

MENDOCINO COUNCIL OF GOVERNMENTS

UKIAH, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Governmental Funds – Balance Sheet - Special Revenue Funds	10
Reconciliation of the Governmental Funds – Balance Sheet with the Governmental Activities Statement of Net Position	11
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds	12
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities	13
Statement of Fiduciary Net Position – Fiduciary Funds	14
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	15
Notes to Basic Financial Statements	16-23
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Local Planning Fund	24
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual – PPM Fund	25
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual – RPA State Planning	26
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual – SAFE	27
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual – Administration	28
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual – State Grants	29
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual – Special Planning Projects	30
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual – Federal Planning	31

TABLE OF CONTENTS (continued)

	<u>PAGE</u>
Combining Statement of Fiduciary Net Position – Fiduciary Fund Types	32
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Fund Types	33
Statement of Changes in Assets and Liabilities – Agency Funds	34
Schedule of Allocations, Expenditures and Operating Transfers - Local Transportation Fund	35
Schedule of Allocations and Expenditures – State Transit Assistance Fund	36
Report on Compliance over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with the Statutes, Rules, and Regulations of the California Transportation Development Act	37

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino Council of Governments
Ukiah, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mendocino Council of Governments, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Mendocino 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, each major fund, and the aggregate remaining fund information of Mendocino Council of Governments, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof 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 and budgetary comparison information on pages 3 to 7 and 24 to 31 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 Mendocino Council of Governments' basic financial statements. The supplementary information on pages 32 to 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The schedules on pages 35 and 36 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
May 24, 2016

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

This presents management's overview of the financial activities of Mendocino Council of Governments ("the Council") for Fiscal Year 2014/15, ended June 30, 2015. The discussion and analysis serves as an introduction to the Council's audited financials, which comprise the Council's official financial statements of record.

The required financial statements, required supplemental information, and additional supplemental information in the audit report are listed in the Table of Contents and described in the "Notes to Basic Financial Statements." All sections must be considered together to obtain a complete understanding of the financial picture of the Council and all funds held in trust by the Council.

Economic Trends

One major indication of the economic climate is the sales tax. Actual revenue from sales tax to the Local Transportation Fund was up five percent over FY 2013/14, continuing a trend of economic recovery since the recession that began in 2008. Local sales tax revenues have remained above \$3 million for three consecutive years now, following the sharp decline that occurred in FY 2008/09. The Council's management has been encouraged by the steady incremental increase in sales tax revenues, a core source of Council funding. Other indicators are revenues that originate from gasoline taxes through federal and state funding sources, which have been trending downward. Stakeholders are actively seeking and testing alternative revenue streams, such as the California Road Charge Pilot

Funding sources available to the Council have remained fairly steady over the past four years. Planning grants have been quite active over the past several years, as management has consistently delivered grant products and secured new grants that benefit the Council's membership and the region. Added to these are the new Active Transportation Program state grants, so that for the first time, the Council is going beyond planning to build an infrastructure project, in response to crucial safety needs.

Net position has been typically in the range of \$1.5 million in Governmental funds and \$3.5 million in Fiduciary funds. The Council's management will continue to carefully monitor expenditures and remain committed to sound fiscal practices so as to deliver the highest quality of service to the citizens of the countywide region.

Fund Classifications

In all, the Council manages 14 separate fund accounts, held in trust by the County of Mendocino as specified by the Council's Joint Powers Agreement (and partly by state law). The audit report classifies them as either Governmental Funds or Fiduciary Funds. These are presented separately in the statements. The reader will find more detailed descriptions of these funds and accounting policies in the Notes section prepared by the independent auditor.

The Governmental Funds, also known as Special Revenue Funds, provide the operational revenues that pay for the Council's services, which are Administration, the Transportation Planning Overall Work Program (OWP), and Mendocino Service Authority for Freeway Emergencies (SAFE). These services are supported by specific program revenues from apportionments and grants made through the State of California Department of Transportation (Caltrans), from program allocations made by the Council for the countywide region, and from vehicle registration fees collected by the California Department of Motor Vehicles. These eight Governmental or Special Revenue Funds account for most of the Council's activities and are presented individually with their budgets under Supplemental Information.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The Fiduciary Funds are those held in trust for allocation to Council activities and to other entities for which the Council acts as an agent. These are in two categories: 1) Expendable Trust and 2) Agency Funds. Fiduciary Fund activity is detailed under Supplemental Information representing the other six funds: LTF, STA, RSTP, LTF Bicycle & Pedestrian fund and Reserves.

The Expendable Trust funds are:

- The Transportation Development Act (TDA) mandated funds, which consist of the Local Transportation Fund (LTF), from the quarter-cent transportation sales tax, and State Transit Assistance (STA), from statewide sales of diesel fuel and excise taxes on gasoline; and
- The Regional Surface Transportation Program (RSTP) funds, which originate from the federal transportation authorizing legislation and that the Council typically opts to exchange for slightly more flexible State funds. The Council has authority to allocate the entire RSTP Mendocino County apportionment for regional transportation uses, not necessarily to other units of government. The Council's current policy is to allocate most, but not all, of the RSTP revenues to its member governments by formula. The Council maintains a Partnership Funding Program for projects of regional significance. Additionally, a portion is set aside for a Regional Project Manager providing Local Assistance, with a small fund supporting local direct costs.

