

STANISLAUS COUNCIL OF GOVERNMENTS

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

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

TABLE OF CONTENTS

Page

Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis.....	4

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Position.....	8
Statement of Activities.....	9

Fund Financial Statements:

Governmental Funds:

Balance Sheet	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11

Fiduciary Funds:

Statement of Fiduciary Net Position - Fiduciary Funds.....	12
Statement of Changes in Fiduciary Net Position – Trust Funds	13

Notes to the Basic Financial Statements	14
---	----

Required Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual – General Fund (By Object)	32
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual – Local Transportation Fund.....	33
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual – State Transit Assistance Fund.....	34
Schedule of the Council's Proportionate Share of the Net Pension Liability	35
Schedule of the Council's Contributions	36
Note to the Required Supplementary Information	37

Other Supplementary Information:

Schedule of Expenditures of Federal Awards.....	38
Notes to the Schedule of Expenditures of Federal Awards.....	39
General Fund – Schedule of Expenditures – Allocation of Direct and Indirect Costs	40
General Fund – Department of Transportation – Caltrans Indirect Costs Carry Forward Computation	41
Combining Balance Sheet – Local Transportation Fund.....	42
Combining Statement of Revenues, Expenditures, and Changes In Fund Balance – Local Transportation Fund	45
Overall Work Program Costing System – Schedule of Revenues, Expenditures, and Other Items by Funding Source	48
Schedule of Insurance Coverage.....	50
Schedule of Allocations and Expenditures – Local Transportation Fund	51
Schedule of Allocations and Expenditures – State Transit Assistance Fund	52
Schedule of Allocations and Expenditures – State of Good Repair	53

Other Reports

Independent Auditors’ Report on Compliance with Rules and Regulations of the California Transportation Development Act and the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)	54
Independent Auditors’ Report on Internal Control over Financial Reporting And on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance <i>with Government Auditing Standards</i>	56

Single Audit Report

Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	58
--	----

Findings and Recommendations Section

Schedule of Findings and Questioned Costs.....	60
Summary Schedule of Prior Year Findings	62



INDEPENDENT AUDITORS' REPORT

To the Policy Board
Stanislaus Council of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Stanislaus Council of Governments (the Council) as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Council, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Council's proportionate share of net pension liability, and the schedule of the Council's contributions 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2019, 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.

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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
January 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Stanislaus Council of Governments' (StanCOG) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of StanCOG's financial position, and (c) identify changes in StanCOG's financial position. We encourage readers to consider the information here in conjunction with StanCOG's financial statements that begin on page 8 of the report.

Financial Highlights

StanCOG's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$24,475,754 (net position) for the fiscal year ending June 30, 2018. Total assets increased by \$17,453,619 from the prior fiscal year while total liabilities decreased by \$371,089. This resulted in a \$17,123,794 increase in net position. The increase in restricted net position relates to Transportation Development Act (TDA) funds and Measure L funds, of which StanCOG acts as administrator and fiduciary.

Analysis of Significant Financial Changes

The following analysis highlights significant financial changes in balances from the previous year.

Statement of Net Position

Account	Fiscal year 2017-2018	Fiscal year 2016-2017 (as restated)	Increase (Decrease)	Notes
Cash and cash equivalents	\$ 22,827,526	\$ 6,420,534	\$ 16,406,992	
Interest receivable	10,411	13,864	(3,453)	
Due from other governments	4,437,497	3,432,743	1,004,754	
Prepaid expenses	34,515	21,568	12,947	
Capital assets	37,589	5,210	32,379	
Total assets	27,347,538	9,893,919	17,453,619	
Deferred pensions	900,796	1,503,495	(602,699)	
Total deferred outflows of resources	900,796	1,503,495	(602,699)	
Accounts payable	1,187,698	1,032,824	154,874	
Accrued salaries and benefits	12,906	16,820	(3,914)	
Compensated absences	117,590	94,000	23,590	
Unearned revenue	43,259	113,259	(70,000)	
Net pension liability	2,194,118	2,669,757	(475,639)	
Total liabilities	3,555,571	3,926,660	(371,089)	
Deferred pensions	217,009	118,794	98,215	
Total deferred inflows of resources	217,009	118,794	98,215	
Net investment in capital assets	37,589	5,210	32,379	
Restricted	23,119,872	6,198,637	16,921,235	
Unrestricted	1,318,293	1,148,113	170,180	
Total net position	\$ 24,475,754	\$ 7,351,960	\$ 17,123,794	

**STANISLAUS COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2018**

Note 1 Accounts Payable – Increase of \$154,874

A summary of StanCOG's accounts payable balances at year-end is presented in the following table.

<u>Accounts Payable Balance</u>	<u>Fiscal year 2017-2018</u>	<u>Fiscal year 2016-2017</u>	<u>Increase (Decrease)</u>	<u>Notes</u>
General Fund	\$ 434,918	\$ 779,015	\$(344,097)	
Local Transportation Fund	11,598	253,809	(242,211)	
State Transit Assistance Fund	<u>741,182</u>	<u>-</u>	<u>741,182</u>	
Total	<u>\$ 1,187,698</u>	<u>\$ 1,032,824</u>	<u>\$ 154,874</u>	

General Fund Accounts Payable decrease of \$344,097

The table above shows that StanCOG's General Fund accounts payable balance decreased by \$344,097. The General Fund Accounts Payable balance of \$434,918 represents amounts due for contracted services incurred but not yet invoiced by vendors by June 30, 2018.

The Local Transportation Fund decreased by \$242,211 and State Transit Assistance increased by \$741,182.

The following is a table summarizing the government-wide activities of StanCOG.

Statement of Activities

<u>Description</u>	<u>Fiscal year 2017-2018</u>	<u>Fiscal year 2016-2017 (as restated)</u>	<u>Increase (Decrease)</u>	<u>Notes</u>
Program revenues:				
Sales tax	\$ 70,568,932	\$ 27,835,747	\$ 42,733,185	
Operating grants and contributions	2,473,501	2,124,629	348,872	
Capital grants and contributions	-	-	-	
General revenues:				
Investment earnings	1,265	16,699	(15,434)	
Miscellaneous	<u>36,460</u>	<u>31,468</u>	<u>4,992</u>	
Total revenues	<u>73,080,158</u>	<u>30,008,543</u>	<u>43,071,615</u>	
Expenses:			-	
General government	2,271,172	2,184,300	86,872	
Transportation	52,355,231	23,324,054	29,031,177	
Project planning	<u>1,329,961</u>	<u>1,533,901</u>	<u>(203,940)</u>	
Total expenses	<u>\$ 55,956,364</u>	<u>\$ 27,042,255</u>	<u>\$ 28,914,109</u>	

**STANISLAUS COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2018**

Note 2 Sales Tax – Increase of \$42,733,185

Description	Fiscal year 2017-2018	Fiscal year 2016-2017 (as restated)	Increase (Decrease)	Notes
StanCOG General Fund	\$ 1,250,374	\$ 1,225,801	\$ 24,573	
StanCOG Local Transportation Fund LTF	23,224,898	21,212,137	2,012,761	
State Transit Assistance (STA) Fund	3,678,292	3,071,261	607,031	
Measure L Fund	42,345,368	2,326,548	40,018,820	
State Route 132 East Pilot Project Fund	70,000	-	70,000	
Total	<u>\$ 70,568,932</u>	<u>\$ 27,835,747</u>	<u>\$ 42,733,185</u>	

The schedule above details the increase in sales tax and gasoline tax revenue. The region experienced an increase in LTF sales tax revenue from the previous fiscal year with an offsetting decrease in STA gasoline tax revenue.

Note 3 Transportation Expense – Decrease of \$1,487,539

Description	Fiscal year 2017-2018	Fiscal year 2016-2017	Increase (Decrease)	Notes
LTF	\$ 19,112,068	\$ 20,796,317	\$ (1,684,249)	
STA Fund	2,724,447	2,527,737	196,710	
Total	<u>\$ 21,836,515</u>	<u>\$ 23,324,054</u>	<u>\$ (1,487,539)</u>	

The amount classified as transportation expense represents StanCOG's TDA payments to the jurisdictions for STA Fund and LTF. The \$1,487,539 decrease in transportation expense occurred in Transit and Streets and Roads. LTF Funds in excess of approved claims are currently being held in reserves for future regional transit claims.

Financial Analysis of StanCOG's Funds

StanCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In fiscal year (FY) 2016/17, StanCOG implemented Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application*.

Governmental Funds

The focus of StanCOG's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing StanCOG's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On page 10 of the report, StanCOG's governmental funds reported a combined ending fund balance of \$26,066,086, an increase of \$17,340,280 in comparison to the prior year. Of the total fund balance, \$23,043,305 is restricted for future payment of TDA claims.

**STANISLAUS COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2018**

StanCOG's General Fund balance includes \$696,151 of assigned funds for encumbered projects. StanCOG's LTF and STA funds are reporting a combined restricted fund balance of \$8,851,713. LTF and STA funds are governed by the California Transportation Development Act; these funds must be used to pay future TDA claims. Measure L is reporting a restricted fund balance of 14,184,500. Measure L is the \$.50 sales tax measure for Local Roads First Transportation Funding Measurement governed and administrated by StanCOG, the designated Transportation Authority of Stanislaus County. The fund balance in the State Route 132 East Capital Project represents interest earnings in that fund. StanCOG is classifying these interest earnings as fund balance assigned to the project.

General Fund Budgetary Highlights

On the required supplementary statement on page 32, the reader will find the comparison of budget to actual for General Fund revenues and expenditures. The largest variance was in contracts expense due to anticipated contract work not occurring during the year.

Economic Factors and Next Year's Budget

Grant revenues are not expected to vary substantially in FY 2018/19, as compared to the FY 2017/18 allocations.

