

FRESNO COUNCIL OF GOVERNMENTS

ANNUAL FINANCIAL REPORTS

FOR THE YEAR ENDED
JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent auditors' report	1-3
Management's discussion and analysis	4-8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of net position	9
Statement of activities.....	10
Fund Financial Statements:	
Governmental Funds:	
Balance sheet	11
Statement of revenues, expenditures, and changes in fund balances.....	12
Fiduciary Funds:	
Statement of fiduciary net position.....	13
Statement of changes in fiduciary net position.....	14
Notes to the basic financial statements	15-27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule (budgetary basis):	
Explanatory comments.....	28
General Fund.....	29
Notes to required supplementary information	30

TABLE OF CONTENTS (CONTINUED)

Page

OTHER SUPPLEMENTARY INFORMATION

Governmental Funds – General Fund:

Comparative balance sheets	31
Comparative statements of revenues, expenditures, and changes in fund balances	32
Comparative schedules of grant receipts and expenditure claims	33

Fiduciary Funds:

Explanatory comments.....	34
Combining statement of net position - trust funds.....	35
Combining statement of changes in net position - trust funds.....	36
Schedule of apportionments by purpose - state transit assistance fund.....	37
Schedule of disbursements by purpose - state transit assistance fund.....	38
Schedule of apportionments by purpose - local transportation fund	39
Schedule of disbursements by purpose - local transportation fund	40
Schedule of grant receipts and expenditure claims.....	41
Schedule of insurance coverage.....	42
Schedule of cost allocation plan reconciliation and fixed rate overhead carryover	43-44
Schedule of expenditures of federal awards	45
Notes to the schedule of expenditures of federal awards.....	46

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"	47-48
Independent auditors' report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.....	49-51

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of findings and questioned costs	52-53
Summary schedule of prior audit findings.....	54

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, 2016, 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.

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)

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, 2016, 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 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.

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 24, 2017, 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 24, 2017

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016

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 \$1,635,273 and consisted of capital assets, net of related debt, of \$40,777; and unrestricted net position of \$1,594,496.
- Net position decreased \$130,180 during fiscal year 2016. 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 \$40,777 at June 30, 2016, representing an increase of \$8,699, or 27%, over June 30, 2015. 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 \$1,594,496, a decrease of \$138,879 compared to June 30, 2015.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2016

Statement of Net Position

A summary of the Fresno COG's Statement of Net Position for Governmental Activities as of June 30, 2016, with comparative totals as of June 30, 2015 is as follows:

Statement of Net Position Governmental Activities As of June 30, 2016 and 2015		
	2016	2015
Assets:		
Current and Other Assets	\$ 7,683,555	\$ 8,300,394
Capital Assets (Net of Depreciation)	40,777	32,078
Total Assets	\$ 7,724,332	\$ 8,332,472
Liabilities:		
Current and Other Liabilities	\$ 6,089,059	\$ 6,567,019
Net Position:		
Invested in Capital Assets, Net of Related Debt	40,777	32,078
Unrestricted	1,594,496	1,733,375
Total Net Position	\$ 1,635,273	\$ 1,765,453

As shown above, total assets of Governmental Activities were \$7,724,332 at June 30, 2016, including \$40,777 in capital assets (net of depreciation). Of the total \$7,683,555 in current assets, \$5,834,918 consists of pooled cash, which is invested in accordance with State law and the Fresno COG's investment policy.

Net position totaling \$1,635,273 includes \$1,594,496 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, 2015 by \$130,180 or 7%.

The net position component invested in capital assets increased by \$8,699 due to capital investments during the year. Unrestricted net position decreased by \$138,879, in large part due to the results of current year operations.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2016

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, 2016 than it was at June 30, 2015.