There are two Agency Funds (refer to Council policy):

- The LTF-derived Capital Reserve Fund, which is set aside for claiming by Mendocino Transit Authority (MTA) based on their Five-Year Capital Program of infrastructure and vehicle replacement, as allowed under TDA statutes; and
- The Council's LTF Reserve Fund, which is meant to fulfill transit allocations in the event budget estimates do not materialize as actual tax revenues, or to provide for extraordinary costs, for the benefit of Mendocino Transit Authority.

The Council's fiduciary LTF Two Percent Bicycle & Pedestrian Program fund is considered "due to" the original Local Transportation Fund (LTF), the Expendable Trust fund from which the program revenues were allocated. The cash balances of both Reserve funds also are considered "due to" the LTF fund, detailed on Page 32.

Capital Assets & Long-Term Liabilities

In the Council's case, the only capital assets are the SAFE program's motorist aid call boxes and associated computer equipment, which are represented separately from the SAFE fund in the Statement of Net Position and further detailed in Note 4 – Capital Assets.

The Council does not engage in debt financing to fund its operations or programs, and so does not have any long-term liabilities.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2015

Analysis of Governmental Funds

Special Revenue Funds revenue was \$1,301,532, an increase of \$19,297 over the previous fiscal year, primarily due to increased local allocations for Administration under the staffing reorganization. Expenditures were \$1,509,408, an increase of \$88,066. Table 1 shows the change in Net Position of the Special Revenue Funds compared to Fiscal Year 2013/14.

Table 1
Governmental Net Position at June 30

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current assets	\$ 1,402,309	\$ 1,447,217	\$ (44,908)
Capital assets, net of depreciation	<u>367,454</u>	<u>259,440</u>	<u>108,014</u>
Total assets	<u>1,769,763</u>	<u>1,706,657</u>	<u>63,106</u>
Current liabilities	<u>540,306</u>	<u>377,338</u>	<u>162,968</u>
Total liabilities	<u>540,306</u>	<u>377,338</u>	<u>162,968</u>
Net position			
Invested in capital assets	367,454	259,440	108,014
Restricted	<u>862,003</u>	<u>1,069,879</u>	<u>(207,876)</u>
Total net position	<u>\$ 1,229,457</u>	<u>\$ 1,329,319</u>	<u>\$ (99,862)</u>

Net position comprised the following:

- Cash and investments of \$1,055,826 in the County of Mendocino Treasury
- Current receivables, including reimbursements, grants, and apportionments, totaling \$346,483
- Current liabilities, including accounts payable, claims, and other amounts due currently, totaling \$303,651
- Inter-fund operating transfers, due to Expendable Trust funds, of \$236,655
- Depreciated capital assets of \$367,454. (*refer to Page 21*)

The Council does not have any Governmental assets considered to be unrestricted that can be used to finance day-to-day operations without constraints established by legal requirements. Each of these funds is segregated by its intended use for the particular revenues and is considered restricted to those uses. In August 2015, the Council adopted fiscal policies in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54, detailing fund balance classifications within the restrictions as defined.

Administration

The Council allocated \$404,230 from the Local Transportation Fund for administration of all the Council's activities. This budget had remained at the same level for five successive fiscal years, an indication of management's careful use of public monies and efforts to contain costs. A new contract became effective October 1, 2014, as a result of the Council's procurement for Administrative & Fiscal Services. The cost increased due to efficiencies lost by the separation of administration and planning contractors. Most of this amount is allocated to the contract for administrative staffing, office and equipment, with the remainder to direct costs.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2015

Planning

Over the past several years, the Transportation Planning Overall Work Program (OWP) typically has had a budget of approximately \$1.6 million annually (refer to the Governmental Funds for sources). In FY 2014/15, this funded 25 project work elements that benefited the five member agencies, Mendocino Transit Authority, and Caltrans. In FY 2013/14 the amended OWP comprised 27 work elements.

SAFE Program

The Mendocino SAFE motorist aid call box program has faced a series of technical and legal issues and challenges that has delayed implementation over recent years. The adopted Five-Year Financial Plan budgets for revenue and expenditures. Revenues have been steady or rising at about \$100,000 annually from vehicle license fees countywide. The cash fund balance had accumulated nearly \$1 million in 2013; this began to be reduced as expenditures to implement the SAFE Plan made significant progress in FY 2013/14 and 2014/15.

Nearly \$500,000 of new equipment purchases were made and installed by Mendocino SAFE on the state highways (over \$350,000 of purchases in the past two audited fiscal years, increasing the depreciated capital asset by 145 percent, from \$149,984 to \$367,454). This included the first call boxes in the nation using satellite technology, testing and demonstrating early adoption of equipment for use in remote areas where little or no cellular reception is available.

Table 2
Changes in Governmental Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<u>Expenses</u>			
Planning and administration	\$ 1,401,394	\$ 1,311,886	\$ 89,508
Total expenses	<u>1,401,394</u>	<u>1,311,886</u>	<u>89,508</u>
<u>Revenues</u>			
Program revenues:			
Local Transportation Funds	504,230	423,725	80,505
DMV Fees	103,713	103,254	459
Aid from State Governments	<u>690,620</u>	<u>750,367</u>	<u>(59,747)</u>
Total program revenues	<u>1,298,563</u>	<u>1,277,346</u>	<u>21,217</u>
General revenues:			
Use of money and property	<u>2,969</u>	<u>4,889</u>	<u>(1,920)</u>
Total general revenues	<u>2,969</u>	<u>4,889</u>	<u>(1,920)</u>
Total revenues	<u>1,301,532</u>	<u>1,282,235</u>	<u>19,297</u>
Change in net position	<u>\$ (99,862)</u>	<u>\$ (29,651)</u>	<u>\$ (70,211)</u>

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Contacting the Council's Financial Management

This annual financial report is intended to provide citizens, taxpayers, member local governments, and funding agencies with a general overview of finances under the Council's authority. Please direct any questions about this report to Mendocino Council of Governments, Attn. Administration, 367 North State St., Suite 206, Ukiah, CA 95482. Further contact information is available at the Council's website: www.mendocinocog.org.

