

**CALAVERAS COUNCIL OF
GOVERNMENTS**

Audited Financial Statements
Supplementary Information and Compliance Report

June 30, 2016

CALAVERAS COUNCIL OF GOVERNMENTS

Audited Financial Statements,
Supplementary Information and Compliance Reports

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Council Members
Calaveras Council of Governments
San Andreas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Calaveras Council of Governments (the Council), as of and for the years ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's 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 of 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, the major fund and the aggregate remaining fund information of the Calaveras Council of Governments, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions to the Pension Plan listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

To the Council Members
Calaveras Council of Governments

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including the Transportation Development Act and PTMISEA Guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Richardson & Company, LLP

March 15, 2017

CALAVERAS COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis June 30, 2016

This section of Calaveras Council of Governments' (the Council) basic financial statements presents management's overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2016. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's audited financial statements, which are comprised of the basic financial statements (pages 10-30). This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for States and Local Governments*.

The required financial statements include the Combined Government-wide and Fund Financial statements; Balance Sheet and Balance Sheet – General Fund; Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund; and the Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – General Fund.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Council.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Council's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the Council's activities as a whole, and comprise the Balance Sheet and the Statement of Activities. The Balance Sheet provides information about the financial position of the Council as a whole, including all of its capital assets, deferred inflows and outflows of resources related to the pension plan and long-term liabilities on the full accrual basis, similar to that used by private companies. The Statement of Activities provides information about all of the Council's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the Council's programs. The Statement of Activities explains in detail the change in net position for the year.

All of the Council's activities are reported as Government Activities, as explained below.

The Fund Financial Statements report the Council's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the Council's General Fund. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. Major funds account for the major financial activities of the Council and are presented individually. Major funds are explained below.

The Fiduciary Fund Statements provide financial information about the activities of the Transportation Development Act Funds and Regional Surface Transportation Program Fund for which the Council acts solely as agent. The Fiduciary Fund Statements provide information about the cash balances and activities of these funds. These statements are separate from, and their balances are excluded from, the Council's financial activities.

CALAVERAS COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis June 30, 2016

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Council as a whole.

The Balance Sheet and the Statement of Activities present information about the Council's Governmental Activities. The Council's basic services are considered to be governmental activities. These services are supported by specific program revenues from state grants and local transportation claims.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the Council's General Fund, which is the only major fund. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Major funds present the major activities of the Council for the year and may change from year-to-year as a result of changes in the pattern of the Council's activities.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of budget and actual financial information are presented for the General Fund as required supplementary information along with required supplementary information related to the Council's pension plans.

The Council's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Their balances are excluded from the Council's other financial statements because the Council cannot use these assets to finance its own operations.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets exceeded liabilities by \$1,417,497 at the close of the most recent fiscal year. Net position includes \$747,394 restricted for grant programs and \$669,299 that is unrestricted. The Council's unrestricted net position increased 28% during the year due to focused project delivery as described in the pages that follow.

CALAVERAS COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis June 30, 2016

The following table summarizes the changes in the Council's Condensed Government-wide Balance Sheets:

CONDENSED BALANCE SHEETS

	June 30,		Change	%
	2016	2015		
ASSETS				
Current and other assets	\$ 774,801	\$ 669,112	\$ 105,689	16%
Restricted cash and investments	747,394	1,190,512	(443,118)	-37%
Capital assets, net	804	1,065	(261)	-25%
Total assets	1,522,999	1,860,689	(337,690)	-18%
DEFERRED OUTFLOWS OF RESOURCES				
	83,180	40,259	42,921	107%
Total assets and deferred outflows of resources	\$ 1,606,179	\$ 1,900,948	\$ (294,769)	-16%
LIABILITIES				
Long-term liabilities	\$ 73,222	\$ 52,111	\$ 21,111	41%
Other liabilities	85,359	107,806	(22,447)	-21%
Total liabilities	158,581	159,917	(1,336)	-1%
DEFERRED INFLOWS OF RESOURCES				
	30,101	26,768	3,333	12%
NET POSITION				
Investment in capital assets	804	1,065	(261)	-25%
Restricted	747,394	1,190,512	(443,118)	-37%
Unrestricted	669,299	522,686	146,613	28%
Total net position	1,417,497	1,714,263	(296,766)	-17%
Total liabilities, deferred inflows of resources and net position	\$ 1,606,179	\$ 1,900,948	\$ (294,769)	-16%

The decrease in the Restricted cash and investments of \$443,118, or 37%, was attributed to the completion of lingering Public Transportation Modernization, Improvement & Service Enhancement Program (PTMISEA) projects by the County, such as the purchase of two (2) buses, two (2) vans, a service pickup truck and radio system.

The increase in long-term liabilities of \$21,111, or 41% was due to an increase in the pension liability from reduced investment earnings. The related deferred outflows of resources increased due to an increase in the Council's proportion of the cost-sharing pool in which it participates. Information about the Council's pension plan is available in Note G to the financial statements. The change in other liabilities was due to changes in the outstanding balance of payables on project expenditures.

With the implementation of the CIP, the Council no longer holds the member agency's project allocations in the Overall Work Program operating fund, instead RSTP, LTF, and Bike and Pedestrian allocations are programmed in the CIP to City or County approved projects. The Council approves City and County claims for reimbursement base on progress to date.

