

FRESNO COUNCIL OF GOVERNMENTS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2018**

DRAFT

**FRESNO COUNCIL OF GOVERNMENTS
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fresno Council of Governments
Fresno, California

Report on the 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 (Fresno COG), as of and for the year ended June 30, 2018, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 Fresno COG'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 Fresno COG'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, 2018, 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 the management's discussion and analysis on pages 3 –6 and budgetary comparison information on page 26 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 Fresno COG's basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 xx, 2019, on our consideration of Fresno COG's 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.

Clovis, California
February xx, 2019

**FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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.

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.

**FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Highlights

- ❖ Total net position of Fresno COG was \$1,323,467 and consisted of capital assets, net of related debt, of \$55,422; and unrestricted net position of \$1,268,045.
- ❖ Net position decreased \$122,466 during fiscal year 2018. 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 \$55,422 at June 30, 2018, representing an increase of \$19,932 over June 30, 2017. The increase in capital assets was primarily the result of the excess of current year additions over current year depreciation.
- ❖ Fresno COG's governmental fund reported an ending fund balance of \$1,268,045, a decrease of \$142,398 compared to June 30, 2017.

Statement of Net Position

A summary of the Fresno COG's Statement of Net Position for Governmental Activities as of June 30, 2018, with comparative totals as of June 30, 2017 is as follows:

**Statement of Net Position
Governmental Activities
As of June 30, 2018 and 2017**

	2018	2017
Assets:		
Current and other assets	\$ 8,301,206	\$ 7,559,480
Capital assets (net of depreciation)	55,422	35,490
Total assets	\$ 8,356,628	\$ 7,594,970
Liabilities:		
Current and other liabilities	\$ 7,033,161	\$ 6,149,037
Net Positions:		
Invested in capital assets, net of related debt	55,422	35,490
Unrestricted	1,268,045	1,410,443
Total net position	\$ 1,323,467	\$ 1,445,933

As shown above, total assets of Governmental Activities were \$8,356,628 at June 30, 2018, including \$55,422 in capital assets (net of depreciation). Of the total \$8,301,206 in current assets, \$6,543,208 consists of pooled cash, which is invested in accordance with State law and the Fresno COG's investment policy.

Net position totaling \$1,323,467 includes \$1,268,045 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, 2017 by \$122,466.

The net position component invested in capital assets increased by \$19,932 due to capital investments exceeding depreciation expenses during the year. Unrestricted net position decreased by \$142,398, in large part due to the results of current year operations.

**FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018 than it was at June 30, 2017.

A summary of the Fresno COG's Statement of Activities for fiscal year ended June 30, 2018, with comparative totals for the fiscal year ended June 30, 2017 is as follows:

Statement of Activities Governmental Activities As of June 30, 2018 and 2017		
	2018	2017
Revenues:		
Program revenues	\$ 8,316,593	\$ 8,082,258
General revenues	668,144	508,779
Total revenues	8,984,737	8,591,037
Expenses:		
Transportation planning	9,107,203	8,780,377
Changes in net position	(122,466)	(189,340)
Net position - beginning	1,445,933	1,635,273
Net position - ending	\$ 1,323,467	\$ 1,445,933

Total revenues of the funds included in the Governmental Activities category were \$8,984,737 for the year ended June 30, 2018. Of this total, \$7,693,400 (92%) was derived from grants. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. \$623,193 (8%) 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 \$9,107,203. All expenses were for transportation planning.

General Fund Budgetary Highlights

Fresno COG revised the budget three times to add \$6,522,951 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.

**FRESNO COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Economic Factors and Next Year's Budget/Program

Fresno COG is a Regional Metropolitan Planning Organization receiving grants from a variety of sources. 28% of Fresno COG's revenues come from federal sources, 6% from state sources, and 66% 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

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**FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
ASSETS	
Cash and investments	\$ 6,543,208
Accounts receivable	37,325
Due from other governments	1,685,412
Interest receivable	29,330
Prepays	5,931
Capital assets (net of accumulated depreciation)	55,422
Total assets	8,356,628
LIABILITIES	
Accounts payable	988,432
Due to other governments	76,768
Accrued payroll	95,030
Deferred revenues	5,707,638
Compensated absences	165,293
Total liabilities	7,033,161
NET POSITION	
Invested in capital assets	55,422
Unrestricted	1,268,045
Total net position	\$ 1,323,467

The notes to the basic financial statements are an integral part of this statement.

**FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
Transportation planning	\$ 9,107,203	\$ 623,193	\$ 7,693,400	\$ (790,610)
Total primary government	<u>\$ 9,107,203</u>	<u>\$ 623,193</u>	<u>\$ 7,693,400</u>	<u>(790,610)</u>
Component unit:				
Abandoned vehicle abatement	\$ -	\$ -	\$ -	
Total component unit	<u>\$ 9,107,203</u>	<u>\$ 623,193</u>	<u>\$ 7,693,400</u>	
		General Revenues:		
				Investment income 121,409
				Miscellaneous <u>546,735</u>
				Total general revenues <u>668,144</u>
				Change in net position (122,466)
				Net position - beginning <u>1,445,933</u>
				Net position - ending <u>\$ 1,323,467</u>

The notes to the basic financial statements are an integral part of this statement.