Prepared by Janet M. Orth, Deputy Director/CFO

Mendocino Council of Governments
STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 1,055,826
Accounts receivable	346,483
Capital assets, net of accumulated depreciation	<u>367,454</u>
Total assets	<u>1,769,763</u>
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Accounts payable	303,651
Due to fiduciary funds	<u>236,655</u>
Total liabilities	<u>540,306</u>
Net position:	
Invested in capital assets	367,454
Restricted	<u>862,003</u>
Total net position	<u>\$ 1,229,457</u>

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

Mendocino Council of Governments
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Planning and administration	\$ 1,399,810	\$ -	\$ 1,296,979	\$ (102,831)
Total Governmental Activities	<u>\$ 1,399,810</u>	<u>\$ -</u>	<u>\$ 1,296,979</u>	<u>(102,831)</u>
General revenues:				
Use of money and property				<u>2,969</u>
Total general revenues				<u>2,969</u>
Change in net position				(99,862)
Net position beginning				<u>1,329,319</u>
Net position ending				<u>\$ 1,229,457</u>

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

Mendocino Council of Governments
GOVERNMENTAL FUNDS - BALANCE SHEET
Special Revenue Funds
June 30, 2015

	<u>Local Planning</u>	<u>PPM</u>	<u>RPA State Planning</u>	<u>SAFE</u>	<u>Admin</u>	<u>State Grants</u>	<u>Special Planning Projects</u>	<u>Federal Planning</u>	<u>Total</u>
<u>ASSETS</u>									
Current assets:									
Cash and investments	\$ 197,707	\$ 146,043	\$ -	\$ 599,260	\$ 112,816	\$ -	\$ -	\$ -	\$ 1,055,826
Accounts receivable	-	-	163,939	-	-	25,596	3,202	153,746	346,483
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 197,707</u>	<u>\$ 146,043</u>	<u>\$ 163,939</u>	<u>\$ 599,260</u>	<u>\$ 112,816</u>	<u>\$ 25,596</u>	<u>\$ 3,202</u>	<u>\$ 153,746</u>	<u>\$ 1,402,309</u>
<u>LIABILITIES AND FUND BALANCE</u>									
Liabilities:									
Due to fiduciary funds	\$ -	\$ -	\$ 124,394	\$ -	\$ -	\$ 22,975	\$ 284	\$ 89,002	\$ 236,655
Accounts payable	44,563	95,496	38,471	13,947	35,670	3,730	2,249	69,525	303,651
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>44,563</u>	<u>95,496</u>	<u>162,865</u>	<u>13,947</u>	<u>35,670</u>	<u>26,705</u>	<u>2,533</u>	<u>158,527</u>	<u>540,306</u>
Fund balances:									
Restricted	153,144	50,547	-	585,313	77,146	-	634	(4,781)	862,003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>153,144</u>	<u>50,547</u>	<u>-</u>	<u>585,313</u>	<u>77,146</u>	<u>-</u>	<u>634</u>	<u>(4,781)</u>	<u>862,003</u>
Total liabilities and fund balances	<u>\$ 197,707</u>	<u>\$ 146,043</u>	<u>\$ 162,865</u>	<u>\$ 599,260</u>	<u>\$ 112,816</u>	<u>\$ 26,705</u>	<u>\$ 3,167</u>	<u>\$ 153,746</u>	<u>\$ 1,402,309</u>

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

Mendocino Council of Governments
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the Governmental Activities
STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 862,003

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital Assets

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

367,454

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,229,457

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

Mendocino Council of Governments
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
Special Revenue Funds
For the Year Ended June 30, 2015

	<u>Local Planning</u>	<u>PPM</u>	<u>RPA State Planning</u>	<u>SAFE</u>	<u>Admin.</u>	<u>State Grants</u>	<u>Special Planning Projects</u>	<u>Federal Planning</u>	<u>Total</u>
Revenues:									
Local transportation fund	\$ 100,000	\$ -	\$ -	\$ -	\$ 404,230	\$ -	\$ -	\$ -	\$ 504,230
Aid from state governments	-	90,567	311,169	-	-	61,835	25,614	199,851	689,036
DMV Fees	-	-	-	103,713	-	-	-	-	103,713
Interest	339	143	-	2,219	268	-	-	-	2,969
Total revenues	<u>100,339</u>	<u>90,710</u>	<u>311,169</u>	<u>105,932</u>	<u>404,498</u>	<u>61,835</u>	<u>25,614</u>	<u>199,851</u>	<u>1,299,948</u>
Expenditures:									
Services and supplies	71,807	126,314	311,169	325,321	386,165	61,740	25,320	199,988	1,507,824
Total expenditures	<u>71,807</u>	<u>126,314</u>	<u>311,169</u>	<u>325,321</u>	<u>386,165</u>	<u>61,740</u>	<u>25,320</u>	<u>199,988</u>	<u>1,507,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,532</u>	<u>(35,604)</u>	<u>-</u>	<u>(219,389)</u>	<u>18,333</u>	<u>95</u>	<u>294</u>	<u>(137)</u>	<u>(207,876)</u>
Fund balances beginning of period	124,612	86,151	1,074	804,702	58,813	(1,204)	375	(4,644)	1,069,879
Prior period adjustments	-	-	(1,074)	-	-	1,109	(35)	-	-
Fund balances beginning of period restated	<u>124,612</u>	<u>86,151</u>	<u>-</u>	<u>804,702</u>	<u>58,813</u>	<u>(95)</u>	<u>340</u>	<u>(4,644)</u>	<u>1,069,879</u>
Fund balances at end of period	<u>\$ 153,144</u>	<u>\$ 50,547</u>	<u>\$ -</u>	<u>\$ 585,313</u>	<u>\$ 77,146</u>	<u>\$ -</u>	<u>\$ 634</u>	<u>\$ (4,781)</u>	<u>\$ 862,003</u>

