revenues account for the year ended June 30, 2017 are summarized as follows:

	Planning	ADA/ Seniors	Farm- worker/ Van Pool	Car/Van Pool	Total
Deferred revenues, beginning of year	\$ 799,434	\$ 1,564,817	\$ 1,551,291	\$ 708,931	\$ 4,624,474
Funds received	347,212	548,594	402,765	402,765	1,701,336
Funds allowed	(302,186)	(524,269)	(323,165)	(274,658)	(1,424,279)
Interest	11,190	21,241	21,908	10,626	64,965
Taxi Scrip	-	104,902	-	-	104,902
Deferred revenues, end of year	<u>\$ 855,650</u>	<u>\$ 1,715,285</u>	<u>\$ 1,652,799</u>	<u>\$ 847,664</u>	<u>\$ 5,071,398</u>

6. DEFINED CONTRIBUTION EMPLOYEE RETIREMENT BENEFIT PLAN

Fresno COG provides retirement benefits for all its full-time employees through a defined contribution plan (the Plan) created in accordance with Internal Revenue Code (IRC) Section 401(a) which is currently being administered by I.C.M.A. Retirement Corporation. In addition to the employer defined contribution, the employees are permitted to make contributions to a defined contribution plan created in accordance with IRC Section 457. The plan is administered by I.C.M.A. Retirement Corporation. The IRC Section 457 plan permits employees to defer up to \$18,000 per year (or up to \$24,000 if age 50 or older). The 401(a) plan does not permit employee contributions. Under the 401(a) plan, the employer contributes 15% of the employee’s gross salary. Fresno COG recognized pension expense of \$83,744.

Vesting in the 401(a) plan occurs ratably over five years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees, though, may obtain loans from the plans secured by their individual contributions and accumulated earnings. Non-vested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the Plan’s administrative expenses. For the year ended June 30, 2017, forfeitures in the amount of \$200,376 were used to pay Plan expenses. As of June 30, 2017, there were \$20,103 of forfeited non-vested account balances.

Fresno COG reported a payable of \$1,520 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

7. FRESNO COUNTY RURAL TRANSIT AGENCY ADMINISTRATION

Included in the budget of Fresno COG is a work element representing its responsibility for the administration of Fresno County Rural Transit Agency. Administration costs consist of direct and indirect labor and allocated overhead costs. These costs are recovered by Fresno COG.

8. OPERATING LEASES

Fresno COG conducts its operations from leased facilities under a ten year lease that expires December 31, 2025. In addition, Fresno COG leases office equipment under operating leases that expire June 2022.

The following is a schedule of future minimum rental payments under the operating leases:

<u>Year Ending June 30</u>	<u>Buildings</u>	<u>Equipment</u>
2018	\$ 230,864	\$ 32,020
2019	230,864	32,020
2020	240,884	32,020
2021	250,903	32,020
2022	250,903	32,020
Thereafter	<u>878,160</u>	<u>-</u>
Total	<u>\$ 2,082,578</u>	<u>\$ 160,100</u>

9. CONTINGENT LIABILITIES

Grants have been received by Fresno COG for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement for costs disallowed under the terms of the grants. The amount, if any, of costs that may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

FRESNO COUNCIL OF GOVERNMENTS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Aid from federal government	\$ 7,305,106	\$ 8,081,607	\$ 3,102,506	\$ (4,979,101)
Aid from state government	1,511,080	1,328,068	1,190,202	(137,866)
Aid from local governments	9,097,730	9,266,207	3,789,550	(5,476,657)
Interest revenue	70,000	70,000	74,451	4,451
Miscellaneous revenue	571,859	591,139	434,328	(156,811)
Total revenues	18,555,775	19,337,021	8,591,037	(10,745,984)
Expenditures:				
General government:				
Salaries and benefits	3,394,510	3,394,510	2,624,161	(770,349)
Supplies and services	14,399,065	14,827,716	5,903,542	(8,924,174)
Contributions to other local agencies	762,200	1,114,795	247,387	(867,408)
Total expenditures	18,555,775	19,337,021	8,775,090	(10,561,931)
Excess of revenues over expenditures	\$ -	\$ -	\$ (184,053)	\$ (184,053)