The following table summarizes the changes in the Council's Condensed Government-wide Statement of Activities:

CALAVERAS COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis June 30, 2016

CONDENSED STATEMENTS OF ACTIVITIES

	June 30,		Change	%
	2016	2015		
REVENUES				
Program revenues:				
Operating grants and contributions	\$ 577,860	\$ 2,030,656	\$ (1,452,796)	-72%
General revenues:				
Local Transportation Fund allocation	423,597	229,749	193,848	84%
Regional Surface Transportation Program allocation	181,703	177,734	3,969	2%
Other revenues	9,308	8,495	813	10%
Total revenues	<u>1,192,468</u>	<u>2,446,634</u>	<u>(1,254,166)</u>	<u>-51%</u>
EXPENSES				
Planning, programming, monitoring and project delivery	<u>1,489,234</u>	<u>1,844,510</u>	<u>(355,276)</u>	<u>-19%</u>
Change in net position	(296,766)	602,124	(898,890)	-149%
Net position, beginning of year	<u>1,714,263</u>	<u>1,112,139</u>	<u>602,124</u>	<u>54%</u>
Net position, end of year	<u>\$ 1,417,497</u>	<u>\$ 1,714,263</u>	<u>\$ (296,766)</u>	<u>-17%</u>

The decrease in program revenues of \$1,452,796, or 72%, was due to the receipt of \$1,064,869 in Proposition 1B funding from the State in fiscal year 2014/15. County Public Works programmed ten (10) Public Transportation Modernization, Improvement & Service Enhancement Program (PTMISEA) projects and three (3) California Office of Emergency Services (CalOES) projects.

The increase in Local Transportation Fund allocations in the Overall Work Program of \$193,848, or 84% was attributed to match contributions for County and City Planning projects in the amount of \$76,133- nearly 40% of the 84% increase. While the CCOG budget has not increased for four years, we have been forced to reevaluate the redistribution of indirect cost ineligible under other State and Federal funding programs. CCOG is actively reviewing indirect cost accounting systems to realize greatest benefit of all funding.

The increase in Local Transportation Funds (LTF) was offset by a reduction in Regional Surface Transportation (RSTP) funds. CCOG is preparing and analyzing the benefit of an indirect cost allocation plan which may yield approximately \$30,000 towards eligible indirect expense. This may be considered pending internal systems review in the fiscal year 2017/18.

CALAVERAS COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis June 30, 2016

Analyses of Major Funds

Governmental Funds

The Council's governmental fund balance, the General Fund, amounted to \$1,246,552 as of June 30, 2016, a decrease of \$310,239 from 2015. This change in fund balance is reflected in the Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund. The Council's fund balance as of June 30, 2016 comprised the following:

- Cash and investments (including restricted cash) of \$1,261,757, decreased \$238,635, or 16%, from the prior year primarily due to no project claims from the City or County.
- Due from other agencies of \$258,528, which mainly represents reimbursable grant proceeds earned by incurring qualifying expenses that were not yet received as of year-end.
- Current liabilities, including accounts payable, accrued wages and benefits, and due to other governments of \$75,305. This represents a decrease of \$23,951 over the prior year primarily due to timely invoicing.
- Deferred inflows of resources of \$200,338 represents grant proceeds that were not received within the Council's 60 day availability period.

General Fund revenues decreased \$1,107,605 this fiscal year due primarily to a reduction in grant funding programmed and administered by CCOG. General Fund expenditures were \$1,505,946, a decrease of \$336,427 from the prior year, which was mainly due to the allocation of funds to the County for the purchase of two new transit buses.

The Fund's fiscal year end fund balance of \$1,246,552 represents funds not yet expended on operations. \$747,394 of this amount represents PTMISEA and CalEMA revenues received and not yet expended on approved projects, a decrease of \$443,118 over the prior year amount of \$1,190,512. Unassigned fund balance of \$497,248 represents an increase of \$130,969 over the prior year amount of \$366,279.

Overall Work Program and Budget

The Council annually adopts a budget through the preparation of an Overall Work Program (OWP). This OWP describes the multiple projects and phases within each project that are to be funded and the type of grant funding that will pay for each project. This work program, in draft form, is prepared by the Executive Director, submitted and approved by the Council and submitted to the State of California, Department of Transportation (Caltrans) by March of each year and approved by June 30.

As shown on page 31 of the financial statements, the FY 2015/16 budgeted revenues and expenses were each \$1,959,005. Actual revenues and expenditures were \$1,195,707 and \$1,505,946, respectively. The Council's OWP revenue budget includes all project revenue expected to be received over the life of the project. The overall revenue variance of \$763,298 represents the project carryover from one accounting cycle to the next as some of the budgeted projects included in the OWP span numerous years between project inception and completion. For example, the Wagon Trail project programmed in the Overall Work Program reflects federal funding from three funding sources totaling \$2.1 million. Annual expenditures were \$149,634 for 2015/16.

CALAVERAS COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis June 30, 2016

Capital Assets

GASB Statement No. 34 requires the Council to record all its capital assets. Detail on capital assets and current year additions can be found in Note C. Only a small amount is not fully depreciated at June 30, 2016.

Debt Administration

The Council does not utilize long-term debt to fund operations or growth.

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the Council.

The Council will continue to maintain a watchful eye over expenditures and remain committed to sound Fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting the Council's Financial Management

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the Council's finances. Questions about this report should be directed to the Senior Administrative Analyst at Calaveras Council of Governments, P.O. Box 280, San Andreas, CA 95249.