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

Mendocino Council of Governments
 Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2015

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (207,876)
-----------------------------------------------------------	--------------

Amounts reported for governmental activities in the Statement of Activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:

The capital outlay expenditures are therefore added back to fund balance	193,280
Depreciation expense is deducted from the fund balance	<u>(85,266)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (99,862)</u>
---------------------------------------------------	--------------------

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

Mendocino Council of Governments
STATEMENT OF FIDUCIARY NET POSITION

Fiduciary Funds
 June 30, 2015

	Expendable Trust	Agency Funds
<u>ASSETS</u>		
Cash and investments	\$ 2,654,920	\$ 704,324
Accounts receivable	766,487	-
Due from other funds	940,981	-
Total assets	4,362,388	\$ 704,324
<u>LIABILITIES</u>		
Liabilities:		
Accounts payable	35,051	-
Due to other funds	-	704,324
Total liabilities	35,051	\$ 704,324
<u>NET POSITION</u>		
Held in trust	4,327,337	
Total net position	\$ 4,327,337	

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

Mendocino Council of Governments
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Fiduciary Funds
 For the Year Ended June 30, 2015

	<u>Expendable Trust</u>
Revenue:	
Taxes	\$ 4,538,120
Allocations	58,224
Interest	8,983
Total revenue	<u>4,605,327</u>
 Expenditures:	
Administration, planning, bicycle & pedestrian	633,613
Capital projects	386,650
Local allocations and project awards	69,727
Senior operations	438,433
MTA operations	<u>2,368,578</u>
Total expenditures	<u>3,897,001</u>
Change in net position	708,326
Net position, beginning of period	<u>3,619,011</u>
Net position, end of period	<u><u>\$ 4,327,337</u></u>

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

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - REPORTING ENTITY

Mendocino Council of Governments (the Council) was created pursuant to a joint powers agreement between the County of Mendocino and the Cities of Fort Bragg, Point Arena, Ukiah and Willits, as a Regional Transportation Planning Agency to provide regional transportation planning activities for the area of Mendocino County. The Council is also responsible for the administration of the Transportation Development Act Funds (Local Transportation and State Transit Assistance Fund) that were created under the State Transportation Development Act (TDA). The Council does not exercise control over any other governmental agency or authority. Criteria used in determining the reportable entity was based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

In 1994, the Council's governing board established the Service Authority for Freeway Emergencies (SAFE) within its authority and includes SAFE in its reporting entity. The Council's Board has direct control over the activities of the SAFE Board.

Dow & Associates and Davey-Bates Consulting (DBC) were hired under a thorough procurement process resulting in two new, separate five-year contracts starting October 1, 2014. Dow & Associates services include administration and other support, such as grant writing assistance, local assistance to member agencies and project development. DBC provides transportation planning services and related support. Dow & Associates has worked with the Council for more than 30 years. DBC comprises staff members previously employed by Dow & Associates, providing continuity to the Council.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Council conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The Council's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A. These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Council. These statements include the financial activities of the overall Council, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Council and for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Council's financial statements reflect only its own activities; it has no component units (other government units overseen by the Council).

Fund Financial Statements

Fund Financial Statements of the Council are organized into funds, each of which is considered to be a separate accounting entity. Special Revenue Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The Council's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Council or meets the following criteria:

Total assets, liabilities, revenues or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

Governmental Funds

Local Planning Fund: This fund accounts for local planning work elements. The major revenue source for this fund is Local Transportation Funds and interest income. Expenditures are made for local planning projects.

PPM Fund: This fund accounts for state transportation improvement planning, programming and monitoring projects. The major revenue source for this fund is state grants. Expenditures are made for state and regional transportation improvement projects.

RPA State Planning Fund: This fund accounts for Rural Planning Assistance (RPA) provided by the State for mandated transportation planning projects. The major revenue source for this fund is state grants. Expenditures are made for regional planning projects.

SAFE: This fund accounts for Service Authority for Freeway Emergencies. The major revenue source for this fund is state vehicle license fees. Expenditures are made for administration, operations and capital programs.

Administration Fund: This is one of the operating funds of the Council. The major revenue source for this fund is Local Transportation Funds. Expenditures are made for administration.

State Grants Fund: This fund accounts for transportation planning projects. The major revenue source for this fund is state grants. Expenditures are made for state, regional and local planning projects.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

Federal Planning Fund: This fund accounts for transportation planning projects. The major revenue source for this fund is federal grants. Expenditures are made for state, regional and local planning projects.