**FRESNO COUNCIL OF GOVERNMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 6,543,208
Accounts receivable	37,325
Due from other governments	1,685,412
Interest receivable	29,330
Prepays	<u>5,931</u>
Total assets	<u>\$ 8,301,206</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 988,432
Due to other governments	76,768
Accrued payroll	95,030
Deferred revenues	5,707,638
Compensated absences	<u>165,293</u>
Total liabilities	<u>7,033,161</u>
Fund Balances:	
Nonspendable	
Prepays	5,931
Committed for:	
Self-insurance	74,523
Assigned to:	
Project costs	<u>1,187,591</u>
Total fund balances	<u>1,268,045</u>
Total liabilities and fund balances	<u>\$ 8,301,206</u>
Amounts reported for governmental activities in the Statement of Net Position (Page 8) are different because:	
Total fund balances	\$ 1,268,045
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Balance Sheet	<u>55,422</u>
Net position of governmental activities (Page 8)	<u>\$ 1,323,467</u>

The notes to the basic financial statements are an integral part of this statement.

**FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>
REVENUES	
Aid from federal government	\$ 3,716,522
Aid from state government	705,093
Aid from local government	3,894,978
Interest revenue	121,409
Miscellaneous	546,735
Total revenues	8,984,737
EXPENDITURES	
General government:	
Salaries and benefits	2,928,011
Supplies and services	5,879,212
Contributions to other local agencies	319,912
Total expenditures	9,127,135
Net changes in fund balances	(142,398)
Fund balances - beginning of year	1,410,443
Fund balances - end of year	\$ 1,268,045
<p>Amounts reported for governmental activities in the Statement of Activities (Page 9) are different because:</p>	
Net change in fund balances - total governmental funds	\$ (142,398)
<p>Governmental funds report capital outlays as expenditures.</p> <p>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 (\$27,721) exceeded depreciation (\$7,789) in the current period.</p>	
	19,932
Change in net position of governmental activities (Page 9)	\$ (122,466)

The notes to the basic financial statements are an integral part of this statement.

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

	<u>Trust Funds</u>
ASSETS	
Cash and investments	\$ 6,940,897
Interest receivable	40,150
Due from other governments	<u>2,800,504</u>
Total assets	<u>9,781,551</u>
LIABILITIES	
Due to other governments	<u>6,416,447</u>
Total liabilities	<u>6,416,447</u>
NET POSITION	
Held in trust	<u>3,365,104</u>
Total net position	<u>\$ 3,365,104</u>

The notes to the basic financial statements are an integral part of this statement.

**FRESNO COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Trust Funds
ADDITIONS	
Sales tax	\$ 37,500,417
Aid from state government	8,752,849
Interest revenue	266,377
Total additions	46,519,643
DEDUCTIONS	
Administration expense	100,000
TDA claims paid	36,995,761
STA distributions	7,596,612
Total deductions	44,692,373
Change in net position	1,827,270
Net position - beginning of year	1,537,834
Net position - end of year	\$ 3,365,104

The notes to the basic financial statements are an integral part of this statement.

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Statement of Activities: 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 COG reports the following major governmental fund:

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

Fresno COG reports the following fiduciary fund:

- *Trust Funds* – The Trust Funds are used to account for Local Transportation funds, State Transportation Assistance funds, and State of Good Repair funds held by Fresno COG in a trustee capacity.

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Government-wide Fiduciary Fund Financial Statements: The government-wide 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.

Government Fund Financial Statements: Government funds 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.

Assets, Liabilities and Net Position/Fund Balance

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.

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.

Deferred Revenues

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

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.

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

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 that 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.

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. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable*– This classification includes 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*– This classification includes amounts for which constraints have been placed on the use of the resources 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*– This classification includes amounts that can only be used for specific purpose 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* – This classification includes 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* – This classification includes 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.

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

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.

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 43.

Use of 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.

NOTE 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
Bankers 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
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosure 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	\$ 6,543,208	\$ 6,543,208	\$ -	\$ -	\$ -
Total	\$ 6,543,208	\$ 6,543,208	\$ -	\$ -	\$ -

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 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 disclosures 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	\$ 6,543,208	N/A	\$ 6,543,208	\$ -	\$ 6,543,208
Total	\$ 6,543,208	N/A	\$ 6,543,208	\$ -	\$ 6,543,208

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 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.

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets being depreciated:				
Computer equipment	\$ 171,959	\$ -	\$ -	\$ 171,959
Office furniture and equipment	82,322	27,721	-	110,043
Traffic monitoring equipment	53,563	-	-	53,563
Total capital assets being depreciated	307,844	27,721	-	335,565
Less accumulated depreciation for:				
Computer equipment	171,959	-	-	171,959
Office furniture and equipment	46,832	7,789	-	54,621
Traffic monitoring and equipment	53,563	-	-	53,563
Total accumulated depreciation	272,354	7,789	-	280,143
Total capital assets being depreciated, net	35,490	19,932	-	55,422
Capital assets, net	\$ 35,490	\$ 19,932	\$ -	\$ 55,422

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
JUNE 30, 2018**

NOTE 4 – DUE TO/FROM MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual receivables from members and other governmental entities for services rendered as of June 30, 2018 are as follows:

Primary Government	
Fresno County Rural Transit Agency	\$ 99,484
Fresno County Transportation Authority	502,917
Due from City of Fresno	40,218
Due from federal and state governments	<u>1,042,793</u>
 Total	 <u>\$ 1,685,412</u>
Fiduciary Funds	
Due from State of California - STA Article 4	\$ 2,292,396
Due from State of California - SGR	<u>508,108</u>
 Total	 <u>\$ 2,800,504</u>

Individual payables to members and other governmental entities for services provided as of June 30, 2018 are as follows:

Primary Government	
City of Clovis	\$ 3,525
City of Fresno	11,503
Fresno County	49,240
Fresno County Economic Opportunities Commission	<u>12,500</u>
 Total	 <u>\$ 76,768</u>
Fiduciary Funds	
Article 3	\$ 61,192
Article 4	2,332,462
Article 8A	2,496,491
SGR	<u>1,526,302</u>
 Total	 <u>\$ 6,416,447</u>

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 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, 2018 are summarized as follows:

	Planning	ADA/ Seniors	Farm-worker/ Van Pool	Car/Van Pool	YARTS	Total
Deferred revenues, beginning of year	\$ 855,650	\$ 1,715,285	\$ 1,652,799	\$ 847,664	\$ -	\$ 5,071,398
Funds received	371,321	586,687	430,733	430,733	142,123	1,961,597
Funds allowed	(322,458)	(525,073)	(338,815)	(345,343)	(9,426)	(1,541,115)
Interest	18,490	35,505	34,594	18,501	-	107,090
Taxi Scrip	-	108,668	-	-	-	108,668
Deferred revenues, end of year	<u>\$ 923,003</u>	<u>\$ 1,921,072</u>	<u>\$ 1,779,311</u>	<u>\$ 951,555</u>	<u>\$ 132,697</u>	<u>\$ 5,707,638</u>

NOTE 6 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT BENEFIT PLAN

Fresno COG provides retirement benefits for all its full-time employees through a defined contribution plan (the Plan) created in accordance with Internal Revenue Code (IRC) Section 401 (a) which is currently being administered by I.C.M.A. Retirement Corporation. In addition to the employer defined contribution, the employees are permitted to make contributions to a defined contribution plan created in accordance with IRC Section 457. The plan is administered by I.C.M.A. Retirement Corporation. The IRC Section 457 plan permits employees to defer up to the maximum allowed per IRC statues. 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 \$320,525.

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.

Fresno COG had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 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 Country Rural Transit Agency. Administration costs consist of direct and indirect labor and allocated overhead costs. These costs are recovered by Fresno COG.

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OPERATING LEASES

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

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

<u>Year Ending June 30,</u>	<u>Buildings</u>	<u>Equipment</u>
2019	\$ 230,864	\$ 32,020
2020	240,884	32,020
2021	250,903	32,020
2022	250,903	32,020
2023	250,903	-
Thereafter	<u>627,257</u>	<u>-</u>
Total	<u>\$ 1,851,714</u>	<u>\$ 128,080</u>

NOTE 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

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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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Aid from federal government	6,130,642	\$ 6,177,662	\$ 3,716,522	\$ 2,461,140
Aid from state government	823,832	1,266,178	705,093	561,085
Aid from local government	7,895,729	13,929,314	3,894,978	10,034,336
Interest revenue	75,000	75,000	121,409	(46,409)
Miscellaneous revenue	908,270	908,270	546,735	361,535
	<u>15,833,473</u>	<u>22,356,424</u>	<u>8,984,737</u>	<u>13,371,687</u>
EXPENDITURES				
General government:				
Salaries and benefits	\$ 3,249,851	\$ 3,249,851	2,928,011	\$ 321,840
Supplies and services	11,393,826	12,402,567	5,879,212	6,523,355
Contributions to other local agencies	1,189,796	6,704,006	319,912	6,384,094
	<u>15,833,473</u>	<u>22,356,424</u>	<u>9,127,135</u>	<u>13,229,289</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (142,398)</u>	<u>\$ 142,398</u>

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 – BUDGETARY INFORMATION

Budgets and Budgetary Accounting

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, 2018, appropriations were increased by \$6,522,951 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.

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OTHER SUPPLEMENTARY INFORMATION

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**FRESNO COUNCIL OF GOVERNMENTS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
JUNE 30, 2018 AND 2017**

	2018	2017
<u>ASSETS</u>		
Cash and investments	\$ 6,543,208	\$ 5,922,226
Accounts receivable	37,325	53,739
Due from other governments	1,685,412	1,578,984
Interest receivable	29,330	2,405
Prepays	5,931	2,126
Total assets	\$ 8,301,206	\$ 7,559,480
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 988,432	\$ 712,581
Due to other governments	76,768	111,757
Accrued payroll	95,030	94,696
Deferred revenues	5,707,638	5,071,398
Compensated absences	165,293	158,605
Total liabilities	7,033,161	6,149,037
Fund balances:		
Nonspendable		
Prepays	5,931	2,126
Committed for:		
Self-insurance	74,523	68,810
Assigned to:		
Project costs	1,187,591	1,339,507
Total fund balances	1,268,045	1,410,443
Total liabilities and fund balances	\$ 8,301,206	\$ 7,559,480