A summary of the Fresno COG's Statement of Activities for fiscal year ended June 30, 2016, with comparative totals for the fiscal year ended June 30, 2015 is as follows:

Statement of Activities Governmental Activities For the Years Ended June 30, 2016 and 2015		
	2016	2015
Revenues:		
Program Revenues	\$ 8,272,975	\$ 7,836,607
General Revenues	757,296	1,361,229
Total Revenues	9,030,271	9,197,836
Expenses:		
Transportation Planning	9,160,451	9,253,944
Changes in Net Position	(130,180)	(56,107)
Net Position - Beginning	1,765,453	1,821,562
Net Position - Ending	\$ 1,635,273	\$ 1,765,453

Total revenues of the funds included in the Governmental Activities category were \$9,030,271 for the year ended June 30, 2016. Of this total, \$7,730,292 (86%) was derived from grants. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. \$542,683 (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 \$9,160,451. All expenses were for transportation planning.

FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2016

General Fund Budgetary Highlights

Fresno COG revised the budget three times to add \$5,795,744 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. 44% of Fresno COG's revenues come from federal sources, 12% from state sources, and 36% 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, 2016

	Governmental Activities	Component Units
Assets:		
Cash and investments	\$ 5,834,918	\$ -
Accounts receivable	44,516	-
Due from other governments	1,798,517	-
Interest receivable	2,873	-
Prepays	2,731	-
Capital assets (net of accumulated depreciation)	40,777	-
Total assets	7,724,332	-
Liabilities:		
Accounts payable	1,127,217	-
Due to other governments	80,429	-
Accrued payroll	80,086	-
Deferred revenues	4,624,473	-
Compensated absences	176,854	-
Total liabilities	6,089,059	-
Net position:		
Invested in capital assets	40,777	-
Unrestricted	1,594,496	-
Total net position	\$ 1,635,273	\$ -

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

FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 9,160,451	\$ 542,683	\$ 7,730,292	\$ (887,476)	
Total primary government	<u>\$ 9,160,451</u>	<u>\$ 542,683</u>	<u>\$ 7,730,292</u>	<u>(887,476)</u>	
Component Unit:					
Abandoned vehicle abatement	\$ 292,386	\$ -	\$ -		\$ (292,386)
Total component unit	<u>\$ 292,386</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(292,386)</u>
General Revenues:					
Investment income				74,378	-
Miscellaneous				682,918	-
Total general revenues				<u>757,296</u>	<u>-</u>
Change in net position				(130,180)	(292,386)
Net position, beginning of year				<u>1,765,453</u>	<u>292,386</u>
Net position, end of year				<u>\$ 1,635,273</u>	<u>\$ -</u>

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

FRESNO COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 5,834,918
Accounts receivable	44,516
Due from other governments	1,798,517
Interest receivable	2,873
Prepays	2,731
Total assets	<u>\$ 7,683,555</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 1,127,217
Due to other governments	80,429
Accrued payroll	80,086
Deferred revenues	4,624,473
Compensated absences	176,854
Total liabilities	<u>6,089,059</u>
Fund Balances:	
Nonspendable:	
Prepays	2,731
Committed for:	
Self-insurance	63,997
Assigned to:	
Project costs	1,527,768
Total fund balances	<u>1,594,496</u>
Total liabilities and fund balances	<u>\$ 7,683,555</u>
Amounts reported for governmental activities in the statement of net position (Page 9) are different because:	
Total fund balances	\$ 1,594,496
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	40,777
Net position of governmental activities (Page 9)	<u>\$ 1,635,273</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, 2016

	General Fund
Revenues:	
Aid from federal government	\$ 3,949,212
Aid from state government	1,099,008
Aid from local government	3,224,755
Interest revenue	74,378
Miscellaneous	682,918
Total revenues	9,030,271
Expenditures:	
General government:	
Salaries and benefits	2,963,843
Supplies and services	5,915,950
Contributions to other local agencies	289,357
Total expenditures	9,169,150
Net changes in fund balances	(138,879)
Fund balances at beginning of year	1,733,375
Fund balances at end of year	\$ 1,594,496
Amounts reported for governmental activities in the statement of activities (Page 10) are different because:	
Net change in fund balances - total governmental funds	\$ (138,879)
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 (\$10,284) exceeded depreciation (\$1,585) in the current period.	8,699
Change in net position of governmental activities (Page 10)	\$ (130,180)

