

**MERCED COUNTY ASSOCIATION  
OF GOVERNMENTS**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the  
Merced County Association of Governments  
Merced, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Merced County Association of Governments (the Association) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Association'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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Merced County Association of Governments, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 40-46 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 Association's basic financial statements. The other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Schedules as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the Association'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 Association's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
December 1, 2016

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

The management of Merced County Association of Governments (MCAG) presents the following narrative overview and analysis of the financial statements for the year ended June 30, 2016. The financial information presented here should be considered in conjunction with the financial statements presented in the following pages.

**Financial Highlights**

- ❖ Association's Total Net Position, as shown on the Statement of Net Position, for all fund types for the fiscal year ending June 30, 2016 is \$9,157,673. This is a decrease of \$266,465 from the ending balance of the prior fiscal year.
- ❖ Total liabilities as shown on the Statement of Net Position for all fund types for the fiscal year ending June 30, 2016 are \$4,500,738. This is a net increase from the prior year of \$1,043,002.
- ❖ Regional Transportation Impact Fee Fund (RTIF) was established for the collection of one-time fees from new development to mitigate their impact on the regional road network. The revenue sources for this fund are the member agencies or the local jurisdictions within Merced County. For Fiscal Year 2015-2016, revenues were \$1,197,258, an increase of \$393,365 from the prior year. Total expenditures were \$822,888, an increase of \$245,845 from the previous year; these funds were used for the Atwater/Merced Express Way project. The result of this activity was an increase to the fund balance of \$374,370.
- ❖ During the 2015-2016 fiscal year, the Local Transportation Fund decreased \$646,948, leaving a fund balance of \$1,838,364. Expenditures were intentionally budgeted more than projected revenues to reduce the amount of the reserves in the fund.
- ❖ \$8,860,158 of all Primary Government net position represents resources that are subject to restrictions on how they may be used. The restricted governmental funds include General Fund, RTIF, LTF, State Exchange Funds, State Transit Assistance Fund, SAFE and Non-major Governmental Funds.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of MCAG's finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about MCAG's overall status.

The focus is on both MCAG as a whole and the fund financial statements, including the major individual funds of the government and business-type categories, as well as fiduciary funds, and component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business types. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected, on a full accrual basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between agencies) to enhance the usefulness of the information.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS** (Continued)

**Government-Wide Financial Statements** (Continued)

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

The statement of activities presents information showing how the net position changed during the most recent fiscal year. All changes in new assets 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 expense are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. MCAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. MCAG's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 an agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of the association's near-term financing decisions. Both the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association's governmental funds include the General Fund and six Special Revenue Funds. The Special Revenue Funds include the Regional Transportation Impact Fee Fund (RTIF), the Local Transportation Fund (LTF), the State Exchange Fund, the State Transit Assistance Fund, the Service Authority for Freeway Emergencies Fund (SAFE), and the Abandoned Vehicle Abatement Fund (AVA). The General Fund accounts for the primary planning activities of MCAG.

The **Special Revenue Funds** account for activity for which the receipts of federal, state and local monies are designated for specific purposes.

**Proprietary Funds** report activity financed and operated like a private entity either as an enterprise fund or as an internal service fund. For MCAG the proprietary fund is the component unit Merced Data Special Services, Inc. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. In the proprietary fund, income is recorded when earned and expenses are recorded when incurred.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fiduciary funds** are used to account for resources held for the benefit of other parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Association's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Basic Financial Statements** provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a governments' financial position. In the case of MCAG, assets exceed liabilities by \$9,157,673 for all funds, at the close of the fiscal year.

**Merced County Association of Governments  
Primary Government and Component Unit – Statement of Net Position**

	Primary Government		Business-Type Component Unit		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current Assets	\$ 12,982,451	\$ 12,155,634	\$ 241,855	\$ 272,823	\$ 13,224,306	\$ 12,428,457
Capital Assets (net)	434,105	453,417	-	-	434,105	453,417
<i>Total Assets</i>	13,416,556	12,609,051	241,855	272,823	13,658,411	12,881,874
<b>Liabilities:</b>						
Current Liabilities	4,494,263	3,430,880	1,908	1,908	4,496,171	3,432,788
Non-current Liabilities	4,567	24,947	-	-	4,567	24,947
<i>Total Liabilities</i>	4,498,830	3,455,827	1,908	1,908	4,500,738	3,457,735
<b>Net Position:</b>						
Net Investment in Capital Assets	409,158	405,310	-	-	409,158	405,310
Restricted Net Position	8,860,158	9,051,108	-	-	8,860,158	9,051,108
Unrestricted	(351,590)	(303,195)	239,947	270,915	(111,643)	(32,280)
<i>Total Net Position</i>	\$ 8,917,726	\$ 9,153,224	\$ 239,947	\$ 270,915	\$ 9,157,673	\$ 9,424,139



**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The largest portion of the Association's net position represents resources that are subject to external restrictions on how they may be used. Forty-seven percent of the restricted net position, or \$4,169,738, belongs to the Regional Transportation Impact Fee fund. Capital assets (e.g. land, improvements and equipment) reflect 5% of the net position. The remaining represents unrestricted net position.

There was a decrease of \$30,968 in the net position of the business-type activities. This decrease was due to a prior period adjustment \$36,000 for Yosemite.com revenue that was applied to Merced Data Specialty Services instead of the General Fund.

**Merced County Association of Governments  
Primary Government and Component Unit - Statement of Activities**

	Primary Government		Business-Type Component Unit		Total	
	2016	2015	2016	2015	2016	2015
<b>Program Revenues:</b>						
Federal Operating Revenue	\$ 555,604	\$ 410,341	\$ -	\$ -	\$ 555,604	\$ 410,341
State and Local Operating Revenue	13,217,588	14,448,419	-	-	13,217,588	14,448,419
Charges for Services	4,099,106	3,267,770	9,236	22,738	4,108,342	3,290,508
<b>General Revenues:</b>						
Interest and Investment Earnings	101,865	62,060	618	252	102,483	62,312
<b>Total Revenues</b>	<b>17,974,163</b>	<b>18,188,590</b>	<b>9,854</b>	<b>22,990</b>	<b>17,984,017</b>	<b>18,211,580</b>
<b>Program Expenditures:</b>						
General Administration	3,693,108	3,167,320	4,822	8,945	3,697,930	3,176,265
Transportation Planning	1,310,472	1,354,912	-	-	1,310,472	1,354,912
Management services	-	1,331,463	-	-	-	1,331,463
Other Planning	1,470,536	1,259,402	-	-	1,470,536	1,259,402
Transfers to Other Local Agencies	11,771,545	11,889,794	-	-	11,771,545	11,889,794
<b>Total Expenditures</b>	<b>18,245,661</b>	<b>19,002,891</b>	<b>4,822</b>	<b>8,945</b>	<b>18,250,483</b>	<b>19,011,836</b>
<b>Change in Net Position</b>	<b>(271,498)</b>	<b>(814,301)</b>	<b>5,032</b>	<b>14,045</b>	<b>(266,465)</b>	<b>(800,256)</b>
<b>Net Position-Beginning</b>	<b>9,153,224</b>	<b>9,967,526</b>	<b>270,915</b>	<b>256,869</b>	<b>9,424,139</b>	<b>10,224,395</b>
<b>Prior Period Adjustment</b>	<b>36,000</b>	<b>-</b>	<b>(36,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position-Ending</b>	<b>\$ 8,917,726</b>	<b>\$ 9,153,224</b>	<b>\$ 239,947</b>	<b>\$ 270,915</b>	<b>\$ 9,157,674</b>	<b>\$ 9,424,139</b>

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Government Activities** – Primary Government activities decreased by \$271,498, during this fiscal year. This net result is mainly due to a decrease of \$646,948 in the Local Transportation Fund, an increase of \$212,903 in the Service Authority for Freeway Emergencies, and a decrease of \$182,918, in the Association's General Fund.

As shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, total revenues for Governmental Funds for the fiscal year ending June 30, 2016 are \$17,974,165. This is a decrease of \$214,424 or 1.18%, from the prior fiscal year. The major changes were a decrease in the General Fund revenue of \$1,305,359, a decrease in the State Transit Assistance fund revenue of \$287,209, an increase in Regional Transportation Impact Fee Fund revenue of \$393,365, and an increase in the Local Transportation Fund revenue of \$901,803.

Also shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, total expenditures in Governmental Funds for the fiscal year ending June 30, 2016 are \$18,189,423. This is a decrease of \$756,073 from the previous fiscal year. The major changes in expenditures were a decrease in the General Fund expenditures of \$1,353,520, an increase in Regional Transportation Impact Fee Fund expenditures of \$245,845, a decrease in State Transit Assistance Fund expenditures of \$704,688, and an increase of \$963,600 in the Local Transportation Fund.

Revenue sources include charges for services, allocations from state and federal sources, local jurisdictions and interest income.

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, MCAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The Association's governmental funds reported a combined fund balance at June 30, 2016 of \$8,750,506, a net decrease of \$215,258. This net decrease was a result of decreases in the General Fund, Local Transportation Fund, and the Non-major Governmental Fund, which were offset somewhat by increases in the Regional Transportation Impact Fee Fund and the Service Authority for Freeway Emergencies.

The General Fund is the operating fund of the Association. At the end of the current fiscal year, the fund balance of the General Fund was \$242,692. Of that amount, \$352,344 is restricted to Highways and Streets and (\$109,652) is unreserved and unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)**

The General Fund net change in fund balance decreased \$182,918 during the fiscal year. This decrease was a result in the Indirect Cost Allocation Plan (ICAP) rate not being approved by Caltrans for billing purposes for State and Federal reimbursements. The amount will be carried forward to a future year.

Other changes in fund balances include the following:

Regional Transportation Impact Fee:

- ❖ This major fund increased by \$374,370 due to revenues exceeding expenditures. Not only has Merced County experienced an uptick in housing and new business, but the remaining costs for the completed Atwater-Merced project are minimal.

Local Transportation Fund:

- ❖ The agency was obligated to spend down its reserves during the fiscal year. Expenditures were intentionally budgeted over projected revenues yielding the decrease of \$646,948.

Service Authority for Freeway Emergencies:

- ❖ DMV fee collections exceeded actual service expenditures, increasing the major fund balance by \$212,903.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the Board of Directors approved budget amendments for revisions for supplemental appropriations and related revenue. The difference between the General Fund original budgeted appropriations and the final budget was an increase of \$8,327. This was additional CMAQ funds for professional services for the carless commute program.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – The Association's net investment in capital assets for both governmental and business-type activities as of June 30, 2016, amounted to \$409,158. This investment in capital includes land, buildings and improvements, and furniture and equipment. Additional information on the Association's capital assets can be found in Note 5 – Capital Assets.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Capital Assets**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Non-depreciable assets</b>						
Land	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ 75,000	\$ 75,000
<b>Total non-depreciable assets</b>	75,000	75,000	-	-	75,000	75,000
<b>Depreciable assets</b>						
Buildings and improvements	575,559	575,559	-	-	575,559	575,559
Furniture and equipment	572,920	608,303	71,232	71,232	644,152	679,535
<b>Total depreciable assets</b>	1,148,479	1,183,862	71,232	71,232	1,219,711	1,255,094
<b>Accumulated depreciation</b>						
Buildings and improvements	255,331	239,820	-	-	255,331	239,820
Furniture and equipment	534,043	565,626	71,232	71,232	605,275	636,858
<b>Total accumulated depreciation</b>	789,374	805,446	71,232	71,232	860,606	876,678
<b>Total net depreciable assets</b>	359,105	378,416	-	-	359,105	378,416
<b>Total capital assets</b>	\$ 434,105	\$ 453,416	\$ -	\$ -	\$ 434,105	\$ 453,416

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Long-term debt** – At the end of the fiscal year, the Association had \$24,947 in long-term debt, which consisted of loans for solar panels and copier leases.

**Outstanding Debt June 30, 2016**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Loan payable-solar panels	\$ 13,438	\$ 21,967	\$ -	\$ -	\$ 13,438	\$ 21,967
Capital lease copier	-	2,075	-	-	-	2,075
Capital lease-copier	11,509	24,065	-	-	11,509	24,065
<b>Total long-term debt</b>	\$ 24,947	\$ 48,107	\$ -	\$ -	\$ 24,947	\$ 48,107

During the fiscal year, the Association's total debt decreased by \$23,160. This was the result of payments made on the debt. Additional information on the Association's debt can be found in Note 6 - Long-Term Liabilities.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- ❖ Merced County's unemployment rate remained unchanged from the prior year. As of September 2016, the Bureau of Labor Statistics reports the unemployment rates were 8.2% for Merced, 5.5% for California and 5.0% for the Nation. Most of the jurisdictions in Merced County have indicated that they have had some increase in building permits issued. Due to state-mandated increases in minimum wage MCAG will request a three percent cost of living increase to the salary schedule for the 2017-18 fiscal year.
- ❖ In the 2016-2017 Fiscal Year Budget, salary & benefits reflect a cost of living adjustment of three percent, and the additional administration services provided for the Transit Joint Powers Authority for Merced County, the Merced County Regional Waste Management Authority and the Yosemite Area Regional Transportation System.
- ❖ MCAG received two Caltrans Sustainable Transportation Grants, one in the amount of \$125,000 to prepare an updated Short-Range Transit Plan identifying needs, service improvements, and a financial plan. This project began in the 2015-16 fiscal year and carried over into the 2016-17 fiscal year and may extend partially into the next fiscal year. The second grant is for \$500,000. The purpose of this grant is to develop a pilot program framework for innovative and alternative approaches to address transit needs in the rural San Joaquin Valley. The framework will be performed over two years.
- ❖ For the 2016-17 fiscal year, the MCAG purchased the building next door to the main office. MCAG will be using an architect to help develop a plan for the use of the building and the estimated cost of any improvements that will need to be made. This will be a multi-year project once the plan is approved and funding has been identified.
- ❖ Measure V, the ½ cent sales tax for transportation has unofficially passed. If this officially passes after the absentee ballots are counted, staff will begin the administration to finalize all required documents to the Board of Equalization. It is estimated the sales tax will begin to be received in the 2017/18 FY. It was estimated that the ½ cent sales tax would yield \$15 million per year. The distribution of these funds would be in accordance with the plan that was developed and approved by the Board.

**REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the Association's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Merced County Association of Governments, 369 West 18<sup>th</sup> Street, Merced, CA 95340.

## BASIC FINANCIAL STATEMENTS

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 11,454,101	\$ 189,283	\$ 11,643,384
Accounts receivable	85,016	133	85,149
Prepays	78,779	-	78,779
Internal balances	(52,439)	52,439	-
Due from other governments	1,416,994	-	1,416,994
Noncurrent assets:			
Capital assets:			
Nondepreciable	75,000	-	75,000
Depreciable, net of accumulated depreciation	<u>359,105</u>	<u>-</u>	<u>359,105</u>
Total assets	<u>13,416,556</u>	<u>241,855</u>	<u>13,658,411</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	87,869	1,908	89,777
Accrued payroll and related items	56,080	-	56,080
Accrued interest	351	-	351
Retention payable	41,713	-	41,713
Due to other local agencies	4,046,283	-	4,046,283
Due within one year:			
Loan payable	8,871	-	8,871
Compensated absences	241,587	-	241,587
Capital leases	11,509	-	11,509
Noncurrent liabilities:			
Due in more than one year:			
Loan payable	<u>4,567</u>	<u>-</u>	<u>4,567</u>
Total liabilities	<u>4,498,830</u>	<u>1,908</u>	<u>4,500,738</u>
<b>NET POSITION</b>			
Net investment in capital assets	409,158	-	409,158
Restricted for:			
Highways and streets	6,582,885	-	6,582,885
Other	2,277,273	-	2,277,273
Unrestricted	<u>(351,590)</u>	<u>239,947</u>	<u>(111,643)</u>
Total net position	<u>\$ 8,917,726</u>	<u>\$ 239,947</u>	<u>\$ 9,157,673</u>

