

FRESNO COUNCIL OF GOVERNMENTS

ANNUAL FINANCIAL REPORTS

FOR THE YEAR ENDED
JUNE 30, 2015

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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, 2015, 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.

8080 North
Palm Avenue,
Suite 201

Fresno, CA
93711-5797

559/431-5500

Fax: 559/431-4937
www.cpaplus.com

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fresno Council of Governments, as of June 30, 2015, 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.

Emphasis of Matter

Implementation of GASB Statements No. 68 and 71

During the year ended June 30, 2015, Fresno Council of Governments adopted the provisions of GASB Statement NO. 68, *Accounting and Financial Reporting for Pension Plans - an amendment of GASB Statement No. 27*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters (Continued)

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 February 5, 2016, 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
February 5, 2016

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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 $\frac{1}{4}$ 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 $\frac{1}{2}$ 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, 2015

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 \$1,765,453 and consisted of capital assets, net of related debt, of \$32,078; and unrestricted net position of \$1,733,375.
- Net position decreased \$56,108 during fiscal year 2015. 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 \$32,078 at June 30, 2015, representing an increase of \$32,078, or 100%, over June 30, 2014. The increase in capital assets was primarily the result of the capital additions in excess of current year depreciation.
- Fresno COG's governmental fund reported an ending fund balance of \$1,733,375, a decrease of \$88,186 compared to June 30, 2014.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

Statement of Net Position

A summary of the Fresno COG's Statement of Net Position for Governmental Activities as of June 30, 2015, with comparative totals as of June 30, 2014 is as follows:

Statement of Net Position Governmental Activities As of June 30, 2015 and 2014		
	2015	2014
Assets:		
Current and Other Assets	\$ 8,300,394	\$ 7,069,347
Capital Assets (Net of Depreciation)	32,078	-
Total Assets	\$ 8,332,472	\$ 7,069,347
Liabilities:		
Current and Other Liabilities	\$ 6,567,019	\$ 5,247,786
Net Position:		
Invested in Capital Assets, Net of Related Debt	32,078	-
Unrestricted	1,733,375	1,821,561
Total Net Position	\$ 1,765,453	\$ 1,821,561

As shown above, total assets of Governmental Activities were \$8,332,472 at June 30, 2015, including \$32,078 in capital assets (net of depreciation). Of the total \$8,300,394 in current assets, \$5,388,990 consists of pooled cash, which is invested in accordance with State law and the Fresno COG's investment policy.

Net position totaling \$1,765,453 includes \$1,733,375 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, 2014 by \$56,108 or 3%.

The net position component invested in capital assets increased by \$32,078 due to capital investments during the year. Unrestricted net position decreased by \$88,186, in large part due to the results of current year operations.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

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, 2015 than it was at June 30, 2014.

A summary of the Fresno COG's Statement of Activities for fiscal year ended June 30, 2015, with comparative totals for the fiscal year ended June 30, 2014 is as follows:

Statement of Activities Governmental Activities For the Years Ended June 30, 2015 and 2014		
	2015	2014
Revenues:		
Program Revenues	\$ 7,836,607	\$ 7,640,622
General Revenues	1,361,229	1,043,568
Total Revenues	9,197,836	8,684,190
Expenses:		
Transportation Planning	9,253,944	8,641,646
Changes in Net Position	(56,108)	42,544
Net Position - Beginning	1,821,561	1,779,017
Net Position - Ending	\$ 1,765,453	\$ 1,821,561

Total revenues of the funds included in the Governmental Activities category were \$9,197,836 for the year ended June 30, 2015. Of this total, \$7,315,057 (80%) was derived from grants. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. \$521,550 (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 \$9,253,944. All expenses were for transportation planning.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

General Fund Budgetary Highlights

Fresno COG revised the budget four times to add \$3,575,715 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. 41% of Fresno COG's revenues come from federal sources, 13% from state sources, and 31% 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, 2015