Transportation Development Act Revenues

Local Transportation Funds, which are based on the retail sales tax, are increasing in FY 2018/19. STA funds are somewhat declining. In FY 2015/16, StanCOG received \$2,146,546 in STA. In FY 2016/17 (as restated), StanCOG received \$3,071,261 in STA. In FY 2017/18, StanCOG received \$3,678,898 in STA. In FY 2018/19, the current STA estimate is \$3,841,214 which is a projected increase from prior years due to the increase in the gas tax collections.

Salaries and Benefits

For the FY 2017/18 budget, the StanCOG Policy Board approved a merit based compensation package to staff salaries.

Contacting StanCOG's Financial Management

StanCOG's financial report is designed to provide the StanCOG's Board of Directors, management, creditors, legislative and oversight agencies, citizens, and customers with an overview of StanCOG's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact the Executive Director, Stanislaus Council of Governments, 1111 "I" Street, Suite 308, Modesto, California 95354.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

ASSETS

Cash and cash equivalents	\$ 22,827,526
Interest receivable	10,411
Due from other governments	4,437,497
Prepaid expenses	27,423
Deposits with others	7,092
Capital assets, net of accumulated depreciation	<u>37,589</u>

Total Assets 27,347,538

DEFERRED OUTFLOWS OF RESOURCES

Deferred pensions	<u>900,796</u>
-------------------	----------------

Total Deferred Outflows of Resources 900,796

LIABILITIES

Accounts payable	1,187,698
Accrued salaries and benefits	12,906
Unearned revenue	43,259
Compensated absences - current	59,854
Noncurrent liabilities:	
Compensated absences - noncurrent	57,736
Net pension liability	<u>2,194,118</u>

Total Liabilities 3,555,571

DEFERRED INFLOWS OF RESOURCES

Deferred pensions	<u>217,009</u>
-------------------	----------------

Total Deferred Inflows of Resources 217,009

NET POSITION

Net investment in capital assets	37,589
Restricted for:	
Apportionment	23,036,213
Capital projects	83,441
Scenario planning	218
Unrestricted	<u>1,318,293</u>

Total Net Position \$ 24,475,754

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) and Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:				
Governmental activities:				
General government	\$ 2,271,172	\$ 1,250,374	\$ -	\$ (1,020,798)
Transportation	52,355,231	69,388,226	-	17,032,995
Project planning	<u>1,329,961</u>	<u>2,403,833</u>	-	<u>1,073,872</u>
 Totals	 <u>\$55,956,364</u>	 <u>\$ 73,042,433</u>	 <u>\$ -</u>	 <u>17,086,069</u>
General Revenues:				
				1,265
				<u>36,460</u>
				<u>37,725</u>
				17,123,794
				6,798,109
				<u>553,851</u>
				<u>\$ 24,475,754</u>

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

FUND FINANCIAL STATEMENTS

**STANISLAUS COUNCIL OF GOVERNMENTS
BALANCE SHEET
JUNE 30, 2018**

	Special Revenue Funds				Scenario Planning Grant Fund Non-Major	Capital Project Fund	Total Governmental Funds
	General	Local Transportation Fund	State Transit Assistance Fund	Measure L		State Route 132 East Pilot Project Fund Trust Fund	
ASSETS							
Cash and cash equivalents	\$ 2,310,923	\$ 4,936,357	\$ 1,310,140	\$ 14,184,600	\$ 218	\$ 85,288	\$ 22,827,526
Interest receivable	-	9,229	1,182	-	-	-	10,411
Due from other governments	1,089,912	2,181,079	1,166,506	-	-	-	4,437,497
Due from other funds	100	-	-	-	-	-	100
Deposits with others	7,092	-	-	-	-	-	7,092
Prepaid expenses	27,423	-	-	-	-	-	27,423
Total Assets	<u>\$ 3,435,450</u>	<u>\$ 7,126,665</u>	<u>\$ 2,477,828</u>	<u>\$ 14,184,600</u>	<u>\$ 218</u>	<u>\$ 85,288</u>	<u>\$ 27,310,049</u>
LIABILITIES							
Accounts payable	\$ 434,918	\$ 11,598	\$ 741,182	\$ -	\$ -	\$ -	\$ 1,187,698
Accrued salaries and benefits	12,906	-	-	-	-	-	12,906
Due to other funds	-	-	-	100	-	-	100
Unearned revenue	41,412	-	-	-	-	1,847	43,259
Total Liabilities	<u>489,236</u>	<u>11,598</u>	<u>741,182</u>	<u>100</u>	<u>-</u>	<u>1,847</u>	<u>1,243,963</u>
FUND BALANCES							
Nonspendable	27,423	-	-	-	-	-	27,423
Restricted	7,092	7,115,067	1,736,646	14,184,500	-	-	23,043,305
Assigned	696,151	-	-	-	218	83,441	779,810
Unassigned	2,215,548	-	-	-	-	-	2,215,548
Total Fund Balances	<u>2,946,214</u>	<u>7,115,067</u>	<u>1,736,646</u>	<u>14,184,500</u>	<u>218</u>	<u>83,441</u>	<u>26,066,086</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,435,450</u>	<u>\$ 7,126,665</u>	<u>\$ 2,477,828</u>	<u>\$ 14,184,600</u>	<u>\$ 218</u>	<u>\$ 85,288</u>	<u>\$ 27,310,049</u>

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position:

Total Fund Balances - Governmental Funds	\$ 26,066,086
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	37,589
Deferred Inflows of Resources and Deferred Outflows of Resources: Deferred outflows of resources are not current assets of financial resources, and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds.	
Deferred outflows of resources	900,796
Deferred inflows of resources	(217,009)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(117,590)
Net pension liability	(2,194,118)
Total Net Position - Governmental Activities	<u>\$ 24,475,754</u>

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

**STANISLAUS COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds					Capital Project Fund	Total Governmental Funds
	General	Local Transportation Fund	State Transit Assistance Fund	Measure L	Scenario Planning Grant Fund Non-Major	State Route 132 East Pilot Project Fund	
REVENUES							
Sales tax	\$ 1,250,374	\$ 23,224,898	\$ 3,678,292	\$ 42,345,368	\$ -	\$ 70,000	\$ 70,568,932
Intergovernmental	2,403,833	-	-	-	-	-	2,403,833
Investment earnings	1,265	35,042	648	33,010	1	967	70,933
Miscellaneous	36,460	-	-	-	-	-	36,460
Total Revenues	3,691,932	23,259,940	3,678,940	42,378,378	1	70,967	73,080,158
EXPENDITURES							
General administration	2,052,932	-	-	1,710	-	44	2,054,686
Transportation	-	19,112,068	2,724,447	30,518,716	-	-	52,355,231
Project planning	1,329,961	-	-	-	-	-	1,329,961
Total Expenditures	3,382,893	19,112,068	2,724,447	30,520,426	-	44	55,739,878
Excess (Deficiency) of Revenues Over (Under) Expenditures	309,039	4,147,872	954,493	11,857,952	1	70,923	17,340,280
OTHER FINANCING SOURCES (USES)							
Transfers in	110,006	864,792	-	-	-	-	974,798
Transfers out	-	(904,558)	(240)	-	-	(70,000)	(974,798)
Total Other Financing Sources (Uses)	110,006	(39,766)	(240)	-	-	(70,000)	-
Net Change in Fund Balances	419,045	4,108,106	954,253	11,857,952	1	923	17,340,280
Fund Balances, Beginning of Year	2,433,169	3,006,961	228,542	2,326,548	217	82,518	8,077,955
Prior period adjustment	94,000	-	553,851	-	-	-	647,851
Fund Balances, End of Year	\$ 2,946,214	\$ 7,115,067	\$ 1,736,646	\$ 14,184,500	\$ 218	\$ 83,441	\$ 26,066,086

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities:

Net change in Fund Balances - Governmental Funds	\$ 17,340,280
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$41,972) exceeded depreciation (\$9,593) in the current period.	32,379
Compensated absences are measured by the amounts paid during the period in governmental funds. In the Statement of Activities, compensated absences are measured by the amounts earned. This is the difference between compensated absences paid and those earned in the current period.	(23,590)
Certain pension expenses in the Statement of Activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.	(225,275)
Change in Net Position - Governmental Activities	\$ 17,123,794

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

**STANISLAUS COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Trust Funds</u>	<u>Agency Funds</u>	
	Proposition 1B (PTMISEA)	Abandoned Vehicle Abatement (AVA)	State Route 132 East Private Sector
ASSETS			
Cash and cash equivalents	\$ 229,481	\$ 9,563	\$ 254
Interest receivable	-	70	-
Due from other governments	-	125,060	-
Total Assets	<u>\$ 229,481</u>	<u>\$ 134,693</u>	<u>\$ 254</u>
LIABILITIES			
Accounts payable	\$ 69,199	\$ -	\$ -
Due to other governments	160,282	134,693	254
Total Liabilities	<u>229,481</u>	<u>\$ 134,693</u>	<u>\$ 254</u>
Net position: Held in trust	<u>\$ -</u>		

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

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

	Trust Funds Proposition 1B (PTMISEA)
Additions	
Interest revenue	\$ 1,387
Total additions	1,387
Deductions	
PTMISEA allocations to other governments	1,387
Total deductions	1,387
Change in net position	-
Net position, beginning of year	-
Net position, end of year	\$ -

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

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Stanislaus Council of Governments' (the Council) policies are described below.

Reporting Entity: The Council, designated as the regional transportation planning agency and the metropolitan planning organization of Stanislaus County (formerly a department of the County of Stanislaus), became independent from Stanislaus County (the County) and officially changed its name from Stanislaus Area Association of Governments during the year ended June 30, 2006. The Council was created pursuant to Title 3 of California Government Code Section 29532, and is responsible for transportation planning activities as well as the administration of the Local Transportation Fund and the State Transit Assistance Fund in accordance with the applicable sections of the Government Code, Public Utilities Code, and Administration Code included within the Transportation Development Act. The Council is the Local Transportation Authority (LTA) pursuant to Section I, Division 19 (commencing with Section 180000) of the Public Utilities Code as designated by the Stanislaus County Board of Supervisors. The Council also administers the Abandoned Vehicle Abatement (AVA) program and provides technical assistance to the local agencies and member jurisdictions as needed.