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Net (Expenses) Revenues and Changes in Net Position					
		Primary Government					
		Charges for Services	Federal Operating Revenues	State and Local Operating Revenues	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General administration	\$ 3,693,108	\$ 3,954,585	\$ -	\$ 210,079	\$ 471,556	\$ -	\$ 471,556
Transportation planning	1,310,472	-	555,604	1,737,232	982,364	-	982,364
Other planning	1,470,536	144,521	-	69,370	(1,256,645)	-	(1,256,645)
Transfers to other local agencies	11,771,545	-	-	11,200,907	(570,638)	-	(570,638)
Total primary government - governmental activities	<u>18,245,661</u>	<u>4,099,106</u>	<u>555,604</u>	<u>13,217,588</u>	<u>(373,363)</u>	<u>-</u>	<u>(373,363)</u>
Business-type activities:							
Merced Data Special Services, Inc.	<u>4,822</u>	<u>9,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,414</u>	<u>4,414</u>
<b>Total activities</b>	<u>\$ 18,250,483</u>	<u>\$ 4,108,342</u>	<u>\$ 555,604</u>	<u>\$ 13,217,588</u>	<u>(373,363)</u>	<u>4,414</u>	<u>(368,949)</u>
General Revenues:							
Interest and investment earnings					<u>101,865</u>	<u>618</u>	<u>102,483</u>
Total general revenues					<u>101,865</u>	<u>618</u>	<u>102,483</u>
Change in net position					(271,498)	5,032	(266,466)
Net position - beginning					<u>9,153,224</u>	<u>270,915</u>	<u>9,424,139</u>
Prior period adjustments					<u>36,000</u>	<u>(36,000)</u>	<u>-</u>
Net position - ending					<u>\$ 8,917,726</u>	<u>\$ 239,947</u>	<u>\$ 9,157,673</u>

The notes to the basic financial statements are an integral part of this statement.



**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General Fund	Regional Transportation Impact Fee Fund	Local Transportation Fund	State Exchange Fund	State Transit Assistance Fund	Service Authority for Freeway Emergencies Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 13,818	\$ 4,114,886	\$ 1,838,364	\$ 2,750,743	\$ 650,018	\$ 2,080,218	\$ 6,054	\$ 11,454,101
Receivables:								
Due from other governments	778,523	96,565	-	-	530,352	39,191	57,379	1,502,010
Due from other funds	-	-	-	-	-	157,210	-	157,210
Prepaid expenses	78,779	-	-	-	-	-	-	78,779
Total assets	<u>\$ 871,120</u>	<u>\$ 4,211,451</u>	<u>\$ 1,838,364</u>	<u>\$ 2,750,743</u>	<u>\$ 1,180,370</u>	<u>\$ 2,276,619</u>	<u>\$ 63,433</u>	<u>\$ 13,192,100</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 82,469	\$ -	\$ -	\$ -	\$ -	\$ 5,400	\$ -	\$ 87,869
Accrued liabilities	56,080	-	-	-	-	-	-	56,080
Retention payable	-	41,713	-	-	-	-	-	41,713
Due to other funds	157,210	-	-	-	-	-	-	157,210
Due to other local agencies	280,230	-	-	2,643,136	1,065,538	-	57,379	4,046,283
Advance from component unit	52,439	-	-	-	-	-	-	52,439
Total liabilities	<u>628,428</u>	<u>41,713</u>	<u>-</u>	<u>2,643,136</u>	<u>1,065,538</u>	<u>5,400</u>	<u>57,379</u>	<u>4,441,594</u>
Fund balances:								
Restricted for:								
Highways and streets	352,344	4,169,738	1,838,364	107,607	114,832	-	-	6,582,885
Other	-	-	-	-	-	2,271,219	6,054	2,277,273
Unassigned	(109,652)	-	-	-	-	-	-	(109,652)
Total fund balances	<u>242,692</u>	<u>4,169,738</u>	<u>1,838,364</u>	<u>107,607</u>	<u>114,832</u>	<u>2,271,219</u>	<u>6,054</u>	<u>8,750,506</u>
Total liabilities and fund balances	<u>\$ 871,120</u>	<u>\$ 4,211,451</u>	<u>\$ 1,838,364</u>	<u>\$ 2,750,743</u>	<u>\$ 1,180,370</u>	<u>\$ 2,276,619</u>	<u>\$ 63,433</u>	<u>\$ 13,192,100</u>

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Total fund balances - governmental funds		\$ 8,750,506
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historic cost	1,223,479	
Accumulated depreciation	(789,374)	434,105
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, long-term debt is recognized in the period that it is incurred.</p>		
		(351)
<p>Long-term liabilities: In government funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Compensated absences payable	(241,587)	
Capital lease payable	(11,509)	
Loan payable	(13,438)	(266,534)
Net position of governmental activities		\$ 8,917,726

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Regional Transportation Impact Fee Fund	Local Transportation Fund	State Exchange Fund	State Transit Assistance Fund	Service Authority for Freeway Emergencies Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>REVENUES</b>								
Sales taxes	\$ 195,100	\$ -	\$ -	\$ -	\$ 1,065,538	\$ -	\$ -	\$ 1,260,638
Local transportation fund	-	-	7,398,952	-	-	-	-	7,398,952
Charges for services	3,935,793	1,158,819	-	-	-	-	-	5,094,612
State and local revenues	466,367	-	-	2,643,136	-	229,411	210,079	3,548,993
Federal revenues	555,604	-	-	-	-	-	-	555,604
Investment earnings	2,093	38,439	33,700	1,553	5,367	20,715	-	101,867
Other income	13,499	-	-	-	-	-	-	13,499
Total revenues	<u>5,168,456</u>	<u>1,197,258</u>	<u>7,432,652</u>	<u>2,644,689</u>	<u>1,070,905</u>	<u>250,126</u>	<u>210,079</u>	<u>17,974,165</u>
<b>EXPENDITURES</b>								
Current:								
General government:								
Salaries and benefits	4,541,390	-	-	-	-	-	-	4,541,390
Supplies and services	785,598	6,381	-	-	-	37,223	212,773	1,041,975
Contributions to other local agencies	-	-	8,079,600	2,643,136	1,042,429	-	-	11,765,165
Highways and streets	-	816,507	-	-	-	-	-	816,507
Debt service:								
Principal	23,160	-	-	-	-	-	-	23,160
Interest	1,226	-	-	-	-	-	-	1,226
Total expenditures	<u>5,351,374</u>	<u>822,888</u>	<u>8,079,600</u>	<u>2,643,136</u>	<u>1,042,429</u>	<u>37,223</u>	<u>212,773</u>	<u>18,189,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(182,918)</u>	<u>374,370</u>	<u>(646,948)</u>	<u>1,553</u>	<u>28,476</u>	<u>212,903</u>	<u>(2,694)</u>	<u>(215,258)</u>
Net change in fund balances	(182,918)	374,370	(646,948)	1,553	28,476	212,903	(2,694)	(215,258)
Fund balances - beginning	389,610	3,795,368	2,485,312	106,054	86,356	2,058,316	8,748	8,929,764
Prior period adjustment	36,000	-	-	-	-	-	-	36,000
Fund balances - ending	<u>\$ 242,692</u>	<u>\$ 4,169,738</u>	<u>\$ 1,838,364</u>	<u>\$ 107,607</u>	<u>\$ 114,832</u>	<u>\$ 2,271,219</u>	<u>\$ 6,054</u>	<u>\$ 8,750,506</u>

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds	\$ (215,258)
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(37,879)
Governmental funds report capitals outlay as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded during the year.	18,567
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the government-wide statement of net position.	23,160
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.	(60,251)
Unmatured interest on long-term debt. In governmental funds, interest on long-term debt is recognized in the period that it is incurred.	<u>163</u>
Change in net position of government activities	<u>\$ (271,498)</u>