	Governmental Activities	Component Units
Assets:		
Cash and investments	\$ 5,388,990	\$ 292,386
Accounts receivable	100,566	-
Due from other governments	2,803,837	-
Interest receivable	2,887	-
Prepays	4,114	-
Capital assets (net of accumulated depreciation)	32,078	-
Total assets	8,332,472	292,386
Liabilities:		
Accounts payable	1,821,935	-
Due to other governments	236,483	-
Accrued payroll	69,425	-
Deferred revenues	4,237,425	-
Compensated absences	201,751	-
Total liabilities	6,567,019	-
Net position:		
Invested in capital assets	32,078	-
Unrestricted	1,733,375	292,386
Total net position	\$ 1,765,453	\$ 292,386

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

FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Component Units
PRIMARY GOVERNMENT					
Governmental Activities:					
Transportation planning	\$ 9,253,944	\$ 521,550	\$ 7,315,057	\$ (1,417,337)	
Total primary government	<u>\$ 9,253,944</u>	<u>\$ 521,550</u>	<u>\$ 7,315,057</u>	<u>(1,417,337)</u>	
Component Unit:					
Abandoned vehicle abatement	\$ -	\$ -	\$ 51,961		\$ 51,961
Total component unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,961</u>		<u>51,961</u>
General Revenues:					
Investment income				68,655	3,724
Miscellaneous				1,292,574	-
Total general revenues				<u>1,361,229</u>	<u>3,724</u>
Change in net position				(56,108)	55,685
Net position, beginning of year				<u>1,821,561</u>	<u>236,701</u>
Net position, end of year				<u>\$ 1,765,453</u>	<u>\$ 292,386</u>

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

FRESNO COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 5,388,990
Accounts receivable	100,566
Due from other governments	2,803,837
Interest receivable	2,887
Prepays	4,114
Total assets	<u>\$ 8,300,394</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 1,821,935
Due to other governments	236,483
Accrued payroll	69,425
Deferred revenues	4,237,425
Compensated absences	201,751
Total liabilities	<u>6,567,019</u>
Fund Balances:	
Nonspendable:	
Prepays	4,114
Committed for:	
Self-insurance	66,504
Assigned to:	
Project costs	1,662,757
Total fund balances	<u>1,733,375</u>
Total liabilities and fund balances	<u>\$ 8,300,394</u>
Amounts reported for governmental activities in the statement of net position (Page 9) are different because:	
Total fund balances	\$ 1,733,375
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	32,078
Net position of governmental activities (Page 9)	<u>\$ 1,765,453</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, 2015

	General Fund
Revenues:	
Aid from federal government	\$ 3,798,790
Aid from state government	1,198,574
Aid from local government	2,839,243
Interest revenue	68,655
Miscellaneous	1,292,574
Total revenues	9,197,836
Expenditures:	
General government:	
Salaries and benefits	2,985,360
Supplies and services	6,300,662
Contributions to other local agencies	-
Total expenditures	9,286,022
Net changes in fund balances	(88,186)
Fund balances at beginning of year	1,821,561
Fund balances at end of year	\$ 1,733,375
Amounts reported for governmental activities in the statement of activities (Page 10) are different because:	
Net change in fund balances - total governmental funds	\$ (88,186)
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 capital outlays (\$32,078) exceeded depreciation (\$0) in the current period.	32,078
Change in net position of governmental activities (Page 10)	\$ (56,108)

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, 2015

	<u>Trust Funds</u>
Assets:	
Cash and investments	\$ 4,319,429
Interest receivable	4,612
Due from other governments	1,349,562
Total assets	5,673,603
Liabilities:	
Due to other governments	1,848,566
Total liabilities	1,848,566
Net position:	
Held in trust	3,825,037
Total net position	\$ 3,825,037

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, 2015

	Trust Funds
Additions:	
Sales tax	\$ 33,613,079
Aid from state government	5,421,441
Interest revenue	143,151
Total additions	39,177,671
Deductions:	
Administration expense	100,000
TDA claims paid	33,919,610
STA distributions	5,407,519
Total deductions	39,427,129
Change in net position	(249,458)
Net position, beginning of year	4,074,495
Net position, end of year	\$ 3,825,037

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

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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.