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, 2016

	Trust Funds
Assets:	
Cash and investments	\$ 5,630,927
Interest receivable	10,526
Due from other governments	-
Total assets	5,641,453
Liabilities:	
Due to other governments	4,774,060
Total liabilities	4,774,060
Net position:	
Held in trust	867,393
Total net position	\$ 867,393

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, 2016

	Trust Funds
Additions:	
Sales tax	\$ 35,837,579
Aid from state government	2,249,654
Interest revenue	158,296
Total additions	38,245,529
Deductions:	
Administration expense	100,000
TDA claims paid	38,793,452
STA distributions	2,309,721
Total deductions	41,203,173
Change in net position	(2,957,644)
Net position, beginning of year	3,825,037
Net position, end of year	\$ 867,393

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

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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, 2016

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. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Implementation of New Pronouncements (Continued)

Government Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements No. 67 and 68). Application of this Statement is effective for Fresno COG's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement No. 8, which are effective for financial statements for fiscal year ending June 30, 2017.

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this Statements is effective for Fresno COG's fiscal year ending June 30, 2016.

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.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- *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.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Fund Balance (Continued)

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, 2016

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, 2016

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:

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	\$ 5,834,918	\$ 5,834,918	\$ -	\$ -	\$ -
Component Units	-	-	-	-	-
Total	<u>\$ 5,834,918</u>	<u>\$ 5,834,918</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	\$ 5,834,918	N/A	\$ 5,834,918	\$ -	\$ 5,834,918
Component Units	-	N/A	-	-	-
Total	<u>\$ 5,834,918</u>	<u>N/A</u>	<u>\$ 5,834,918</u>	<u>\$ -</u>	<u>\$ 5,834,918</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets being depreciated:				
Computer equipment	\$ 171,959	\$ -	\$ -	\$ 171,959
Office furniture and equipment	72,038	10,284	-	82,322
Traffic monitoring equipment	53,563	-	-	53,563
	<u>297,560</u>	<u>10,284</u>	<u>-</u>	<u>307,844</u>
Total capital assets being depreciated				
	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Less accumulated depreciation for:				
Computer equipment	\$ 171,959	\$ -	\$ -	\$ 171,959
Office furniture and equipment	39,960	1,585	-	41,545
Traffic monitoring equipment	53,563	-	-	53,563
	<u>265,482</u>	<u>1,585</u>	<u>-</u>	<u>267,067</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>32,078</u>	<u>8,699</u>	<u>-</u>	<u>40,777</u>
Total capital assets, net	<u>\$ 32,078</u>	<u>\$ 8,699</u>	<u>\$ -</u>	<u>\$ 40,777</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, 2016

4. DUE TO/FROM MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual receivables from members and other governmental entities for services rendered at June 30, 2016 consist of the following:

Primary Government	
Fresno County Rural Transit Agency	\$ 66,606
Fresno County Transportation Authority	303,553
Due from City of Fresno	28,741
Due from Federal and State Governments	<u>1,399,617</u>
Total	<u>\$ 1,798,517</u>
Fiduciary Funds	
Due from State of California - STA Article 4	<u>\$ -</u>
Total	<u>\$ -</u>

Individual payables to members and other governmental entities for services provided at June 30, 2016 consist of the following:

Primary Government	
City of Clovis	\$ 10,283
City of Fresno	29,087
Fresno County	16,059
Fresno County Economic Opportunities Commission	<u>25,000</u>
Total	<u>\$ 80,429</u>
Fiduciary Funds	
Article 3	\$ 27,537
Article 4	3,125,029
Article 8A	<u>1,621,494</u>
Total	<u>\$ 4,774,060</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016 are summarized as follows:

	Planning	ADA/ Seniors	Farm- worker/ Van Pool	Car/Van Pool	Total
Deferred revenues, beginning of year	\$ 655,268	\$ 1,470,941	\$ 1,465,344	\$ 645,872	\$ 4,237,425
Funds received	351,645	555,599	407,908	407,908	1,723,060
Funds allowed	(216,883)	(584,305)	(342,118)	(353,496)	(1,496,802)
Interest	9,404	19,038	20,157	8,647	57,246
Taxi Scrip	-	103,544	-	-	103,544
Deferred revenues, end of year	<u>\$ 799,434</u>	<u>\$ 1,564,817</u>	<u>\$ 1,551,291</u>	<u>\$ 708,931</u>	<u>\$ 4,624,473</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 \$339,197.

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, 2016, there were \$0 forfeitures.

Fresno COG reported a payable of \$11,297 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 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>
2017	\$ 230,864	\$ 21,090
2018	230,864	21,090
2019	230,864	10,544
2020	240,884	-
2020	250,903	-
Thereafter	<u>1,129,063</u>	<u>-</u>
Total	<u>\$ 2,313,442</u>	<u>\$ 52,724</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Aid from federal government	\$ 8,023,695	\$ 9,496,382	\$ 3,949,212	\$ (5,547,170)
Aid from state government	2,204,979	2,199,864	1,099,008	(1,100,856)
Aid from local governments	4,961,175	9,289,347	3,224,755	(6,064,592)
Interest revenue	60,000	60,000	74,378	14,378
Miscellaneous revenue	499,338	499,338	682,918	183,580
Total revenues	15,749,187	21,544,931	9,030,271	(12,514,660)
Expenditures:				
General government:				
Salaries and benefits	3,296,194	3,296,194	2,963,843	(332,351)
Supplies and services	11,716,160	17,511,904	5,915,950	(11,595,954)
Contributions to other local agencies	736,833	736,833	289,357	(447,476)
Total expenditures	15,749,187	21,544,931	9,169,150	(12,375,781)
Excess of revenues over expenditures	\$ -	\$ -	\$ (138,879)	\$ (138,879)

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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, 2016, appropriations were increased by \$5,795,744 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, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
Cash and investments	\$ 5,834,918	\$ 5,388,990
Accounts receivable	44,516	100,566
Due from other governments	1,798,517	2,803,837
Interest receivable	2,873	2,887
Prepays	2,731	4,114
Total assets	\$ 7,683,555	\$ 8,300,394
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 1,127,217	\$ 1,821,935
Due to other governments	80,429	236,483
Accrued payroll	80,086	69,425
Deferred revenues	4,624,473	4,237,425
Compensated absences	176,854	201,751
Total liabilities	6,089,059	6,567,019
Fund balances:		
Nonspendable:		
Prepays	2,731	4,114
Committed for:		
Self-insurance	63,997	66,504
Assigned to:		
Project costs	1,527,768	1,662,757
Total fund balances	1,594,496	1,733,375
Total liabilities and fund balances	\$ 7,683,555	\$ 8,300,394

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Revenues:		
Aid from federal government	\$ 3,949,212	\$ 3,798,790
Aid from state government	1,099,008	1,198,574
Aid from local government	3,224,755	2,839,243
Interest revenue	74,378	68,655
Miscellaneous	682,918	1,292,574
Total revenues	9,030,271	9,197,836
Expenditures:		
General government:		
Salaries and benefits	2,963,843	2,985,360
Supplies and services	5,915,950	5,916,285
Contributions to other local agencies	289,357	384,377
Total expenditures	9,169,150	9,286,022
Net changes in fund balances	(138,879)	(88,186)
Fund balances at beginning of year	1,733,375	1,821,561
Fund balances at end of year	\$ 1,594,496	\$ 1,733,375

FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE SCHEDULES OF GRANT RECEIPTS
 AND EXPENDITURE CLAIMS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Revenues:		
Federal grants	\$ 3,949,212	\$ 3,798,790
Non-federal revenue:		
State assistance	1,099,008	1,198,574
Local revenue sources	3,224,755	2,839,243
Interest revenue	74,378	68,655
Miscellaneous revenue	682,918	1,292,574
Total revenues	9,030,271	9,197,836
Expenditures:		
Regional Streets & Roads	108,978	68,392
Regional Transportation Modeling	695,051	430,649
Regional Traffic Monitoring	275,092	430,565
Intelligent Transportation Systems/Traffic Deficiencies	58,344	227,950
Regional Transportation Mitigation Fee	31,548	51,122
National Park Studies	2,299,194	385,304
Golden State Corridor	108,476	54,791
Public Trans. - Urban	292,313	328,486
JARRC	197,083	2,274,581
FCMA Transportation Evaluation	-	120,307
Other Modal Elements	57,737	41,568
High Speed Rail	11,902	45,418
Airport Land Use	22,474	39,417
Regional Transportation Plan	355,268	334,487
Congestion Management Plan	189,710	48,712
Air Quality	232,939	157,704
Measure "C"	205,318	203,122
Measure "C" Oversight Committee	11,564	10,754
Measure "C" Car/Van Pool	353,497	325,632
Measure "C" ADA Seniors	584,305	511,867
Measure "C" Farm/Van Pool	342,118	294,221
Transportation Program Development	239,070	240,485
Intergovernmental Coordination	145,711	154,718
Public Info. and Participation	115,348	108,778
Environmental Justice	29,845	31,438
Ventura Kings Canyon	-	215,315
Technical Assistance Members	92,361	103,492
Rideshare Program	20,739	17,792
Regional Data Center	31,725	70,571
One Voice Advocacy	104,619	107,116
Farmland Trust	16,429	-
Regional Housing Needs	7,661	38,732
SJV Goods Movement	356,774	5,115
Sustainable Communities	169,087	465,788
Valley RTPA Coordination	158,157	242,934
Fresno COG Administration	297,920	136,361
OWP and Budget	19,448	18,230
Transportation Funds Administration	112,646	133,350
FCRTA Administration	385,678	367,853
Transportation Authority Administration	2,505	2,651
Freeway Service Patrol	430,516	428,828
Abandoned Vehicle Abatement	-	11,426
Total expenditures	9,169,150	9,286,022
Net gain (loss)	\$ (138,879)	\$ (88,186)

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, 2016

	<u>State Transit Assistance Fund</u>	<u>Local Transportation Fund</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 3,273	\$ 5,627,654	\$ 5,630,927
Interest receivable	825	9,701	10,526
Due from other governments	-	-	-
Total assets	<u>4,098</u>	<u>5,637,355</u>	<u>5,641,453</u>
Liabilities:			
Due to other governments	-	4,774,060	4,774,060
Total liabilities	<u>-</u>	<u>4,774,060</u>	<u>4,774,060</u>
Net position:			
Held in trust	<u>4,098</u>	<u>863,295</u>	<u>867,393</u>
Total net position	<u>\$ 4,098</u>	<u>\$ 863,295</u>	<u>\$ 867,393</u>

FRESNO COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	State Transit Assistance Fund	Local Transportation Fund	Total
Additions:			
Sales tax	\$ -	\$ 35,837,579	\$ 35,837,579
Aid from state government	2,249,654	-	2,249,654
Interest revenue	7,582	150,714	158,296
Total additions	2,257,236	35,988,293	38,245,529
Deductions:			
Administration expense	-	100,000	100,000
TDA claims paid	-	38,793,452	38,793,452
STA distributions	2,309,721	-	2,309,721
Total deductions	2,309,721	38,893,452	41,203,173
Change in net position	(52,485)	(2,905,159)	(2,957,644)
Net position, beginning of year	56,583	3,768,454	3,825,037
Net position, end of year	\$ 4,098	\$ 863,295	\$ 867,393