CALAVERAS COUNCIL OF GOVERNMENTS

BALANCE SHEET

June 30, 2016

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 514,363
Due from other agencies	258,528
Prepaid expenses	<u>1,910</u>
TOTAL CURRENT ASSETS	<u>774,801</u>
NONCURRENT ASSETS	
Restricted cash and investments	747,394
Capital assets, net	<u>804</u>
TOTAL NONCURRENT ASSETS	<u>748,198</u>
TOTAL ASSETS	<u>1,522,999</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>83,180</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,606,179</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 39,840
Accrued wages and benefits	5,017
Due to other agencies	30,448
Compensated absences - current portion	<u>10,054</u>
TOTAL CURRENT LIABILITIES	<u>85,359</u>
NONCURRENT LIABILITIES	
Compensated absences - noncurrent portion	2,358
Net pension liability	<u>70,864</u>
TOTAL NONCURRENT LIABILITIES	<u>73,222</u>
TOTAL LIABILITIES	<u>158,581</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>30,101</u>
NET POSITION	
Investment in capital assets	804
Restricted for PTMISEA projects	659,751
Restricted for CalEMA projects	87,643
Unrestricted	<u>669,299</u>
TOTAL NET POSITION	<u>1,417,497</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 1,606,179</u></u>

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

CALAVERAS COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES	
PROGRAM EXPENSES	
Governmental activities:	
Planning, programming, monitoring and project delivery	\$ 1,489,234
PROGRAM REVENUES	
Operating grants and contributions	<u>577,860</u>
NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	(911,374)
GENERAL REVENUES	
Local Transportation Fund allocation	423,597
Regional Surface Transportation Program allocation	181,703
Other revenues	<u>9,308</u>
TOTAL GENERAL REVENUES	<u>614,608</u>
CHANGE IN NET POSITION	(296,766)
Net position, beginning of year	<u>1,714,263</u>
NET POSITION, END OF YEAR	<u><u>\$1,417,497</u></u>

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

CALAVERAS COUNCIL OF GOVERNMENTS

BALANCE SHEET - GENERAL FUND

June 30, 2016

ASSETS		
CURRENT ASSETS		
Cash and investments		\$ 514,363
Due from other agencies		258,528
Prepaid expenses		<u>1,910</u>
	TOTAL CURRENT ASSETS	<u>774,801</u>
NONCURRENT ASSETS		
Restricted cash and investments		<u>747,394</u>
	TOTAL NONCURRENT ASSETS	<u>747,394</u>
	TOTAL ASSETS	<u><u>\$ 1,522,195</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accrued liabilities		\$ 39,840
Accrued wages and benefits		5,017
Due to other agencies		<u>30,448</u>
	TOTAL LIABILITIES	<u>75,305</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		<u>200,338</u>
FUND BALANCE		
Nonspendable		1,910
Restricted for PTMISEA projects		659,751
Restricted for CalEMA projects		87,643
Unassigned		<u>497,248</u>
	TOTAL FUND BALANCE	<u>1,246,552</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 1,522,195</u></u>

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

CALAVERAS COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO
THE GOVERNMENT-WIDE BALANCE SHEET - GOVERNMENTAL ACTIVITIES

June 30, 2016

Fund balance - governmental funds, June 30, 2016	\$ 1,246,552
Amounts reported for governmental activities in the government-wide balance sheet are different from those reported in the governmental funds above because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	804
Pension contributions made subsequent to the measurement date and other pension adjustments will reduce the pension liability in the future and are reported as deferred outflows of resources on the government-wide balance sheet.	83,180
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(12,412)
Net pension liability	(70,864)
Net differences between projected and actual earnings on pension plan investments and changes in assumptions are reported as deferred inflows of resources on the government-wide balance sheet.	(30,101)
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. Unavailable revenue is recognized under the full accrual basis for government-wide purposes.	<u>200,338</u>
Net position - governmental activities, June 30, 2016	<u><u>\$ 1,417,497</u></u>

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

CALAVERAS COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND

For the Year Ended June 30, 2016

REVENUES

Intergovernmental revenues:		
Federal highway administration grants		\$ 297,201
State subvention and planning grants		303,898
Local Transportation Fund allocation		403,597
Regional Surface Transportation Program allocation		181,703
Other revenue		9,308
	TOTAL REVENUES	<u>1,195,707</u>

EXPENDITURES

Services and supplies:		
Professional services, including County and City contracts		1,020,043
Salaries and benefits		398,959
Rents and leases		26,098
Office expense		18,847
Insurance		12,868
Training and travel		10,077
Other expenses		19,054
	TOTAL EXPENDITURES	<u>1,505,946</u>

NET CHANGE IN FUND BALANCE (310,239)

Fund balance, beginning of year 1,556,791

FUND BALANCE, END OF YEAR \$1,246,552

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

CALAVERAS COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net change in fund balance - governmental fund \$ (310,239)

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

Governmental funds report capital outlay as expenditures. In the Statement of Activities, however, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The change in capital assets consists of:

Depreciation expense (261)

Changes in certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences liability (1,857)

Change in deferred outflows of resources related to pension plans 42,921

Change in net pension liability (20,758)

Change in deferred inflows of resources related to pension plans (3,333)

Revenues not received within the availability period are deferred in governmental funds, but are recognized as revenue under the full accrual method of accounting in the government-wide statements.

