

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Basic Financial Statements**

**Year Ended June 30, 2015**

**(with Independent Auditors' Report Thereon)**

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Basic Financial Statements

Year Ended June 30, 2015

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	10
Notes to the Basic Financial Statements	11
Required Supplementary Information	
Budgetary Comparison Schedule - Governmental Fund	14
Note to the Required Supplementary Information	15
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 <i>Government Auditing Standards</i>	16



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Orange County Council of Governments  
Orange, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Orange County Council of Governments (OCCOG) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCCOG's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of OCCOG as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3-6 and 14-15 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of OCCOG’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 OCCOG’s internal control over financial reporting and compliance.



Laguna Hills, California  
November 9, 2015

## ORANGE COUNTY COUNCIL OF GOVERNMENTS

### **Management's Discussion and Analysis**

As Management of the Orange County Council of Governments (OCCOG), we offer readers of OCCOG's financial statements this narrative overview and analysis of OCCOG's financial activities for the fiscal year ended June 30, 2015.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to OCCOG's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of OCCOG's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of OCCOG's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication on whether the financial position of OCCOG is improving or deteriorating.

The statement of activities presents information showing how OCCOG's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements may be found on pages 7-8.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. OCCOG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* Governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. OCCOG consists of a single governmental fund. The fund financial statements may be found on pages 9-10.

**Government-wide Financial Analysis**

The total net position of OCCOG was \$299,878 at June 30, 2015 (as noted in Table 1). In comparison, the total net position of OCCOG at June 30, 2014 was \$193,252. OCCOG’s net position at June 30, 2015 was unrestricted, meaning there are no external restrictions placed on the future use of the organization’s net assets.

Table 1.  
ORANGE COUNTY COUNCIL OF GOVERNMENTS  
Net Position at June 30:

	Governmental Activities		Percent Change
	2015	2014	
Current and other assets	\$ 369,429	\$ 196,634	
Total assets	<u>369,429</u>	<u>196,634</u>	87.9%
Current liabilities	69,551	3,382	
Total liabilities	<u>69,551</u>	<u>3,382</u>	1,956.5%
Net position			
Unrestricted	299,878	193,252	
Total net position	<u>\$ 299,878</u>	<u>\$ 193,252</u>	55.2%

The total net position of OCCOG increased by \$106,626, or 55.2%, during FY 2014-15 (see Table 2). This means that revenues exceeded expenses, on a full accrual basis, by \$106,626 for the year. Revenues were 47.1% greater than in FY 2013-14, and expenses were 75.0% greater. The increase in both revenues and expenses was the result of OCCOG’s administration of the Complete Streets Initiative project, and assuming the responsibility from the Orange County Transportation Authority (OCTA) for vendor payments for the project and receiving grant reimbursements from OCTA.

Table 2.  
 ORANGE COUNTY COUNCIL OF GOVERNMENTS  
 Changes in Net Position  
 For the Year Ended:

	Governmental Activities		Percent Change
	2015	2014	
Revenues:			
Program revenues:			
Member dues and fees	\$ 338,110	\$ 338,105	0.0%
Federal grants	159,161		100.0%
Total revenues	<u>497,271</u>	<u>338,105</u>	47.1%
Expenses:			
General governments	(207,810)	(223,239)	6.9%
Community development	(182,835)		100.0%
Total expenses	<u>(390,645)</u>	<u>(223,239)</u>	75.0%
Change in net position	106,626	114,866	-7.2%
Net position, beginning of year	<u>193,252</u>	<u>78,386</u>	146.5%
Net position, end of year	<u>\$ 299,878</u>	<u>\$ 193,252</u>	55.2%

**Financial Analysis of the General Fund**

As noted above, OCCOG maintains a single governmental fund, called the General Fund. Total revenues and fund balance of the General Fund are less than total revenues and net position as shown on the government-wide financial statements, due to grant revenues that are recognized on the government-wide financial statements that are not available to pay for liabilities of the 2014-15 fiscal year.

OCCOG’s revenues come from membership dues and fees, as well as Federal grants. Members pay annual membership dues that fund expenses related to the administration of OCCOG. Members also reimburse OCCOG for the cost of demographic research performed by California State University, Fullerton. There was no change in the dues structure from FY 2013-14 to FY 2014-15.

As noted above, in FY 2014-15 OCCOG assumed greater administrative responsibility for its grant-funded programs. This is reflected with the addition of Federal grant revenue and transportation planning expenditures in the General Fund related to the Complete Streets Initiative project. Grant revenue for the year is less than the transportation planning expenditures due to retentions against the project’s consulting services contract that have not been submitted for reimbursement, as well as local match expenditures that are not reimbursable.

### **General Fund Budgetary Highlights**

The OCCOG Board of Directors adopted a formal budget for the fiscal year ended June 30, 2015, on June 26, 2014. Two amendments to the budget were made by the Board during the year, related to the assumption of greater administrative responsibility for grants and funding for strategic planning services.