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

1. BUDGETARY DATA

Fresno COG follows these procedures in establishing the budgetary data reflected in the financial statements:

Five months before the beginning of the year, the Executive Director submits to the Policy Advisory Committee for their approval, a draft operating budget by overall work plan elements for the General Fund for the year commencing July 1. The Policy Advisory Committee then has 45 days, to April 1, to review and make recommendations on the draft operating budget. After the recommendations have been made, the proposed operating budget is brought to Fresno COG for their review and approval. On or prior to the May meeting of Fresno COG, the budget is legally adopted through passage of a resolution.

The budget of Fresno COG represents a financial plan to undertake the work program of Fresno COG and includes proposed expenditures and the means of financing them.

All transfers, modifications, and supplemental appropriations to the budget must be approved by Fresno COG through resolution. During the year ended June 30, 2017, appropriations were increased by \$781,246 as a result of budget amendments. The Budgetary Comparison Schedule reflects these revisions. Actual expenditures may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level.

Appropriations lapse at the close of the year to the extent that they have not been expended or encumbered.

Fresno COG prepares its budget on a basis of accounting in accordance with accounting principles generally accepted in the United States of America.

OTHER SUPPLEMENTARY INFORMATION

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Cash and investments	\$ 5,922,226	\$ 5,834,918
Accounts receivable	53,739	44,516
Due from other governments	1,578,984	1,798,517
Interest receivable	2,405	2,873
Prepays	2,126	2,731
Total assets	\$ 7,559,480	\$ 7,683,555
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 712,581	\$ 1,127,217
Due to other governments	111,757	80,429
Accrued payroll	94,696	80,086
Deferred revenues	5,071,398	4,624,473
Compensated absences	158,605	176,854
Total liabilities	6,149,037	6,089,059
Fund balances:		
Nonspendable:		
Prepays	2,126	2,731
Committed for:		
Self-insurance	68,810	63,997
Assigned to:		
Project costs	1,339,507	1,527,768
Total fund balances	1,410,443	1,594,496
Total liabilities and fund balances	\$ 7,559,480	\$ 7,683,555

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Revenues:		
Aid from federal government	\$ 3,102,506	\$ 3,949,212
Aid from state government	1,190,202	1,099,008
Aid from local government	3,789,550	3,224,755
Interest revenue	74,451	74,378
Miscellaneous	434,328	682,918
Total revenues	8,591,037	9,030,271
Expenditures:		
General government:		
Salaries and benefits	2,624,161	2,963,843
Supplies and services	5,903,542	5,915,950
Contributions to other local agencies	247,387	289,357
Total expenditures	8,775,090	9,169,150
Net changes in fund balances	(184,053)	(138,879)
Fund balances at beginning of year	1,594,496	1,733,375
Fund balances at end of year	\$ 1,410,443	\$ 1,594,496