**FRESNO COUNCIL OF GOVERNMENTS
 COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUES		
Aid from federal government	\$ 3,716,522	\$ 3,102,506
Aid from state government	705,093	1,190,202
Aid from local government	3,894,978	3,789,550
Interest revenue	121,409	74,451
Miscellaneous	<u>546,735</u>	<u>434,328</u>
 Total revenues	 <u>8,984,737</u>	 <u>8,591,037</u>
EXPENDITURES		
General government:		
Salaries and benefits	2,928,011	2,624,161
Supplies and services	5,879,212	5,903,542
Contributions to other local agencies	<u>319,912</u>	<u>247,387</u>
 Total expenditures	 <u>9,127,135</u>	 <u>8,775,090</u>
Net change in fund balances	(142,398)	(184,053)
Fund balances - beginning of year	<u>1,410,443</u>	<u>1,594,496</u>
Fund balances - end of year	<u>\$ 1,268,045</u>	<u>\$ 1,410,443</u>

**FRESNO COUNCIL OF GOVERNMENTS
COMPARATIVE SCHEDULES OF GRANT RECEIPTS
AND EXPENDITURE CLAIMS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUES		
Federal grants	\$ 3,499,932	\$ 3,102,506
Non-federal revenue:		
State assistance	921,682	1,190,202
Local revenue	3,894,978	3,789,550
Interest revenue	121,409	74,451
Miscellaneous revenue	<u>546,734</u>	<u>434,328</u>
 Total revenues	 <u>8,984,735</u>	 <u>8,591,037</u>
EXPENDITURES		
Regional Streets & Roads	20,536	200,587
Regional Transportation Modeling	502,679	489,811
Regional Traffic Monitoring	218,097	205,895
Intelligent Transportation Systems/Traffic Deficiencies	6,849	6,241
Regional Transportation Mitigation Fee	40,293	26,569
National Park Studies	778,565	1,067,090
Golden State Corridor	640,753	723,149
Public Trans. - Urban	266,854	187,897
JARRC	1,050,855	622,855
Sustain. Comm. Public Trans.	175,027	26,173
Business Commute Optimiz.	156,302	913
Other Modal Elements	184,618	80,653
High Speed Rail	10,986	4,263
Airport Land Use	267,355	22,159
Regional Transportation Plan	798,447	493,565
Congestion Management Plan	97,081	172,951
Air Quality	110,098	131,154
Measure "C"	261,845	215,321
Measure "C" Oversight Committee	15,696	18,995
Measure "C" Car/Van Pool	345,343	274,658
Measure "C" ADA Seniors	525,073	524,269
Measure "C" Farm/Van Pool	338,815	323,166
Transportation Program Development	277,448	252,509
Intergovernmental Coordination	85,428	126,558
Public Info. and Participation	97,643	101,548
Environmental Justice	32,643	29,978
Technical Assistance Members	138,569	150,128
Zero Net Energy Farms	2,791	972
Rideshare Program	10,207	6,581
Regional Data Center	16,294	75,463
One Voice Advocacy	109,354	118,755
Farmland Trust	-	2,283
Regional Housing Needs	3,039	2,760
SJV Goods Movement	-	196,976
Rural Transit Alternatives	2,868	2,230
Sustainable Communities	-	356,551
Valley RTPA Coordination	181,038	262,356
Fresno COG Administration	362,830	345,630
OWP and Budget	31,781	15,563
Transportation Funds Administration	77,348	96,734
FCRTA Administration	468,252	384,700
Transportation Authority Administration	2,211	2,235
Freeway Service Patrol	<u>420,893</u>	<u>429,414</u>
 Total expenditures	 <u>9,132,804</u>	 <u>8,778,258</u>
Depreciation	<u>(5,671)</u>	<u>(3,168)</u>
Net gain (loss)	<u>\$ (142,398)</u>	<u>\$ (184,053)</u>

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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.

State of Good Repair (SGR) – This fund is used to account for the revenues under the Road Repair and Accountability Act of 2017, Senate Bill (SB) 1. These funds are eligible for transit capital projects.

**FRESNO COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF NET POSITION
TRUST FUNDS
JUNE 30, 2018**

	State Transit Assistance Fund	Local Transportation Fund	State of Good Repair Fund	Total
Assets:				
Cash and investments	\$ 26,124	\$ 5,898,558	\$ 1,016,215	\$ 6,940,897
Interest receivable	1,106	37,065	1,979	40,150
Due from other governments	<u>2,292,396</u>	<u>-</u>	<u>508,108</u>	<u>2,800,504</u>
Total assets	<u>2,319,626</u>	<u>5,935,623</u>	<u>1,526,302</u>	<u>9,781,551</u>
Liabilities:				
Due to other governments	<u>2,117,538</u>	<u>2,772,607</u>	<u>1,526,302</u>	<u>6,416,447</u>
Total liabilities	<u>2,117,538</u>	<u>2,772,607</u>	<u>1,526,302</u>	<u>6,416,447</u>
Net position:				
Held in trust	<u>202,088</u>	<u>3,163,016</u>	<u>-</u>	<u>3,365,104</u>
Total net position	<u>\$ 202,088</u>	<u>\$ 3,163,016</u>	<u>\$ -</u>	<u>\$ 3,365,104</u>