In evaluating how to define the Council for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Council and/or its member agencies. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Council is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units of the Council.

Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e., the Statement of Net position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are the only activities conducted by the Council. The Council conducts no *business-type activities*.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Council has no proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Council considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. 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*.

Those revenues susceptible to accrual include sales taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Council may fund certain programs and projects with a combination of cost reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program and project expenditures.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

Certain indirect costs are included in program and project expenses reported for individual functions and activities.

Major Funds: GASB Statement No. 34 defines major funds and requires that the Council's major governmental funds be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Council may also select other funds it believes should be presented as major funds.

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Funds (continued):

The Council reports the following major governmental funds:

The **General Fund** is the Council's primary operating fund. It accounts for all financial resources of the Council, except those required to be accounted for in another fund.

The **Local Transportation Fund (LTF)** is used to account for retail sales tax (collected statewide under the Transportation Development Act) that is returned to the County. The revenues are distributed to eligible claimants to provide transit services, pedestrian/bicycle facilities, and street and roads funding. Council management and staff administrative and planning functions related to the LTF.

The **State Transit Assistance (STA) Fund** is used to account for statewide sales tax on motor vehicle fuel collected under the Transportation Development Act that is allocated to the County. The revenues are distributed to eligible claimants to provide transit operator or contracted transit services. Council management and staff administer the STA program.

The **Measure L Fund** is used to account for a one-half cent countywide sales tax collected under the Transportation Ordinance and Expenditure Plan approved by Stanislaus County voters on November 8, 2016. The revenues are to be used solely for the transportation projects, improvements, and programs described in the Expenditure Plan.

The **State Route 132 East Pilot Project Fund** is used to account for the planning and construction of State Route 132 widening and improvement project.

Additionally, the Council reports with the following fund types:

The **Scenario Planning Grant Special Revenue Fund** is a non-major governmental fund used to account for the Scenario Planning Grant activities.

The **Agency Funds** are used to account for the allocation of state vehicle registration fees from the State of California Fund for AVA. In addition, the State Route 132 Private Sector Fund is for the collection of funds for the enhancement to the roadway; funding is coming from a local business grant. The Council will act as the fiscal agent for the programs and will be responsible for the project accounting.

The **Trust Funds** are used to account for funds received from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) on behalf of transit agencies for approved capital projects.

Allocations: The Council apportions, allocates, and makes payments of LTF and STA funds to various claimants based on their Transit Cost Sharing Procedures, which are approved by the Transportation Development Act.

Cash and cash equivalents: The Council holds its cash in the County Treasury. The County maintains a cash and investment pool. Cash in excess of current requirements is invested in various interest-bearing securities. Interest is apportioned quarterly to the various funds based on the average monthly balances. Information regarding categorization of investments can be found in the County financial statements.

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Purchases of capital assets are capitalized at cost in the government-wide Statement of Net Position at the time of purchase and recorded as expenditures in the General Fund. Capital assets are defined by the Council as assets with an estimated useful life in excess of one year and initial individual cost of \$5,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, from five to ten years. Depreciation recognized on capital assets acquired is transferred to net position, net investment in capital assets, after being charged to operations.

Net Position: Net position represents the residual interest in the Council's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- Net investment in capital assets – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- Unrestricted – Amount consists of all net position that does not meet the definition “net investment in capital assets” or “restricted” net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

Fund Balance: In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Council is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by formal action of the Council's highest level of decision-making authority (the Policy Board) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be Policy Board resolution.
- *Assigned fund balance* - amounts that are constrained by the Council's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. Assigned funds cannot cause a deficit in unassigned fund balance.
- *Unassigned fund balance* - the residual classification for the Council's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued):

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, followed by the unrestricted committed, assigned, and unassigned resources as they are needed.

The Council has not adopted, and does not maintain, a minimum fund balance policy.

Overhead: Administrative and office overhead is allocated to each project on the basis of its approved indirect cost rate. Professional and specialized services are charged directly to the applicable project.

Compensated Absences: Compensated absences are made up of accrued vacation payable and vested accrued sick leave payable as determined by office policy established by the Board of Directors. Council policy states that all vacation pay earned vests and that one-fourth of sick leave hours in excess of forty hours vests and is compensable.

Risk Management Liability: The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council is insured with commercial carriers. The Council schedule of insurance coverage is included on page 50.

Use of Management Estimates: The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Standards: During the year ending June 30, 2018, the Council implemented the following GASB standards:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The requirements of this statement are effective for reporting periods beginning after December 15, 2016.

GASB Statement No. 85 – *Omnibus 2017*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

Recently released standards by GASB affecting future fiscal years are as follows:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards (continued):

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events required disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 8, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and equivalents are reported in the accompanying financial statements as follows:

Government-Wide Statement of Net Position:	
Cash and equivalents	\$22,827,526
Fiduciary Funds:	
Cash and cash equivalents	<u>239,298</u>
Total cash and cash equivalents	<u>\$ 23,066,824</u>

Cash and cash equivalents as of June 30, 2018, consist of the following:

Cash in banks	\$16,820,327
Cash and cash equivalents in County Pool	<u>6,246,497</u>
Total cash and cash equivalents	<u>\$ 23,066,824</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized by the California Government Code or the Council’s investment policy (where more restrictive):

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	20%
Commercial Paper	180 days	15%	N/A
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	90 days	None	None
State of California Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	5%
Mutual Funds	N/A	15%	5%
Bank Certificates of Deposit	5 years	None	5%
Local Agency Investment Fund (LAIF)	N/A	\$ 50,000,000	None

* Excludes amounts held by bond trustees that are not subject to California Government Code Restrictions.

Investment in Stanislaus County Treasurer’s Pool

The Council maintains its cash balances in the County Treasury Investment Pool. The pool is non-Securities Exchange Commission (SEC) registered, but is invested in accordance with California State Government Code and the County Treasurer’s Investment Policy. California State Government Code requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirement. To this end, the County oversight committee reviews the monthly investment report prior to presentation to the County Board of Supervisors and causes an audit of investments to occur annually.

The fair value of the Council’s shares in the County Treasurer’s Pool is the same as the value of the pool shares. The Council had a total of \$6,246,497 invested in the Stanislaus County Treasurer’s Pool at June 30, 2018.

Interest Rate Risk

This is the risk of loss due to the fair value of an investment falling because of rising interest rates. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The County Treasurer’s Pool policy for interest rate risk allows investments to be sold prior to maturity at a loss if such sale will allow investment in a higher yield vehicle and any loss upon sale can be more than compensated by additional interest earning within a six-month period. Of the County’s \$1.40 billion portfolio, over 39% of the investments have a maturity of 1 year or less. No investment has a maturity greater than 5 years.

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County Treasurer’s Pool is permitted to hold investments of issuers with a short-term rating of “A-1” and a minimum long-term rating of “A” by two of the top nationally recognized statistical rating organizations (rating agencies).

Custodial Credit Risk - Deposits and Investments

Custodial credit 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. The custodial credit risk of *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Council deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At year-end, the Council had no custodial credit risk exposure to any depository financial institution.

Fair Value Measurements

The Council categorizes its fair value measurements within the framework established by GASB Statement No. 72, *Fair Value Measurement and Application*. That framework provides a three-tiered fair value hierarchy as follows:

- Level 1 – reflect unadjusted quoted prices in active markets for identical assets.
- Level 2 – reflect inputs that are based on a similar observable asset either directly or indirectly.
- Level 3 – reflect unobservable inputs.

The Council has no recurring fair value measurements as of June 30, 2018.

	Total
Investment Measured At Amortized Cost	
Stanislaus County Investment Pool	\$ 6,246,497
Total Pooled Investments	\$ 6,246,497

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

Treasury Pool Income and Participant Withdrawals

Treasury Pool investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and the statement of net position and recognize the corresponding change in value of investments in the year in which the change occurred. The value of the participant's shares in the Treasury Pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the participant's position in the Treasury Pool. The fair value fluctuates with interest rates, and increasing rates could cause the value to decline below original cost; however, Stanislaus County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude Stanislaus County from having to sell investments below original cost for that purpose.

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 75,704	\$ 41,972	\$ (20,790)	\$ 96,886
Accumulated Depreciation	<u>(70,494)</u>	<u>(9,593)</u>	<u>20,790</u>	<u>(59,297)</u>
Total capital assets being depreciated, net	<u>\$ 5,210</u>	<u>\$ 32,379</u>	<u>\$ -</u>	<u>\$ 37,589</u>

Depreciation expense for the year ended June 30, 2018, was \$9,593.

NOTE 4 – OPERATING LEASES

The Council is committed under various operating leases for building and office space and business and data processing equipment. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the Council's account group.

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 4 – OPERATING LEASES (continued)

Aggregate rental expense for all operating leases was \$89,308 for all fund types for the year ended June 30, 2018. The following is a schedule by year of the future minimum rental payments required under the operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2018.

Year Ending June 30,	Amount
2019	\$ 94,980
2020	94,980
2021	94,980
2022	7,915
Total	\$ 292,855

NOTE 5 – UNEARNED REVENUE

The Council has unearned revenue of \$41,412 related to the General Fund (Expenditure Plan set-aside and State Route 132 West Local Match) and \$1,847 related to the State Route 132 East Pilot Project Fund (Statewide Transportation Improvement Project (STIP) construction).

NOTE 6 – COMPENSATED ABSENCES

Employees of the Council can accrue hours toward personal leave according to its personnel policies. Subject to the limitations, as described in its personnel policies, accumulated personal leave is carried over to subsequent periods if not used within the fiscal year. Accrued personal leave is carried on the books of the Council based upon the prevailing authorized rate of pay.