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE SCHEDULES OF GRANT RECEIPTS
 AND EXPENDITURE CLAIMS
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Revenues:		
Federal grants	\$ 3,102,506	\$ 3,949,212
Non-federal revenue:		
State assistance	1,190,202	1,099,008
Local revenue sources	3,789,550	3,224,755
Interest revenue	74,451	74,378
Miscellaneous revenue	434,328	682,918
Total revenues	<u>8,591,037</u>	<u>9,030,271</u>
Expenditures:		
Regional Streets & Roads	200,587	108,978
Regional Transportation Modeling	489,811	695,051
Regional Traffic Monitoring	205,895	275,092
Intelligent Transportation Systems/Traffic Deficiencies	6,241	58,344
Regional Transportation Mitigation Fee	26,569	31,548
National Park Studies	1,067,090	2,299,194
Golden State Corridor	723,149	108,476
Public Trans. - Urban	187,897	292,313
JARRC	622,855	197,083
Sustain. Comm. Public Trans.	26,173	-
Business Commute Optimiz.	913	-
Other Modal Elements	80,653	57,737
High Speed Rail	4,263	11,902
Airport Land Use	22,159	22,474
Regional Transportation Plan	493,565	355,268
Congestion Management Plan	172,951	189,710
Air Quality	131,154	232,939
Measure "C"	215,321	205,318
Measure "C" Oversight Committee	18,995	11,564
Measure "C" Car/Van Pool	274,658	353,497
Measure "C" ADA Seniors	524,269	584,305
Measure "C" Farm/Van Pool	323,166	342,118
Transportation Program Development	252,509	239,070
Intergovernmental Coordination	126,558	145,711
Public Info. and Participation	101,548	115,348
Environmental Justice	29,978	29,845
Technical Assistance Members	150,128	92,361
Zero Net Energy Farms	972	-
Rideshare Program	6,581	20,739
Regional Data Center	75,463	31,725
One Voice Advocacy	118,755	104,619
Farmland Trust	2,283	16,429
Regional Housing Needs	2,760	7,661
SJV Goods Movement	196,976	356,774
Rural Transit Alternatives	2,230	-
Sustainable Communities	356,551	169,087
Valley RTPA Coordination	262,356	158,157
Fresno COG Administration	345,630	297,920
OWP and Budget	15,563	19,448
Transportation Funds Administration	96,734	112,646
FCRTA Administration	384,700	385,678
Transportation Authority Administration	2,235	2,505
Freeway Service Patrol	429,414	430,516
Total expenditures	<u>8,778,258</u>	<u>9,169,150</u>
Depreciation	<u>(3,168)</u>	<u>-</u>
Net gain (loss)	<u>\$ (184,053)</u>	<u>\$ (138,879)</u>

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the government in a trustee capacity.

State Transit Assistance Fund (STA) - This fund is used to account for the state funds apportioned to Fresno County for the support of transit.

Local Transportation Fund (LTF) - This fund is used to account for the ¼ cent sales tax revenues collected by the state under the Transportation Development Act and distributed to the Fresno Council of Governments for allocation to eligible claimants for transit street and road, and pedestrian/bicycle facilities as well as regional transportation planning and Transit Development Act administration.

FRESNO COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF NET POSITION
 TRUST FUNDS
 JUNE 30, 2017

	<u>State Transit Assistance Fund</u>	<u>Local Transportation Fund</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 434,245	\$ 4,041,805	\$ 4,476,050
Interest receivable	691	5,845	6,536
Due from other governments	1,055,307	-	1,055,307
	<u>1,490,243</u>	<u>4,047,650</u>	<u>5,537,893</u>
Liabilities:			
Due to other governments	<u>941,305</u>	<u>3,058,753</u>	<u>4,000,058</u>
	<u>941,305</u>	<u>3,058,753</u>	<u>4,000,058</u>
Net position:			
Held in trust	<u>548,938</u>	<u>988,897</u>	<u>1,537,835</u>
	<u>\$ 548,938</u>	<u>\$ 988,897</u>	<u>\$ 1,537,835</u>

FRESNO COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	State Transit Assistance Fund	Local Transportation Fund	Total
Additions:			
Sales tax	\$ -	\$ 35,241,910	\$ 35,241,910
Aid from state government	5,859,665	-	5,859,665
Interest revenue	21,603	229,072	250,675
Total additions	5,881,268	35,470,982	41,352,250
Deductions:			
Administration expense	-	100,000	100,000
TDA claims paid	-	35,245,380	35,245,380
STA distributions	5,336,428	-	5,336,428
Total deductions	5,336,428	35,345,380	40,681,808
Change in net position	544,840	125,602	670,442
Net position, beginning of year	4,098	863,295	867,393
Net position, end of year	\$ 548,938	\$ 988,897	\$ 1,537,835