Component Units – The Abandoned Vehicle Abatement Service Authority (AVA) was created as a separate public entity and distinct from the member jurisdictions in accordance with Vehicle Code (VC) section 22710. The purpose of the AVA is to establish procedures for the abatement, removal, and disposal as public nuisances, abandoned, wrecked, dismantled, or inoperative vehicles or parts thereof from private or public property. The AVA shall be governed by a sixteen-member Board of Directors, which shall be comprised of one representative from each participating jurisdiction. Pursuant to Governmental Code Section 6505, audits for the AVA shall be contracted with a certified public accountant as part of the regular Fresno COG annual audit to ensure that funds are being spent in compliance with VC Sections 9250.7 and 22710.

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.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Basis of Accounting (Continued)

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.

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., 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows and resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Fresno COG has implemented this statement.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Implementation of New Pronouncements (Continued)

Government Accounting Standards Board Statement No., 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB No. 68*. The objective of this Statement is to address the issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. Fresno COG has implemented this statement.

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.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Fund Balance (Continued)

- *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.
- *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.

FRESNO COUNCIL OF GOVERNMENTS
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

2. CASH AND INVESTMENTS (CONTINUED)

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.

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:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Governmental Activities					
County Investment Pool	\$ 5,388,990	\$ 5,388,990	\$ -	\$ -	\$ -
Component Units	292,386	292,386	-	-	-
Total	<u>\$ 5,681,376</u>	<u>\$ 5,681,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
Governmental Activities					
County Investment Pool	\$ 5,388,990	N/A	\$ 5,388,990	\$ -	\$ 5,388,990
Component Units	292,386	N/A	292,386	-	292,386
Total	<u>\$ 5,681,376</u>	<u>N/A</u>	<u>\$ 5,681,376</u>	<u>\$ -</u>	<u>\$ 5,681,376</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets being depreciated:				
Computer equipment	\$ 171,959	\$ -	\$ -	\$ 171,959
Office furniture and equipment	39,960	32,078	-	72,038
Traffic monitoring equipment	53,563	-	-	53,563
Total capital assets being depreciated	265,482	32,078	-	297,560
	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Less accumulated depreciation for:				
Computer equipment	\$ 171,959	\$ -	\$ -	\$ 171,959
Office furniture and equipment	39,960	-	-	39,960
Traffic monitoring equipment	53,563	-	-	53,563
Total accumulated depreciation	265,482	-	-	265,482
Total capital assets being depreciated, net	-	-	-	32,078
Total capital assets, net	\$ -	\$ -	\$ -	\$ 32,078

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, 2015

4. DUE TO/FROM MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual receivables from members and other governmental entities for services rendered at June 30, 2015 consist of the following:

Primary Government

Fresno County Rural Transit Agency	\$ 64,188
Fresno County Transportation Authority	351,003
Due from City of Fresno	116,349
Due from Federal and State Governments	<u>2,272,297</u>
Total	<u>\$ 2,803,837</u>

Fiduciary Funds

Due from State of California - STA Article 4	\$ <u>1,349,562</u>
Total	<u>\$ 1,349,562</u>

Individual payables to members and other governmental entities for services provided at June 30, 2015 consist of the following:

Primary Government

City of Clovis	\$ 12,114
City of Fresno	71,113
Fresno County	128,256
Fresno County Economic Opportunities Commission	<u>25,000</u>
Total	<u>\$ 236,483</u>

Fiduciary Funds

Article 3	\$ 12,218
Article 4	1,300,274
Article 8A	<u>536,074</u>
Total	<u>\$ 1,848,566</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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, 2015 are summarized as follows:

	<u>Planning</u>	<u>PTIS</u>	<u>ADA/ Seniors</u>	<u>Farm- worker/ Van Pool</u>	<u>Car/Van Pool</u>	<u>Total</u>
Deferred revenues, beginning of year	\$ 533,561	\$ 140,707	\$1,355,556	\$1,363,072	\$ 582,713	\$ 3,975,609
Funds received	330,179	-	521,683	383,008	383,008	1,617,878
Funds allowed	(213,874)	(140,917)	(511,867)	(294,221)	(325,633)	(1,486,512)
Interest	5,402	210	12,809	13,485	5,784	37,690
Taxi Scrip	-	-	92,760	-	-	92,760
Deferred revenues, end of year	<u>\$ 655,268</u>	<u>\$ -</u>	<u>\$1,470,941</u>	<u>\$1,465,344</u>	<u>\$ 645,872</u>	<u>\$ 4,237,425</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 one of two separate defined contribution plans created in accordance with IRC Section 457. The plans are administered by Hartford Insurance and by I.C.M.A. Retirement Corporation. The IRC Section 457 plans permit employees to defer a minimum of 7.5% of their salaries until future years. The maximum amount an employee may defer is the lesser of 25% of annual gross salary or \$7,500. 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 \$337,598.