At June 30, 2018, the amount of liability for personal leave was:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 94,000	\$ 57,882	\$(34,292)	\$ 117,590	\$ 59,854
Total	\$ 94,000	\$ 57,882	\$(34,292)	\$ 117,590	\$ 59,854

NOTE 7 – DEFERRED COMPENSATION PLAN

The Council’s employees participate in the Council’s deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Council employees and administered by the International City Management Association, permits participants to defer a portion of their salary until future years.

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 7 – DEFERRED COMPENSATION PLAN (continued)

The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under these plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. These assets are not included on the financial statements of the Council and are not subject to the claims of the Council's general creditors.

Normal contribution limits for the year ended June 30, 2018, are the smaller of \$18,500 or 100% of gross compensation. Full-time employee investments are managed by the plan's trustee under one of eighteen investment options or a combination thereof. The choice of the investment option(s) is made by the participants.

NOTE 8 – PENSIONS

Plan Description: The Council is a participant in the Stanislaus County Employees Retirement Association (StanCERA), a retirement system organized under the 1937 Retirement Act. StanCERA is a cost-sharing multiple employer Public Employee Retirement System (PERS). StanCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits. Health and welfare insurance for retirees and their dependents is available however administered independently of StanCERA. The plan is administered by StanCERA. An actuarial valuation is performed for the system annually as a whole and the contribution rate is determined for each participating entity. The participating entities are the County, City of Ceres, and six special districts located in the County not governed by the County's Board of Supervisors. StanCERA issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for StanCERA. The CAFR may be obtained by writing to Stanislaus County Employees Retirement Association, P.O. Box 3150, Modesto, CA 95353-3150 or by calling (209) 525-6393.

The StanCERA CAFR is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. All other securities are valued at the last reported market price at current exchange rates.

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 8 – PENSIONS (continued)

Plan Description (continued):

Summary of Plans and Eligible Participants

General Tiers 1,2,4,5 (not open to new members)	Vests after five years of credited service and may retire at age 50 or older with 10 or more years of membership with StanCERA or any age with 30 or more years of credited service.
General Tier 3 (not open to new members)	Vests after ten years of credited service and may retire at age 55 with 10 or more years of credited service.
General Tier 6 (open to new members)	Vests after five years of credited service and may retire at age 52 with 5 years of service credit or age 70 regardless of service credit.
Safety Tiers 1, 2, 4, 5 (not open to new members)	Vests after five years of credited service and may retire at age 50 or older with 10 or more years of membership with StanCERA or any age with 20 or more years of credited service.
Safety Tier 6 (open to new members)	Vests after five years of credited service and may retire at age 50 with 5 years of service credit or age 70 regardless of service credit.

Benefits Provided: Members terminating employment before accruing ten years for Tier 3 of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested members who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Members who terminate after earning five or ten years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Difference between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

For members with Tier 1, Tier 4, or Tier 5 benefits, final average salary is the average monthly salary based on the highest twelve consecutive months of earnings. For members with Tier 2, Tier 3, or Tier 6 benefits, final average salary is the average monthly salary based on the highest thirty-six consecutive months of earnings.

The retirement benefit for Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 members includes a postretirement cost-of-living adjustment (COLA) based upon the Consumer Price Index. COL increases/decreases are limited to a maximum of 3% annually. Total COL decrease(s) cannot exceed the cumulative amount of previous COLA increase(s). Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 provide death and disability benefits.

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 8 – PENSIONS (continued)

Benefits Provided (continued):

Those members participating in Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 are required by statute to contribute to the pension plan. Members’ contribution rates for Tier 1, Tier 2, Tier 4, and Tier 5 are formulated on the basis of the age at date of entry and the actuarially calculated future benefits. Members’ contribution rate for Tier 6 is a flat rate based on the actuarially calculated future benefit. The Council is required by statute to contribute the remaining amounts necessary to finance the estimated benefits accrued to its members. Member and employer contribution rates for each plan are as follows:

Plan	Employer Contribution Rates	Employee Contribution Rates
General Tier 1	26.01%	4.83-7.29%
General Tier 2	20.08%	6.29-10.48%
General Tier 3	14.07%	Non-contributory
General Tier 4	24.59%	4.71-7.09%
General Tier 5	22.97%	7.60-11.70%
General Tier 6	20.10%	7.28%
Safety Tier 2	30.62%	10.32-16.36%
Safety Tier 4	43.31%	7.87-11.36%
Safety Tier 5	31.36%	11.71-17.12%
Safety Tier 6	25.43%	11.83%

The Council’s contributions to StanCERA for the fiscal year ended June 30, 2017, was equal to the required contributions. The required contributions for the last three fiscal years are noted in the below chart. The Council does not contribute towards post-employment benefits other than retirement.

Fiscal Year End	Contributions
June 30, 2015	\$ 192,183
June 30, 2016	\$ 210,729
June 30, 2017	\$ 289,623

The County Employees’ Retirement Law of 1937 establishes the basic obligations for employer and member contributions and benefits to and of the retirement system. The actual employer and member contribution rates in effect each year are based on recommendations made by an independent actuary and adopted by the StanCERA Board of Retirement.

StanCERA provides a death benefit of \$5,000 paid to the beneficiary or estate if a member dies after retirement, provided that Stanislaus County was the members’ last public employer.

Ad-hoc benefits are non-vested benefits determined by the Board of Retirement. Approved changes to the excess earnings policy by the Board of Retirement on June 30, 2014, placed restrictions on offering adhoc benefits, specifically that the system must be 100% actuarially funded prior to the Board of Retirement offering any ad-hoc benefits. StanCERA is 75.0% actuarially funded as of June 30, 2017.

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 8 – PENSIONS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the Council reported a liability of \$2,194,118 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2016, updated to June 30, 2017. 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 Pension Plan participants, actuarially determined. At June 30, 2017, the Council's proportion was 0.3298%, compared to 0.3621% at June 30, 2016, a decrease of 0.0323%.

For the year ended June 30, 2018, the Council recognized a pension expense of \$639,365. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions, or method and plan benefits. At June 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred outflows of resources - change in proportionate share	\$ 15,687	\$ -
Deferred outflows of resources - difference between expected and actual experience	78,825	-
Deferred outflows of resources - change in assumptions	533,786	-
Council contributions subsequent to the measurement date	272,498	-
Deferred inflows of resources - change in proportionate share	-	161,062
Deferred inflows of resources - change in actual vs. proportionate contributions	-	24,690
Deferred inflows of resources - difference between projected and actual earnings	-	18,544
Deferred inflows of resources - difference between expected and actual experience	-	12,713
	<u>\$ 900,796</u>	<u>\$ 217,009</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The Council contributions of \$272,498 made subsequent to the measurement date are reported as deferred outflows of resources for fiscal year ending June 30, 2018, and will be recognized as reduction of the net pension liability in the fiscal year ending June 30, 2019.

STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

NOTE 8 – PENSIONS (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 116,519
2020	206,067
2021	181,393
2022	(92,690)
Total	\$ 411,289

Actuarial Assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

Inflation	3.00%
Amortization growth rate	3.25%
Salary increases	3.25% plus merit component
COLA increases	2.70% for those eligible
Investment rate of return expense	7.25%, net of investment
Post-retirement mortality	Sex distinct RP-2000 Combined Mortality, projected to 2020 using scale AA

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equities		
U.S. Large Cap	5.90%	12.00%
U.S. Small Cap	5.20%	3.00%
International Equities		
International Developed	9.20%	16.00%
Emerging Market Equity	11.30%	4.00%
U.S. Fixed Income		
Core Fixed Income	3.20%	0.00%
U.S. Treasury	2.30%	3.00%
Short-term Gov/Credit	2.50%	18.00%
Real Estate		
Core	4.70%	5.00%
Value-add	6.70%	5.00%
Risk Parity	7.00%	14.00%
Private Equity	8.20%	5.00%
Private Credit	9.10%	14.00%
Infrastructure	4.70%	0.00%
Cash	2.00%	1.00%

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 8 – PENSIONS (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

1% Decrease 6.25%	Discount Rate 7.25%	1% Decrease 8.25%
\$ 3,971,295	\$ 2,194,118	\$ 1,610,153

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued StanCERA CAFR.

NOTE 9 – PROPOSITION 1B (PTMISEA) FUNDING

The Council receives Proposition 1B (PTMISEA) funding on behalf of transit agencies for approved capital projects. During the fiscal year ended June 30, 2018, the Council received \$0 of Proposition 1B funds and distributed \$0 for bus shelter, bus stop, bus maintenance facility, and intermodal transfer facility improvements. These funds are held in an interest-bearing account and have earned interest in the amount of \$1,387 for the year ended June 30, 2018. The total funds being held at June 30, 2018, in the amount of \$229,481, have been recorded in the Council’s trust funds.

