

MENDOCINO COUNCIL OF GOVERNMENTS

UKIAH, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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:	
Statement 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 – Admin.	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 – STPd(1) Planning	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, 2014, 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, 2014, 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 3–7 and 24–31 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
March 31, 2015

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

This presents management's overview of the financial activities of Mendocino Council of Governments ("the Council") for Fiscal Year 2013/14, ended June 30, 2014. 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. Revenue from sales tax to the Local Transportation Fund was up six percent over FY 2012/13, continuing a trend of economic recovery since the recession that began in 2008. Last fiscal year, local sales tax revenue exceeded \$3 million for the first time since FY 2007/08. These revenues rose steadily and peaked that year at over \$3.2 million and then declined sharply for the next two fiscal years. FY 2009/10 revenues came in at only \$2.6 million. The County Auditor-Controller's revised estimate of FY 2010/11 revenues was \$2.7 million. The FY 2011/12 Local Transportation Fund (LTF) budget (near 2.8 million), began to restore funding of MCOG's customary Bicycle & Pedestrian and Planning programs, as well as public transit allocations to Mendocino Transit Authority (MTA), all of which had been cut under the revenue downturn. The Council's management is encouraged by the steady incremental increase in sales tax revenues, a core source of Council funding.

Funding sources available to the Council have remained fairly steady over the past three 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.

Net assets have 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).

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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.

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. The Council maintains a Partnership Funding Program for projects of regional significance.

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 34.

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.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

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

Analysis of Governmental Funds

Special Revenue Funds revenue was \$1,282,235, an increase of \$57,247 over the previous fiscal year, primarily due to increases in state and federal grants. Expenditures were \$1,421,342, an increase of \$134,464. Table 1 shows the change in Net Position of the Special Revenue Funds compared to Fiscal Year 2012/13.

Table 1
Governmental Net Position at June 30

	2014	2013	Change
Current assets	\$ 1,447,217	\$ 1,766,805	\$ (319,588)
Capital assets, net of depreciation	<u>259,440</u>	<u>149,984</u>	<u>109,456</u>
Total assets	<u>1,706,657</u>	<u>1,916,789</u>	<u>(210,132)</u>
Current liabilities	<u>377,338</u>	<u>557,817</u>	<u>(180,479)</u>
Total liabilities	<u>377,338</u>	<u>557,817</u>	<u>(180,479)</u>
Net position			
Invested in capital assets	259,440	149,984	109,456
Restricted	<u>1,069,879</u>	<u>1,208,988</u>	<u>(139,109)</u>
Total net position	<u>\$ 1,329,319</u>	<u>\$ 1,358,972</u>	<u>\$ (29,653)</u>

Net position comprised the following:

- Cash and investments of \$1,216,581 in the County of Mendocino Treasury
- Current receivables, including reimbursements, grants, and apportionments, totaling \$230,636
- Current liabilities, including accounts payable, claims, and other amounts due currently, totaling \$198,546
- Inter-fund operating transfers, due to Expendable Trust funds, of \$178,792
- Depreciated capital assets of \$259,440. *(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.

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

Administration

The Council allocated \$323,725 from the Local Transportation Fund for administration of all the Council's activities. This budget has 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. Most of this amount is allocated to the contract for administrative staffing, office and equipment, with the remainder to direct costs.

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 2013/14, this funded 27 project work elements that benefited the five member agencies, MTA, Mendocino County Air Quality Management District, and Caltrans. In FY 2012/13 the amended OWP comprised 25 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.

Nearly \$300,000 of new equipment purchases were made and installed by Mendocino SAFE on the state highways over the past two years (\$167,500 of purchases in the fiscal year of this audit, increasing the depreciated capital asset by 73 percent, from \$149,984 to \$259,440). 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

	2014	2013	Change
<u>Expenses</u>			
Planning and administration	\$ 1,311,886	\$ 1,272,335	\$ 39,551
Total expenses	1,311,886	1,272,335	39,551
<u>Revenues</u>			
Program revenues:			
Local Transportation Funds	423,725	423,725	-
DMV Fees	103,254	101,179	2,075
Aid from State Governments	750,367	693,970	56,397
Total program revenues	1,277,346	1,218,874	58,472
General revenues:			
Use of money and property	4,889	6,114	(1,225)
Total general revenues	4,889	6,114	(1,225)
Total revenues	1,282,235	1,224,988	57,247
Change in net position	\$ (29,651)	\$ (47,347)	\$ 17,696