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, 2015, there were \$0 forfeitures.

Fresno COG reported a payable of \$9,574 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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 which expires in December 2015. In December 2015, Fresno COG negotiated a new ten year lease. In addition, Fresno COG leases office equipment under operating leases that expire December 31, 2018.

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>
2016	\$ 115,434	\$ 21,090
2017	-	21,090
2018	-	21,090
2019	-	10,544
Thereafter	-	-
Total	<u>\$ 115,434</u>	<u>\$ 73,814</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Aid from federal government	\$ 5,904,239	\$ 7,541,175	\$ 3,798,790	\$ (3,742,385)
Aid from state government	1,742,232	2,559,251	1,198,574	(1,360,677)
Aid from local governments	4,984,062	5,062,055	2,839,243	(2,222,812)
Interest revenue	40,000	40,000	68,655	28,655
Miscellaneous revenue	122,607	1,166,374	1,292,574	126,200
Total revenues	12,793,140	16,368,855	9,197,836	(7,171,019)
Expenditures:				
General government:				
Salaries and benefits	3,239,521	3,239,521	2,985,360	(254,161)
Supplies and services	9,026,419	12,602,134	6,300,662	(6,301,472)
Contributions to other local agencies	527,200	527,200	-	(527,200)
Total expenditures	12,793,140	16,368,855	9,286,022	(7,082,833)
Excess of revenues over expenditures	\$ -	\$ -	\$ (88,186)	\$ (88,186)

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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, 2015, appropriations were increased by \$3,575,715 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.

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 JUNE 30, 2015 AND 2014

	2015	2014
<u>ASSETS</u>		
Cash and investments	\$ 5,388,990	\$ 5,431,674
Accounts receivable	100,566	22,397
Due from other governments	2,803,837	1,608,893
Interest receivable	2,887	3,202
Prepays	4,114	3,181
Total assets	\$ 8,300,394	\$ 7,069,347
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 1,821,935	\$ 828,164
Due to other governments	236,483	152,376
Accrued payroll	69,425	63,970
Deferred revenues	4,237,425	3,975,609
Compensated absences	201,751	227,667
Total liabilities	6,567,019	5,247,786
Fund balances:		
Nonspendable:		
Prepays	4,114	3,181
Committed for:		
Self-insurance	66,504	70,354
Assigned to:		
Project costs	1,662,757	1,748,026
Total fund balances	1,733,375	1,821,561
Total liabilities and fund balances	\$ 8,300,394	\$ 7,069,347

OTHER SUPPLEMENTARY INFORMATION

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Revenues:		
Aid from federal government	\$ 3,798,790	\$ 3,666,941
Aid from state government	1,198,574	981,209
Aid from local government	2,839,243	2,992,472
Interest revenue	68,655	59,679
Miscellaneous	1,292,574	983,889
Total revenues	9,197,836	8,684,190
Expenditures:		
General government:		
Salaries and benefits	2,985,360	3,016,981
Supplies and services	6,300,662	5,428,484
Contributions to other local agencies	-	190,196
Total expenditures	9,286,022	8,635,661
Net changes in fund balances	(88,186)	48,529
Fund balances at beginning of year	1,821,561	1,773,032
Fund balances at end of year	\$ 1,733,375	\$ 1,821,561