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 18,221	\$ 196,295	\$ 214,516
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	380,545	978,589	1,359,134
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)	21,681	654,323	676,004
	<u>\$ 420,447</u>	<u>\$ 1,829,207</u>	<u>\$ 2,249,654</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF DISBURSEMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 18,221	\$ 196,670	\$ 214,891
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	380,545	980,458	1,361,003
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)	21,681	712,146	733,827
	<u>\$ 420,447</u>	<u>\$ 1,889,274</u>	<u>\$ 2,309,721</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 68,465	\$ 165,688	\$ 3,503,251	\$ -	\$ 3,737,404
City of Coalinga	10,846	26,700	554,971	-	592,517
City of Firebaugh	5,104	12,662	261,184	-	278,950
City of Fowler	3,909	9,539	200,011	-	213,459
City of Fresno	341,317	836,013	17,464,680	-	18,642,010
City of Huron	4,473	11,095	228,884	-	244,452
City of Kerman	9,393	23,249	480,602	-	513,244
City of Kingsburg	7,685	18,946	393,205	-	419,836
City of Mendota	7,356	18,200	376,415	-	401,971
City of Orange Cove	6,141	15,257	314,202	-	335,600
City of Parlier	9,905	24,352	506,823	-	541,080
City of Reedley	16,725	40,733	855,777	-	913,235
City of Sanger	16,488	40,386	843,690	-	900,564
City of San Joaquin	2,652	6,576	135,680	-	144,908
City of Selma	15,691	38,876	802,861	-	857,428
County of Fresno	111,851	274,828	5,723,273	-	6,109,952
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)	-	-	-	990,969	990,969
	<u>\$ 638,001</u>	<u>\$ 1,563,100</u>	<u>\$ 32,645,509</u>	<u>\$ 990,969</u>	<u>\$ 35,837,579</u>

FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF DISBURSEMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 68,465	\$ 176,351	\$ 3,656,765	\$ -	\$ -	\$ 3,901,581
City of Coalinga	10,846	-	-	372,288	-	383,134
City of Firebaugh	5,104	-	-	202,855	-	207,959
City of Fowler	3,909	-	-	165,155	-	169,064
City of Fresno	341,317	-	21,468,380	-	-	21,809,697
City of Huron	4,473	-	-	108,246	-	112,719
City of Kerman	9,393	-	-	420,129	-	429,522
City of Kingsburg	7,685	-	-	392,394	-	400,079
City of Mendota	7,356	-	-	284,998	-	292,354
City of Orange Cove	6,141	-	-	288,093	-	294,234
City of Parlier	9,905	-	-	505,623	-	515,528
City of Reedley	16,725	-	-	672,958	-	689,683
City of Sanger	16,488	-	-	810,133	-	826,621
City of San Joaquin	2,652	-	-	85,784	-	88,436
City of Selma	15,691	-	-	620,266	-	635,957
County of Fresno	111,851	-	-	4,231,539	-	4,343,390
Fresno County Rural Transit Agency (FCRTA)	-	-	1,415,779	-	-	1,415,779
Fresno Council of Governments (Fresno COG)	-	-	-	-	990,966	990,966
Fresno County Economic Opportunities Commission (FCEOC)	-	1,386,749	-	-	-	1,386,749
	<u>\$ 638,001</u>	<u>\$ 1,563,100</u>	<u>\$ 26,540,924</u>	<u>\$ 9,160,461</u>	<u>\$ 990,966</u>	<u>\$ 38,893,452</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF GRANT RECEIPTS AND EXPENDITURE CLAIMS
FOR THE YEAR ENDED JUNE 30, 2016