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016**

	Enterprise Fund
	MDSS, Inc.
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 189,283
Accounts receivable	133
Due from primary government	52,439
Total current assets	241,855
Noncurrent assets:	
Capital assets:	
Geographic information database	51,490
<u>Yosemite.com</u> website	19,742
Accumulated depreciation	(71,232)
Total capital assets	-
Total assets	241,855
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,908
Total liabilities	1,908
<b>NET POSITION</b>	
Unrestricted	239,947
Total net position	\$ 239,947

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Enterprise Fund <u>MDSS, Inc.</u>
<b>OPERATING REVENUES</b>	
Charges for services	<u>\$ 9,237</u>
Total operating revenues	<u>9,237</u>
<b>OPERATING EXPENSES</b>	
General administration	<u>4,822</u>
Total operating expenses	<u>4,822</u>
Operating income (loss)	<u>4,415</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	<u>617</u>
Total nonoperating revenues (expenses)	<u>617</u>
Change in net position	5,032
Total net position - beginning, as restated	<u>234,915</u>
Total net position - ending	<u><u>\$ 239,947</u></u>

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Enterprise Fund <hr/> MDSS, Inc. <hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 9,424
Payments from primary government	124,172
Payments to suppliers and service providers	<hr/> (4,822)
Net cash provided (used) by operating activities	<hr/> 128,774
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	<hr/> 616
Net cash provided (used) by investing activities	<hr/> 616
Net increase (decrease) in cash and cash equivalents	129,390
Cash balances - beginning of year	<hr/> 59,893
Cash balances - end of year	<hr/> <hr/> \$ 189,283
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 4,415
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Increase (decrease) in assets and liabilities:	
Accounts receivable	187
Due from primary government	<hr/> 124,172
Net cash provided (used) by operating activities	<hr/> <hr/> \$ 128,774

The notes to the basic financial statements are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

In 1967, the Merced County Association of Governments (the Association) was created through a Joint Powers Agreement adopted by the cities and the County of Merced. This agreement has been subsequently renewed, most recently in 2007, for a term of ten years.

On July 20, 1972, the Merced County Association of Governments was designated as the Regional Transportation Planning Agency for the County of Merced by the Secretary of Business and Transportation Agency of the State of California. The Association and the State of California Department of Transportation (CALTRANS) have formally agreed to a continuous transportation planning process by mutually executing a Memorandum of Understanding.

The Association's governing board is comprised of the five supervisors of the County of Merced and one representative from the cities of Merced, Atwater, Livingston, Dos Palos, Gustine, and Los Banos. The governing board exercises extensive control over the activities of the Association. These controls take the form of approvals, review of progress reports from the Association's staff, decision-making, and general administration.

**Financial Reporting Entity**

The Government Accounting Standards Board (GASB) establishes criteria for determining which organizations should be included in a governmental reporting entity. The focal point for preparing financial statements of a financial reporting entity is the *primary government*.

The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. Thus, the *financial reporting entity* consists of the *primary government* and its *component units*.

*Primary government* is defined as a state, general purpose local or special purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of the other state or local governments.

*Component units* are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Merced Data Special Services, Inc. (MDSS) is a nonprofit corporation organized to provide special planning services and products to governmental agencies and other organizations. The MDSS governing body is identical to the Association. MDSS utilizes the employees of the Association.

Based on these criteria and definitions, the Association is the primary government and MDSS is reported as a blended component unit. MDSS is presented as an enterprise fund type within the accompanying financial statements of the Association.

**Basis of Presentation**

The Association's basic financial statements consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.



**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

*Management's Discussion and Analysis* – GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Association's financial activities in the form of "management discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private sector organizations.

*Government-Wide Financial Statements:* The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the Association and its component units. The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

*Statement of Activities:* The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses which are clearly identifiable with a specific function and allocated indirect expenses. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from services provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Association's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All the remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Separate statements for each fund category – governmental and proprietary – are presented.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transaction or ancillary activities.

**Major Governmental Funds:**

- ◆ *General Fund* – The General Fund is the general operating fund of the Association. It is used to account for the financial resources of the general government, except those required to be accounted for in another fund.
- ◆ *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Association maintains five major special revenue funds:
  - ❖ *Regional Transportation Impact Fee Fund* – The Regional Transportation Impact Fee (RTIF) fund was organized in January 2005. The RTIF fund was established to provide a means to access and collect fees on new development throughout Merced County. The funds will be used to help collect \$91 million of the expected \$530 million necessary to maintain traffic at an acceptable level of service on the regional road system throughout the County through the year 2030.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Major Governmental Funds: (Continued)**

- ❖ *Local Transportation Fund* – The Local Transportation Fund accounts for revenues received and expenditures made for use on certain transportation and transit projects within Merced County. Financing is generated from a one-quarter percent state sales and use tax made pursuant to the California Transportation Development Act (TDA). Expenditures of these moneys must be made in accordance with TDA provisions.
- ❖ *State Exchange Fund* – The State Exchange Fund is used to account for the exchange of federal regional surface transportation program funds for nonfederal and state highway funds, and for the apportionment and disbursement of such funds to participating cities and Merced County in accordance with the approved claims.
- ❖ *State Transit Assistance Fund* – The State Transit Assistance Fund is used to account for public transportation monies derived from statewide sales taxes, and for the apportionment and disbursement of such funds to participating cities and Merced County according to approved claims.
- ❖ *Service Authority for Freeway Emergencies Fund* – The Service Authority for Freeway Emergencies fund was organized in January 1995. The revenue to complete and maintain the system is derived from the \$1.00 per year, per vehicle registered in Merced County. The system is envisioned to consist of 130 call boxes installed on Interstate 5 and State Routes 99 and 152.

**Major Enterprise Fund:**

The Association reports the following major enterprise fund:

- ♦ *Merced Data Special Services, Inc.* – MDSS provides special planning services and products to governmental agencies and other organizations primarily within Central California. In addition, MDSS operates the [www.yosemite.com](http://www.yosemite.com) website, which provides accurate, real-time information about Yosemite National Park and the surrounding region.

**Nonmajor Governmental Funds:**

The Association maintains one nonmajor special revenue fund:

- ♦ *Abandoned Vehicle Abatement Fund* – The Abandoned Vehicle Abatement Fund is used to account for fees placed on every vehicle registered in Merced County. Participating jurisdictions are able to use those fees for vehicle abatement according to vehicle codes.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting**

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements:* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the 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 Association considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt and compensated absences of government funds are recorded only when payment is due.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified basis of accounting. Under this method, revenues are recognized when measurable and available. The Association considers all revenues reported in the governmental funds to be available if the revenues are collected 90 days after year-end. Sales taxes, state and local revenues, federal revenues, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, as well as compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are found in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The Association has elected not to follow subsequent private-sector guidance for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Association's proprietary fund are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The major sources of revenue are federal operating revenue, state and local operating revenue, charges for services, investment earnings, and in-kind contributed services as described below:

1) Federal Operating Revenue

Federal operating revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods. The funds are expended for transportation planning purposes.

2) State and Local Operating Revenue

State and local operating revenue takes the form of appropriations for transportation and other planning purposes. The amounts are earned when program expenditures are incurred.

3) Charges for Services

The Association provides various services to the County of Merced and the cities within the County. The local agencies contract with the Association for these services. Revenue is received on a reimbursement basis.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

4) Investment Earnings

Interest revenues are recognized when they are measurable and available from the County of Merced Treasurer's Office.

5) In-Kind – Contributed Services

Local contributions, which include services provided by local governments, are used to match federal and state administered funding in various grants. Contributed services are recorded as revenue and expenditures in the individual grants. The amounts of each of these services, if any, are recorded in the accompanying financial statements at their estimated fair market values at the date of service.