Amount represents the change in unavailable revenue. (3,239)

Change in net position - governmental activities \$ (296,766)

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

CALAVERAS COUNCIL OF GOVERNMENTS

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS

June 30, 2016

ASSETS		
Cash and investments		\$1,691,599
Due from other agencies		<u>231,640</u>
	TOTAL ASSETS	<u>1,923,239</u>
LIABILITIES		
Due to other agencies		<u>187,984</u>
	TOTAL LIABILITIES	<u>187,984</u>
NET POSITION		
Net position held in trust for other purposes		
Restricted/apportioned		132,647
Unrestricted/unapportioned		<u>1,602,608</u>
	TOTAL NET POSITION	<u><u>\$1,735,255</u></u>

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

CALAVERAS COUNCIL OF GOVERNMENTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2016

ADDITIONS:

Taxes:		
Local Transportation Fund allocation		\$ 903,839
State Transit Assistance Fund allocation		174,073
Other revenue		24,099
	TOTAL ADDITIONS	<u>1,102,011</u>

DEDUCTIONS:

Allocations to claimants:		
CCOG - Planning, programming, monitoring and project delivery		585,300
Calaveras County - Transit		512,998
City of Angels - Streets and roads		34,962
Pedestrian and bicycle		17,734
	TOTAL DEDUCTIONS	<u>1,150,994</u>

CHANGE IN NET POSITION (48,983)

Net position, beginning of year 1,784,238

NET POSITION, END OF YEAR \$ 1,735,255

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

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Calaveras Council of Governments (the Council) are prepared in conformity with U.S. generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the Council are described below.

Description of Reporting Entity: The Council, the regional transportation planning agency for the County of Calaveras, was created pursuant to Title 3 of California Government Code Section 29535. The Council is responsible for transportation planning activities as well as administration of the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STAF). The Council does not exercise control over any other entities and, thus, has no component units. Criteria used in determining the reporting entity was based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The Council is composed of seven members – two County Supervisors, two Council Members from the City of Angels and three members selected from the public at large. The public members serve 2-year terms and are appointed by the elected members, who are appointed by their respective bodies on a yearly basis.

Basis of Presentation – Government-wide Financial Statements: The government-wide balance sheet and statement of activities display information about the non-fiduciary activity of the primary government (the Council). These statements include only the financial activities of the Council and not the fiduciary funds.

The statement of activities presents a comparison between direct expenses and program revenues for the Council's governmental activities. Direct expenses are those that are specifically associated with the Council's activities. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of the Council. Revenues that are not classified as program revenues, including regional surface enhancement program allocations, LTF allocations and interest income, are presented as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied, even if no claim has been filed.

Basis of Presentation – Fund Financial Statements: The accounts of the Council are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Council considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured and are payable from current financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the Council gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and contributions. Revenue from grants, entitlements, and contributions is recognized in the fiscal year in which all eligibility requirements have been met.

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

The Council reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Council and accounts for revenues collected to provide services and finance the fundamental operations of the Council. The fund is charged with all costs of operations not reported in another fund.

Fiduciary Fund Types: The Council reports four fiduciary funds. Fiduciary funds are used to account for assets held in a trustee or agent capacity for others and therefore cannot be used to support the governments' own programs. Private purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Private purpose trust funds use the accrual basis of accounting and the economic resources measurement focus. Although the Council receives resources from the Local Transportation Fund, the resources provided are not considered significant enough to preclude the use of a private purpose trust fund to account for the Local Transportation Fund. Private purpose 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 collected under the Transportation Development Act (TDA) 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, streets and roads projects, transportation planning and for administration.

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

Regional Surface Transportation Program Fund (RSTP) - This fund is utilized by the Council, as trustee, to account for regional transportation projects.

Pedestrian Bike Fund - This fund is utilized by the Council, as trustee, to account for pedestrian and bicycle projects.

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- The County Auditor-Controller estimates the amount of funds to be available in the LTF, and notifies the claimants before February 1 of each year.

The Council determines how much funding it will need for the planning work program and administration of the 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 of Calaveras and the City of Angels 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). Calaveras County Transit 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 transit claims, adopting resolutions and preparing allocation instructions that notify the recipient of the funds approved, and notifies the 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. Calaveras County Transit Fund is the only eligible claimant.

Budgets: An annual appropriated budget is adopted for the General Fund. The budget presented in the Budget vs. Actual Schedule reported as required supplementary information is not on a basis consistent with U.S. generally accepted accounting principles because the budget includes carry-over funding from the overall work program, which represents the use of fund balance resulting from revenue previously recognized in a prior year. Budgeted revenues and expenditures represent the originally adopted budget modified by amendment during the year.

General Fund - The Council annually adopts a budget through the preparation of an overall work program. This work program describes the projects or work elements that are to be funded and the type of funds that will pay for the expenditures, such as Rural Planning Assistance, Local Transportation or Federal Transit Administration (FTA). The work program, in draft form, is prepared by the Executive Director, submitted and approved by the Council and submitted to the State of California, Department of Transportation (Caltrans) in March and the final work program is approved by June 30. Caltrans, as the grantor of Rural Planning Assistance and 1-TA funds, approves the work program, which then becomes the budget for the operating fund of the Council for the fiscal year.