**FRESNO COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	State Transit Assistance Fund	Local Transportation Fund	State of Good Repair Fund	Total
Additions:				
Sales tax	\$ -	\$ 37,500,417	\$ -	\$ 37,500,417
Aid from state government	7,228,526	-	1,524,323	8,752,849
Interest revenue	21,236	243,162	1,979	266,377
Total additions	7,249,762	37,743,579	1,526,302	46,519,643
Deductions:				
Administration expense	-	100,000	-	100,000
TDA claims paid	-	35,469,459	1,526,302	36,995,761
STA distributions	7,596,612	-	-	7,596,612
Total deductions	7,596,612	35,569,459	1,526,302	44,692,373
Change in net position	(346,850)	2,174,120	-	1,827,270
Net position, beginning of year	548,938	988,896	-	1,537,834
Net position, end of year	\$ 202,088	\$ 3,163,016	\$ -	\$ 3,365,104

**FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS AND DISBURSEMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Public Utilities Code		
	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)	Total
<u>Apportionments</u>			
City of Clovis	\$ 79,346	\$ 700,732	\$ 780,078
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	771,673	3,326,656	4,098,329
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)	76,511	2,273,608	2,350,119
	<u>\$ 927,530</u>	<u>\$ 6,300,996</u>	<u>\$ 7,228,526</u>
<u>Disbursements</u>			
City of Clovis	\$ 79,346	\$ 703,093	\$ 782,439
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	771,673	4,342,401	5,114,074
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)	76,511	1,623,588	1,700,099
	<u>\$ 927,530</u>	<u>\$ 6,669,082</u>	<u>\$ 7,596,612</u>

**FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS AND DISBURSEMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	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 99233.1/99233.2 (Planning & Administration)	Total
Apportionments						
City of Clovis	\$ 77,624	\$ 187,659	\$ 3,783,079	\$ -	\$ -	\$ 4,048,362
City of Coalinga	11,901	28,950	-	604,661	-	645,512
City of Firebaugh	5,748	14,163	-	280,140	-	300,051
City of Fowler	4,269	10,324	-	208,039	-	222,632
City of Fresno	368,514	904,002	17,959,807	-	-	19,232,323
City of Huron	5,036	12,009	-	245,438	-	262,483
City of Kerman	10,242	24,953	-	499,142	-	534,337
City of Kingsburg	8,647	21,019	-	421,404	-	451,070
City of Mendota	8,289	20,432	-	403,987	-	432,708
City of Orange Cove	6,566	16,015	-	319,997	-	342,578
City of Parlier	10,863	26,740	-	590,245	-	627,848
City of Reedley	18,328	45,159	-	893,223	-	956,710
City of Sanger	18,510	45,202	-	902,103	-	965,815
City of San Joaquin	2,852	7,029	-	139,011	-	148,892
City of Selma	17,630	43,153	-	859,205	-	919,988
County of Fresno	122,981	303,291	-	5,908,077	-	6,334,349
Fresno County Rural Transit Agency (FCRTA)	-	-	-	-	-	-
Fresno Council of Governmental (Fresno COG)	-	-	-	-	1,074,759	1,074,759
Fresno County Economic Opportunities Commission (FCEOC)	-	-	-	-	-	-
	<u>\$ 698,000</u>	<u>\$ 1,710,100</u>	<u>\$ 21,742,886</u>	<u>\$ 12,274,672</u>	<u>\$ 1,074,759</u>	<u>\$ 37,500,417</u>
Disbursements						
City of Clovis	\$ 77,624	\$ 199,425	\$ 3,394,082	\$ -	\$ -	\$ 3,671,131
City of Coalinga	23,717	-	-	665,435	-	689,152
City of Firebaugh	5,748	-	-	217,557	-	223,305
City of Fowler	4,269	-	-	125,477	-	129,746
City of Fresno	368,514	-	18,271,526	-	-	18,640,040
City of Huron	9,938	-	-	358,851	-	368,789
City of Kerman	10,242	-	-	402,219	-	412,461
City of Kingsburg	8,647	-	-	409,184	-	417,831
City of Mendota	8,289	-	-	344,581	-	352,870
City of Orange Cove	6,566	-	-	233,168	-	239,734
City of Parlier	10,863	-	-	558,696	-	569,559
City of Reedley	18,328	-	-	556,512	-	574,840
City of Sanger	18,510	-	-	818,121	-	836,631
City of San Joaquin	2,852	-	-	82,778	-	85,630
City of Selma	17,630	-	-	629,043	-	646,673
County of Fresno	122,981	-	-	4,335,816	-	4,458,797
Fresno County Rural Transit Agency (FCRTA)	-	-	666,838	-	-	666,838
Fresno Council of Governmental (Fresno COG)	-	-	-	-	1,074,757	1,074,757
Fresno County Economic Opportunities Commission (FCEOC)	-	1,510,675	-	-	-	1,510,675
	<u>\$ 714,718</u>	<u>\$ 1,710,100</u>	<u>\$ 22,332,446</u>	<u>\$ 9,737,438</u>	<u>\$ 1,074,757</u>	<u>\$ 35,569,459</u>

**FRESNO COUNCIL OF GOVERNMENTS
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF APPORTIONMENTS AND DISBURSEMENTS BY PURPOSE
STATE OF GOOD REPAIR FUND
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Apportionments</u>	SGR (Transit Operations)	SGR (Transit Population)	Total
City of Clovis	\$ 16,683	\$ 153,679	\$ 170,362
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	162,247	904,513	1,066,760
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)	16,086	273,094	289,180
Fresno Council of Governmental (Fresno COG)	-	-	-
Fresno County Economic Opportunities Commission (FCEOC)	-	-	-
	<u>\$ 195,016</u>	<u>\$ 1,331,286</u>	<u>\$ 1,526,302</u>