**Assets, Liabilities and Net Position**

**Cash and Cash Equivalents**

The Association's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. Cash of all funds, excluding the component unit, is pooled in the treasury of Merced County. The County pools these funds with those of other entities of the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly in the participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by *California Government Code* Sections 53601 et. seq., 53635 et. seq., and 53648 et. seq.

Merced Data Special Services, Inc. (MDSS), the component unit, holds its cash in a commercial bank checking account. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured.

**Restricted Net Position**

Restricted net position represents monies or other resources, the use of which is restricted by legal or contractual requirements. Restricted cash is considered a cash equivalent for cash flow reporting purposes.

**Interfund Transactions**

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered. There are also transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances, including internal financing balances, are reported as due to/from other funds. As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Association and the various transportation and service-related programs. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

**Accounts Receivable**

Accounts receivable for MDSS result from charges for services. The "direct write-off" method for accounts receivable was applied for accounts that have been established as uncollectible. The "direct write-off" method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements taken as a whole. MDSS did not write off any accounts receivable during the fiscal year. There were no accounts that were deemed to be uncollectible at June 30, 2016.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

**Capital Assets**

Capital assets which include land, building and improvements, equipment, furniture, vehicles, database and website, are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Association as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, equipment, furniture, vehicles, database and website are depreciated over the straight-line method over the following useful lives:

<u>Asset Type</u>	<u>Useful Life</u>
Buildings and improvements	20 to 50 years
Equipment and furniture	3 to 10 years
Vehicles	7 years
Database	20 years
Website	3 years

**Payables**

Certain costs are incurred by the Association during the current period but are not paid until after the beginning of next fiscal period. These costs are reported as payables in the financial statements. The Association's current accounts payable balance of \$147,303, as of June 30, 2016, is related to certain contract services and payments for utility fees.

**Unearned Revenue/Unavailable Revenues**

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned.

In the fund financial statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrued basis of accounting. The Association records unearned revenue for transactions for which revenues have not been earned and records unavailable revenues when funds are not available to meet current financial obligations.

**Compensated Absences**

Full-time employees are eligible for leave. During the first 3 years of employment, a full-time employee accrues 10 days of vacation per year. During the next 6 years of employment, an employee accrues 15 days of vacation leave per year. After 9 years of employment, an employee accrues 20 days of vacation per year. Full-time employees may accrue a maximum of two times their annual vacation accrual. Employees may not receive payment for unused vacation hours except when employment is terminated. The liability recorded for compensated absences as of June 30, 2016 is \$241,587.

Regular full-time employees accrue 12 sick days per year. Salaried part-time employees working a minimum of 20 hours per week accrue sick leave in proportion to the regular work schedule. Accrual of sick leave is unlimited. Employees are not paid for unused sick days upon termination of employment.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

**Net Position**

Net position is reported in three categories as follows:

- ♦ *Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition.
- ♦ *Restricted* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- ♦ *Unrestricted* – This amount is all resources that do not meet the definition of “net investment in capital assets” or “restricted net position.”

**Indirect Costs**

The negotiated Indirect Cost Allocation Plan (ICAP) rate is adjusted to reflect the actual indirect costs incurred by the Association on a revolving two-year basis. For the fiscal year 2015-2016 the Association’s ICAP rate has not been negotiated for billing and reimbursement purposes. This rate is subject to audit at a future date.

**Use of Estimates**

The preparation of 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 certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

**Use of Restricted and Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Association’s policy is to apply restricted net position first.

**Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Association is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ♦ Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Association has no nonspendable fund balances.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

**Fund Balance Classification (Continued)**

- ♦ Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- ♦ Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board. These amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- ♦ Assigned – This classification includes amounts that are constrained by the Association's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Governing Board or through the Governing Board delegating the responsibility to the Executive Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- ♦ Unassigned – This classification includes any negative residual amounts that may exist as a result of expenditures incurred for specific purposes in excess of amounts restricted, committed, or assigned to those purposes.

**NOTE 2 – CASH AND INVESTMENTS**

**Cash in Banks**

The Association pools cash resources from all governmental funds, as well as other governmental entities, in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The Association has a collateralized agreement with Wells Fargo Bank that all government funds deposited are subject to Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code of the State of California (the "Local Agency Deposit Security Law").

Cash and cash equivalents held in the proprietary fund consist only of cash held in financial banking institutions. Cash balances in banks are insured up to \$250,000, per financial institution, by the Federal Depository Insurance Corporation (FDIC). Custodial credit risk is that in the event of a bank failure, the fund's deposits will not be returned to it.

**Cash in County Treasury**

Cash and cash equivalents in the governmental funds consist of cash in the Merced County Treasury as part of the common investment pool. These pooled funds are carried at cost during the year and adjusted to fair value at year-end. Interest is paid quarterly into the participating funds. Any investment losses are proportionately shared by all funds in the pool. The fair market value of this pool, as of June 30, 2016, was provided by the pool sponsor.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Cash in County Treasury (Continued)**

The County is authorized to deposit cash and invest excess funds by the *California Government Code* Sections 53601 et. seq., 53635 et. seq., and 53648 et. seq. The County is restricted by *California Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The investment policy for the Merced County Treasury prohibits reverse repurchase agreements and investments in foreign investments.

Cash and investments are comprised of the following at June 30, 2016:

	Cost	FMV
<b><u>DEPOSITS</u></b>		
<b><i>Unrestricted cash and investments:</i></b>		
Governmental funds - cash in County Treasury	\$ 66,372	\$ 66,597
Proprietary funds - cash in banks	189,283	189,283
Special revenue funds - cash in County Treasury	7,050,827	7,074,658
Governmental funds - cash in banks	4,365,625	4,312,846
Total cash and investments	\$ 11,672,107	\$ 11,643,384

Investments in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in investment pools and other pooled investments are excluded from the concentration of credit risk disclosure under GASB Statement No. 40.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. As of June 30, 2016, the weighted average maturity of the investments contained in the County Treasury investment pool was approximately 468 days.

Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools. The County of Merced issues a financial report that includes custodial risk disclosures for the Cash in County Treasury. The report may be obtained by writing the Merced County Treasurer, 2222 M Street, Merced, California 95340.

**Cash in Treasury Valuation**

The Association categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Fair value measurements of the Association’s investments are as follows at June 30, 2016:

- Cash in County of Merced Treasurer’s Investment Pool: valued at \$7,204,804, the County of Merced Treasurer’s investment Pool is accounted for on a cost basis during the year and adjusted to fair value at year-end, the fair market value of this pool as of June 30, 2016 was provided by the Merced County Treasury. The County of Merced Treasurer’s invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.



**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES**

The composition of internal balances at June 30, 2016 is as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Explanation</u>
General Fund	\$ -	\$ 157,210	Staff services
Service Authority for Freeway Emergencies Fund	157,210	-	Staff services
	<u>\$ 157,210</u>	<u>\$ 157,210</u>	

The composition of due from and to between the primary government and component unit at June 30, 2016 is as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Explanation</u>
General Fund	\$ -	\$ 52,439	Operational
Merced Data Special Services, Inc.	52,439	-	Operational
	<u>\$ 52,439</u>	<u>\$ 52,439</u>	

**NOTE 4 – DUE TO/FROM OTHER LOCAL AGENCIES AND GOVERNMENTS**

Amounts due to/from other local agencies and governments as of June 30, 2016 are as follows:

**Other Governments**

<u>Receivable Fund</u>	<u>Payable From</u>	<u>Amount</u>	<u>Explanation</u>
General Fund	Other Government	\$ 778,523	Local
Regional Transportation Impact Fee	Other Government	96,565	Local
Service Authority for Freeway Emergencies	State of California	39,191	SAFE Allocation
State Transit Assistance Fund	State of California	530,352	STA Allocation
Nonmajor fund	State of California	57,379	AVA Fees
Total		<u>\$ 1,502,010</u>	