Restricted Cash and Investments: The Council has amounts invested with the County of Calaveras that are restricted for Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) projects totaling \$659,751 and for the CalEMA California Transit Security Grant Program (CTSGP), California Transit Assistance Fund projects totaling \$87,643 at June 30, 2016.

Capital Assets: Capital assets are stated at historical cost or estimated historical cost if historical cost is not available. Capital assets are defined as assets with an initial cost of \$500 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at the acquisition value, which is the

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Provision is made for depreciation by the straight-line method over the estimated useful lives of these individual assets, which is five years for automobiles and range from three to seven years for office furniture and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the Council's pension plans under GASB Statement No. 68 as described in Note G. Unavailable revenue in governmental funds arise when a potential revenue source does not meet both the "measureable" and "available" criteria for recognition in the current period. Unavailable revenue at June 30, 2016 represented Grant and Rural Planning Assistance receivables not received within the Council's availability period.

Compensated Absences: Unused vacation of 80 to 160 hours per year may be accumulated with no specified maximum number of hours available to be accrued. Accrued vacation is paid at the time of termination from the Council's employment. Sick leave is not directly payable to employees at retirement and is not accrued in the compensated absences liability. However, the sick leave may be converted to service credits under the Council's retirement plan. The cost of vacation is recorded in the period earned in the government-wide statements. A liability for compensated absences is reported in the General Fund only if the liability has matured, for example, as a result of employee resignations or retirements.

Fund Balance: Governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which include pre-paid expenses and long-term receivables.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The purpose of each restriction is listed on the face of the balance sheet.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is by resolution of the Council. These amounts cannot be used for any other purpose unless the governing body modifies or removes the fund commitment.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned Funds – Unassigned fund balance is the residual classification of the Council’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes. Unassigned fund balance includes amounts designated by the Council of \$88,669 in the LTF Fund for transit operating expenses and \$132,647 in the RSTP Fund for use when the Council experiences cash flow problems. The terms for use of these amounts are not sufficiently detailed to consider the amounts committed under GASB Statement No. 54.

The Council has only restricted and unassigned fund balances.

Net Position: The government-wide financial statements present net position. Net position is categorized as the net investment capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The purpose of each restriction is listed on the face of the statement of net position.

Unrestricted Net Position – This category represents net position of the Council that is not restricted for any project or other purpose.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Council’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Risk Management: The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The commercial insurance is subject to a deductible. No significant claims resulting in the need for a claims liability for insurance deductibles occurred during the year ended June 30, 2016. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from the prior year.

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.

Related Party Transactions: The County of Calaveras Auditor-Controller’s Office performs accounting services for the Council. The Council paid the County \$7,500 for accounting services during the year ended June 30, 2016.

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for periods beginning after June 15, 2015, and should be applied retroactively.

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement establishes criteria allowing investment pools meeting certain maturity, quality, diversification and other criteria to measure its investments at amortized cost for financial reporting purposes rather than at fair value and allowing the pool’s users to measure their investment in the pool at amortized cost. This Statement is effective for periods beginning after June 15, 2015 with some provisions effective for periods beginning after December 15, 2015.

In March 2016, the GASB issued Statement No. 82, Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement clarifies certain accounting and reporting issues related to pension plans, including the presentation of payroll related measures in required supplementary information, clarifies the use of the term deviation for the selection of assumptions, and clarifies the classification of employer-paid member contributions and the period in which they should be recognized. The requirements of this Statement are effective for periods beginning after June 15, 2015, and should be applied retroactively.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria is generally on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists and activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The Council will fully analyze the impact of these new Statements prior to the effective dates listed above.

NOTE B – CASH AND INVESTMENTS

Cash and Investment balances from all funds were combined and invested by the County of Calaveras on the Council’s behalf. The County invests according to its investment policy, which was approved by the Council, and the California State Government Code. The Council has not formally adopted investment policies that limit the Council's allowable deposits or investments risks to which the Council is exposed. Cash and Investments consisted of the following at June 30, 2016:

Investment in County of Calaveras investment pool:	
Governmental funds - unrestricted	\$ 514,363
Governmental funds - restricted	747,394
Total governmental funds	<u>1,261,757</u>
Fiduciary funds	<u>1,691,599</u>
 Total cash and investments	 <u><u>\$ 2,953,356</u></u>

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE B – CASH AND INVESTMENTS (Continued)

Investment in County of Calaveras Investment Pool: The Council invests all of its cash and investments in the investment pool of the County of Calaveras (the County). The County is limited by the California State Government 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 the California Government Code as to maturity and types of investments. 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 is discussed in the County’s Comprehensive Annual Financial Report at Calaveras.gov.us under the Auditor/Controller section.

At June 30, 2016, the Council's investment in the County’s investment pool is stated at amortized cost, which approximates fair value. However, the value of the pool shares in the County investment pool 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.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value on an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. As of June 30, 2016, the weighted average maturity of the investments contained in the County investment pool was approximately 1.16 years.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the County’s investment pool).