Schedule of PTMISEA Proposition 1B Funds For the Year Ended June 30, 2018	
Description	Amount
Balance - beginning of the year	\$ 228,094
PTMISEA revenues:	
Interest earned	1,387
Expenses:	
PTMISEA related expenses	-
Balance - end of year	\$ 229,481

NOTE 10 – CONTINGENT LIABILITIES

Grants have been received by the Council for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement for costs disallowed under the terms of the grants. The amount, if any, of costs that may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 11 – FUND BALANCE

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detail schedule of fund balances at June 30, 2018, is as follows:

	<u>General Fund</u>	<u>Special Revenues Funds</u>			<u>Planning Grant Fund</u>	<u>Capital Project Fund</u>
		<u>Local Transportation Fund</u>	<u>Transit Assistance Fund</u>	<u>Measure L Fund</u>		<u>132 East Pilot Project Fund</u>
Nonspendable						
Prepays	\$ 27,423	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Fund Balance						
Deposits with Others	7,092	-	-	-	-	-
Undistributed	-	5,746,635	1,736,646	14,184,500	-	-
Transit Marketing	-	262,117	-	-	-	-
Riverbank Oakdale						
Transit Authority (ROTA)	-	20,910	-	-	-	-
City of Ceres	-	114,049	-	-	-	-
City of Hughson	-	11,427	-	-	-	-
City of Modesto	-	469,961	-	-	-	-
City of Newman	-	16,256	-	-	-	-
City of Oakdale	-	85,109	-	-	-	-
City of Patterson	-	34,871	-	-	-	-
City of Riverbank	-	39,006	-	-	-	-
Stanislaus County	-	155,583	-	-	-	-
City of Turlock	-	142,618	-	-	-	-
City of Waterford	-	16,149	-	-	-	-
Consolidated						
Transportation Services						
Agency (Paratransit)	-	376	-	-	-	-
Total Restricted	<u>7,092</u>	<u>7,115,067</u>	<u>1,736,646</u>	<u>14,184,500</u>	<u>-</u>	<u>-</u>
Assigned Fund Balance						
Encumbrances	696,151	-	-	-	-	-
Planning	-	-	-	-	-	83,441
Construction Interest	-	-	-	-	218	-
Total Assigned	<u>696,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218</u>	<u>83,441</u>
Unassigned Fund Balance	<u>2,215,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 2,946,214</u>	<u>\$ 7,115,067</u>	<u>\$ 1,736,646</u>	<u>\$ 14,184,500</u>	<u>\$ 218</u>	<u>\$ 83,441</u>

NOTE 12 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2018, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Purpose</u>
General Fund	\$ 110,006	\$ -	To allocate LTF costs across the various funds
State Transit Assistance Fund	-	240	Allocate STA funds
State Route 132 East Pilot Project	-	70,000	Transfer of revenue to State Route 132 West
Local Transportation Fund - Undistributed	-	904,558	To allocate LTF costs across the various funds
Local Transportation Fund - Ceres	6,572	-	To allocate LTF costs across the various funds
Local Transportation Fund - Hughson	351	-	To allocate LTF costs across the various funds
Local Transportation Fund - Modesto	842,486	-	To allocate LTF costs across the various funds
Local Transportation Fund - Newman	523	-	To allocate LTF costs across the various funds
Local Transportation Fund - Oakdale	1,058	-	To allocate LTF costs across the various funds
Local Transportation Fund - Patterson	1,025	-	To allocate LTF costs across the various funds
Local Transportation Fund - Riverbank	1,141	-	To allocate LTF costs across the various funds
Local Transportation Fund - Stanislaus County	7,761	-	To allocate LTF costs across the various funds
Local Transportation Fund - Turlock	3,453	-	To allocate LTF costs across the various funds
Local Transportation Fund - Waterford	422	-	To allocate LTF costs across the various funds
	<u>\$ 974,798</u>	<u>\$ 974,798</u>	

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 13 – EXCESS APPROPRIATIONS

As of June 30, 2018, the following expenditure line items exceeded appropriations by the following amounts:

General Fund:	
Publications and legal notices	\$ 7,081
Local Transportation Fund:	
Transportation	356,897
Regional transport projects	560,332
Streets and roads	67,119
State Transit Assistance Fund:	
Transportation	553,610

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Governmental Activities:	
Net position at July 1, 2017, as previously stated	\$ 6,798,109
Understatement of revenue	<u>553,851</u>
Net position at July 1, 2017, as restated	<u><u>\$ 7,351,960</u></u>
General Fund:	
Net fund balance at July 1, 2017, as previously stated	\$ 2,433,169
Compensated absences	<u>94,000</u>
Net position at July 1, 2017, as restated	<u><u>\$ 2,527,169</u></u>
State Transit Assistance Fund:	
Net fund balance at July 1, 2017, as previously stated	\$ 228,542
Understatement of revenue	<u>553,851</u>
Net position at July 1, 2017, as restated	<u><u>\$ 782,393</u></u>

STANISLAUS COUNCIL OF GOVERNMENTS

REQUIRED SUPPLEMENTARY INFORMATION

STANISLAUS COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND (BY OBJECT)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 1,396,914	\$ 1,396,914	\$ 1,250,374	\$ (146,540)
Intergovernmental	7,554,029	7,554,029	2,403,833	(5,150,196)
Investment earnings	2,500	2,500	1,265	(1,235)
Miscellaneous	84,200	84,200	36,460	(47,740)
Total Revenues	<u>9,037,643</u>	<u>9,037,643</u>	<u>3,691,932</u>	<u>(5,345,711)</u>
EXPENDITURES				
Salaries and Benefits				
Salaries	<u>2,183,583</u>	<u>2,183,583</u>	<u>1,414,896</u>	<u>768,687</u>
Total salaries and benefits	<u>2,183,583</u>	<u>2,183,583</u>	<u>1,414,896</u>	<u>768,687</u>
Services and supplies:				
Administrative services	15,900	15,650	8,038	7,612
Auditing & accounting	53,000	53,000	37,426	15,574
Communications	25,500	25,500	14,632	10,868
Conferences, seminars, and travel	162,563	162,563	145,527	17,036
Data processing	28,800	28,800	25,983	2,817
Equipment maintenance	1,800	1,800	730	1,070
Equipment purchases	37,800	63,072	47,791	15,281
Equipment rents and leases	18,600	18,600	14,155	4,445
Furnishings	17,000	38,000	4,751	33,249
Insurance	23,100	23,100	18,269	4,831
Memberships	25,000	25,000	17,471	7,529
Office expense	28,800	28,800	20,541	8,259
Postage/mailing services	1,150	1,150	892	258
Printing	26,000	26,000	5,065	20,935
Publications and legal notices	8,500	8,500	15,581	(7,081)
Software	45,130	63,130	29,988	33,142
Structures and grounds maintenance	2,020	2,020	1,110	910
Structures and grounds leases	125,579	125,579	122,566	3,013
Utilities	8,500	8,500	7,525	975
Appropriation for contingencies	50,000	50,000	-	50,000
Exigencies	15,000	15,000	485	14,515
Total services and supplies	<u>719,742</u>	<u>783,764</u>	<u>538,526</u>	<u>245,238</u>
Professional and special services	<u>5,844,422</u>	<u>6,000,093</u>	<u>1,429,471</u>	<u>4,570,622</u>
Total expenditures	<u>8,747,747</u>	<u>8,967,440</u>	<u>3,382,893</u>	<u>5,584,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 289,896</u>	<u>\$ 70,203</u>	<u>309,039</u>	<u>\$ 238,836</u>
Other financing sources				
Transfers in			<u>110,006</u>	
Total other financing sources			<u>110,006</u>	
Net Change in Fund Balance			<u>419,045</u>	
Fund Balance, Beginning of Year			2,433,169	
Prior Period Adjustment			<u>94,000</u>	
Fund Balance, End of Year			<u>\$2,946,214</u>	

STANISLAUS COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 2,693,866	\$ 2,693,866	\$ 23,224,898	\$ 20,531,032
Investment earnings	-	-	35,042	35,042
Total Revenues	<u>2,693,866</u>	<u>2,693,866</u>	<u>23,259,940</u>	<u>20,566,074</u>
EXPENDITURES				
Non motorized	401,280	401,280	272,866	128,414
Transportation	17,754,854	17,804,854	18,161,751	(356,897)
Regional transit projects	50,000	50,000	610,332	(560,332)
Streets and roads	-	-	67,119	(67,119)
Total expenditures	<u>18,206,134</u>	<u>18,256,134</u>	<u>19,112,068</u>	<u>(855,934)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (15,512,268)</u>	<u>\$ (15,562,268)</u>	<u>4,147,872</u>	<u>\$ 19,710,140</u>
Other financing sources (uses)				
Transfers in			864,792	
Transfers out			<u>(904,558)</u>	
Total other financing sources (uses)			<u>(39,766)</u>	
Net Change in Fund Balance			4,108,106	
Fund Balance, Beginning of Year			<u>3,006,961</u>	
Fund Balance, End of Year			<u>\$ 7,115,067</u>	

**STANISLAUS COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 2,170,837	\$2,170,837	\$ 3,678,292	\$ 1,507,455
Investment earnings	-	-	648	648
Total Revenues	<u>2,170,837</u>	<u>2,170,837</u>	<u>3,678,940</u>	<u>1,508,103</u>
EXPENDITURES				
Transportation	<u>2,170,837</u>	<u>2,170,837</u>	<u>2,724,447</u>	<u>(553,610)</u>
Total expenditures	<u>2,170,837</u>	<u>2,170,837</u>	<u>2,724,447</u>	<u>(553,610)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>954,493</u>	<u>954,493</u>
Other financing sources (uses)				
Transfers out			<u>(240)</u>	
Total other financing sources (uses)			<u>(240)</u>	
Net Change in Fund Balance			954,253	
Fund Balance, Beginning of Year			228,542	
Prior Period Adjustment			<u>553,851</u>	
Fund Balance, End of Year			<u>\$ 1,736,646</u>	

**STANISLAUS COUNCIL OF GOVERNMENTS
SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS***

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Council's proportion of the net pension liability (asset)	0.3298%	0.3621%	0.3678%	0.3973%	0.3767%
Council's proportionate share of the net pension liability (asset)	\$ 2,194,118	\$ 2,669,757	\$ 1,085,583	\$ 925,977	\$ 1,434,295
Council's covered-employee payroll	\$ 934,092	\$ 889,866	\$ 956,812	\$ 881,462	\$ 819,289
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	234.89%	300.02%	113.46%	105.05%	175.07%
Plan fiduciary net position as a percentage of the total pension liability (asset)	75.00%	70.60%	86.10%	88.49%	80.23%

Data to be reported for the last 10 years. Additional years will be presented as data becomes available.