**Other Local Agencies**

<u>Payable Fund</u>	<u>Payable To</u>	<u>Amount</u>	<u>Explanation</u>
General Fund	Various local agencies	\$ 280,231	Various services
State Exchange Fund	City of Atwater	314,413	RSTP Disbursement
State Exchange Fund	City of Dos Palos	56,429	RSTP Disbursement
State Exchange Fund	City of Gustine	61,387	RSTP Disbursement
State Exchange Fund	City of Livingston	144,957	RSTP Disbursement
State Exchange Fund	City of Los Banos	405,763	RSTP Disbursement
State Exchange Fund	City of Merced	876,003	RSTP Disbursement
State Exchange Fund	County of Merced	784,183	RSTP Disbursement
State Transit Assistance Fund	Transit Joint Powers Authority	1,065,538	STA 4TH Qtr Distribution
Nonmajor fund	Various local governments, agencies	57,379	AVA Disbursements
Total		<u>\$ 4,046,283</u>	

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 – CAPITAL ASSETS**

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

	<u>Balances July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2016</u>
<b>Government activities:</b>				
Capital assets not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets being depreciated:				
Buildings and improvements	575,559	-	-	575,559
Furniture and equipment	<u>608,303</u>	<u>18,567</u>	<u>(53,950)</u>	<u>572,920</u>
Total assets being depreciated	<u>1,183,862</u>	<u>18,567</u>	<u>(53,950)</u>	<u>1,148,479</u>
Less accumulated depreciation for:				
Buildings and improvements	(239,819)	(15,512)	-	(255,331)
Furniture and equipment	<u>(565,626)</u>	<u>(22,367)</u>	<u>53,950</u>	<u>(534,043)</u>
Total accumulated depreciation	<u>(805,445)</u>	<u>(37,879)</u>	<u>53,950</u>	<u>(789,374)</u>
Total capital assets being depreciated, net	<u>378,417</u>	<u>(19,312)</u>	<u>-</u>	<u>359,105</u>
Governmental activities capital assets, net	<u>\$ 453,417</u>	<u>\$ (19,312)</u>	<u>\$ -</u>	<u>\$ 434,105</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
GIS system	\$ 51,490	\$ -	\$ -	\$ 51,490
Yosemite.com website	<u>19,742</u>	<u>-</u>	<u>-</u>	<u>19,742</u>
Total assets being depreciated	<u>71,232</u>	<u>-</u>	<u>-</u>	<u>71,232</u>
Less accumulated depreciation for:				
GIS system	(51,490)	-	-	(51,490)
Yosemite.com website	<u>(19,742)</u>	<u>-</u>	<u>-</u>	<u>(19,742)</u>
Total accumulated depreciation	<u>(71,232)</u>	<u>-</u>	<u>-</u>	<u>(71,232)</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense of \$37,879 was charged to general administration in the statement of activities.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 – LONG-TERM LIABILITIES**

Long-term liabilities are comprised of the following at June 30, 2016:

	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>	<u>Total</u>
<u>Loan Payable and Capital Leases</u>			
On March 29, 2004, the Association obtained financing in the amount of \$93,210 at 3.95% to construct a solar panel project. The loan is unsecured.	\$ 8,871	\$ 4,567	\$ 13,438
In May 2012, the Association obtained capital lease financing in the amount of \$62,330 for a copier.	<u>11,509</u>	<u>-</u>	<u>11,509</u>
Total long-term liabilities	<u>\$ 20,380</u>	<u>\$ 4,567</u>	<u>\$ 24,947</u>

Annual debt service to maturity for long-term liabilities is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 20,380	\$ 444	\$ 20,824
2018	<u>4,567</u>	<u>90</u>	<u>4,657</u>
	<u>\$ 24,947</u>	<u>\$ 534</u>	<u>\$ 25,481</u>

**Changes in Long-Term Liabilities**

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Loan payable - solar panels	\$ 21,967	\$ -	\$ (8,529)	\$ 13,438	\$ 8,871
Capital lease - copier	2,075	-	(2,075)	-	-
Capital lease - copier	<u>24,065</u>	<u>-</u>	<u>(12,556)</u>	<u>11,509</u>	<u>11,509</u>
Total	<u>\$ 48,107</u>	<u>\$ -</u>	<u>\$ (23,160)</u>	<u>\$ 24,947</u>	<u>\$ 20,380</u>

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 – LEASES**

Capital Leases

The Association has entered into various leases for equipment with lease terms in excess of one year. Some contain purchase options. Some agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the Association will cancel any such agreements prior to the expiration date. The Association also leases office equipment under non-cancellable operating leases. The Association will receive no sublease rental revenues, nor pay any contingent rentals for this equipment.

The future minimum lease payments for these leases are as follows:

Year Ending June 30

2017	\$ 11,509
Total	<u>\$ 11,509</u>

Total lease costs (including usage charges) were \$17,605 for the year ended June 30, 2016.

As discussed above, the Association entered into lease agreements as lessee for financing the acquisitions of office equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are included in total depreciable assets presented above, and are as follows:

<u>Year Ending June 30, 2016</u>	<u>Governmental Activities</u>
Copier	\$ 77,899
Total capitalized cost	77,899
Accumulated depreciation	<u>(57,380)</u>
Total	<u>\$ 20,519</u>

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2017	\$ 11,509
Total minimum lease payments	11,509
Less amount representing interest	<u>-</u>
Present value of minimum lease payments	<u>\$ 11,509</u>

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 – TRANSACTIONS WITH COMPONENT UNIT**

The Association provided professional services in the amount of \$1,551 to Merced Data Special Services, Inc. for the year ending June 30, 2016.

**NOTE 9 – CONCENTRATIONS OF CREDIT RISK**

The Association expects to collect receivables from various governmental agencies ranging from federal, state, and local governmental sources. The component unit has various customers ranging from governmental entities to private companies. These customers are located primarily throughout the State of California.

**NOTE 10 – DEFINED CONTRIBUTION PLAN**

The Association provides pension benefits for all of its full-time employees through a defined contribution plan. The plan is administered by the ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan from the date of employment and are 100% vested after 364 days of employment. Under the terms of the plan, the employer contributes 15% and 18% of the qualified payroll for all eligible employees and the Executive Director, respectively. The contributions are 100% vested to all employees covered by the plan. As this is an employer only contribution plan, any employee terminating employment before being vested will forfeit all contributions. The employer may use those funds to pay for any future contributions. Any changes to the rates are approved by the Governing Board.

The Association's total payroll eligible for pension benefits for the year ending June 30, 2016 was \$2,885,314. The Association's contributions were calculated using the base salary amount of \$2,885,314. The Association made the required contribution amounting to \$434,467. There were no forfeitures for the fiscal year ended June 30, 2016. The amount of the Association's liability outstanding at the end of the period is \$16,801, which is reported in accounts payable.

**NOTE 11 – AFFILIATED ORGANIZATIONS**

The Association's Governing Board serves as the Solid Waste Policy Board (SWPB) for Merced County. The SWPB is a separate Joint Powers Authority responsible for the Merced County Regional Waste Management Authority (the Authority) and the Merced County Solid Waste Enterprise. A separate audit is performed for the Authority and financial information of the Authority can be obtained by writing to the Association's Chief Financial Officer, 369 West 18th Street, Merced, California 95340.

The Association's Governing Board also presides over the Merced County Transit Joint Powers Authority (TJPA). A separate audit is performed for the TJPA and financial information of TJPA can be obtained by writing to the Association's Chief Financial Officer, 369 West 18th Street, Merced, California 95340.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12 – PRONOUNCEMENTS**

**(1) New Accounting Pronouncements Adopted**

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement were implemented by the Association during the current fiscal year.

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement were considered but had no effect on the Association’s current fiscal year.

Governmental Accounting Standards Board Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement. The requirements of this statement were considered but had no effect on the Association’s current fiscal year.

Governmental Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues—an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was adopted by the Association during the current fiscal year. The effects of the adoption of this statement included a change in the manner covered payroll is reported in the following required supplementary schedules: Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions. The requirements of this statement were considered but had no effect on the Association’s current fiscal year.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12 – PRONOUNCEMENTS (Continued)**

**(2) New Accounting Pronouncements Not Yet Adopted**

**Governmental Accounting Standards Board Statement No. 75**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (*other* postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the Association's fiscal year ending June 30, 2018.