Mendocino Council of Governments
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 1,216,581
Accounts receivable	230,636
Capital assets, net of accumulated depreciation	<u>259,440</u>
Total assets	<u>1,706,657</u>
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Accounts payable	198,546
Due to other governments	<u>178,792</u>
Total liabilities	<u>377,338</u>
Net position:	
Invested in capital assets	259,440
Restricted	<u>1,069,879</u>
Total net position	<u>\$ 1,329,319</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, 2014

<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	\$ 1,311,886	\$ -	\$ 1,277,346	\$ (34,540)
Total Governmental Activities	<u>\$ 1,311,886</u>	<u>\$ -</u>	<u>\$ 1,277,346</u>	<u>(34,540)</u>
General revenues:				
Use of money and property				<u>4,889</u>
Total general revenues				<u>4,889</u>
Change in net position				(29,651)
Net position beginning				<u>1,358,970</u>
Net position ending				<u>\$ 1,329,319</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, 2014

	<u>Local Planning</u>	<u>PPM</u>	<u>RPA State Planning</u>	<u>SAFE</u>	<u>Admin</u>	<u>State Grants</u>	<u>STPd(1) Planning</u>	<u>Federal Planning</u>	<u>Total</u>
<u>ASSETS</u>									
Current assets:									
Cash and investments	\$ 179,149	\$ 157,848	\$ -	\$ 820,261	\$ 58,948	\$ -	\$ 375	\$ -	\$ 1,216,581
Accounts receivable	-	-	111,541	-	-	82,893	5,487	30,715	230,636
Total assets	<u>\$ 179,149</u>	<u>\$ 157,848</u>	<u>\$ 111,541</u>	<u>\$ 820,261</u>	<u>\$ 58,948</u>	<u>\$ 82,893</u>	<u>\$ 5,862</u>	<u>\$ 30,715</u>	<u>\$ 1,447,217</u>
<u>LIABILITIES AND FUND BALANCE</u>									
Liabilities:									
Due to other funds	\$ -	\$ -	\$ 99,012	\$ -	\$ -	\$ 61,337	\$ -	\$ 18,443	\$ 178,792
Accounts payable	54,537	71,697	11,455	15,559	135	22,760	5,487	16,916	198,546
Total liabilities	<u>54,537</u>	<u>71,697</u>	<u>110,467</u>	<u>15,559</u>	<u>135</u>	<u>84,097</u>	<u>5,487</u>	<u>35,359</u>	<u>377,338</u>
Fund balances:									
Restricted	124,612	86,151	1,074	804,702	58,813	(1,204)	375	(4,644)	1,069,879
Total fund balances	<u>124,612</u>	<u>86,151</u>	<u>1,074</u>	<u>804,702</u>	<u>58,813</u>	<u>(1,204)</u>	<u>375</u>	<u>(4,644)</u>	<u>1,069,879</u>
Total liabilities and fund balances	<u>\$ 179,149</u>	<u>\$ 157,848</u>	<u>\$ 111,541</u>	<u>\$ 820,261</u>	<u>\$ 58,948</u>	<u>\$ 82,893</u>	<u>\$ 5,862</u>	<u>\$ 30,715</u>	<u>\$ 1,447,217</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, 2014

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,069,879

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.