	Total	Local Resources	Federal Highway Work Administration		Federal Transit Administration	
			FHWA PL Planning	FHWA PBIC	FTA MPO 5303	FTA MPO 5304
Revenues:						
Federal grants	\$ 3,949,212	\$ -	\$ 1,623,162	\$ 20,000	\$ 374,708	\$ 31,107
Non-federal revenue:						
State assistance	1,099,008	-	-	-	-	-
Local revenue sources	3,224,755	3,224,755	-	-	-	-
Interest revenue	74,378	74,378	-	-	-	-
Miscellaneous revenue	682,918	682,918	-	-	-	-
Total revenues	9,030,271	\$ 3,982,051	\$ 1,623,162	\$ 20,000	\$ 374,708	\$ 31,107
Expenditures:						
Regional Streets & Roads	108,978	\$ 17,888	\$ 91,090	\$ -	\$ -	\$ -
Regional Transportation Modeling	695,051	88,215	606,836	-	-	-
Regional Traffic Monitoring	275,092	1,633	273,459	-	-	-
Intelligent Transportation Systems	58,344	5,642	9,157	-	43,545	-
Regional Transportation Mitigation Fee	31,548	31,548	-	-	-	-
National Park Studies	2,299,194	685,431	-	-	-	31,107
Golden State Corridor	108,476	108,476	-	-	-	-
Public Trans. - Urban	292,313	102,274	-	-	-	-
JARRC	197,083	69,543	-	-	-	-
Other Modal Elements	57,737	57,737	-	-	-	-
High Speed Rail	11,902	11,902	-	-	-	-
Airport Land Use	22,474	22,474	-	-	-	-
Regional Transportation Plan	355,268	10,408	132,664	-	169,350	-
Congestion Management Plan	189,710	7,548	90,915	20,000	71,247	-
Air Quality	232,939	6,540	138,444	-	87,955	-
Measure "C"	205,318	205,318	-	-	-	-
Measure "C" Oversight Committee	11,564	11,564	-	-	-	-
Measure "C" Car/Van Pool	353,497	353,497	-	-	-	-
Measure "C" ADA Seniors	584,305	584,305	-	-	-	-
Measure "C" Farm/Van Pool	342,118	342,118	-	-	-	-
Transportation Program Development	239,070	-	-	-	-	-
Intergovernmental Coordinator	145,711	29,163	116,548	-	-	-
Public Info. and Participation	115,348	16,877	98,471	-	-	-
Environmental Justice	29,845	93	29,752	-	-	-
Technical Assistance Members	92,361	92,361	-	-	-	-
Rideshare Program	20,739	20,739	-	-	-	-
Regional Data Center	31,725	10,505	21,220	-	-	-
One Voice Advocacy	104,619	104,619	-	-	-	-
Farmland Trust	16,429	16,429	-	-	-	-
Regional Housing Needs	7,661	7,661	-	-	-	-
SJV Goods Movement	356,774	16,376	-	-	-	-
Sustainable Communities	169,087	33,431	-	-	-	-
Valley RTPA Coordination	158,157	158,157	-	-	-	-
Fresno COG Administration	297,920	297,920	-	-	-	-
OWP and Budget	19,448	2,231	14,606	-	2,611	-
Transportation Funds Administrator	112,646	112,646	-	-	-	-
FCRTA Administration	385,678	385,678	-	-	-	-
Transportation Authority Administrator	2,505	2,505	-	-	-	-
Freeway Service Patrol	430,516	89,478	-	-	-	-
Total expenditures	9,169,150	\$ 4,120,930	\$ 1,623,162	\$ 20,000	\$ 374,708	\$ 31,107
Depreciation	-	-	-	-	-	-
Net gain (loss)	\$ (138,879)					

FRESNO COUNCIL OF GOVERNMENTS
 SCHEDULE OF INSURANCE COVERAGE
 FOR THE YEAR ENDED JUNE 30, 2016

Insurance coverage of the Council at June 30, 2016 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, 2016