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Public Utilities Code		Total
	STA Article 4 C.A.C. 6730(a) 99314.3(a) (Transit Operations)	STA Article 4&8 C.A.C. 6730(a) 99313 (Transit Population)	
City of Clovis	\$ 56,263	\$ 572,436	\$ 628,699
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	519,953	2,757,573	3,277,526
City of Huron	-	-	-
City of Kerman	-	-	-
City of Kingsburg	-	-	-
City of Mendota	-	-	-
City of Orange Cove	-	-	-
City of Parlier	-	-	-
City of Reedley	-	-	-
City of Sanger	-	-	-
City of San Joaquin	-	-	-
City of Selma	-	-	-
County of Fresno	-	-	-
Fresno County Rural Transit Agency (FCRTA)	66,945	1,886,495	1,953,440
	<u>\$ 643,161</u>	<u>\$ 5,216,504</u>	<u>\$ 5,859,665</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF DISBURSEMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Public Utilities Code		Total
	STA Article 4 C.A.C. 6730(a) 99314.3(a) (Transit Operations)	STA Article 4&8 C.A.C. 6730(a) 99313 (Transit Population)	
City of Clovis	\$ 56,263	\$ 575,249	\$ 631,512
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	519,953	3,198,163	3,718,116
City of Huron	-	-	-
City of Kerman	-	-	-
City of Kingsburg	-	-	-
City of Mendota	-	-	-
City of Orange Cove	-	-	-
City of Parlier	-	-	-
City of Reedley	-	-	-
City of Sanger	-	-	-
City of San Joaquin	-	-	-
City of Selma	-	-	-
County of Fresno	-	-	-
Fresno County Rural Transit Agency (FCRTA)	66,945	919,855	986,800
	<u>\$ 643,161</u>	<u>\$ 4,693,267</u>	<u>\$ 5,336,428</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Article 3 99234 (Bicycle & Pedestrian)	Article 4.5 99275 (Social Services)	Article 4 and 8 99260/99400(a) (Transit Operations/ Streets & Roads)	Fresno COG RTP 99233.1/99233.2 (Planning & Administration)	Total
City of Clovis	\$ 76,595	\$ 183,514	\$ 3,485,092	\$ -	\$ 3,745,201
City of Coalinga	11,816	29,072	537,640	-	578,528
City of Firebaugh	5,781	13,682	263,029	-	282,492
City of Fowler	4,214	10,477	191,739	-	206,430
City of Fresno	368,982	914,868	16,788,632	-	18,072,482
City of Huron	4,902	11,990	223,030	-	239,922
City of Kerman	10,185	25,176	463,416	-	498,777
City of Kingsburg	8,579	20,598	390,351	-	419,528
City of Mendota	8,339	19,718	379,448	-	407,505
City of Orange Cove	6,537	16,459	297,415	-	320,411
City of Parlier	10,914	26,549	496,606	-	534,069
City of Reedley	18,432	44,829	838,668	-	901,929
City of Sanger	18,450	44,196	839,474	-	902,120
City of San Joaquin	2,869	7,107	130,547	-	140,523
City of Selma	17,613	42,057	801,410	-	861,080
County of Fresno	123,792	299,808	5,632,554	-	6,056,154
Fresno County Rural Transit Agency (FCRTA)	-	-	-	-	-
Fresno County Economic Opportunities Commission (FCEOC) - Urban	-	-	-	-	-
Fresno County Economic Opportunities Commission (FCEOC) - Rural	-	-	-	-	-
Fresno Council of Governments (Fresno COG)	-	-	-	1,074,759	1,074,759
	<u>\$ 698,000</u>	<u>\$ 1,710,100</u>	<u>\$ 31,759,051</u>	<u>\$ 1,074,759</u>	<u>\$ 35,241,910</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF DISBURSEMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Article 3 99234 (Bicycle & Pedestrian)	Article 4.5 99275 (Social Services)	Article 4 99260 (Transit Operations)	Article 8 99400(a) (Streets & Roads)	Fresno COG RTP 99402/99233.1 (Planning & Administration)	Total
City of Clovis	\$ 76,595	\$ 195,415	\$ 3,359,758	\$ -	\$ -	\$ 3,631,768
City of Coalinga	-	-	-	18,763	-	18,763
City of Firebaugh	5,781	-	-	241,714	-	247,495
City of Fowler	4,214	-	-	177,355	-	181,569
City of Fresno	368,982	-	18,848,685	-	-	19,217,667
City of Huron	-	-	-	7,747	-	7,747
City of Kerman	10,185	-	-	467,635	-	477,820
City of Kingsburg	8,579	-	-	405,587	-	414,166
City of Mendota	8,339	-	-	367,203	-	375,542
City of Orange Cove	6,537	-	-	297,810	-	304,347
City of Parlier	10,914	-	-	564,841	-	575,755
City of Reedley	18,432	-	-	707,686	-	726,118
City of Sanger	18,450	-	-	861,593	-	880,043
City of San Joaquin	2,869	-	-	114,431	-	117,300
City of Selma	17,613	-	-	750,131	-	767,744
County of Fresno	123,792	-	-	4,302,974	-	4,426,766
Fresno County Rural Transit Agency (FCRTA)	-	-	385,328	-	-	385,328
Fresno Council of Governments (Fresno COG)	-	-	-	-	1,074,757	1,074,757
Fresno County Economic Opportunities Commission (FCEOC)	-	1,514,685	-	-	-	1,514,685
	<u>\$ 681,282</u>	<u>\$ 1,710,100</u>	<u>\$ 22,593,771</u>	<u>\$ 9,285,470</u>	<u>\$ 1,074,757</u>	<u>\$ 35,345,380</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF GRANT RECEIPTS AND EXPENDITURE CLAIMS
FOR THE YEAR ENDED JUNE 30, 2017