259,440

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,329,319

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, 2014

	Local Planning	PPM	RPA State Planning	SAFE	Admin.	State Grants	STPd(1) Planning	Federal Planning	Total
Revenues:									
Local transportation fund	\$ 100,000	\$ -	\$ -	\$ -	\$ 323,725	\$ -	\$ -	\$ -	\$ 423,725
Aid from state governments	-	132,088	262,760	-	-	278,238	13,412	63,869	750,367
DMV Fees				103,254					103,254
Interest	739	167	-	3,721	262	-	-	-	4,889
Total revenues	<u>100,739</u>	<u>132,255</u>	<u>262,760</u>	<u>106,975</u>	<u>323,987</u>	<u>278,238</u>	<u>13,412</u>	<u>63,869</u>	<u>1,282,235</u>
Expenditures:									
Services and supplies	<u>126,893</u>	<u>136,641</u>	<u>262,758</u>	<u>225,210</u>	<u>315,737</u>	<u>274,270</u>	<u>12,482</u>	<u>67,351</u>	<u>1,421,342</u>
Total expenditures	<u>126,893</u>	<u>136,641</u>	<u>262,758</u>	<u>225,210</u>	<u>315,737</u>	<u>274,270</u>	<u>12,482</u>	<u>67,351</u>	<u>1,421,342</u>
Excess (deficiency) of revenues over (under) expenditures	(26,154)	(4,386)	2	(118,235)	8,250	3,968	930	(3,482)	(139,107)
Fund balances beginning of period	<u>150,766</u>	<u>90,537</u>	<u>1,072</u>	<u>922,937</u>	<u>50,563</u>	<u>(5,172)</u>	<u>(555)</u>	<u>(1,162)</u>	<u>1,208,986</u>
Fund balances at end of period	<u>\$ 124,612</u>	<u>\$ 86,151</u>	<u>\$ 1,074</u>	<u>\$ 804,702</u>	<u>\$ 58,813</u>	<u>\$ (1,204)</u>	<u>\$ 375</u>	<u>\$ (4,644)</u>	<u>\$ 1,069,879</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, 2014

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	\$ (139,107)
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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	163,517
Depreciation expense is deducted from the fund balance	<u>(54,061)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (29,651)</u>
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The accompanying notes are an integral part of these financial statements.

Mendocino Council of Governments
STATEMENT OF FIDUCIARY NET POSITION

Fiduciary Funds
 June 30, 2014

	Expendable Trust	Agency Funds
<u>ASSETS</u>		
Cash and investments	\$ 2,794,415	\$ 655,520
Accounts receivable	128,634	-
Due from other funds	834,271	-
Total assets	3,757,320	\$ 655,520
<u>LIABILITIES</u>		
Liabilities:		
Accounts payable	138,308	\$ -
Due to other funds	-	655,520
Total liabilities	138,308	\$ 655,520
<u>NET POSITION</u>		
Held in trust	3,619,012	
Total net position	\$ 3,619,012	

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, 2014

	Expendable Trust
Revenue:	
Taxes	\$ 4,410,498
Allocations	54,826
Interest	10,795
Total revenue	4,476,119
Expenditures:	
Administration, planning, bicycle & pedestrian	478,551
Capital projects	260,261
Local allocations and project awards	517,597
Reserve transfers	49,910
Senior operations	428,519
MTA operations	2,609,530
Total expenditures	4,344,368
Change in net position	131,751
Net position, beginning of period	3,487,261
Net position, end of period	\$ 3,619,012

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

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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 was hired by the Council to provide administrative, clerical and supporting services on behalf of the Council. Services include administration, transportation planning services and other support, such as grant writing assistance, local assistance to member agencies and project development. Dow & Associates has worked with the Council for more than 30 years. The Council signed a three-year contract for services covering the fiscal years ending June 30, 2012, 2013 and 2014, extended to September 30, 2014 during a formal procurement process for new staffing contracts.

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, 2014

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, 2014

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.

STPd(1) Planning 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.

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, 2014

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 Dow & Associates; 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 (STP). 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, 2014

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.

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.

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, 2014 was \$1,216,581 reported in governmental activity type funds and \$3,449,935 reported in fiduciary type funds.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 3 - CASH AND INVESTMENT (concluded)

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, 2014, 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, 2014 were comprised of the following:

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Equipment	\$ 286,312	\$ 163,517	\$ -	\$ 449,829
Total	286,312	<u>163,517</u>	<u>-</u>	449,829
Less accumulated depreciation	<u>(136,328)</u>			<u>(190,389)</u>
Fixed assets, net	<u>\$ 149,984</u>			<u>\$ 259,440</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.