Special Planning Projects Fund: This fund was originally established to account for allocations from the Regional Surface Transportation Program (RSTP) fund to the Council's transportation planning program. The Council has revised its RSTP policies so that there are no further allocations for planning activities. For the fiscal year ended June 30, 2012, the fund balance consisted of unspent residual amounts and accumulated interest earnings. Beginning in the fiscal year ended June 30, 2013, the fund was used to pass through revenues from a Safe Routes to School state grant program administered on behalf of the County of Mendocino. In the fiscal year ended June 30, 2015, the fund was used to pass through revenues from a state-funded interregional project, the Northwest California Alternative Fuels Readiness Plan.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when "measurable and available."

The Council considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as *expenditures* in governmental funds.

Those revenues susceptible to accrual are LTF Claims, grants and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Council gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Council may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Council's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

C. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for Special Revenue Funds.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets (concluded)

Special Revenue Funds - The Council annually adopts a budget for administration, planning, and SAFE. The various planning funds are budgeted through the preparation of the transportation planning overall work program (OWP). This work program describes the projects, or work elements, that are to be funded and the types of funds that will pay for the expenditures, such as Local Transportation, Rural Planning Assistance, State grants, and Federal Transit Administration (FTA) grants. The work program, in draft form, is prepared by Davey-Bates Consulting; reviewed and recommended by the Technical Advisory Committee; submitted for comment to the State of California, Department of Transportation (Caltrans) in March; approved by the Council in June; and the final work program is submitted to Caltrans by June 30. Caltrans, as the grantor of all state and federal planning funds, approves the work program, which then becomes part of the budget for operating funds of the Council. The Mendocino Service Authority for Freeway Emergencies (SAFE) agency separately approves a budget for its motorist aid call box program in a five-year plan.

Expendable Trust Funds - There are three expendable trust funds, the Local Transportation Fund (LTF), the State Transit Assistance Fund (STA), and the Regional Surface Transportation Program Fund (RSTP). The LTF funds are available for transit, pedestrian and bicycle, administration of the Regional Transportation Planning Agency, transportation planning, and streets and roads. The STA funds are available for transit purposes. The eligible recipients are the Council, the County of Mendocino, the Cities of Fort Bragg, Point Arena, Ukiah and Willits, and Mendocino Transit Authority.

The process for delivering the LTF and STA funds to the various recipients is as follows:

- The Mendocino County Auditor-Controller estimates the amount of funds to be available in the LTF, and notifies the Council by February 1 of each year.
- The Council determines how much funding it will need for the planning work program and administration of the Transportation Development Act (TDA), as well as how much of the funds will be reserved for pedestrian and bicycle facilities. The Council then determines the split of LTF funds between the County and the Cities based upon the population amounts provided by the State of California Department of Finance. Each recipient is then notified of the amount of LTF funds available in its area of apportionment (apportionment being the process of dividing the funds based upon population). Mendocino Transit Authority then submits a claim for LTF funds as a joint powers of eligible claimants, with transit needs required to be met before any streets and roads funds can be claimed.
- The Council acts upon the one annual transit claim, adopting resolutions, and preparing allocation instructions that notify the recipient of the funds approved, and notifies the Mendocino County Auditor-Controller of what expenditures are approved, and when they are to be paid.

The STA process is similar, except that the estimate is made by the State of California Controller's Office, and the funds cannot be used for administration, streets and roads, or pedestrian and bicycle facilities. Mendocino Transit Authority is the only eligible claimant.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Fiduciary Fund Types

These funds account for assets held by the Council as a trustee or agent for other units of government. Expendable trust funds are used by the Council for the following purposes:

Local Transportation Fund (LTF) - This fund is utilized by the Council, as trustee, to receive the 1/4 of 1% retail sales tax that is returned to each county by the State Board of Equalization. These funds are apportioned and allocated by the Council to eligible claimants for transit, transportation planning, and for administration of the TDA. While it is legal to allocate LTF funds for street and road purposes under certain conditions, the Council has adopted a Local Transportation reserve fund policy that precludes any street and roads allocations.

State Transit Assistance Fund (STA) - This fund is utilized by the Council, as trustee, to receive tax derived from statewide sales of diesel fuel and excise tax on gasoline. Each county receives its share of these funds based upon a population and operator revenue formula. These funds are allocated by the Council to transit operators.

Local Transportation Reserve Fund (LTRF) - This fund is utilized by the Council, as trustee, to account for excess Local Transportation Funds that have not been allocated for a specific purpose. According to the Council's adopted policy, the minimum balance shall be established at the larger of \$100,000 or five percent of the Mendocino County Auditor's official LTF estimate for the next fiscal year, and the excess will be rolled into the upcoming fiscal year's LTF budget estimate for immediate allocation. This fund is to be used for LTF revenue shortfalls and for existing approved services or programs provided by Mendocino Transit Authority.

Regional Surface Transportation Program Funds (RSTP) - This fund is utilized by the Council, as trustee, to receive federal gas tax revenues passed through the State of California. The Council has elected to exchange almost all RSTP funds for State funds in current and prior years. These funds are used for the Council's Partnership Program, local assistance and transportation projects that improve and maintain streets, roads and highways in Mendocino County. The programmatic component breakdown for the net position held in trust is as follows:

- Partnership Funding Program - \$722,863
- Local Assistance - \$66,987
- Formula Distribution - \$1,586,624
- Unassigned - \$295,554
- Total at June 30, 2015: \$2,672,028

Capital Replacement Reserve Fund - This fund is utilized by the Council for transit capital equipment and facilities equipment, consistent with a five-year capital plan as allowed by TDA.

E. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3 - CASH AND INVESTMENT

The Council maintains a cash and investment pool with the County of Mendocino. The County of Mendocino allocates interest to the various funds based upon the average monthly cash balances. The Council's cash on deposit with the Mendocino County Treasury at June 30, 2015 was \$1,055,826 reported in governmental activity type funds and \$3,359,244 reported in fiduciary type funds.

Credit Risk, Carrying Amount and Market Value of Investments

The Council maintains specific cash deposits with the County of Mendocino (the County) and involuntarily participates in the external investment pool of the County. The County is restricted by state code in the types of investments it can make. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2015, the Council's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Council's position in the pool.

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets at June 30, 2015 comprised the following:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Equipment	\$ 449,829	\$ 193,280	\$ -	\$ 643,109
Total	449,829	<u>\$ 193,280</u>	<u>\$ -</u>	643,109
Less accumulated depreciation	<u>(190,389)</u>			<u>(275,655)</u>
Fixed assets, net	<u>\$ 259,440</u>			<u>\$ 367,454</u>

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of capital assets.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 4 - CAPITAL ASSETS (concluded)

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Total depreciation expense for the year was \$85,266. The Council has assigned the useful lives listed below to capital assets:

Equipment and furniture 10-25 Years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets with a value of \$5,000 or more and with a useful life of one year or more are capitalized.

NOTE 5 - INTERFUND TRANSACTIONS

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2015, interfund balances comprised the following:

	Due From	Due To
RPA State Planning	\$ -	\$ 124,395
LTF Reserve	-	290,077
Capital Reserve	-	414,247
Local Transportation Fund	940,981	-
State Grants	-	22,975
Special Planning Projects	-	285
Federal Planning	-	89,002
Total	\$ 940,981	\$ 940,981

NOTE 6 - CONTINGENCY

The Council receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditures would be a liability to be refunded to the appropriate agency.

NOTE 7 - NET POSITION AND FUND BALANCE

GASB Statement No. 54 added the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis. On August 31, 2015 the Council adopted by resolution its fiscal policies in compliance with GASB 54.

The Statement of Net Position breaks out net position as follows: *Restricted* describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the Council cannot unilaterally alter. *Unrestricted* describes the portion of Net Position that is not restricted from use. The Council has only Restricted funds under its authority.

Invested in Capital Assets, net of related debt, describes the portion of Net Position that is represented by the current net book value of the Council's capital assets, less the outstanding balance of any debt issued to finance these assets.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - NET POSITION AND FUND BALANCE (concluded)

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the Council's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the Council for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the Council specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the Council's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

NOTE 8 - SUBSEQUENT EVENTS

The Council evaluated subsequent events for recognition and disclosure through the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that requires recognition or disclosure in the financial statements.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

The prior period adjustments represent the write off of old unsubstantiated balances.

Mendocino Council of Governments
 Local Planning Fund
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2015
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Local transportation fund	\$ 187,942	\$ 213,410	\$ 100,000	\$ (113,410)
Other local funds	8,000	7,522	-	(7,522)
Interest	-	-	339	339
Total revenue	<u>195,942</u>	<u>220,932</u>	<u>100,339</u>	<u>(120,593)</u>
Expenditures:				
Service and supplies	<u>195,942</u>	<u>220,932</u>	<u>71,807</u>	<u>149,125</u>
Total expenditures	<u>195,942</u>	<u>220,932</u>	<u>71,807</u>	<u>149,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	28,532	<u>\$ 28,532</u>
Fund balance, beginning of period			<u>124,612</u>	
Fund balance, end of period			<u>\$ 153,144</u>	

Mendocino Council of Governments
 PPM Fund
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2015
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 144,477	\$ 176,550	\$ 90,567	\$ (85,983)
Interest	<u>-</u>	<u>-</u>	<u>143</u>	<u>143</u>
Total revenue	<u>144,477</u>	<u>176,550</u>	<u>90,710</u>	<u>(85,840)</u>
Expenditures:				
Service and supplies	<u>144,477</u>	<u>176,550</u>	<u>126,314</u>	<u>50,236</u>
Total expenditures	<u>144,477</u>	<u>176,550</u>	<u>126,314</u>	<u>50,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(35,604)	<u>\$ (35,604)</u>
Fund balance, beginning of period			<u>86,151</u>	
Fund balance, end of period			<u>\$ 50,547</u>	

Mendocino Council of Governments
RPA State Planning
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 298,951	\$ 334,691	\$ 311,169	\$ (23,522)
Total revenue	<u>298,951</u>	<u>334,691</u>	<u>311,169</u>	<u>(23,522)</u>
Expenditures:				
Service and supplies	<u>298,951</u>	<u>334,691</u>	<u>311,169</u>	<u>23,522</u>
Total expenditures	<u>298,951</u>	<u>334,691</u>	<u>311,169</u>	<u>23,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of period			1,074	
Prior period adjustment			<u>(1,074)</u>	
Fund balances beginning of period restated			<u>-</u>	
Fund balance, end of period			<u>\$ -</u>	