NOTE C - CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital assets, being depreciated:				
Automobile	\$ 25,564			\$ 25,564
Furniture and equipment	15,836			15,836
Total capital assets, being depreciated	<u>41,400</u>			<u>41,400</u>
Less accumulated depreciation:				
Automobile	(25,564)			(25,564)
Furniture and equipment	(14,771)	\$ (261)		(15,032)
Total accumulated depreciated	<u>(40,335)</u>	<u>(261)</u>		<u>(40,596)</u>
Capital assets, net	<u>\$ 1,065</u>	<u>\$ (261)</u>	<u>\$ -</u>	<u>\$ 804</u>

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2016 with the exception of the net pension liability reported in Note G:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Compensated absences	\$ 10,555	\$ 10,407	\$ (8,550)	\$ 12,412	\$ 10,054

NOTE E - CONTINGENCIES

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 could be required to be refunded to the granting agency.

The Council is a party to a claims, legal actions and complaints that arise in the normal course of operations. It is management’s belief, after consultation with legal counsel, that there are no loss contingencies that will result in a material adverse impact on the financial position of the Council.

NOTE F – OPERATING LEASE

The Council is currently leasing office space under a lease agreement ending July 31, 2020. The rent expense is adjusted on September 1 each year in an amount equal to the change in the Consumer Price Index for the Western Region, with maximum yearly increases of 3.5%. The total rent expense for the office space during the year was \$23,468.

Future minimum lease payments under this operating lease as of June 30, 2016 were as follows:

<u>Year Ending June 30</u>	
2017	\$ 23,140
2018	23,404
2019	23,668
2020	23,942
2021	1,999
	<u>\$ 96,153</u>

NOTE G – PENSION PLAN

General Information about the Pension Plan:

Plan Description: All qualified permanent and probationary employees are eligible to participate in the Council’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The Council participates in the Miscellaneous Risk Pool and the following rate plans:

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – PENSION PLAN (Continued)

- Miscellaneous Plan
- PEPRAs Miscellaneous Plan

Benefit provisions under the Plan is established by State statute and Council resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov. The Council has one employee who was hired after June 30, 2013 and is a participant in the PEPRAs rate plan. This participant was hired by the Council in October 2013.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRAs rate plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the 1959 Survivor Benefit level 4. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire date	Miscellaneous	PEPRA
	Prior to January 1, 2013	Miscellaneous On or after January 1, 2013
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates 2015/16	7.00%	6.50%
Required employer contribution rates 2015/16	9.224%	6.647%

The Miscellaneous rate plan is closed to new members that are not already CalPERS participants.

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Council is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense were \$28,353.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources:

As of June 30, 2016, the Council reported a net pension liability of \$70,864 for its proportionate share of the net pension liability of the Plan.

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – PENSION PLAN (Continued)

The Council's net pension liability for its Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Council's proportionate share of the net pension liability for the the Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014	0.002030%
Proportion - June 30, 2015	0.002583%
Change - increase (decrease)	0.000553%

For the year ended June 30, 2016, the Council recognized pension expense of \$9,523. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to its Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 28,353	
Differences between actual and expected experience	2,119	
Changes in assumptions		(20,050)
Differences between the employer's contributions and the employer's proportionate share of contributions	4,559	
Change in employer's proportion	48,149	
Net differences between projected and actual earnings on plan investments		(10,051)
Total	<u>\$ 83,180</u>	<u>\$ (30,101)</u>

The \$28,353 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ 4,860
2018	4,817
2019	2,200
2020	12,849
	<u>\$ 24,726</u>

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2014 actuarial valuation for the Plan was determined using the following actuarial assumptions:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.0%
Projected salary increase	3.3% - 14.2% (1)
Investment rate of return	7.65%
Mortality	Derived using CalPERS membership data for all funds

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65% in the June 30, 2014 valuation. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global equity	51.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Council's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% decrease	6.65%
Net pension liability	\$ 118,843
Current discount rate	7.65%
Net pension liability	\$ 70,864
1% increase	8.65%
Net pension liability	\$ 31,251

CALAVERAS COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position: Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial report.

Payable to the Pension Plan: The Council reported a payable of \$426 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2016.

NOTE H – PTMISEA

In November 2006, California Voters passed a bond measure (Proposition 1B) enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

The Council received no additional PTMISEA funds during the year ended June 30, 2016. During the year ended June 30, 2015, the Council applied for and received proceeds of \$1,028,172 from the State's PTMISEA account for vehicle and equipment purchases, an automatic vehicle location system and bus stop improvements. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from date of the encumbrance.

As of June 30, 2016, PTMISEA funds received and expended were verified in the course of our audit as follows:

Balance at July 1, 2015	\$ 1,101,273
PTMISEA received	
Interest earned	5,559
Expenditures incurred:	
Bus, van and vehicle purchases	(341,530)
Bus shelters	(51,058)
Service equipment	(54,493)
	<hr/>
Unexpended proceeds at June 30, 2016	<u>\$ 659,751</u>

The expenditures above represent amounts passed-through to the County of Calaveras for the projects listed.