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 \$54,061. 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.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

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, 2014, interfund balances comprised the following:

	Due From	Due To
RPA State Planning	\$ -	\$ 99,012
LTF Reserve	-	242,439
Capital Reserve	-	413,040
Local Transportation Fund	655,479	-
Local Transportation Fund	178,792	-
State Grants	-	61,337
Federal Planning	-	18,443
Total	\$ 834,271	\$ 834,271

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. 34 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.

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.

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.

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.

Mendocino Council of Governments
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - NET POSITION AND FUND BALANCE (concluded)

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 March 31, 2015, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2014 that require recognition or disclosure in the financial statements.

Mendocino Council of Governments
 Local Planning Fund
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2014
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Local transportation fund	\$ 234,231	\$ 234,231	\$ 100,000	\$ (134,231)
Aid from state governments	-	-	-	-
Interest	-	-	739	739
Total revenue	<u>234,231</u>	<u>234,231</u>	<u>100,739</u>	<u>(133,492)</u>
Expenditures:				
Service and supplies	<u>234,231</u>	<u>234,231</u>	126,893	107,338
Total expenditures	<u>234,231</u>	<u>234,231</u>	<u>126,893</u>	<u>107,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(26,154)	<u>\$ (26,154)</u>
Fund balance, beginning of period			<u>150,766</u>	
Fund balance, end of period			<u>\$ 124,612</u>	

Mendocino Council of Governments
 PPM Fund
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2014
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 213,399	\$ 222,248	\$ 132,088	\$ (90,160)
Interest	<u>-</u>	<u>-</u>	<u>167</u>	<u>167</u>
Total revenue	<u>213,399</u>	<u>222,248</u>	<u>132,255</u>	<u>(89,993)</u>
Expenditures:				
Service and supplies	<u>213,399</u>	<u>222,248</u>	<u>136,641</u>	<u>85,607</u>
Total expenditures	<u>213,399</u>	<u>222,248</u>	<u>136,641</u>	<u>85,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(4,386)	<u>\$ (4,386)</u>
Fund balance, beginning of period			<u>90,537</u>	
Fund balance, end of period			<u>\$ 86,151</u>	

Mendocino Council of Governments
RPA State Planning
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 275,000	\$ 278,951	\$ 262,760	\$ (16,191)
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>275,000</u>	<u>278,951</u>	<u>262,760</u>	<u>(16,191)</u>
Expenditures:				
Service and supplies	<u>275,000</u>	<u>278,951</u>	<u>262,758</u>	<u>16,193</u>
Total expenditures	<u>275,000</u>	<u>278,951</u>	<u>262,758</u>	<u>16,193</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	2	<u>\$ 2</u>
Fund balance, beginning of period			<u>1,072</u>	
Fund balance, end of period			<u>\$ 1,074</u>	

Mendocino Council of Governments
SAFE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
DMV Fees	\$ 101,000	\$ 101,000	\$ 103,254	\$ 2,254
Interest	<u>-</u>	<u>-</u>	<u>3,721</u>	<u>3,721</u>
Total revenue	<u>101,000</u>	<u>101,000</u>	<u>106,975</u>	<u>5,975</u>
Expenditures:				
Service and supplies	<u>294,100</u>	<u>294,100</u>	<u>225,210</u>	<u>68,890</u>
Total expenditures	<u>294,100</u>	<u>294,100</u>	<u>225,210</u>	<u>68,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (193,100)</u>	<u>\$ (193,100)</u>	(118,235)	<u>\$ 74,865</u>
Fund balance, beginning of period			<u>922,937</u>	
Fund balance, end of period			<u>\$ 804,702</u>	

Mendocino Council of Governments
Administration
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget to Actual
For the Year Ended June 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Local transportation fund	\$ 323,725	\$ 323,725	\$ 323,725	\$ -
Interest	<u>-</u>	<u>-</u>	<u>262</u>	<u>262</u>
Total revenue	<u>323,725</u>	<u>323,725</u>	<u>323,987</u>	<u>262</u>
Expenditures:				
Service and supplies	<u>323,725</u>	<u>323,725</u>	<u>315,737</u>	<u>7,988</u>
Total expenditures	<u>323,725</u>	<u>323,725</u>	<u>315,737</u>	<u>7,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	8,250	<u>\$ 8,250</u>
Fund balance, beginning of period			<u>50,563</u>	
Fund balance, end of period			<u>\$ 58,813</u>	