Actual revenues for the year of \$481,355 were \$3,245 greater than the final budget amount, as a result of actual reimbursable grant expenditures being slightly more than estimated.

Total actual expenditures of \$390,645 were \$13,160 less than anticipated in the final FY 2014-15 budget. Transportation planning expenditures related to the Complete Streets Initiative project exceeded the final budget amount, due to both grant-funded expenditures for the year exceeding estimates, as well as the required local match expenditures for the related grant which were classified in administrative and miscellaneous accounts in the budget. Actual administrative, professional services and miscellaneous expenditures were all less than the final budget amounts. In addition to the reclassification of local match expenditures as previously mentioned, this was the result of legal and insurance costs being significantly less than expected.

### **Contacting OCCOG Management**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the OCCOG Executive Director at 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584, or to the OCCOG Treasurer at 28241 Crown Valley Parkway, Suite F-484, Laguna Niguel, California 92677.



ORANGE COUNTY COUNCIL OF GOVERNMENTS

Statement of Net Position  
June 30, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash (note 2)	\$ 248,942
Due from other governments (note 4)	<u>120,487</u>
Total assets	<u>369,429</u>
<u>Liabilities</u>	
Accounts payable	53,635
Retentions payable	<u>15,916</u>
Total Liabilities	<u>69,551</u>
<u>Net Position</u>	
Net position:	
Unrestricted	299,878
Total net position	<u>\$ 299,878</u>

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Statement of Activities  
Year Ended June 30, 2015

	<u>Governmental Activities</u>
Program revenues, operating grants and contributions:	
Membership dues and fees	\$ 338,110
Federal grants	<u>159,161</u>
Total program revenues, operating grants and contributions	<u>497,271</u>
Expenses:	
General government	(207,810)
Community development	<u>(182,835)</u>
Total expenses	<u>(390,645)</u>
Change in net position	106,626
Net position, beginning of year	<u>193,252</u>
Net position, end of year	<u><u>\$ 299,878</u></u>

See accompanying notes to the financial statements.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Government Fund  
Balance Sheet  
June 30, 2015**

	<u>General Fund</u>
<u>Assets</u>	
Cash	\$ 248,942
Due from other governments	120,487
Total assets	<u>\$ 369,429</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 53,635
Retentions payable	15,916
Total liabilities	<u>69,551</u>
Deferred Inflows of Resources:	
Unavailable revenue	15,916
Total deferred inflows of resources	<u>15,916</u>
Fund Balance:	
Unassigned	<u>283,962</u>
Total fund balance	<u>283,962</u>
Total liabilities and fund balance	<u>\$ 369,429</u>

**Reconciliation of Governmental Fund Balance Sheet  
to the Government-Wide Statement of Net Position:**

Fund balance - governmental fund	\$ 283,962
Certain revenues in the governmental fund are not recognized as revenue because they are not collected within the prescribed time period after year-end. However, these revenues are included in the government-wide statements.	
	<u>15,916</u>
Net position of governmental activities	<u>\$ 299,878</u>

See accompanying notes to the financial statements.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Government Fund  
Statement of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2015**

	<u>General Fund</u>
Revenues:	
Membership dues and fees	\$ 338,110
Federal grants	143,245
Total revenues	481,355
Expenditures:	
Current:	
General government:	
Demographic research	79,922
Administrative	95,865
Professional services	13,081
Miscellaneous	18,942
Community development	
Transportation planning	182,835
Total expenditures	390,645
Net change in fund balance	90,710
Fund balance, beginning of year	193,252
Fund balance, end of year	\$ 283,962

**Reconciliation of Governmental Fund Statement of Revenues,  
Expenditures and Change in Fund Balance to the  
Government-Wide Statement of Activities**

Net change in fund balance - governmental fund	\$ 90,710
Certain revenues in the governmental fund are not recognized as revenue because they are not collected within the prescribed time period after year-end. However, these revenues are included in the government-wide statements.	15,916
Change in net position of governmental activities	\$ 106,626

See accompanying notes to the financial statements.

# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## Notes to the Financial Statements Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies

#### (a) Organization

A Joint Exercise of Powers Agreement (Agreement) between public agencies located in Orange County, California (Members) created the Orange County Council of Governments (OCCOG) in August 1996. The Agreement may not be terminated except by an affirmative vote of a majority of total voting membership of the Board of Directors.

OCCOG was formed to enable Members to engage in regional and cooperative planning and coordination of government services. The goal and intent of OCCOG is one of voluntary cooperation among cities for the collective benefit of cities in Orange County.

The books and financial records for OCCOG for the year ended June 30, 2015 are maintained by the Orange County Council of Governments at 550 South Main Street, P.O. Box 14184, Orange, CA 92863-1584 and at 28241 Crown Valley Parkway, Suite F-484, Laguna Niguel, California 92677.