**Governmental Accounting Standards Board Statement No. 77**

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this statement are effective for the Association's fiscal year ending June 30, 2017.

**Governmental Accounting Standards Board Statement No. 80**

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this statement are effective for the Association's fiscal year ending June 30, 2017.

**Governmental Accounting Standards Board Statement No. 81**

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Association's fiscal year ending June 30, 2018, and should be applied retroactively.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

In prior years, the Association accounted for revenue from an operating agreement between the Association and The Yosemite/Mariposa County Tourism Bureau, Inc., in the MDSS, Inc. enterprise fund, a blended component unit of the Association. In the current year, the Association reclassified the accumulated earnings from the MDSS, Inc. fund to the General fund in accordance with the operating agreement. As result, a prior period adjustment has been recorded to adjust beginning net position of the Government-Wide Statement of Activities; beginning fund balance in the Statement of Revenues, Expenses and Changes in Fund Balances – Governmental funds; and beginning net position in the Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund. These adjustments have been summarized in the schedule below:

**Fund Financial Statements**

	<u>Governmental General</u>	<u>Enterprise MDSS, Inc.</u>	<u>Total</u>
Understatement of revenues	\$ 36,000	\$ -	\$ 36,000
Overstatement of revenues	<u>-</u>	<u>(36,000)</u>	<u>(36,000)</u>
Total prior period adjustments	<u>\$ 36,000</u>	<u>\$ (36,000)</u>	<u>\$ -</u>

**Government-Wide Financial Statements**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Understatement of revenues	\$ 36,000	\$ -	\$ 36,000
Overstatement of revenues	<u>-</u>	<u>(36,000)</u>	<u>(36,000)</u>
Total prior period adjustments	<u>\$ 36,000</u>	<u>\$ (36,000)</u>	<u>\$ -</u>



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REQUIRED SUPPLEMENTARY INFORMATION

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Sales taxes	\$ 66,270	\$ 66,270	\$ 195,100	\$ 128,830
State and local revenues	1,335,352	1,327,025	479,866	(847,159)
Management services revenue	4,071,724	4,071,724	3,935,793	(135,931)
Federal revenues	1,046,340	1,054,667	555,604	(499,063)
Investment earnings	-	-	2,093	2,093
	<u>6,519,686</u>	<u>6,519,686</u>	<u>5,168,456</u>	<u>(1,351,230)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Salaries and benefits	4,886,115	4,886,115	4,541,390	344,725
Supplies and services	1,557,571	1,557,571	767,107	790,464
Debt service:				
Principal	-	-	23,160	(23,160)
Interest	-	-	1,226	(1,226)
Capital outlay	<u>76,000</u>	<u>76,000</u>	<u>18,491</u>	<u>57,509</u>
	<u>6,519,686</u>	<u>6,519,686</u>	<u>5,351,374</u>	<u>1,168,312</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(182,918)	(182,918)
Net change in fund balances	-	-	(182,918)	(182,918)
Fund balances - beginning	389,610	389,610	389,610	-
Prior period adjustment	-	-	36,000	36,000
Fund balances - ending	<u>\$ 389,610</u>	<u>\$ 389,610</u>	<u>\$ 242,692</u>	<u>\$ (146,918)</u>

The notes to the required supplementary information are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
REGIONAL TRANSPORTATION IMPACT FEE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State and local revenues	\$ 500,000	\$ 500,000	\$ 1,158,819	\$ 658,819
Investment earnings	<u>13,000</u>	<u>13,000</u>	<u>38,439</u>	<u>25,439</u>
Total revenues	<u>513,000</u>	<u>513,000</u>	<u>1,197,258</u>	<u>684,258</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Supplies and services	9,200	9,200	6,380	2,820
Highways and streets	<u>-</u>	<u>-</u>	<u>816,508</u>	<u>(816,508)</u>
Total expenditures	<u>9,200</u>	<u>9,200</u>	<u>822,888</u>	<u>(813,688)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>503,800</u>	<u>503,800</u>	<u>374,370</u>	<u>1,497,946</u>
Net change in fund balances	503,800	503,800	374,370	(129,430)
Fund balances - beginning	<u>3,795,368</u>	<u>3,795,368</u>	<u>3,795,368</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,299,168</u>	<u>\$ 4,299,168</u>	<u>\$ 4,169,738</u>	<u>\$ (129,430)</u>

The notes to the required supplementary information are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
LOCAL TRANSPORTATION FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local transportation fund	\$ 7,076,000	\$ 7,076,000	\$ 7,398,952	\$ 322,952
Investment earnings	<u>12,000</u>	<u>12,000</u>	<u>33,700</u>	<u>21,700</u>
Total revenues	<u>7,088,000</u>	<u>7,088,000</u>	<u>7,432,652</u>	<u>344,652</u>
<b>EXPENDITURES</b>				
Current:				
Contributions to other local agencies	<u>8,076,000</u>	<u>8,076,000</u>	<u>8,079,600</u>	<u>(3,600)</u>
Total expenditures	<u>8,076,000</u>	<u>8,076,000</u>	<u>8,079,600</u>	<u>(3,600)</u>
Net change in fund balances	(988,000)	(988,000)	(646,948)	341,052
Fund balances - beginning	<u>2,485,312</u>	<u>2,485,312</u>	<u>2,485,312</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,497,312</u>	<u>\$ 1,497,312</u>	<u>\$ 1,838,364</u>	<u>\$ 341,052</u>

The notes to the required supplementary information are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
STATE EXCHANGE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local revenues	\$ 2,686,632	\$ 2,686,632	\$ 2,643,136	\$ (43,496)
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>1,553</u>	<u>(447)</u>
Total revenues	<u>2,688,632</u>	<u>2,688,632</u>	<u>2,644,689</u>	<u>(43,943)</u>
<b>EXPENDITURES</b>				
Current:				
Contributions to other local agencies	<u>2,686,632</u>	<u>2,686,632</u>	<u>2,643,136</u>	<u>43,496</u>
Total expenditures	<u>2,686,632</u>	<u>2,686,632</u>	<u>2,643,136</u>	<u>43,496</u>
Net change in fund balances	2,000	2,000	1,553	(447)
Fund balances - beginning	<u>106,054</u>	<u>106,054</u>	<u>106,054</u>	<u>-</u>
Fund balances - ending	<u>\$ 108,054</u>	<u>\$ 108,054</u>	<u>\$ 107,607</u>	<u>\$ (447)</u>

The notes to the required supplementary information are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
STATE TRANSIT ASSISTANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local revenues	\$ 1,412,180	\$ 1,412,180	\$ 1,065,538	\$ (346,642)
Investment earnings	<u>900</u>	<u>900</u>	<u>5,367</u>	<u>4,467</u>
Total revenues	<u>1,413,080</u>	<u>1,413,080</u>	<u>1,070,905</u>	<u>(342,175)</u>
<b>EXPENDITURES</b>				
Current:				
Contributions to other local agencies	<u>1,412,180</u>	<u>1,412,180</u>	<u>1,042,429</u>	<u>369,751</u>
Total expenditures	<u>1,412,180</u>	<u>1,412,180</u>	<u>1,042,429</u>	<u>369,751</u>
Net change in fund balances	900	900	28,476	27,576
Fund balances - beginning	<u>86,356</u>	<u>86,356</u>	<u>86,356</u>	<u>-</u>
Fund balances - ending	<u>\$ 87,256</u>	<u>\$ 87,256</u>	<u>\$ 114,832</u>	<u>\$ 27,576</u>

The notes to the required supplementary information are an integral part of this statement.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
SERVICE AUTHORITY FOR FREEWAY EMERGENCIES FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
State and local revenues	\$ 190,500	\$ 190,500	\$ 229,411	\$ 38,911
Investment earnings	<u>8,000</u>	<u>8,000</u>	<u>20,715</u>	<u>12,715</u>
Total revenues	<u>198,500</u>	<u>198,500</u>	<u>250,126</u>	<u>51,626</u>
<b>EXPENDITURES</b>				
Current:				
Supplies and services	<u>49,700</u>	<u>49,700</u>	<u>37,223</u>	<u>12,477</u>
Total expenditures	<u>49,700</u>	<u>49,700</u>	<u>37,223</u>	<u>12,477</u>
Net change in fund balances	148,800	148,800	212,903	64,103
Fund balances - beginning	<u>2,058,316</u>	<u>2,058,316</u>	<u>2,058,316</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,207,116</u>	<u>\$ 2,207,116</u>	<u>\$ 2,271,219</u>	<u>\$ 64,103</u>

The notes to the required supplementary information are an integral part of this statement.