	Total	Local Resources	Federal Highway	Federal Transit	
			Work Administration	Administration	
			FHWA	FTA MPO	FTA MPO
			PL Planning	5303	5304
Revenues:					
Federal grants	\$ 3,102,506	\$ -	\$ 1,444,205	\$ 331,376	\$ 40,307
Non-federal revenue:					
State assistance	1,129,670	-	-	-	-
Local revenue sources	3,789,550	3,789,550	-	-	-
Interest revenue	74,451	74,451	-	-	-
Miscellaneous revenue	434,328	434,328	-	-	-
Total revenues	<u>8,530,505</u>	<u>\$ 4,298,329</u>	<u>\$ 1,444,205</u>	<u>\$ 331,376</u>	<u>\$ 40,307</u>
Expenditures:					
Regional Streets & Roads	200,587	-	\$ 200,587	\$ -	\$ -
Regional Transportation Modeling	489,811	60,230	419,907	9,674	-
Regional Traffic Monitoring	205,895	-	205,895	-	-
Intelligent Transportation Systems	6,241	-	6,241	-	-
Regional Transportation Mitigation Fee	26,569	26,569	-	-	-
National Park Studies	1,067,090	406,068	-	-	16,328
Golden State Corridor	723,149	723,149	-	-	-
Public Trans. - Urban	187,897	78,933	-	-	-
JARRC	622,855	89,895	-	-	-
Sustain Comm. Public Trans.	26,173	3,002	-	-	23,171
Business Commute Optimiz.	913	105	-	-	808
Other Modal Elements	20,121	20,121	-	-	-
High Speed Rail	4,263	182	4,081	-	-
Airport Land Use	22,159	22,159	-	-	-
Regional Transportation Plan	493,565	-	246,861	246,704	-
Congestion Management Plan	172,951	-	121,848	51,103	-
Air Quality	131,154	-	107,259	23,895	-
Measure "C"	215,321	215,321	-	-	-
Measure "C" Oversight Committee	18,995	18,995	-	-	-
Measure "C" Car/Van Pool	274,658	274,658	-	-	-
Measure "C" ADA Seniors	524,269	524,269	-	-	-
Measure "C" Farm/Van Pool	323,166	323,166	-	-	-
Transportation Program Development	252,509	-	-	-	-
Intergovernmental Coordinatiior	126,558	126,558	-	-	-
Public Info. and Participation	101,548	-	101,548	-	-
Environmental Justice	29,978	-	29,978	-	-
Technical Assistance Members	150,128	150,128	-	-	-
Zero Net Energy Farms	972	486	-	-	-
Rideshare Program	6,581	6,581	-	-	-
Regional Data Center	75,463	75,463	-	-	-
One Voice Advocacy	118,755	118,755	-	-	-
Farmland Trust	2,283	2,283	-	-	-
Regional Housing Needs	2,760	2,760	-	-	-
SJV Goods Movement	196,976	8,560	-	-	-
Rural Transit Alternatives	2,230	2,230	-	-	-
Sustainable Communities	356,551	9,490	-	-	-
Valley RTPA Coordination	262,356	262,356	-	-	-
Fresno COG Administration	345,630	345,630	-	-	-
OWP and Budget	15,563	15,563	-	-	-
Transportation Funds Administratiior	96,734	96,734	-	-	-
FCRTA Administratiior	384,700	384,700	-	-	-
Transportation Authority Administratiior	2,235	2,235	-	-	-
Freeway Service Patrol	429,414	88,216	-	-	-
Total expenditures	<u>8,717,726</u>	<u>\$ 4,485,550</u>	<u>\$ 1,444,205</u>	<u>\$ 331,376</u>	<u>\$ 40,307</u>
Depreciation	(3,168)				
Net gain (loss)	<u>\$ (184,053)</u>				