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE SCHEDULES OF GRANT RECEIPTS
 AND EXPENDITURE CLAIMS
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Revenues:		
Federal grants	\$ 3,798,790	\$ 3,666,941
Non-federal revenue:		
State assistance	1,198,574	981,209
Local revenue sources	2,839,243	2,992,472
Interest revenue	68,655	59,679
Miscellaneous revenue	1,292,574	983,889
Total revenues	<u>9,197,836</u>	<u>8,684,190</u>
Expenditures:		
Regional Streets & Roads	68,392	14,103
Regional Transportation Modeling	430,649	416,055
Regional Traffic Monitoring	430,565	288,294
Intelligent Transportation Systems/Traffic Deficiencies	227,950	124,088
Regional Transportation Mitigation Fee	51,122	50,624
National Park Studies	385,304	24,995
Golden State Corridor	54,791	1,335
Public Trans. - Urban	328,486	309,255
JARRC	2,274,581	1,931,065
FCMA Transportation Evaluation	120,307	208,911
Other Modal Elements	41,568	43,362
High Speed Rail	45,418	89,872
Airport Land Use	39,417	47,169
Regional Transportation Plan	334,487	781,398
Congestion Management Plan	48,712	10,479
Air Quality	157,704	174,726
Measure "C"	203,122	147,633
Measure "C" Oversight Committee	10,754	10,623
Measure "C" Car/Van Pool	325,632	485,176
Measure "C" ADA Seniors	511,867	409,631
Measure "C" Farm/Van Pool	294,221	312,905
Transportation Program Development	240,485	250,456
Intergovernmental Coordination	154,718	112,509
Public Info. and Participation	108,778	134,547
Environmental Justice	31,438	32,198
Ventura Kings Canyon	215,315	31,609
Technical Assistance Members	103,492	85,111
Rideshare Program	17,792	16,526
Regional Data Center	70,571	69,291
One Voice Advocacy	107,116	105,742
California Blueprint	-	145,841
Regional Housing Needs	38,732	35,850
SJV Goods Movement	5,115	-
Sustainable Communities	465,788	421,189
Valley RTPA Coordination	242,934	207,407
Fresno COG Administration	136,361	93,896
OWP and Budget	18,230	31,474
Transportation Funds Administration	133,350	152,117
FCRTA Administration	367,853	432,854
Transportation Authority Administration	2,651	2,293
Freeway Service Patrol	428,828	389,725
Abandoned Vehicle Abatement	11,426	9,312
Total expenditures	<u>9,286,022</u>	<u>8,641,646</u>
Depreciation	-	(5,985)
Net gain (loss)	<u>\$ (88,186)</u>	<u>\$ 48,529</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, 2015

	<u>State Transit Assistance Fund</u>	<u>Local Transportation Fund</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 6,970	\$ 4,312,459	\$ 4,319,429
Interest receivable	325	4,287	4,612
Due from other governments	1,349,562	-	1,349,562
Total assets	<u>1,356,857</u>	<u>4,316,746</u>	<u>5,673,603</u>
Liabilities:			
Due to other governments	<u>1,300,274</u>	<u>548,292</u>	<u>1,848,566</u>
Total liabilities	<u>1,300,274</u>	<u>548,292</u>	<u>1,848,566</u>
Net position:			
Held in trust	<u>56,583</u>	<u>3,768,454</u>	<u>3,825,037</u>
Total net position	<u><u>\$ 56,583</u></u>	<u><u>\$ 3,768,454</u></u>	<u><u>\$ 3,825,037</u></u>

FRESNO COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	State Transit Assistance Fund	Local Transportation Fund	Total
Additions:			
Sales tax	\$ -	\$ 33,613,079	\$ 33,613,079
Aid from state government	5,421,441	-	5,421,441
Interest revenue	9,265	133,886	143,151
Total additions	5,430,706	33,746,965	39,177,671
Deductions:			
Administration expense	-	100,000	100,000
TDA claims paid	-	33,919,610	33,919,610
STA distributions	5,407,519	-	5,407,519
Total deductions	5,407,519	34,019,610	39,427,129
Change in net position	23,187	(272,645)	(249,458)
Net position, beginning of year	33,396	4,041,099	4,074,495
Net position, end of year	\$ 56,583	\$ 3,768,454	\$ 3,825,037