*The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

**STANISLAUS COUNCIL OF GOVERNMENTS
SCHEDULE OF THE COUNCIL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS***

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution	\$ 44,112	\$ 210,729	\$ 192,183	\$ 185,793
Actual contributions	<u>44,112</u>	<u>210,729</u>	<u>192,183</u>	<u>174,986</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,807</u>
Council's covered-employee payroll	\$ 934,092	\$ 889,866	\$ 956,812	\$ 881,462
Actual contributions as a percentage of County's covered-employee payroll	4.72%	23.68%	20.09%	19.85%

* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 – BUDGETARY DATA

The Stanislaus Council of Governments (the Council) follows these procedures in establishing the budgetary data reflected in the financial statements:

The Council's Management diligently completes a comprehensive review of the required work to comply with state and federal mandates approximately six months prior to the start of the fiscal year. At that time, Management assesses the staffing needed to perform the required work, reviews plans for projects and studies, and ultimately budgets revenues and expenses to efficiently and effectively use grant funds.

At the beginning of the calendar year, the Council conducts its annual Overall Work Program (OWP) meeting with the Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and the California Department of Transportation (Caltrans). During the meeting, Caltrans, FHWA, and FTA provide comments on the requirements for the next fiscal year which are incorporated into the development of the Draft Fiscal Year OWP and Budget.

The Draft Fiscal Year OWP and Budget is reviewed with the Council's Advisory Committees (Executive Committee and Management and Finance Committee) for their feedback. The Draft Fiscal Year Budget OWP and Budget is submitted to FHWA, FTA, and Caltrans for their review and comments. It is presented to the Council's Policy Board in April/May for its adoption.

The budget of the Council represents a financial plan to undertake the work program of the Council and includes proposed expenditures and the means of financing them.

All transfers, modifications, and supplemental appropriations to the budget must be approved by the Council through resolution. The Budgetary Comparison Schedule reflects these revisions. Actual expenditures may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level.

Appropriations lapse at the close of the year to the extent that they have not been expended or encumbered.

The Council prepares its budget on a basis of accounting in accordance with accounting principles generally accepted in the United States of America.

OTHER SUPPLEMENTARY INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Federal Highway Works Administration				
Passed through the California Department of Transportation				
Highway Planning and Construction Cluster:				
Federal Transit Administration	20.205	CA-81-X-002	\$ -	\$ 225,242
Highway Planning and Construction - OWP	20.205	CA-81-X-002	-	1,437,011
State and Non-Metropolitan Planning and Research	20.205	CA-81-X-002	-	107,169
Federal Demonstration - High Priority Congestion Mitigation and Air Quality Improvement Program	20.205	HPLUL-6089(042)	-	67,054
Congestion Mitigation and Air Quality Improvement Program	20.205	CML-6089(068)	-	88,526
Regional Surface Transportation Program	20.205	STPL-6089(072)	-	60,000
Total Federal Highway Works Administration - Highway Planning and Construction Cluster			-	2,069,110
Federal Transit Administration				
Passed through the California Department of Transportation				
Transit Services Programs Cluster:				
FTA 5316 - Job Access Reverse Commute	20.516	CA-37-X168	104,842	126,291
FTA 5316 - New Freedom Program	20.521	CA-57-082-01	23,631	23,631
Total Federal Transit Administration - Transit Services Programs Cluster			128,473	149,922
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 128,473	\$ 2,219,032

**STANISLAUS COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Stanislaus Council of Governments (the Council) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Council’s basic financial statements.

NOTE 2 – SCHEDULE OF THE TOTAL FEDERAL AWARDS PROVIDED TO SUB-RECIPIENTS FROM EACH FEDERAL PROGRAM

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the Council provided federal awards to sub-recipients as follows for the fiscal year ended June 30, 2018:

Program Title	CFDA Number	Name of Sub-recipient	Amount Provided to Sub- recipient
FTA 5316 - Job Access Reverse Commute Program	20.516	Paratransit, Inc.	\$ 40,910
FTA 5316 - Job Access Reverse Commute Program	20.516	MOVE	63,932
FTA 5317 - New Freedom Program	20.521	Paratransit, Inc.	23,631
Total Federal awards provided to sub-recipients			<u>\$ 128,473</u>

NOTE 3 – INDIRECT COST RATE

The Council has elected not to use the 10 percent de minimus cost rate allowed under the Uniform Guidance.

**STANISLAUS COUNCIL OF GOVERNMENTS
GENERAL FUND – SCHEDULE OF EXPENDITURES –
ALLOCATION OF DIRECT AND INDIRECT COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Actual Direct</u>	<u>Actual Indirect</u>	<u>Actual Unallowed Costs</u>	<u>Total Actual</u>
Expenditures:				
Salaries and benefits				
Salaries	\$ 616,225	\$ 228,850	\$ 55,741	\$ 900,816
Fringe benefits	<u>351,248</u>	<u>131,060</u>	<u>31,772</u>	<u>514,080</u>
Total salaries and benefits	<u>967,473</u>	<u>359,910</u>	<u>87,513</u>	<u>1,414,896</u>
Service and supplies				
Administrative services	-	8,038	-	8,038
Auditing & Accounting	-	37,426	-	37,426
Communications	-	14,632	-	14,632
Conferences, seminars, and travel	25,468	3,889	116,170	145,527
Data processing	-	25,983	-	25,983
Equipment maintenance	-	730	-	730
Equipment purchases	18,939	28,852	-	47,791
Equipment rents and leases	14,155	-	-	14,155
Furnishings	-	4,751	-	4,751
Insurance	-	18,269	-	18,269
Memberships	-	-	17,471	17,471
Office expense	8,021	12,520	-	20,541
Postage/mail services	-	892	-	892
Printing	3,904	598	563	5,065
Publication and legal notices	15,581	-	-	15,581
Software	12,354	17,634	-	29,988
Structures and grounds maintenance	-	-	1,110	1,110
Structures and grounds leases	121,816	-	750	122,566
Utilities	-	7,525	-	7,525
Exigencies	<u>-</u>	<u>-</u>	<u>485</u>	<u>485</u>
Total service and supplies	<u>220,238</u>	<u>181,739</u>	<u>136,549</u>	<u>538,526</u>
Other expenditures				
Professional and special services	<u>1,205,075</u>	<u>135,125</u>	<u>89,271</u>	<u>1,429,471</u>
Total other expenditures	<u>1,205,075</u>	<u>135,125</u>	<u>89,271</u>	<u>1,429,471</u>
Total expenditures	<u>\$ 2,392,786</u>	<u>676,774</u>	<u>\$ 313,333</u>	<u>\$ 3,382,893</u>
Cost adjustments				
Capital outlay (from above)		(41,972)		
Depreciation		<u>9,593</u>		
Total cost adjustments		<u>(32,379)</u>		
Total adjusted recoverable indirect expenditures		<u>\$ 644,395</u>		

**STANISLAUS COUNCIL OF GOVERNMENTS
GENERAL FUND – DEPARTMENT OF TRANSPORTATION – CALTRANS
INDIRECT COSTS CARRY FORWARD COMPUTATION
FOR THE YEAR ENDED JUNE 30, 2018**

Budgeted Amounts:	
Budgeted indirect expense	\$ 1,144,439
Carry forward of indirect costs not reimbursed (FY 2015/16)	<u>150,133</u>
Adjusted indirect expense	<u>1,294,572</u>
Budgeted - direct salaries plus fringe benefits	<u>1,558,368</u>
Caltrans approved indirect cost rate	<u>83.07%</u>
Actual Costs:	
Actual indirect expense	644,395
Carry forward of indirect costs not reimbursed (FY 2016/17)	<u>33,983</u>
Actual indirect expense (plus carry forward)	<u>678,378</u>
Actual direct salaries plus fringe benefits	<u>967,473</u>
Carry forward computation:	
Actual recovered: approved rate x actual direct salaries (including fringe benefits)	
83.07% x 967,473	
Should have recovered actual indirect expense (plus carry forward)	<u>803,680</u>
(Over) under recovery - carry forward	<u><u>\$ (125,302)</u></u>

**STANISLAUS COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
LOCAL TRANSPORTATION FUND
JUNE 30, 2018**

	<u>Undistributed</u>	<u>Transit Marketing</u>	<u>ROTA</u>	<u>Ceres</u>	<u>Hughson</u>
ASSETS					
Cash in treasury	\$ 3,573,412	\$ 261,320	\$ 20,856	\$ 113,750	\$ 11,397
Interest receivable	2,882	797	54	299	30
Due from other governments	2,181,079	-	-	-	-
Due from other funds	860	-	-	-	-
Total assets	<u>\$ 5,758,233</u>	<u>\$ 262,117</u>	<u>\$ 20,910</u>	<u>\$ 114,049</u>	<u>\$ 11,427</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 11,598	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>11,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Restricted					
Unallocated apportionment	<u>5,746,635</u>	<u>262,117</u>	<u>20,910</u>	<u>114,049</u>	<u>11,427</u>
Total fund balance	<u>5,746,635</u>	<u>262,117</u>	<u>20,910</u>	<u>114,049</u>	<u>11,427</u>
Total liabilities and fund balance	<u>\$ 5,758,233</u>	<u>\$ 262,117</u>	<u>\$ 20,910</u>	<u>\$ 114,049</u>	<u>\$ 11,427</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET (continued)
LOCAL TRANSPORTATION FUND
JUNE 30, 2018**

	<u>Modesto</u>	<u>Newman</u>	<u>Oakdale</u>	<u>Patterson</u>	<u>Riverbank</u>
ASSETS					
Cash in treasury	\$ 467,871	\$ 16,214	\$ 84,890	\$ 34,782	\$ 38,906
Interest receivable	2,090	42	219	89	100
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 469,961</u>	<u>\$ 16,256</u>	<u>\$ 85,109</u>	<u>\$ 34,871</u>	<u>\$ 39,006</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Restricted					
Unallocated apportionment	<u>469,961</u>	<u>16,256</u>	<u>85,109</u>	<u>34,871</u>	<u>39,006</u>
Total fund balance	<u>469,961</u>	<u>16,256</u>	<u>85,109</u>	<u>34,871</u>	<u>39,006</u>
Total liabilities and fund balance	<u>\$ 469,961</u>	<u>\$ 16,256</u>	<u>\$ 85,109</u>	<u>\$ 34,871</u>	<u>\$ 39,006</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET (continued)
LOCAL TRANSPORTATION FUND
JUNE 30, 2018**