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2017

Insurance coverage of the Council at June 30, 2017 is as follows:

Fire Insurance:

Office personal property 90% co-insurance	\$ 100,000
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Public Officials Professional Liability Coverage	\$ 1,000,000
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Liability Coverage:

All inclusive (combined single limit):

Bodily injury	\$ 1,000,000
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Group Travel Accident	\$ 100,000
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Bond, Blanket Position	\$ 35,000
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Worker's Compensation Insurance	Statutory
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FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION
AND FIXED RATE OVERHEAD CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2017

The following is a reconciliation of Fresno COG's expenses per the basic financial statements to the expenses per Fresno COG's cost allocation plan for the year ended June 30, 2017

Budget Item	Actual Expense	Eligible Depreciation	Allocated to Other Programs	Direct Expense	Indirect Expense
Salaries and Benefits:					
Direct	\$ 2,009,858	\$ -	\$ (529,748)	\$ 1,480,111	\$ -
Indirect	614,303	-	(15,829)	-	598,474
Total salaries and benefits	<u>2,624,161</u>	<u>-</u>	<u>(545,577)</u>	<u>1,480,111</u>	<u>598,474</u>
Indirect Overhead:					
Telephone	10,105	-	-	-	10,105
Telecommunications	-	-	-	-	-
Contact help	-	-	-	-	-
Membership/dues	-	-	-	-	-
Insurance	5,061	-	-	-	5,061
Postage	4,863	-	-	-	4,863
Printing supplies	8,828	-	-	-	8,828
Office supplies	31,286	-	-	-	31,286
Publications	5,067	-	-	-	5,067
Service contacts	-	-	-	-	-
Advertising and legal notice	6,477	-	-	-	6,477
Computer supplies	2,128	-	-	-	2,128
Office lease	213,073	-	-	-	213,073
Utilities	52,648	-	-	-	52,648
Equipment lease	34,809	-	-	-	34,809
Repair and maintenance	2,272	-	-	-	2,272
Travel expenses	43,712	-	(1,500)	-	42,212
Depreciation	-	3,168	-	-	3,168
Legal and accounting	20,400	-	-	-	20,400
Janitorial and security	-	-	-	-	-
Moving	-	-	-	-	-
Property taxes	-	-	-	-	-
Rideshare promotion	-	-	-	-	-
Total indirect overhead	<u>440,729</u>	<u>3,168</u>	<u>(1,500)</u>	<u>-</u>	<u>442,397</u>
Total costs	<u>\$ 3,064,890</u>	<u>\$ 3,168</u>	<u>\$ (547,077)</u>	<u>\$ 1,480,111</u>	<u>\$ 1,040,871</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION
AND FIXED RATE OVERHEAD CARRYOVER (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Direct expenses - at June 30, 2017	\$ 1,480,111
Approved indirect cost rate for June 30, 2017	<u>57.96%</u>
Total allocable indirect expenses - at June 30, 2017	<u>\$ 857,872</u>
Actual indirect expenses - at June 30, 2017	\$ 1,040,871
Under recovery of indirect expenses - at June 30, 2015	<u>44,542</u>
Net eligible indirect expenses - at June 30, 2017	<u>\$ 1,085,413</u>
Under recovery of indirect expenses - at June 30, 2017	<u>\$ 227,541</u>
Under recovery of indirect expenses - at June 30, 2016	<u>\$ 117,221</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Grant Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Federal Highway Works Administration:</u>			
Pass-through California Department of Transportation Highway Planning and Construction Grant - OWP (Overall Work Plan)	20.205	74A0809	\$ 1,444,205
Total Federal Highway Works Administration			<u>1,444,205</u>
<u>Federal Transit Administration:</u>			
Pass-through California Department of Transportation Federal Transit Technical Studies Grant - MPO	20.505	74A0809	371,683
FTA 5307 - Federal Transit Formula Grant	20.507	CA-90-Y794-00	108,964
FTA 5307 - YARTS	20.507	CA-95-X318-00	532,294
			<u>1,012,941</u>
<i>Transit Services Programs Cluster</i>			
FTA 5310 - Formula Grants for Rural Areas	20.509	CA-16-X070-00	491,571
FTA 5311 - YARTS	20.509	64C017-00464	112,400
FTA 5317 - New Freedom Program	20.521	CA-57-X054-00	41,389
			<u>645,360</u>
Total Federal Transit Administration			<u>1,658,301</u>
Total Federal Financial Assistance			<u>\$ 3,102,506</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. Basis of Presentation