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 52,334	\$ 511,625	\$ 563,959
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	480,177	2,581,497	3,061,674
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)	62,271	1,733,537	1,795,808
	<u>\$ 594,782</u>	<u>\$ 4,826,659</u>	<u>\$ 5,421,441</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF DISBURSEMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 52,334	512,607	\$ 564,941
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	480,177	3,117,707	3,597,884
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)	62,271	1,182,423	1,244,694
	<u>\$ 594,782</u>	<u>\$ 4,812,737</u>	<u>\$ 5,407,519</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 63,388	\$ 153,844	\$ 3,245,170	\$ -	\$ 3,462,402
City of Coalinga	10,215	25,741	522,940	-	558,896
City of Firebaugh	4,844	11,966	247,989	-	264,799
City of Fowler	3,649	8,926	186,825	-	199,400
City of Fresno	319,835	782,357	16,374,114	-	17,476,306
City of Huron	4,245	10,448	217,312	-	232,005
City of Kerman	8,895	21,888	455,362	-	486,145
City of Kingsburg	7,248	17,834	371,077	-	396,159
City of Mendota	6,963	17,200	356,471	-	380,634
City of Orange Cove	5,837	14,391	298,833	-	319,061
City of Parlier	9,316	22,885	476,955	-	509,156
City of Reedley	15,583	38,414	797,797	-	851,794
City of Sanger	15,451	38,011	791,001	-	844,463
City of San Joaquin	2,516	6,199	128,806	-	137,521
City of Selma	14,873	36,620	761,434	-	812,927
County of Fresno	105,142	258,376	5,382,784	-	5,746,302
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)	-	-	-	935,109	935,109
	<u>\$ 598,000</u>	<u>\$ 1,465,100</u>	<u>\$ 30,614,870</u>	<u>\$ 935,109</u>	<u>\$ 33,613,079</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF DISBURSEMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 63,388	\$ 163,869	\$ 2,674,368	\$ 397,915	\$ -	\$ 3,299,540
City of Coalinga	10,215	-	-	380,057	-	390,272
City of Firebaugh	4,844	-	-	227,948	-	232,792
City of Fowler	3,649	-	-	121,402	-	125,051
City of Fresno	319,835	-	18,073,517	-	-	18,393,352
City of Huron	4,245	-	-	164,761	-	169,006
City of Kerman	8,895	-	-	408,576	-	417,471
City of Kingsburg	7,248	-	-	352,760	-	360,008
City of Mendota	6,963	-	-	271,099	-	278,062
City of Orange Cove	5,837	-	-	294,091	-	299,928
City of Parlier	9,316	-	-	554,207	-	563,523
City of Reedley	15,583	-	-	630,692	-	646,275
City of Sanger	15,451	-	-	821,396	-	836,847
City of San Joaquin	2,516	-	-	104,260	-	106,776
City of Selma	14,873	-	-	589,599	-	604,472
County of Fresno	105,142	-	-	4,104,185	-	4,209,327
Fresno County Rural Transit Agency (FCRTA)	-	-	850,570	-	-	850,570
Fresno Council of Governments (Fresno COG)	-	-	-	-	935,107	935,107
Fresno County Economic Opportunities Commission (FCEOC)	-	1,301,231	-	-	-	1,301,231
	<u>\$ 598,000</u>	<u>\$ 1,465,100</u>	<u>\$ 21,598,455</u>	<u>\$ 9,422,948</u>	<u>\$ 935,107</u>	<u>\$ 34,019,610</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF GRANT RECEIPTS AND EXPENDITURE CLAIMS
FOR THE YEAR ENDED JUNE 30, 2015