<u>Disbursements</u>	SGR (Transit Operations)	SGR (Transit Population)	Total
City of Clovis	\$ 16,683	\$ 153,679	\$ 170,362
City of Coalinga	-	-	-
City of Firebaugh	-	-	-
City of Fowler	-	-	-
City of Fresno	162,247	904,513	1,066,760
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)	16,086	273,094	289,180
Fresno Council of Governmental (Fresno COG)	-	-	-
Fresno County Economic Opportunities Commission (FCEOC)	-	-	-
	<u>\$ 195,016</u>	<u>\$ 1,331,286</u>	<u>\$ 1,526,302</u>

**FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF GRANT RECEIPTS AND EXPENDITURE CLAIMS
FOR THE YEAR ENDED JUNE 30, 2018**

	Total	Local Resources	Federal Highway Work Administrator	Federal Transit Administrator		
			FHWA	FTA MPO 5303	FTA MPO 5304	FTA 5307
			PL Planning			
Revenues:						
Federal grants	\$ 3,499,932	\$ -	\$ 1,638,125	\$ 215,040	\$ 278,483	\$ 482,105
Non-federal revenue						
State assistance	921,682	-	-	-	-	-
Local revenue sources	3,894,978	3,894,978	-	-	-	-
Interest revenue	121,409	121,409	-	-	-	-
Miscellaneous revenue	546,734	546,734	-	-	-	-
Total revenues	<u>\$ 8,984,735</u>	<u>\$ 4,563,121</u>	<u>\$ 1,638,125</u>	<u>\$ 215,040</u>	<u>\$ 278,483</u>	<u>\$ 482,105</u>
Expenditures:						
Regional Streets & Roads	20,536	5,555	14,981	-	-	-
Regional Transportation Modeling	502,679	31,283	260,611	210,785	-	-
Regional Traffic Monitoring	218,097	-	218,097	-	-	-
Intelligent Transportation Systems	6,849	-	6,849	-	-	-
Regional Transportation Mitigation Fee	40,293	40,293	-	-	-	-
National Park Studies	778,565	429,498	-	-	-	55,294
Golden State Corridor	640,753	640,753	-	-	-	-
Public Trans. - Urban	266,854	95,043	-	-	-	171,811
JARRC	1,050,855	203,449	-	-	-	255,000
Sustain Comm. Public Trans.	175,027	34,918	-	-	140,109	-
Business Commute Optimiz.	156,302	17,928	-	-	138,374	-
Other Modal Elements	184,618	95,150	-	-	-	-
High Speed Rail	10,986	5,056	5,930	-	-	-
Airport Land Use	267,355	50,766	-	-	-	-
Regional Transportation Plan	798,447	-	794,192	4,255	-	-
Congestion Management Plan	97,081	-	97,081	-	-	-
Air Quality	110,098	-	110,098	-	-	-
Measure "C"	261,845	261,845	-	-	-	-
Measure "C" Oversight Committee	15,696	15,696	-	-	-	-
Measure "C" Car/Van Pool	345,343	345,343	-	-	-	-
Measure "C" ADA Seniors	525,073	525,073	-	-	-	-
Measure "C" Farm/Van Pool	338,815	338,815	-	-	-	-
Transportation Program Development	277,448	-	-	-	-	-
Intergovernmental Coordination	85,428	84,637	-	-	-	-
Public Info. and Participation	97,643	-	97,643	-	-	-
Environmental Justice	32,643	-	32,643	-	-	-
Technical Assistance Members	138,569	138,569	-	-	-	-
Zero Net Energy Farms	2,791	1,396	-	-	-	-
Rideshare Program	10,207	10,207	-	-	-	-
Regional Data Center	16,294	16,294	-	-	-	-
One Voice Advocacy	109,354	109,354	-	-	-	-
Regional Housing Needs	3,039	3,039	-	-	-	-
Rural Transit Alternatives	2,868	2,868	-	-	-	-
Valley RTPA Coordination	181,038	181,038	-	-	-	-
Fresno COG Administration	362,830	362,830	-	-	-	-
OWP and Budget	31,781	31,781	-	-	-	-
Transportation Funds Administration	77,348	77,348	-	-	-	-
FCRTA Administration	468,252	468,252	-	-	-	-
Transportation Authority Administration	2,211	2,211	-	-	-	-
Freeway Service Patrol	420,893	84,902	-	-	-	-
Total expenditures	<u>9,132,804</u>	<u>\$ 4,711,190</u>	<u>\$ 1,638,125</u>	<u>\$ 215,040</u>	<u>\$ 278,483</u>	<u>\$ 482,105</u>
Depreciation	(5,671)					
Net Gain (loss)	<u>\$ (142,398)</u>					