	Stanislaus County	Turlock	Waterford	CTSA Paratransit	Total LTF
ASSETS					
Cash in treasury	\$ 154,749	\$ 142,102	\$ 16,108	\$ -	\$ 4,936,357
Interest receivable	834	516	41	1,236	9,229
Due from other governments	-	-	-	-	2,181,079
Due from other funds	-	-	-	-	860
Total assets	<u>\$ 155,583</u>	<u>\$ 142,618</u>	<u>\$ 16,149</u>	<u>\$ 1,236</u>	<u>\$ 7,127,525</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 11,598
Due to other funds	-	-	-	860	860
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>860</u>	<u>12,458</u>
Fund Balance					
Restricted					
Unallocated apportionment	<u>155,583</u>	<u>142,618</u>	<u>16,149</u>	<u>376</u>	<u>7,115,067</u>
Total fund balance	<u>155,583</u>	<u>142,618</u>	<u>16,149</u>	<u>376</u>	<u>7,115,067</u>
Total liabilities and fund balance	<u>\$ 155,583</u>	<u>\$ 142,618</u>	<u>\$ 16,149</u>	<u>\$ 1,236</u>	<u>\$ 7,127,525</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 LOCAL TRANSPORTATION FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Undistributed</u>	<u>Transit Marketing</u>	<u>ROTA</u>	<u>Ceres</u>	<u>Hughson</u>
REVENUES					
Sales tax	\$ 4,922,957	\$ 50,000	\$ -	\$ 41,506	\$ 5,313
Investment earnings	9,543	2,940	194	958	222
Total revenues	<u>4,932,500</u>	<u>52,940</u>	<u>194</u>	<u>42,464</u>	<u>5,535</u>
EXPENDITURES					
StanCOG	34,930	47,572	-	-	-
ROTA	-	-	-	-	-
Ceres	-	-	-	10,757	-
Hughson	-	-	-	-	-
Modesto	-	-	-	-	-
Newman	-	-	-	-	-
Oakdale	-	-	-	-	-
Patterson	-	-	-	-	-
Riverbank	-	-	-	-	-
Stanislaus County	-	-	-	-	-
Turlock	-	-	-	-	-
Waterford	-	-	-	-	-
CTSA (MOVE)	-	-	-	-	-
Total expenditures	<u>34,930</u>	<u>47,572</u>	<u>-</u>	<u>10,757</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>4,897,570</u>	<u>5,368</u>	<u>194</u>	<u>31,707</u>	<u>5,535</u>
Other financing sources (uses)					
Transfers in	-	-	-	6,572	351
Transfers out	<u>(904,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(904,558)</u>	<u>-</u>	<u>-</u>	<u>6,572</u>	<u>351</u>
Net change in fund balance	3,993,012	5,368	194	38,279	5,886
Fund balance, beginning of year	<u>1,753,623</u>	<u>256,749</u>	<u>20,716</u>	<u>75,770</u>	<u>5,541</u>
Fund balance, end of year	<u>\$ 5,746,635</u>	<u>\$ 262,117</u>	<u>\$ 20,910</u>	<u>\$ 114,049</u>	<u>\$ 11,427</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE (continued)
 LOCAL TRANSPORTATION FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

	Modesto	Newman	Oakdale	Patterson	Riverbank
REVENUES					
Sales tax	\$ 9,979,141	\$ 8,052	\$ 16,599	\$ 16,780	\$ 17,762
Interest	10,580	289	723	850	529
Total revenues	<u>9,989,721</u>	<u>8,341</u>	<u>17,322</u>	<u>17,630</u>	<u>18,291</u>
EXPENDITURES					
StanCOG	-	-	-	-	-
ROTA	-	-	-	-	-
Ceres	-	-	-	-	-
Hughson	-	-	-	-	-
Modesto	10,821,628	-	-	-	-
Newman	-	-	-	-	-
Oakdale	-	-	-	-	-
Patterson	-	-	-	82,683	-
Riverbank	-	-	-	-	-
Stanislaus County	-	-	-	-	-
Turlock	-	-	-	-	-
Waterford	-	-	-	-	-
CTSA (MOVE)	-	-	-	-	-
Total expenditures	<u>10,821,628</u>	<u>-</u>	<u>-</u>	<u>82,683</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(831,907)</u>	<u>8,341</u>	<u>17,322</u>	<u>(65,053)</u>	<u>18,291</u>
Other financing sources (uses)					
Transfers in	842,486	523	1,058	1,025	1,141
Transfers out	-	-	-	-	-
Total other financing sources (uses)	842,486	523	1,058	1,025	1,141
Net change in fund balance	10,579	8,864	18,380	(64,028)	19,432
Fund balance, beginning of year	<u>459,382</u>	<u>7,392</u>	<u>66,729</u>	<u>98,899</u>	<u>19,574</u>
Fund balance, end of year	<u>\$ 469,961</u>	<u>\$ 16,256</u>	<u>\$ 85,109</u>	<u>\$ 34,871</u>	<u>\$ 39,006</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (continued)
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Stanislaus County	Turlock	Waterford	CTSA Paratransit	Total LTF
REVENUES					
Sales tax	\$ 5,915,107	\$ 1,399,345	\$ 6,528	\$ 845,808	\$ 23,224,898
Interest	5,050	2,830	1,513	(1,179)	35,042
Total revenues	<u>5,920,157</u>	<u>1,402,175</u>	<u>8,041</u>	<u>844,629</u>	<u>23,259,940</u>
EXPENDITURES					
StanCOG	-	-	-	-	82,502
ROTA	-	-	-	-	-
Ceres	-	-	-	-	10,757
Hughson	-	-	-	-	-
Modesto	-	-	-	-	10,821,628
Newman	-	-	-	-	-
Oakdale	-	-	-	-	-
Patterson	-	-	-	-	82,683
Riverbank	-	-	-	-	-
Stanislaus County	5,922,866	-	-	-	5,922,866
Turlock	-	1,345,824	-	-	1,345,824
Waterford	-	-	-	-	-
CTSA (MOVE)	-	-	-	845,808	845,808
Total expenditures	<u>5,922,866</u>	<u>1,345,824</u>	<u>-</u>	<u>845,808</u>	<u>19,112,068</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,709)</u>	<u>56,351</u>	<u>8,041</u>	<u>(1,179)</u>	<u>4,147,872</u>
Other financing sources (uses)					
Transfers in	7,761	3,453	422	-	864,792
Transfers out	-	-	-	-	(904,558)
Total other financing sources (uses)	7,761	3,453	422	-	(39,766)
Net change in fund balance	5,052	59,804	8,463	(1,179)	4,108,106
Fund balance, beginning of year	<u>150,531</u>	<u>82,814</u>	<u>7,686</u>	<u>1,555</u>	<u>3,006,961</u>
Fund balance, end of year	<u>\$ 155,583</u>	<u>\$ 142,618</u>	<u>\$ 16,149</u>	<u>\$ 376</u>	<u>\$ 7,115,067</u>

**STANISLAUS COUNCIL OF GOVERNMENTS
OVERALL WORK PROGRAM COSTING SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER
ITEMS BY FUNDING SOURCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget	FHWA PL	FHWA SPR	FTA 5303	FTA 5316	FTA 5317	STBGP
REVENUES:							
FHWA PL	\$ 2,073,801	\$ 1,437,011	\$ -	\$ -	\$ -	\$ -	\$ -
FHWA SPR	113,038	-	107,169	-	-	-	-
FTA 5303	484,371	-	-	225,242	-	-	-
FTA 5316	721,937	-	-	-	126,290	-	-
FTA 5317	29,986	-	-	-	-	23,631	-
STBGP	120,986	-	-	-	-	-	127,054
CMAQ	181,487	-	-	-	-	-	-
CONGRESSIONAL GRANT	3,000,000	-	-	-	-	-	-
INTERFUND TRANSFER SR 132 WEST	70,000	-	-	-	-	-	-
PP&M	766,999	-	-	-	-	-	-
ABANDONED VEHICLE	9,000	-	-	-	-	-	-
LTF	1,100,315	-	-	-	-	-	-
MEASURE L	313,803	-	-	-	-	-	-
OTHER LOCAL	-	-	-	-	-	-	-
LOCAL - COUNTY CROWSLANDING	29,924	-	-	-	-	-	-
DUES	20,000	-	-	-	-	-	-
INTEREST	2,500	-	-	-	-	-	-
MISCELLANEOUS	14,200	-	-	-	-	-	-
Total revenues	\$ 9,052,347	\$ 1,437,011	\$ 107,169	\$ 225,242	\$ 126,290	\$ 23,631	\$ 127,054
EXPENDITURES:							
012 Public Involvement	\$ 281,546	\$ 173,274	\$ -	\$ -	\$ -	\$ -	\$ -
013 Abandoned Vehicle	9,000	-	-	-	-	-	-
021 Overall Work Program	173,737	115,523	-	-	-	-	-
022 Trans. Development Act	180,685	-	-	-	-	-	-
023 MPO Coordination	161,182	136,077	-	-	-	-	-
024 Livability	6,325	-	-	-	-	-	-
025 Goods Movement	16,038	2,494	-	-	-	-	-
113 Modeling	271,368	42,517	-	-	-	-	-
115 Crows Landing Corridor Plan	161,352	-	107,169	-	-	-	-
300 Regional Trans. Plan	1,126,649	793,117	-	23,162	-	-	-
302 Environmental Justice	64,548	-	-	37,104	-	-	-
321 Transit	302,090	-	-	64,522	-	-	-
322 TDM	244,056	-	-	-	-	-	-
323 Job Reverse Access Commute	724,437	-	-	-	106,964	-	-
324 New Freedom	32,486	-	-	-	-	22,044	-
330 Trans. Improve. Plan	524,283	94,127	-	100,454	-	-	62,076
332 STIP Project Delivery	16,098	-	-	-	-	-	-
334 STIP SR 132 West PAED	3,165,315	-	-	-	-	-	67,054
338 Performance Based Planning	31,789	24,293	-	-	-	-	-
388 Rural Transit Study	6,848	-	-	-	-	-	-
401 Measure L	313,805	-	-	-	-	-	-
410 Air Quality Planning	84,393	-	-	-	-	-	-
411 Congestion Mgmt.	363,284	55,589	-	-	-	-	-
499 Legislative Program	791,033	-	-	-	-	-	-
Total work element expenditures	\$ 9,052,347	\$ 1,437,011	\$ 107,169	\$ 225,242	\$ 106,964	\$ 22,044	\$ 129,130
FY 17-18 Unabsorbed Overhead Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 15-16 Overhead Carryforward	-	-	-	-	-	-	-
FY 17-18 Capital Assets Capitalized	-	-	-	-	-	-	-
FY 17-18 Depreciation	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess revenues	\$ -	\$ -	\$ -	\$ -	\$ 19,326	\$ 1,587	\$ (2,076)