	Total	Local Resources	Federal Highway	Federal Transit	
			Work Administration	Administration	
			FHWA	FTA MPO	FTA MPO
			PL	5303	5304
			Planning		
Revenues:					
Federal grants	\$ 3,798,790	\$ -	\$ 1,734,584	\$ 262,265	\$ 97,526
Non-federal revenue:					
State assistance	1,198,574	-	-	-	-
Local revenue sources	2,839,243	2,839,243	-	-	-
Interest revenue	68,655	68,655	-	-	-
Miscellaneous revenue	1,292,574	1,292,574	-	-	-
Total revenues	<u>9,197,836</u>	<u>\$ 4,200,472</u>	<u>\$ 1,734,584</u>	<u>\$ 262,265</u>	<u>\$ 97,526</u>
Expenditures:					
Regional Streets & Roads	68,392	\$ 7,509	\$ 47,982	\$ 12,901	\$ -
Regional Transportation Modeling	430,649	37,393	393,256	-	-
Regional Traffic Monitoring	430,565	58,790	371,775	-	-
Intelligent Transportation Systems	227,950	33,301	63,688	-	-
Regional Transportation Mitigation Fee	51,122	51,122	-	-	-
National Park Studies	385,304	44,276	-	-	41,095
Golden State Corridor	54,791	54,791	-	-	-
Public Trans. - Urban	328,486	66,427	-	55,712	-
JARRC	2,274,581	1,207,407	-	-	-
FCMA Transportation Evaluation	120,307	63,876	-	-	56,431
Other Modal Elements	41,568	41,568	-	-	-
High Speed Rail	45,418	45,418	-	-	-
Airport Land Use	39,417	39,417	-	-	-
Regional Transportation Plan	334,487	1,531	248,765	84,191	-
Congestion Management Plan	48,712	-	34,199	14,513	-
Air Quality	157,704	-	107,453	50,251	-
Measure "C"	203,122	203,122	-	-	-
Measure "C" Oversight Committee	10,754	10,754	-	-	-
Measure "C" Car/Van Pool	325,632	325,632	-	-	-
Measure "C" ADA Seniors	511,867	511,867	-	-	-
Measure "C" Farm/Van Pool	294,221	294,221	-	-	-
Transportation Program Development	240,485	-	-	-	-
Intergovernmental Coordination	154,718	34,523	120,195	-	-
Public Info. and Participation	108,778	6,454	102,324	-	-
Environmental Justice	31,438	-	31,438	-	-
Ventura Kings Canyon	215,315	19,574	-	-	-
Technical Assistance Members	103,492	103,492	-	-	-
Rideshare Program	17,792	17,792	-	-	-
Regional Data Center	70,571	1,998	68,573	-	-
One Voice Advocacy	107,116	107,116	-	-	-
Regional Housing Needs	38,732	38,732	-	-	-
SJV Goods Movement	5,115	-	-	-	-
Sustainable Communities	465,788	10,829	20,760	18,347	-
Valley RTPA Coordination	242,934	92,408	124,176	26,350	-
Fresno COG Administration	136,361	136,362	-	-	-
OWP and Budget	18,230	18,230	-	-	-
Transportation Funds Administration	133,350	133,350	-	-	-
FCRTA Administration	367,853	367,853	-	-	-
Transportation Authority Administration	2,651	2,651	-	-	-
Freeway Service Patrol	428,828	87,447	-	-	-
Abandoned Vehicle Abatement	11,426	11,426	-	-	-
Total expenditures	<u>9,286,022</u>	<u>\$ 4,288,659</u>	<u>\$ 1,734,584</u>	<u>\$ 262,265</u>	<u>\$ 97,526</u>
Depreciation	-	-	-	-	-
Net gain (loss)	<u>\$ (88,186)</u>				

FRESNO COUNCIL OF GOVERNMENTS
 SCHEDULE OF INSURANCE COVERAGE
 FOR THE YEAR ENDED JUNE 30, 2015

Insurance coverage of the Council at June 30, 2015 is as follows:

Fire Insurance:	
Office personal property 90% co-insurance	\$ 100,000
Public Officials Professional Liability Coverage	\$ 1,000,000
Liability Coverage:	
All inclusive (combined single limit):	
Bodily injury	\$ 1,000,000
Group Travel Accident	\$ 100,000
Bond, Blanket Position	\$ 35,000
Worker's Compensation Insurance	Statutory

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION
AND FIXED RATE OVERHEAD CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