#### (b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements of OCCOG are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

#### Government-wide Financial Statements

Government-wide financial statements are presented 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 the related cash flows.

#### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## Notes to the Financial Statements Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies (Continued)

#### (b) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

##### Fund Financial Statements (Continued)

Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

OCCOG reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

#### (c) Use of Estimates

The financial statements have been prepared in accordance with generally accepted accounting principles and may include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

### (2) Cash

Cash consists of bank demand deposit accounts. The California Government Code requires California banks and savings and loan associations to secure a government's deposits by pledging government securities with a value of 110% of a government's deposits. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes at 150% of the value of the government's total deposits. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. These securities are physically held in an undivided pool of all California public agency depositors. As of June 30, 2015, OCCOG held \$319,352 in bank deposits, \$69,352 of which was in excess of Federal Deposit Insurance Corporation limits and was collateralized per State law.

### (3) Grants

OCCOG is a sub-recipient of Federal Transit Administration grant revenue awarded by the U.S. Department of Transportation to the Orange County Transportation Authority (OCTA) for transportation planning projects. A pass-through agreement between OCCOG and OCTA was executed on April 28, 2011 to delineate the responsibilities of OCCOG and OCTA for these grant funds. The pass-through agreement expires in April 2016. On May 23, 2013, a non-fee facility use agreement between OCCOG and OCTA was executed, in response to a change in the administrative structure of OCCOG beginning in FY 2013-14. From July 2009 to June 2013, OCTA had provided all administrative services for OCCOG.

# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## Notes to the Financial Statements Year Ended June 30, 2015

### (3) Grants (Continued)

The 2013 agreement includes a provision that OCTA is to continue to administer, on OCCOG's behalf, all Federal grant awards and related contracts, including overseeing, documenting and addressing all legal obligations, issuing requests for proposals and overseeing the contracts for expenditure of the grant funds.

Through June 2014, OCTA handled all aspects of grant administration on behalf of OCCOG. At that time, OCTA advised OCCOG that it was no longer in a position to utilize OCTA local funds to provide advance funding on OCCOG's behalf for all future FTA grant-funded projects. As a result, OCTA and OCCOG agreed in October 2014 to a modified administrative process. Under the new procedure, OCTA will assist OCCOG with procurement utilizing OCTA's procurement process, OCCOG will be responsible for project management, vendor payments will be made by OCCOG with prompt reimbursement by OCTA from grant funds, and OCTA will be responsible for the documentation supporting the grant's in-kind match requirement.

For the fiscal year ended June 30, 2015, OCCOG incurred \$182,835 in FTA-grant related expenditures for its Complete Streets Initiative project, \$159,161 of which are reimbursable from grant proceeds and \$23,674 of which are part of the local match requirement.

### (4) Due From Other Governments

Due From Other Governments at June 30, 2015 consists of two receivables from OCTA of FTA grant pass-through funds for reimbursement of Complete Streets project expenditures.

### (5) Commitments

On April 23, 2015, OCCOG entered into an agreement for consulting services related to the Completed Streets Initiative. The total contract amount is \$596,000 and the balance remaining as of June 30, 2015 is \$413,165.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Required Supplementary Information  
General Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/ (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Membership dues and fees	\$ 338,110	\$ 338,110	\$ 338,110	\$ -
Federal grant revenues	-	140,000	143,245	3,245
Total revenues	<u>338,110</u>	<u>478,110</u>	<u>481,355</u>	<u>3,245</u>
Expenditures:				
Current:				
General government:				
Demographic research	79,922	79,922	79,922	-
Administrative	117,133	120,083	95,865	24,218
Professional services	27,500	24,550	13,081	11,469
Miscellaneous	39,250	39,250	18,942	20,308
Community development				
Transportation planning	-	140,000	182,835	(42,835)
Total expenditures	<u>263,805</u>	<u>403,805</u>	<u>390,645</u>	<u>13,160</u>
Net change in fund balance	<u>\$ 74,305</u>	<u>\$ 74,305</u>	<u>\$ 90,710</u>	<u>\$ 16,405</u>

See accompanying note to the required supplementary information.



**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Note to Required Supplementary Information  
Year Ended June 30, 2015**

**Budgetary Data**

OCCOG establishes accounting control through formal adoption of an annual operating budget. The budget is prepared in conformity with accounting principles generally accepted in the United States of America. The adopted budget can be amended by the Board as unforeseen circumstances come to management's attention. The legal level of budgetary control is the account level within the General Fund.



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

Board of Directors  
Orange County Council of Governments  
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of the Orange County Council of Governments (OCCOG), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCCOG’s basic financial statements, and have issued our report thereon dated November 9, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered OCCOG’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 OCCOG’s internal control. Accordingly, we do not express an opinion on the effectiveness of OCCOG’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 entity’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 OCCOG'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California

November 9, 2015