**STANISLAUS COUNCIL OF GOVERNMENTS
OVERALL WORK PROGRAM COSTING SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER
ITEMS BY FUNDING SOURCE (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

CMAQ	CONGRESS GRANT	TRANSFER	PP&M	AVA	LTF	Measure L	General	Other Local	Totals	Positive (Negative) Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,437,011	\$ 636,790
-	-	-	-	-	-	-	-	-	107,169	5,869
-	-	-	-	-	-	-	-	-	225,242	259,129
-	-	-	-	-	-	-	-	-	126,290	595,647
-	-	-	-	-	-	-	-	-	23,631	6,355
172,633	-	-	-	-	-	-	-	-	127,054	(6,068)
-	-	-	-	-	-	-	-	-	172,633	8,854
-	-	-	-	-	-	-	-	-	-	3,000,000
-	-	70,000	-	-	-	-	-	-	70,000	-
-	-	-	175,803	-	-	-	-	-	175,803	591,196
-	-	-	-	9,000	-	-	-	-	9,000	-
-	-	-	-	-	876,006	-	-	-	876,006	224,309
-	-	-	-	-	-	414,373	-	-	414,373	(100,570)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	20,000	-	20,000	29,924
-	-	-	-	-	-	-	-	1,265	1,265	-
-	-	-	-	-	-	-	-	16,462	16,462	1,235
-	-	-	-	-	-	-	-	-	16,462	(2,262)
\$ 172,633	\$ -	\$ 70,000	\$ 175,803	\$ 9,000	\$ 876,006	\$ 414,373	\$ 20,000	\$ 17,727	\$ 3,801,939	\$ 5,250,408
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,274	\$ 108,272
-	-	-	-	9,003	-	-	-	-	9,003	(3)
-	-	-	-	-	16,573	-	-	-	132,096	41,641
-	-	-	-	-	90,788	-	-	-	90,788	89,897
-	-	-	-	-	17,630	-	-	-	153,707	7,475
-	-	-	3,659	-	1,853	-	-	-	5,512	813
-	-	-	-	-	-	-	-	-	2,494	13,544
-	-	-	26,664	-	14,626	-	-	-	83,807	187,561
-	-	-	-	-	30,578	-	-	-	137,747	23,605
-	-	-	186,092	-	22,086	-	-	-	1,024,457	102,192
-	-	-	-	-	-	-	-	-	37,104	27,444
-	-	-	-	-	2,056	-	-	-	66,578	235,512
172,633	-	-	8,559	-	23,632	-	-	-	204,824	39,232
-	-	-	-	-	322	-	-	-	107,286	617,151
-	-	-	-	-	-	-	-	-	22,044	10,442
-	-	-	-	-	9,409	-	-	-	266,066	258,217
-	-	-	36,016	-	-	-	-	-	36,016	(19,918)
-	-	70,000	57,639	-	8,686	-	-	-	203,379	2,961,936
-	-	-	-	-	3,245	-	-	-	27,538	4,251
-	-	-	-	-	1,170	-	-	-	1,170	5,678
-	-	-	-	-	-	129,578	-	-	129,578	-
-	-	-	78,233	-	120	-	-	-	78,353	6,040
-	-	-	-	-	7,202	-	-	-	62,791	300,493
-	-	-	-	-	327,281	-	-	-	327,281	463,752
\$ 172,633	\$ -	\$ 70,000	\$ 396,862	\$ 9,003	\$ 577,257	\$ 129,578	\$ -	\$ -	\$ 3,382,893	\$ 5,485,227
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,302)	\$ -
-	-	-	-	-	-	-	-	-	150,133	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(9,593)	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,398,131	\$ 5,485,227
\$ -	\$ -	\$ -	\$ (221,059)	\$ (3)	\$ 298,749	\$ 284,795	\$ 20,000	\$ 17,727	\$ 419,046	\$ (234,819)

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

Liability Coverage:

Personal Injury and Property Damage	\$ 2,000,000
Non-Owned and Hired Automobile Liability	\$ 2,000,000
Public Officials Errors and Omissions	\$ 2,000,000
Employment Practices Liability	\$ 2,000,000
Office Personal Property Insurance	\$ 512,569
Government Crime Insurance	\$ 1,000,000
Workers' Compensation Insurance	Statutory

**STANISLAUS COUNCIL OF GOVERNMENTS
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

PUC Section	Purpose	Allocated/ Expended
99234	Pedestrian and Bicycle Facilities:	
	City of Modesto	\$ 167,572
	City of Patterson	15,564
	County of Stanislaus	89,731
	Subtotal 99234	<u>272,867</u>
99260	Public Transportation:	
	City of Ceres	10,757
	City of Modesto	10,654,056
	City of Turlock	1,345,824
	County of Stanislaus	5,833,135
	CTSA	845,808
	Subtotal 99260	<u>18,689,580</u>
99400(a)	Streets, Roads, Pedestrian, and Bicycle Projects:	
	City of Patterson	67,119
	Subtotal 99400(a)	<u>67,119</u>
99400	Other:	
	Marketing	47,572
	Undistributed	34,930
	Subtotal 99400	<u>82,502</u>
	Total	<u><u>\$ 19,112,068</u></u>

**STANISLAUS COUNCIL OF GOVERNMENTS
 SCHEDULE OF ALLOCATIONS AND EXPENDITURES
 STATE TRANSIT ASSISTANCE FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

PUC Section	Purpose	Allocated/ Expended
6730(a)	Public Transit: Transit	<u>\$2,724,447</u>
	Total	<u><u>\$2,724,447</u></u>

**STANISLAUS COUNCIL OF GOVERNMENTS
 SCHEDULE OF ALLOCATIONS AND EXPENDITURES
 STATE OF GOOD REPAIR
 FOR THE YEAR ENDED JUNE 30, 2018**

PUC Section	Purpose	Allocated/ Expended
99312	Public Transit: Transit	\$ 34,928
	Total	<u>\$ 34,928</u>

OTHER REPORTS



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH RULES AND REGULATIONS OF THE CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT AND THE PUBLIC
TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND
SERVICE ENHANCEMENT ACCOUNT (PTMISEA)**

To the Policy Board
Stanislaus Council of Governments

We have audited the financial statements of the Stanislaus Council of Governments for the year ended June 30, 2018, and have issued our report thereon dated January 8, 2019.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit was further made to determine compliance with the rules and regulations of the California Transportation Development Act and the California Administrative Code.

Among the items considered were the determination of the Stanislaus Council of Governments' ability to receive funds allocated to it, the propriety of expenditures in accordance with the California Transportation Development Act, and compliance with provisions of the following program:

Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

In November 2006, California voters passed a bond measure 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 the statute 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.

During the year ended June 30, 2018, we verified that the Stanislaus Council of Governments received \$0 of additional PTMISEA funds and distributed \$0 of PTMISEA funds. These funds are held in an interest bearing account and have earned interest in the amount of \$1,387 for the year ended June 30, 2018. As of June 30, 2018, we verified that the Stanislaus Council of Governments had unexpended PTMISEA proceeds, including interest earned, of \$229,481.

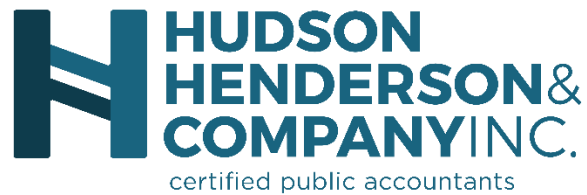
In our opinion, the results of our tests indicated the Stanislaus Council of Governments complied in all material respects with the provisions referred to above.

This report is intended solely for the information and use of the Policy Board, the audit committee, management, others within the Stanislaus Council of Governments, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
January 8, 2019



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Policy Board
Stanislaus Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Stanislaus Council of Governments (the Council) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 8, 2019.

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.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
January 8, 2019

SINGLE AUDIT REPORT



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

To the Policy Board
Stanislaus Council of Governments

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

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

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
January 8, 2019

FINDINGS AND RECOMMENDATIONS SECTION

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

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Internal control over major federal programs:

- Material weakness identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

The threshold for distinguishing type A and B programs was \$750,000.

Auditee qualified as low-risk auditee? _____ X Yes _____ No

**STANISLAUS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no reportable financial statement findings to be reported in accordance with *Governmental Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings or Questioned Costs to be reported in accordance with federal awards.

**STANISLAUS COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no reportable financial statement findings to be reported in accordance with *Governmental Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings or Questioned Costs to be reported in accordance with federal awards.