Mendocino Council of Governments
SAFE
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
DMV Fees	\$ 102,010	\$ 102,010	\$ 103,713	\$ 1,703
Interest	<u>-</u>	<u>-</u>	<u>2,219</u>	<u>2,219</u>
Total revenue	<u>102,010</u>	<u>102,010</u>	<u>105,932</u>	<u>3,922</u>
Expenditures:				
Service and supplies	<u>102,900</u>	<u>102,900</u>	<u>325,321</u>	<u>(222,421)</u>
Total expenditures	<u>102,900</u>	<u>102,900</u>	<u>325,321</u>	<u>(222,421)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (890)</u>	<u>\$ (890)</u>	(219,389)	<u>\$ (218,499)</u>
Fund balance, beginning of period			<u>804,702</u>	
Fund balance, end of period			<u>\$ 585,313</u>	

Mendocino Council of Governments
Administration
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Local transportation fund	\$ 400,000	\$ 404,230	\$ 404,230	\$ -
Interest	<u>-</u>	<u>-</u>	<u>268</u>	<u>268</u>
Total revenue	<u>400,000</u>	<u>404,230</u>	<u>404,498</u>	<u>268</u>
Expenditures:				
Service and supplies	<u>400,000</u>	<u>386,118</u>	<u>386,165</u>	<u>(47)</u>
Total expenditures	<u>400,000</u>	<u>386,118</u>	<u>386,165</u>	<u>(47)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 18,112</u>	18,333	<u>\$ 221</u>
Fund balance, beginning of period			<u>58,813</u>	
Fund balance, end of period			<u>\$ 77,146</u>	

Mendocino Council of Governments
State Grants
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 50,000	\$ 114,328	\$ 61,835	\$ (52,493)
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>50,000</u>	<u>114,328</u>	<u>61,835</u>	<u>(52,493)</u>
Expenditures:				
Service and supplies	<u>50,000</u>	<u>114,328</u>	<u>61,740</u>	<u>52,588</u>
Total expenditures	<u>50,000</u>	<u>114,328</u>	<u>61,740</u>	<u>52,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>95</u>	<u>\$ 95</u>
Fund balance, beginning of period			(1,204)	
Prior period adjustment			<u>1,109</u>	
Fund balances beginning of period restated			<u>(95)</u>	
Fund balance, end of period			<u>\$ -</u>	

Mendocino Council of Governments
Special Planning Projects
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 22,574	\$ 39,324	\$ 25,614	\$ (13,710)
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>22,574</u>	<u>39,324</u>	<u>25,614</u>	<u>(13,710)</u>
 Expenditures:				
Service and supplies	<u>22,574</u>	<u>39,324</u>	<u>25,320</u>	<u>14,004</u>
Total expenditures	<u>22,574</u>	<u>39,324</u>	<u>25,320</u>	<u>14,004</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>294</u>	<u>\$ 294</u>
Fund balance, beginning of period			375	
Prior period adjustment			<u>(35)</u>	
Fund balances beginning of period restated			<u>340</u>	
Fund balance, end of period			<u>\$ 634</u>	

Mendocino Council of Governments
 Federal Planning
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2015
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 396,000	\$ 397,146	\$ 199,851	\$ (197,295)
Total revenue	<u>396,000</u>	<u>397,146</u>	<u>199,851</u>	<u>(197,295)</u>
Expenditures:				
Service and supplies	<u>396,000</u>	<u>397,146</u>	<u>199,988</u>	<u>197,158</u>
Total expenditures	<u>396,000</u>	<u>397,146</u>	<u>199,988</u>	<u>197,158</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(137)	<u>\$ (137)</u>
Fund balance, beginning of period			<u>(4,644)</u>	
Fund balance, end of period			<u>\$ (4,781)</u>	

Mendocino Council of Governments
COMBINING STATEMENT OF FIDUCIARY NET POSITION
 Fiduciary Fund Types
 For the Year Ended June 30, 2015

	Expendable Trust				Totals
	Local Transportation Fund	Local Bicycle & Pedestrian Fund	State Transit Assistance Fund	Regional Surface Transportation Program Fund	
<u>ASSETS</u>					
Current assets:					
Cash and investments	\$ 228,955	\$ 292,680	\$ 105,808	\$ 2,027,477	\$ 2,654,920
Accounts receivable	-	-	121,936	644,551	766,487
Due from other funds	940,981	-	-	-	940,981
Total assets	1,169,936	292,680	227,744	2,672,028	4,362,388
 <u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Accounts payable	30,278	4,773	-	-	35,051
Total liabilities	30,278	4,773	-	-	35,051
 <u>NET POSITION</u>					
Held in Trust	1,139,658	287,907	227,744	2,672,028	4,327,337
Total net position	\$ 1,139,658	\$ 287,907	\$ 227,744	\$ 2,672,028	\$ 4,327,337

Mendocino Council of Governments
COMBINING STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
 Fiduciary Fund Types
 For the Year Ended June 30, 2015