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

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 of credits made in the normal course of business to amounts reported as expenditures in prior years. Fresno Council of Governments has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OTHER REPORTS SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING
STANDARDS"

The Board of Directors
Fresno Council of Governments
Fresno, 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 governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fresno Council of Governments, as of and for the year ended June 30, 2017, which collectively comprise Fresno Council of Governments' basic financial statements and the related notes to the financial statements, and have issued our report thereon dated January 30, 2018. Our audit was further made to determine compliance with the "Basic Audit Program and Reporting Guidelines for Special Districts," as prescribed by the California State Controller's Office pursuant to Section 26909 of the Government Code.

Internal Control Over Financial Reporting

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

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

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INDEPENDENT AUDITORS' 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"
(CONTINUED)

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fresno Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that allocations made and expended by the Fresno Council of Governments were made in accordance with the Transportation Development Act as required by Sections 6661, 6662, and 6751 of the California Code of Regulations. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
January 30, 2018

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

The Board of Directors
Fresno Council of Governments
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited Fresno Council of Governments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Fresno Council of Governments' major federal programs for the year ended June 30, 2017. The Fresno Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE (CONTINUED)

Auditors' Responsibility (Continued)

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

Opinion on Each Major Program

In our opinion, the Fresno Council of Governments 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, 2017.

Report on Internal Control Over Compliance

Management of the Fresno Council of Governments 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 the Fresno Council of Governments' 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 Fresno Council of Governments' 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 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control Over Compliance (Continued)

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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
January 30, 2018

FINDINGS AND RECOMMENDATIONS SECTION

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Part I – Summary of Auditor’s Results

1. The “Independent auditors’ report” expresses an unmodified opinion on the financial statements of the Fresno Council of Governments.
2. No significant deficiencies relating to the audit of the financial statements are reported in the “Independent auditors’ 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.” No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Fresno Council of Governments, which would be required to be reported in accordance with “Government Auditing Standards,” were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the “Independent auditors’ report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.” No material weaknesses are reported.
5. The Independent Auditors’ Report on compliance for the major federal award program for the Fresno Council of Governments expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance are reported in this Schedule.
7. The programs tested as a major programs included:

Name	CFDA Number
Highway Planning and Construction	20.205

8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. The Fresno Council of Governments was determined to be a low-risk auditee.

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2017

Part II – Financial Statement Findings

None.

Part III – Findings and Questioned Costs for Major Federal Award Programs

None.

FRESNO COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

There were no reportable audit findings for the fiscal year ended June 30, 2016.