Mendocino Council of Governments

State Grants

STATEMENT OF REVENUES,

EXPENDITURES AND CHANGES IN FUND BALANCES

Budget to Actual

For the Year Ended June 30, 2014

(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 262,350	\$ 672,230	\$ 278,238	\$ (393,992)
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>262,350</u>	<u>672,230</u>	<u>278,238</u>	<u>(393,992)</u>
Expenditures:				
Service and supplies	<u>262,350</u>	<u>672,230</u>	<u>274,270</u>	<u>397,960</u>
Total expenditures	<u>262,350</u>	<u>672,230</u>	<u>274,270</u>	<u>397,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	3,968	<u>\$ 3,968</u>
Fund balance, beginning of period			<u>(5,172)</u>	
Fund balance, end of period			<u>\$ (1,204)</u>	

Mendocino Council of Governments
 STPd(1) Planning and Safe Routes to School
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2014
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 29,250	\$ 34,436	\$ 13,412	\$ (21,024)
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>29,250</u>	<u>34,436</u>	<u>13,412</u>	<u>(21,024)</u>
Expenditures:				
Service and supplies	<u>29,250</u>	<u>34,436</u>	<u>12,482</u>	<u>21,954</u>
Total expenditures	<u>29,250</u>	<u>34,436</u>	<u>12,482</u>	<u>21,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	930	<u>\$ 930</u>
Fund balance, beginning of period			<u>(555)</u>	
Fund balance, end of period			<u>\$ 375</u>	

Mendocino Council of Governments
 Federal Planning
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 Budget to Actual
 For the Year Ended June 30, 2014
 (UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Aid from state governments	\$ 93,520	\$ 152,759	\$ 63,869	\$ (88,890)
Total revenue	<u>93,520</u>	<u>152,759</u>	<u>63,869</u>	<u>(88,890)</u>
Expenditures:				
Service and supplies	93,520	152,759	67,351	85,408
Total expenditures	<u>93,520</u>	<u>152,759</u>	<u>67,351</u>	<u>85,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(3,482)	<u>\$ (3,482)</u>
Fund balance, beginning of period			<u>(1,162)</u>	
Fund balance, end of period			<u>\$ (4,644)</u>	

Mendocino Council of Governments
COMBINING STATEMENT OF FIDUCIARY NET POSITION
 Fiduciary Fund Types
 For the Year Ended June 30, 2014

	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	\$ 285,035	\$ 298,140	\$ 7,681	\$ 2,203,559	\$ 2,794,415
Accounts receivable	-	-	128,634	-	128,634
Due from other funds	834,271	-	-	-	834,271
Total assets	1,119,306	298,140	136,315	2,203,559	3,757,320
 <u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Accounts payable	31,324	-	-	106,984	138,308
Total liabilities	31,324	-	-	106,984	138,308
 <u>NET POSITION</u>					
Held in Trust	1,087,982	298,140	136,315	2,096,575	3,619,012
Total net position	\$ 1,087,982	\$ 298,140	\$ 136,315	\$ 2,096,575	\$ 3,619,012

Mendocino Council of Governments
COMBINING STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
 Fiduciary Fund Types
 For the Year Ended June 30, 2014

	Expendable Trust				Total
	Local Transportation Fund	Local Bicycle & Pedestrian Fund	State Transit Assistance Fund	Regional Surface Transportation Program Fund	
Revenue:					
Taxes	\$ 3,256,562	\$ -	\$ 508,751	\$ 645,185	\$ 4,410,498
Allocations	-	54,826	-	-	54,826
Interest	1,730	1,320	709	7,036	10,795
Total revenue	3,258,292	56,146	509,460	652,221	4,476,119
Expenditures:					
Administration, planning, bicycle & pedestrian	478,551	-	-	-	478,551
Capital projects	56,389	-	203,872	-	260,261
Local allocations and project awards	-	13,933	-	503,664	517,597
Reserve transfers	49,910	-	-	-	49,910
Senior operations	428,519	-	-	-	428,519
MTA operations	2,309,530	-	300,000	-	2,609,530
Total expenditures	3,322,899	13,933	503,872	503,664	4,344,368
Change in net position	(64,607)	42,213	5,588	148,557	131,751
Net position, beginning of period	1,152,589	255,927	130,727	1,948,018	3,487,261
Net position, end of period	\$ 1,087,982	\$ 298,140	\$ 136,315	\$ 2,096,575	\$ 3,619,012