	<u>Expendable Trust</u>				<u>Total</u>
	<u>Local Transportation Fund</u>	<u>Local Bicycle & Pedestrian Fund</u>	<u>State Transit Assistance Fund</u>	<u>Regional Surface Transportation Program Fund</u>	
Revenue:					
Taxes	\$ 3,415,864	\$ -	\$ 477,705	\$ 644,551	\$ 4,538,120
Allocations	1,823	56,401	-	-	58,224
Interest	<u>1,631</u>	<u>956</u>	<u>375</u>	<u>6,021</u>	<u>8,983</u>
Total revenue	<u>3,419,318</u>	<u>57,357</u>	<u>478,080</u>	<u>650,572</u>	<u>4,605,327</u>
Expenditures:					
Administration, planning, bicycle & pedestrian	560,631	-	-	72,982	633,613
Capital projects	-	-	386,650	-	386,650
Local allocations and project awards	-	67,590	-	2,137	69,727
Senior operations	438,433	-	-	-	438,433
MTA operations	<u>2,368,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,368,578</u>
Total expenditures	<u>3,367,642</u>	<u>67,590</u>	<u>386,650</u>	<u>75,119</u>	<u>3,897,001</u>
Change in net position	<u>51,676</u>	<u>(10,233)</u>	<u>91,430</u>	<u>575,453</u>	<u>708,326</u>
Net position, beginning of period	<u>1,087,982</u>	<u>298,140</u>	<u>136,314</u>	<u>2,096,575</u>	<u>3,619,011</u>
Net position, end of period	<u>\$ 1,139,658</u>	<u>\$ 287,907</u>	<u>\$ 227,744</u>	<u>\$ 2,672,028</u>	<u>\$ 4,327,337</u>

Mendocino Council of Governments
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Agency Funds
 For the Year Ended June 30, 2015

	Local Transportation Reserve Fund			
	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
<u>ASSETS</u>				
Cash and investments	\$ 242,480	\$ 47,597	\$ -	\$ 290,077
Total assets	\$ 242,480	\$ 47,597	\$ -	\$ 290,077
<u>LIABILITIES</u>				
Due to other funds	\$ 242,480	\$ 47,597	\$ -	\$ 290,077
Total liabilities	\$ 242,480	\$ 47,597	\$ -	\$ 290,077

	Capital Replacement Reserve Fund			
	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
<u>ASSETS</u>				
Cash and investments	\$ 413,040	\$ 1,207	\$ -	\$ 414,247
Total assets	\$ 413,040	\$ 1,207	\$ -	\$ 414,247
<u>LIABILITIES</u>				
Due to other funds	\$ 413,040	\$ 1,207	\$ -	\$ 414,247
Total liabilities	\$ 413,040	\$ 1,207	\$ -	\$ 414,247

Mendocino Council of Governments
SCHEDULE OF ALLOCATIONS, EXPENDITURES AND OPERATING TRANSFERS
 Local Transportation Fund
 For the Year Ended June 30, 2015
 (UNAUDITED)

	Public Utilities Code Section						Total	
	99233.1	99233.2	99233.3	99260(A)	99400(A)	99400(B)		99400(C)
Allocations:								
Mendocino Transit Authority	\$ -	\$ -	\$ -	\$ 2,368,578	\$ -	\$ -	\$ 439,475	\$ 2,808,053
Mendocino Council of Governments	404,230	100,000	56,401	-	-	-	-	560,631
Total allocations	<u>404,230</u>	<u>100,000</u>	<u>56,401</u>	<u>2,368,578</u>	<u>-</u>	<u>-</u>	<u>439,475</u>	<u>3,368,684</u>
Expenditures:								
Mendocino Transit Authority	-	-	-	2,368,578	-	-	438,433	2,807,011
County of Mendocino	-	-	-	-	-	-	-	-
City of Fort Bragg	-	-	15,308	-	-	-	-	15,308
City of Willits	-	-	-	-	-	-	-	-
City of Ukiah	-	-	52,281	-	-	-	-	52,281
Mendocino Council of Governments	386,165	71,807	-	-	-	-	-	457,972
Total expenditures	<u>386,165</u>	<u>71,807</u>	<u>67,589</u>	<u>2,368,578</u>	<u>-</u>	<u>-</u>	<u>438,433</u>	<u>3,332,572</u>
Allocations over (under) expenditures	<u>18,065</u>	<u>28,193</u>	<u>(11,188)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,042</u>	<u>36,112</u>
Over (under) expended allocations	<u>\$ 18,065</u>	<u>\$ 28,193</u>	<u>\$ (11,188)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042</u>	<u>\$ 36,112</u>

Mendocino Council of Governments
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
 State Transit Assistance Fund
 For the Year Ended June 30, 2015
 (UNAUDITED)

	Public Utilities Code Section
	Operating Costs 6730(a)
Allocations:	
Mendocino Transit Authority	\$ 417,964
Total allocations	417,964
Expenditures:	
Mendocino Transit Authority	386,650
Total expenditures	386,650
Unexpended (overexpended) allocations	\$ 31,314

REPORT ON COMPLIANCE OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
THE STATUTES, RULES, AND REGULATIONS OF THE
CALIFORNIA TRANSPORTATION DEVELOPMENT ACT

Board of Directors
Mendocino Council of Governments
Ukiah, California

We have audited the basic financial statements of the Transportation Development Act Funds of Mendocino Council of Governments as of and for the year ended June 30, 2015 and have issued a report thereon dated May 24, 2016. We conducted our audit in accordance with U.S. generally accepted auditing standards.

As part of obtaining reasonable assurance about whether Mendocino Council of Governments Transportation Development Act Funds' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that expenditures paid by Mendocino Council of Governments Transportation Development Act Funds were made in accordance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6661, 6662 and 6751 that are applicable to Mendocino Council of Governments Transportation Development Act Funds. In connection with our audit, nothing came to our attention that caused us to believe Mendocino Council of Governments Transportation Development Act Funds failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act. 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.

This report is intended solely for the information and use of the management and Board of Directors of Mendocino Council of Governments, the California Department of Transportation, and the State Controller's Office and should not be used by anyone other than these specified parties.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
May 24, 2016