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF GRANT RECEIPTS AND EXPENDITURE CLAIMS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Federal Transit Administrator					
	FTA 5310	FTA 5311(F)	FTA 5316/5317	FAA ALUCP	State PPM 6086(038)	FSP 6504(002/003)
Revenues:						
Federal grants	\$ 417,950	\$ 293,773	\$ 174,456	\$ -	\$ -	\$ -
Non-federal revenue						
State assistance	-	-	-	216,589	277,448	335,991
Local revenue sources	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-
Total revenues	<u>\$ 417,950</u>	<u>\$ 293,773</u>	<u>\$ 174,456</u>	<u>\$ 216,589</u>	<u>\$ 277,448</u>	<u>\$ 335,991</u>
Expenditures:						
Regional Streets & Roads	-	-	-	-	-	-
Regional Transportation Modeling	-	-	-	-	-	-
Regional Traffic Monitoring	-	-	-	-	-	-
Intelligent Transportation Systems	-	-	-	-	-	-
Regional Transportation Mitigation Fee	-	-	-	-	-	-
National Park Studies	-	293,773	-	-	-	-
Golden State Corridor	-	-	-	-	-	-
Public Trans. - Urban	-	-	-	-	-	-
JARRC	417,950	-	174,456	-	-	-
Sustain Comm. Public Trans.	-	-	-	-	-	-
Business Commute Optimiz.	-	-	-	-	-	-
Other Modal Elements	-	-	-	-	-	-
High Speed Rail	-	-	-	-	-	-
Airport Land Use	-	-	-	216,589	-	-
Regional Transportation Plan	-	-	-	-	-	-
Congestion Management Plan	-	-	-	-	-	-
Air Quality	-	-	-	-	-	-
Measure "C"	-	-	-	-	-	-
Measure "C" Oversight Committee	-	-	-	-	-	-
Measure "C" Car/Van Pool	-	-	-	-	-	-
Measure "C" ADA Seniors	-	-	-	-	-	-
Measure "C" Farm/Van Pool	-	-	-	-	-	-
Transportation Program Development	-	-	-	-	277,448	-
Intergovernmental Coordination	-	-	-	-	-	-
Public Info. and Participation	-	-	-	-	-	-
Environmental Justice	-	-	-	-	-	-
Technical Assistance Members	-	-	-	-	-	-
Zero Net Energy Farms	-	-	-	-	-	-
Rideshare Program	-	-	-	-	-	-
Regional Data Center	-	-	-	-	-	-
One Voice Advocacy	-	-	-	-	-	-
Regional Housing Needs	-	-	-	-	-	-
Rural Transit Alternatives	-	-	-	-	-	-
Valley RTPA Coordination	-	-	-	-	-	-
Fresno COG Administration	-	-	-	-	-	-
OWP and Budget	-	-	-	-	-	-
Transportation Funds Administration	-	-	-	-	-	-
FCRTA Administration	-	-	-	-	-	-
Transportation Authority Administration	-	-	-	-	-	-
Freeway Service Patrol	-	-	-	-	-	335,991
Total expenditures	<u>\$ 417,950</u>	<u>\$ 293,773</u>	<u>\$ 174,456</u>	<u>\$ 216,589</u>	<u>\$ 277,448</u>	<u>\$ 335,991</u>

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF GRANT RECEIPTS AND EXPENDITURE CLAIMS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	State Energy Comm.	State SGC	State ATP
Revenues:			
Federal grants	\$ -	\$ -	\$ -
Non-federal revenue			
State assistance	1,395	791	89,468
Local revenue sources	-	-	-
Interest revenue	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	<u>\$ 1,395</u>	<u>\$ 791</u>	<u>\$ 89,468</u>
Expenditures:			
Regional Streets & Roads	-	-	-
Regional Transportation Modeling	-	-	-
Regional Traffic Monitoring	-	-	-
Intelligent Transportation Systems	-	-	-
Regional Transportation Mitigation Fee	-	-	-
National Park Studies	-	-	-
Golden State Corridor	-	-	-
Public Trans. - Urban	-	-	-
JARRC	-	-	-
Sustain Comm. Public Trans.	-	-	-
Business Commute Optimiz.	-	-	-
Other Modal Elements	-	-	89,468
High Speed Rail	-	-	-
Airport Land Use	-	-	-
Regional Transportation Plan	-	-	-
Congestion Management Plan	-	-	-
Air Quality	-	-	-
Measure "C"	-	-	-
Measure "C" Oversight Committee	-	-	-
Measure "C" Car/Van Pool	-	-	-
Measure "C" ADA Seniors	-	-	-
Measure "C" Farm/Van Pool	-	-	-
Transportation Program Development	-	-	-
Intergovernmental Coordination	-	791	-
Public Info. and Participation	-	-	-
Environmental Justice	-	-	-
Technical Assistance Members	-	-	-
Zero Net Energy Farms	1,395	-	-
Rideshare Program	-	-	-
Regional Data Center	-	-	-
One Voice Advocacy	-	-	-
Regional Housing Needs	-	-	-
Rural Transit Alternatives	-	-	-
Valley RTPA Coordination	-	-	-
Fresno COG Administration	-	-	-
OWP and Budget	-	-	-
Transportation Funds Administration	-	-	-
FCRTA Administration	-	-	-
Transportation Authority Administration	-	-	-
Freeway Service Patrol	-	-	-
Total expenditures	<u>\$ 1,395</u>	<u>\$ 791</u>	<u>\$ 89,468</u>

**FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2018**

Insurance coverage of the Council at June 30, 2018 is as follows:

Fire Insurance:

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

All inclusive (combined single limit):

Bodily injury	\$ 1,000,000
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Group Travel Accident