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, 2016

Budget Item	Actual Expense	Eligible Depreciation	Allocated to Other Programs	Direct Expense	Indirect Expense
Salaries and Benefits:					
Direct	\$ 2,322,876	\$ -	\$ (620,613)	\$ 1,702,263	\$ -
Indirect	640,967	-	(18,527)	-	622,440
Total salaries and benefits	2,963,843	-	(639,140)	1,702,263	622,440
Indirect Overhead:					
Telephone	7,223	-	-	-	7,223
Telecommunications	-	-	-	-	-
Contact help	-	-	-	-	-
Membership/dues	-	-	-	-	-
Insurance	5,555	-	-	-	5,555
Postage	6,788	-	-	-	6,788
Printing supplies	11,457	-	-	-	11,457
Office supplies	25,609	-	-	-	25,609
Publications	3,938	-	-	-	3,938
Service contacts	-	-	-	-	-
Advertising and legal notice	7,963	-	-	-	7,963
Computer supplies	6,491	-	-	-	6,491
Office lease	213,073	-	-	-	213,073
Utilities	44,848	-	-	-	44,848
Equipment lease	24,396	-	-	-	24,396
Repair and maintenance	6,428	-	-	-	6,428
Travel expenses	40,418	-	(2,233)	-	38,185
Depreciation	-	-	-	-	-
Legal and accounting	20,400	-	-	-	20,400
Janitorial and security	-	-	-	-	-
Moving	-	-	-	-	-
Property taxes	-	-	-	-	-
Rideshare promotion	-	-	-	-	-
Total indirect overhead	424,587	-	(2,233)	-	422,354
Total costs	<u>\$ 3,388,430</u>	<u>\$ -</u>	<u>\$ (641,373)</u>	<u>\$ 1,702,263</u>	<u>\$ 1,044,794</u>

FRESNO COUNCIL OF GOVERNMENTS
 SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION
 AND FIXED RATE OVERHEAD CARRYOVER (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2016

Direct expenses - at June 30, 2016	\$ 1,702,263
Approved indirect cost rate for June 30, 2016	<u>54.08%</u>
 Total allocable indirect expenses - at June 30, 2016	 <u>\$ 920,584</u>
 Actual indirect expenses - at June 30, 2016	 \$ 1,044,794
Under recovery of indirect expenses - at June 30, 2014	<u>(6,989)</u>
 Net eligible indirect expenses - at June 30, 2016	 <u>\$ 1,037,805</u>
 Under recovery of indirect expenses - at June 30, 2016	 <u>\$ 117,221</u>
 Under recovery of indirect expenses - at June 30, 2015	 <u>\$ 44,542</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 1,643,162
Total Federal Highway Works Administration			<u>1,643,162</u>
<u>Federal Transit Administration:</u>			
Pass-through California Department of Transportation Federal Transit Technical Studies Grant - MPO	20.505	74A0809	405,815
FTA 5307 - Federal Transit Formula Grant	20.507	CA-90-Y794-00	1,472,695
			<u>1,878,510</u>
<i>Transit Services Programs Cluster</i>			
FTA 5310 - Formula Grants for Rural Areas	20.509	CA-95-X318-00	78,973
FTA 5311 - YARTS	20.509	CA-16-X070-00	300,000
FTA 5317 - New Freedom Program	20.521	CA-57-X054-00	48,567
			<u>427,540</u>
Total Federal Transit Administration			<u>2,306,050</u>
Total Federal Financial Assistance			<u>\$ 3,949,212</u>

FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, 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 24, 2017. 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
January 24, 2017

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, 2016. 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, 2016.

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)

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

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
January 24, 2017

FINDINGS AND RECOMMENDATIONS SECTION

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

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 \$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, 2016

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, 2015

There were no reportable audit findings for the fiscal year ended June 30, 2015.