REQUIRED SUPPLEMENTARY INFORMATION

CALAVERAS COUNCIL OF GOVERNMENTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Federal highway administration grants	\$ 703,049	\$ 703,049	\$ 297,201	\$ (405,848)
State subvention and planning grants	590,656	590,656	303,898	(286,758)
Local Transportation Fund allocation	403,597	403,597	403,597	
Regional Surface Transportation Program allocation	261,703	261,703	181,703	(80,000)
Other revenue			9,308	9,308
TOTAL REVENUES	1,959,005	1,959,005	1,195,707	(763,298)
EXPENDITURES				
Services and supplies:				
Professional services, including County and City contracts	1,446,796	1,446,796	1,020,043	426,753
Salaries and benefits	400,197	400,197	398,959	1,238
Rents and leases	29,035	29,035	26,098	2,937
Office expense	21,410	21,410	18,847	2,563
Insurance	14,000	14,000	12,868	1,132
Training and travel	11,519	11,519	10,077	1,442
Other expenses	36,048	36,048	19,054	16,994
TOTAL EXPENDITURES	1,959,005	1,959,005	1,505,946	453,059
NET CHANGE IN FUND BALANCE			(310,239)	(310,239)
Fund balance, beginning of year	1,556,791	1,556,791	1,556,791	
FUND BALANCE, END OF YEAR	\$ 1,556,791	\$ 1,556,791	\$ 1,246,552	\$ (310,239)

Note to Required Supplementary Information: The Council's annual budgeted revenues include budgeted fund balance and unclaimed grant carryover amounts from the prior year rather than revenues on the accrual basis as follows:

	Budgeted Amounts		Actual Amounts	Add; Budget Carryover	Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original (Budgetary Basis)	Final (Budgetary Basis)				
Intergovernmental revenues:						
Federal highway administration grants	\$ 703,049	\$ 703,049	\$ 297,201	\$ 366,225	\$ 663,426	\$ (39,623)
State subvention and planning grants	590,656	590,656	303,898	141,833	445,731	(144,925)
Local Transportation Fund allocation	403,597	403,597	403,597		403,597	
Program allocation	261,703	261,703	181,703	80,000	261,703	
Other revenue			9,308		9,308	9,308
TOTAL	\$ 1,959,005	\$ 1,959,005	\$ 1,195,707	\$ 588,058	\$ 1,783,765	\$ (175,240)

CALAVERAS COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years**

	2016	2015
Proportion of the net pension liability	0.00258%	0.00203%
Proportionate share of the net pension liability	\$ 70,864	\$ 50,106
Covered - employee payroll - measurement period	\$ 294,074	\$ 210,148
Proportionate share of the net pension liability as a percentage of covered payroll	24.10%	23.84%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	83.03%

Notes to Schedule:

Change in Benefit Changes: The figures above do not include any liability impact that may have resulted from the plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes In Assumptions: The discount rate changed from 7.50% in 2015 to 7.65% in 2016.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015; therefore, no information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years**

	2016	2015
Contractually required contribution (actuarially determined)	\$ 28,353	\$ 25,608
Contributions in relation to the actuarially determined contributions	(28,353)	(25,608)
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll - Council's fiscal year	\$ 310,105	\$ 294,074
Contributions as a percentage of covered - employee payroll	9.14%	8.71%

Notes to Schedule:

Valuation Date:	June 30, 2014	June 30, 2013
Measurement Date:	June 30, 2015	June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial Method	Entry age normal cost method
Amortization Method	Difference between projected and actual earnings is amortized straight-line over 5 Years. All other amounts are amortized straight-line over average remaining service life of participants
Remaining Amortization Period	Not stated
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on entry age and service
Investment Rate of Return	7.65% (2016), 7.50% (2015 net of administrative expenses); including inflation.
Retirement Age	50-67 years. Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 Actuarial Experience Study for the period 1997 to 2011 that uses 20 years of mortality improvements using Society of Actuaries Scale BB.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

SUPPLEMENTARY INFORMATION

CALAVERAS COUNCIL OF GOVERNMENTS

COMBINING SCHEDULE OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS

June 30, 2016

	Private Purpose Trust Funds				Total
	Local Transportation Fund	State Transit Assistance Fund	Regional Surface Transportation Program Funds	Pedestrian Bicycle	
ASSETS					
Cash and investments	\$ 892,327	\$ 2,233	\$ 756,925	\$ 40,114	\$ 1,691,599
Due from other agencies	145,100	86,540			231,640
TOTAL ASSETS	1,037,427	88,773	756,925	40,114	1,923,239
LIABILITIES					
Due to other agencies	54,962	133,022			187,984
TOTAL LIABILITIES	54,962	133,022			187,984
NET POSITION					
Net position held in trust for other purposes					
Restricted/apportioned:					
Transportation projects			132,647		132,647
Unrestricted/unapportioned:	982,465	(44,249)	624,278	40,114	1,602,608
TOTAL NET POSITION	\$ 982,465	\$ (44,249)	\$ 756,925	\$ 40,114	\$ 1,735,255

CALAVERAS COUNCIL OF GOVERNMENTS

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2016

	Private Purpose Trust Funds				Total
	Local Transportation Fund	State Transit Assistance Fund	Regional Surface Transportation Program Funds	Pedestrian Bicycle	
ADDITIONS					
Taxes:					
Local transportation fund	\$ 886,105			\$ 17,734	\$ 903,839
State transit assistance fund		\$ 174,073			174,073
Interest and other revenue	19,141	542	\$ 4,271	145	24,099
TOTAL ADDITIONS	905,246	174,615	4,271	17,879	1,102,011
DEDUCTIONS					
Allocations to claimants:					
CCOG - Planning and administration	403,597		181,703		585,300
Calaveras County - Transit	287,188	225,810			512,998
City of Angels - Streets and roads	34,962				34,962
Pedestrian and bicycle	17,734				17,734
TOTAL DEDUCTIONS	743,481	225,810	181,703		1,150,994
CHANGE IN NET POSITION	161,765	(51,195)	(177,432)	17,879	(48,983)
Net position, beginning of year	820,700	6,946	934,357	22,235	1,784,238
NET POSITION, END OF YEAR	\$ 982,465	\$ (44,249)	\$ 756,925	\$ 40,114	\$ 1,735,255