Budget Item	Actual Expense	Eligible Depreciation	Allocated to Other Programs	Direct Expense	Indirect Expense
Salaries and Benefits:					
Direct	\$ 2,374,458	\$ -	\$ (616,000)	\$ 1,758,458	\$ -
Indirect	610,902	-	(20,024)	-	590,878
Total salaries and benefits	2,985,360	-	(636,024)	1,758,458	590,878
Indirect Overhead:					
Telephone	5,015	-	-	-	5,015
Telecommunications	-	-	-	-	-
Contact help	-	-	-	-	-
Membership/dues	-	-	-	-	-
Insurance	13,817	-	-	-	13,817
Postage	6,902	-	-	-	6,902
Printing supplies	9,682	-	-	-	9,682
Office supplies	25,624	-	-	-	25,624
Publications	2,649	-	-	-	2,649
Service contacts	-	-	-	-	-
Advertising and legal notice	2,490	-	-	-	2,490
Computer supplies	2,271	-	-	-	2,271
Office lease	213,073	-	-	-	213,073
Utilities	37,427	-	-	-	37,427
Equipment lease	22,796	-	-	-	22,796
Repair and maintenance	1,564	-	-	-	1,564
Travel expenses	42,752	-	(772)	-	41,980
Depreciation	-	-	-	-	-
Legal and accounting	12,300	-	-	-	12,300
Janitorial and security	-	-	-	-	-
Moving	-	-	-	-	-
Property taxes	-	-	-	-	-
Rideshare promotion	-	-	-	-	-
Total indirect overhead	398,362	-	(772)	-	397,590
Total costs	<u>\$ 3,383,722</u>	<u>\$ -</u>	<u>\$ (636,796)</u>	<u>\$ 1,758,458</u>	<u>\$ 988,468</u>

FRESNO COUNCIL OF GOVERNMENTS
 SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION
 AND FIXED RATE OVERHEAD CARRYOVER (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2015

Direct expenses - at June 30, 2015	\$ 1,758,458
Approved indirect cost rate for June 30, 2015	<u>55.95%</u>
Total allocable indirect expenses - at June 30, 2015	<u>\$ 983,857</u>
Actual indirect expenses - at June 30, 2015	\$ 988,468
Under recovery of indirect expenses - at June 30, 2013	<u>39,931</u>
Net eligible indirect expenses - at June 30, 2015	<u>\$ 1,028,399</u>
Under recovery of indirect expenses - at June 30, 2015	<u>\$ 44,542</u>
Under recovery of indirect expenses - at June 30, 2014	<u>\$ (6,990)</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 1,734,584
Total Federal Highway Works Administration			<u>1,734,584</u>
<u>Federal Transit Administration:</u>			
Pass-through California Department of Transportation Federal Transit Technical Studies Grant - MPO	20.505	74A0809	359,791
FTA 5307 - Federal Transit Formula Grant	20.507	CA-90-Y794-00	506,280
			<u>866,071</u>
<i>Transit Services Programs Cluster</i>			
FTA 5316 - Job Access Reverse Commute	20.516	CA-37-X102-00	16,607
FTA 5316 - Job Access Reverse Commute	20.516	CA-37-X111-00	130,961
FTA 5316 - Job Access Reverse Commute	20.516	CA-37-X129-00	70,109
FTA 5316 - Job Access Reverse Commute	20.516	CA-37-X165-00	440,000
FTA 5316 - Job Access Reverse Commute	20.516	CA-37-X201-00	490,523
FTA 5317 - New Freedom Program	20.521	CA-57-X041-00	7,878
FTA 5317 - New Freedom Program	20.521	CA-57-X044-00	39,992
FTA 5317 - New Freedom Program	20.521	CA-57-X054-00	2,065
			<u>1,198,135</u>
Total Federal Transit Administration			<u>2,064,206</u>
Total Federal Financial Assistance			<u>\$ 3,798,790</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Fresno Council of Governments' basic financial statements.

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, 2015, 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 February 5, 2016. 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.

8080 North
Palm Avenue,
Suite 201

Fresno, CA
93711-5797

559/431-5500

Fax: 559/431-4937
www.cpaplus.com

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
February 5, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

8080 North
Palm Avenue,
Suite 201

•
Fresno, CA
93711-5797

•
559/431-5500

Fax: 559/431-4937
www.cpaplus.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133 (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, 2015.

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 OMB Circular A-133, 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 OMB CIRCULAR A-133 (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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
February 5, 2016

FINDINGS AND RECOMMENDATIONS SECTION

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Part I – Summary of Auditor’s Results

1. The Independent Auditors’ Report expresses an unqualified 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 “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 Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.” 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 unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as a major programs included:

Name	CFDA Number
Highway Planning and Construction	20.205
Federal Transit Formula Grant	20.507

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
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, 2015

Part II – Financial Statement Findings and Other Non-Federal Compliance

Compliance with Laws and Regulations

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, 2014

There were no reportable audit findings for the fiscal year ended June 30, 2014.