\$ 100,000

Worker's Compensation Insurance

Statutory

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**FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION
AND FIXED RATE OVERHEAD CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018:

Budget Item	Actual Expense	Eligible Depreciation	Allocated to Other Programs	Direct Expense	Indirect Expense
Salaries and Benefits					
Direct	\$ 2,319,135	\$ -	\$ (683,120)	\$ 1,636,015	\$ -
Indirect	<u>608,878</u>	<u>-</u>	<u>(10,332)</u>	<u>-</u>	<u>598,546</u>
Total salaries and benefits	<u>2,928,013</u>	<u>-</u>	<u>(693,452)</u>	<u>1,636,015</u>	<u>598,546</u>
Indirect Overhead:					
Telephone	9,899	-	-	-	9,899
Telecommunications	-	-	-	-	-
Contact help	-	-	-	-	-
Membership/dues	-	-	-	-	-
Insurance	4,841	-	-	-	4,841
Postage	6,870	-	-	-	6,870
Printing supplies	3,239	-	-	-	3,239
Office supplies	20,055	-	-	-	20,055
Publications	927	-	-	-	927
Service contacts	-	-	-	-	-
Advertising and legal notice	8,067	-	-	-	8,067
Computer supplies	2,288	-	-	-	2,288
Office lease	213,073	-	-	-	213,073
Utilities	48,168	-	-	-	48,168
Equipment lease	45,467	-	-	-	45,467
Repair and maintenance	6,863	-	-	-	6,863
Travel expenses	50,153	-	(2,371)	-	47,782
Depreciation	-	5,671	-	-	5,671
Legal and accounting	20,400	-	-	-	20,400
Janitorial and security	-	-	-	-	-
Moving	-	-	-	-	-
Property taxes	-	-	-	-	-
Rideshare promotion	-	-	-	-	-
Total indirect overhead	<u>440,310</u>	<u>5,671</u>	<u>(2,371)</u>	<u>-</u>	<u>443,610</u>
Total costs	<u>\$ 3,368,323</u>	<u>\$ 5,671</u>	<u>\$ (695,823)</u>	<u>\$ 1,636,015</u>	<u>\$ 1,042,156</u>
Direct expenses - at June 30, 2018			\$ 1,636,015		
Approved indirect cost rate for June 30, 2018			<u>55.7%</u>		
Total allocable indirect expenses - at June 30, 2018			<u>\$ 911,260</u>		
Actual indirect expenses - at June 30, 2018			\$ -		
Under recovery of indirect expenses - at June 30, 2016			<u>117,221</u>		
Net eligible indirect expenses - at June 30, 2018			<u>\$ 117,221</u>		
Under recovery of indirect expense - at June 30, 2018			<u>\$ (794,039)</u>		
Under recovery of indirect expenses - at June 30, 2017			<u>\$ 227,541</u>		

**FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Federal Highway Works Administration:</u>			
Pass-through the State of California Department of Transportation			
Highway Planning and Construction Grant - OWP (Overall Work Plan)	20.205	74A0813	\$ 1,638,125
Total Federal Highway Works Administration			<u>1,638,125</u>
<u>Federal Transit Administration:</u>			
Pass-through California Department of Transportation			
Federal Transit Technical Studies Grant - MPO	20.505	74A0809	493,524
FTA 5307 - Federal Transit Formula Grant	20.507	CA-90-Y794-00	460,388
FTA 5307 - YARTS	20.507	CA-95-X318-00	21,716
FTA 5310 - Formula Grants for Rural Areas	20.509	CA-16-X070-00	417,950
FTA 5311 - YARTS	20.509	64C017-00464	293,773
FTA 5317 - New Freedom Program	20.521	CA-57-X054-00	<u>174,456</u>
Total Federal Transit Administration			<u>1,861,807</u>
Total U.S. Department of Transportation			<u>3,499,932</u>
Total Expenditures of Federal Awards			<u>\$ 3,499,932</u>

**FRESNO COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Fresno COG. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 of Fresno COG's financial statements. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments of credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in Fresno COG's basic financial statements.

NOTE 4 – INDIRECT COST RATE

Fresno COG has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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INDEPENDENT AUDITOR'S 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

To the Governing Board of the
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 (Fresno COG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Fresno COG's basic financial statements, and have issued our report thereon dated January XX, 2019. 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 Fresno COG's 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 COG's internal control. Accordingly, we do not express an opinion on the effectiveness of Fresno COG's 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 Fresno COG's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 Fresno COG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fresno Council of Governments internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fresno COG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clovis, California
January XX, 2019

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

The Board of Directors
Fresno Council of Governments
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited the Fresno Council of Governments (Fresno COG's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fresno COG's major federal programs for the year ended June 30, 2018. Fresno COG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal 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, 2018.

Report on Internal Control Over Compliance

Management of Fresno COG 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 Fresno COG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fresno COG's internal control over compliance.

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

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

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

Clovis, California
January XX, 2019

**FRESNO COUNTY OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? _____ Yes X No

Significant deficiencies identified -
 not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? _____ Yes X No

Significant deficiencies identified -
 not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for
 major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 2 CFR 200, Section 200.516(a)? _____ Yes X No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No

FRESNO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS

None reported.

DRAFT

FRESNO COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS

None reported.

DRAFT