CALAVERAS COUNCIL OF GOVERNMENTS

SCHEDULE OF ALLOCATIONS AND EXPENDITURES -
LOCAL TRANSPORTATION FUND

For the Year Ended June 30, 2016

	Public Utilities Code Section				Total
	99233.1	99233.3	99400(a)	99400(c)	
ALLOCATIONS					
Calaveras Council of Governments	\$ 403,597	\$ 17,734			\$ 421,331
Calaveras County - Transit				\$ 287,188	287,188
City of Angels			\$ 34,962		34,962
TOTAL ALLOCATIONS	\$ 403,597	\$ 17,734	\$ 34,962	\$ 287,188	\$ 743,481
EXPENDITURES					
Calaveras Council of Governments	\$ 403,597	\$ 17,734			\$ 421,331
Calaveras County - Transit				\$ 287,188	287,188
City of Angels			\$ 34,962		34,962
TOTAL EXPENDITURES	403,597	17,734	34,962	287,188	743,481
OVER (UNDER) EXPENDED ALLOCATIONS	\$ -	\$ -	\$ -	\$ -	\$ -

CALAVERAS COUNCIL OF GOVERNMENTS

SCHEDULE OF ALLOCATIONS AND EXPENDITURES -
STATE TRANSIT ASSISTANCE FUND

For the Year Ended June 30, 2016

	Public Utilities Code Section 6731(b)
ALLOCATIONS	
Calaveras Transit	<u>\$ 225,810</u>
TOTAL ALLOCATIONS	<u><u>\$ 225,810</u></u>
EXPENDITURES	
Calaveras Transit	<u>\$ 225,810</u>
TOTAL EXPENDITURES	<u><u>225,810</u></u>
OVER (UNDER) EXPENDED ALLOCATIONS	<u><u>\$ -</u></u>

COMPLIANCE REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, THE TRANSPORTATION DEVELOPMENT ACT AND THE PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) GUIDELINES

To the Council Members
Calaveras Council of Governments
San Andreas, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Calaveras Council of Governments (the Council), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated March 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control described in the accompanying schedule of findings as finding 2016-001 that we consider to be a material weakness.

To the Council Members
Calaveras Council of Governments

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the Council were expended in conformance with the applicable statutes, rules and regulations of the TDA and Sections 6661 and 6662 of the California Code of Regulations. We also tested the receipt and appropriate expenditure of bond funds, as presented in Note H of the financial statements, in accordance with the PTMISEA statutes and guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA or the PTMISEA.

The Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Richardson & Company, LLP

March 15, 2017

CALAVERAS COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

CURRENT YEAR FINDINGS

A. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2016-001 – Material Weakness, Internal Control Over Financial Reporting.

Criteria: Controls should exist to review financial activity and ensure the activity is properly reported in the entity's financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: Numerous audit adjustments were identified during the audit. Adjustments included entries needed to make fund balance roll-forward due to prior year adjustments not being posted, entries to accrue revenues earned and liabilities incurred at year-end, entries to separately report amounts reported in the government-wide financial statements in a separate fund so they did not misstate the General Fund and entries to reclassify revenues and expenses into the proper accounts to be consistent with how the amounts are reported in the financial statements.

Effect: Numerous audit adjustments needed to be posted to properly report the Council's financial statements in accordance with GAAP.

Cause: A lack of a GAAP compliant chart of accounts and effective internal controls over closing the Council's books when preparing for the audit.

Recommendation: We recommend the Council hire a qualified bookkeeper that understands governmental accounting to help the Council identify and post all closing entries necessary to report its activities in accordance with GAAP. The Council's chart of accounts needs to be modified to include a government-wide fund and all accounts reported in the Council's financial statements. This will require the assistance of the County of Calaveras. If the County of Calaveras does not have the staffing necessary to modify the Council's chart of accounts to be GAAP compliant and to record closing entries provided by the Council on a timely basis throughout the year and at closing, it may be necessary for the Council to terminate its contract with the County and install its own accounting software that can handle fund accounting to perform accounting services in house with the help of a bookkeeper.

Management's Response: The Council will work with the County Auditor to more closely review the activity reported in the general ledger, including implementing a quarterly review procedure to compare the revenues to program activity summaries maintained by the Council and by performing cut-off procedures over revenues and expenditures at year-end.

STATUS OF PRIOR YEAR FINDINGS

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2015-001 – Material Weakness, Internal Control Over Financial Reporting.

Condition: Numerous audit adjustments were identified during the audit. Adjustments included entries needed to make fund balance roll-forward due to prior year adjustments not being posted, entries to accrue revenues and accrue liabilities incurred at year-end, entries to separately report amounts reported in the government-wide financial statements in a separate fund so they did not misstate the General Fund and entries to reclassify revenues and expenses into the proper accounts to be consistent with how the amounts are reported in the financial statements.

CALAVERAS COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

Current Status: Numerous audit adjustments were identified during the 2016 audit. See Finding 2016-01, which is a continuation of this finding.