Mendocino Council of Governments
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Agency Funds
 For the Year Ended June 30, 2014

	Local Transportation Reserve Fund			
	Balance	Additions	Deletions	Balance
	June 30, 2013			June 30, 2014
<u>ASSETS</u>				
Cash and investments	\$ 244,049	\$ -	\$ 1,569	\$ 242,480
Total assets	\$ 244,049	\$ -	\$ 1,569	\$ 242,480
<u>LIABILITIES</u>				
Due to other funds	\$ 244,049	\$ -	\$ 1,569	\$ 242,480
Total liabilities	\$ 244,049	\$ -	\$ 1,569	\$ 242,480

	Capital Replacement Reserve Fund			
	Balance	Additions	Deletions	Balance
	June 30, 2013			June 30, 2014
<u>ASSETS</u>				
Cash and investments	\$ 477,326	\$ -	\$ 64,286	\$ 413,040
Total assets	\$ 477,326	\$ -	\$ 64,286	\$ 413,040
<u>LIABILITIES</u>				
Due to other funds	\$ 467,815	\$ 1,936	\$ 56,711	\$ 413,040
Accounts payable	9,511	-	9,511	-
Total liabilities	\$ 477,326	\$ 1,936	\$ 66,222	\$ 413,040

Mendocino Council of Governments
SCHEDULE OF ALLOCATIONS, EXPENDITURES AND OPERATING TRANSFERS
 Local Transportation Fund
 For the Year Ended June 30, 2014
 (UNAUDITED)

	Public Utilities Code Section						Total	
	99233.1	99233.2	99233.3	99260(A)	99400(A)	99400(B)		99400(C)
Allocations:								
Mendocino Transit Authority	\$ -	\$ -	\$ -	\$ 2,509,850	\$ -	\$ -	\$ 475,991	\$ 2,985,841
Mendocino Council of Governments	323,725	100,000	54,826	-	-	-	-	478,551
Total allocations	<u>323,725</u>	<u>100,000</u>	<u>54,826</u>	<u>2,509,850</u>	<u>-</u>	<u>-</u>	<u>475,991</u>	<u>3,464,392</u>
Expenditures:								
Mendocino Transit Authority	-	-	-	2,366,239	-	-	428,519	2,794,758
County of Mendocino	-	-	-	-	-	-	-	-
City of Fort Bragg	-	-	-	-	-	-	-	-
City of Willits	-	-	-	-	-	-	-	-
City of Ukiah	-	-	13,934	-	-	-	-	13,934
Mendocino Council of Governments	315,737	126,895	-	-	-	-	-	442,632
Total expenditures	<u>315,737</u>	<u>126,895</u>	<u>13,934</u>	<u>2,366,239</u>	<u>-</u>	<u>-</u>	<u>428,519</u>	<u>3,251,324</u>
Allocations over (under) expenditures	<u>7,988</u>	<u>(26,895)</u>	<u>40,892</u>	<u>143,611</u>	<u>-</u>	<u>-</u>	<u>47,472</u>	<u>213,068</u>
Over (under) expended allocations	<u>\$ 7,988</u>	<u>\$ (26,895)</u>	<u>\$ 40,892</u>	<u>\$ 143,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,472</u>	<u>\$ 213,068</u>

Mendocino Council of Governments
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
 State Transit Assistance Fund
 For the Year Ended June 30, 2014
 (UNAUDITED)

	Public Utilities Code Section
	Operating Costs 6730(a)
Allocations:	
Mendocino Transit Authority	\$ 503,872
Total allocations	503,872
Expenditures:	
Mendocino Transit Authority	503,872
Total expenditures	503,872
Unexpended (overexpended) allocations	\$ -

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, 2014 and have issued a report thereon dated March 31, 2015. 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
March 31, 2015