**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 – BUDGETARY INFORMATION**

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. The Association's budget is a management tool that assists its users in analyzing financial activity for its fiscal year June 30. The Association's primary funding sources are federal, state, and local grants, which may have grant periods that may or may not coincide with the Association's fiscal year. These grants normally are awarded for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

The Association's annual revenue estimates are based upon the best available information as to potential sources of funding. The Association's annual budget differs from that of most local governments due to the dependency upon federal, state and local grants, and the uncertain nature of those grant awards. The resultant annual budget is subject to change within the fiscal year due to (1) increases/decreases in actual grant awards from those estimated; (2) changes in grant periods; (3) unanticipated grant awards not included in the initial budget; and (4) expected grant awards which fail to materialize.

The budget is known as the Overall Work Program. Management emphasis is given to complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances. The Association follows the following procedures in establishing the general fund budget reflected in the general-purpose financial statements:

- ◆ In February, the Executive Director submits the Overall Work Program to the Technical Review Board, the Association's Governing Board, and State and Federal agencies for the input on the operating budget for the fiscal year commencing the following July 1.
- ◆ The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- ◆ Appropriations for the general fund lapse at the end of the fiscal year.
- ◆ Revisions to the budget, which increase total expenditures, must be approved by the Governing Board.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations**

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2016:

General Fund:

Debt service:

Principal	\$ 23,160
Interest	787

Regional Transportation Impact Fund:

Current:

Highways and streets	816,508
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Local Transportation Fund:

Current:

Contributions to other local agencies	3,600
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The excess expenditures were covered by available surpluses in other accounts or available fund balance in the funds.

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## OTHER SCHEDULES

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
SUMMARY OF RESOURCES AND EXPENDITURES BY WORK ELEMENT- MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Total	FHWA PL	FTA Sec. 5303	CMAQ	RIP	TDA Planning	TDA Admin.	RTIF	SAFE	AVA	Contributions from Members	MCAG Other
<b>Resources:</b>												
Interest	\$ 2,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,093
Other	13,498	-	-	-	-	-	-	-	-	-	-	13,498
LTF Planning	133,000	-	-	-	-	133,000	-	-	-	-	-	-
FHWA/PL	216,742	216,742	-	-	-	-	-	-	-	-	-	-
FHWA PL 14/15 ICAP	253,113	253,113	-	-	-	-	-	-	-	-	-	-
RIP	208,336	-	-	-	208,336	-	-	-	-	-	-	-
SAFE	2,010	-	-	-	-	-	-	-	2,010	-	-	-
LTF Administration	62,100	-	-	-	-	-	62,100	-	-	-	-	-
AVA	5,293	-	-	-	-	-	-	-	-	5,293	-	-
CMAQ	8,327	-	-	8,327	-	-	-	-	-	-	-	-
One Voice	69,370	-	-	-	-	-	-	-	-	-	65,730	3,640
FTA Sec. 5303	77,422	-	77,422	-	-	-	-	-	-	-	-	-
Contributions from members	66,470	-	-	-	-	-	-	-	-	-	66,470	-
TJPA Funding	1,058,228	-	-	-	-	-	-	-	-	-	-	1,058,228
Local Contracts	76,500	-	-	-	-	-	-	-	-	-	-	76,500
RTIF	36,838	-	-	-	-	-	-	36,838	-	-	-	-
MDSS, Inc.	1,551	-	-	-	-	-	-	-	-	-	-	1,551
YARTS JPA	293,728	-	-	-	-	-	-	-	-	-	-	293,728
RWMA	2,583,837	-	-	-	-	-	-	-	-	-	-	2,583,837
<b>Total Resources</b>	<b>5,168,456</b>	<b>469,855</b>	<b>77,422</b>	<b>8,327</b>	<b>208,336</b>	<b>133,000</b>	<b>62,100</b>	<b>36,838</b>	<b>2,010</b>	<b>5,293</b>	<b>132,200</b>	<b>4,033,075</b>

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS**  
**SUMMARY OF RESOURCES AND EXPENDITURES BY WORK ELEMENT- MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(Continued)

	Total	FHWA PL	FTA Sec. 5303	CMAQ	RIP	TDA Planning	TDA Admin.	RTIF	SAFE	AVA	Contributions from Members	MCAG Other
<b>Expenditures:</b>												
Citizen Part. and Coord.	222,094	57,973	39,458		84,149		40,514					
Regional Transportation Plan	72,672	18,515	19,285		34,872							
Alternative Modes Program	355	256			99							
Air Quality Planning	17,709	12,468			5,241							
Short Range Transit Plan	6,085					6,085						
Short Range Transit Plan-Rural Trans Alternative	66,557	5,319				-						61,238
SJ Valley Trans. Coord.	83,519	17,981	18,679		30,951		14,602					1,306
FTIP	50,148	14,810			17,671							17,667
RTIP	41,956	32,603			9,353							
Traffic Model	12,976	3,141			9,835							
GIS Maintenance	69,841	53,676			16,165							
RTIF	35,839							35,839				
Trans Expenditure Program	103,308					103,308						
TDA	8,710			8,327								383
TDA Administration	6,984						6,984					
Continuum of Care	76,500											76,500
One Voice	42,976										42,976	
YARTS JPA	294,518											294,518
Transit JPA FTA Admin	1,070,460											1,070,460
MDSS, Inc.	1,678											1,678
SWPB	2,566,378											2,566,378
SAFE	446								446			
AVA	3,731									3,731		
MCAG Administration	495,934											495,934
<b>Total expenditures</b>	<b>5,351,374</b>	<b>216,742</b>	<b>77,422</b>	<b>8,327</b>	<b>208,336</b>	<b>109,393</b>	<b>62,100</b>	<b>35,839</b>	<b>446</b>	<b>3,731</b>	<b>42,976</b>	<b>4,586,062</b>
Excess of revenues over (under) expenditures	\$ (182,918)	\$ 253,113	\$ -	\$ -	\$ -	\$ 23,607	\$ -	\$ 999	\$ 1,564	\$ 1,562	\$ 89,224	\$ (552,987)

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
SCHEDULE OF REGULAR ALLOCATIONS AND DISBURSEMENTS BY PURPOSE –  
LOCAL TRANSPORTATION FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Administration</u>	<u>PUC 99233.2 Planning</u>	<u>PUC 99260(a)</u>	<u>Total</u>
<u>Allocations</u>				
Transit Joint Powers Authority	\$ -	\$ -	\$ 7,677,900	\$ 7,677,900
Yosemite Area Rural Transit Services			200,000	200,000
County of Merced	3,000	-	-	3,000
Merced County Association of Governments	<u>62,100</u>	<u>133,000</u>	<u>-</u>	<u>195,100</u>
	<u>\$ 65,100</u>	<u>\$ 133,000</u>	<u>\$ 7,877,900</u>	<u>\$ 8,076,000</u>
<u>Disbursements</u>				
Transit Joint Powers Authority	\$ -	\$ -	\$ 7,677,900	\$ 7,677,900
County of Merced	3,000	-	-	3,000
Yosemite Area Rural Transit Services	-	-	200,000	200,000
Merced County Association of Governments	<u>62,100</u>	<u>133,000</u>	<u>-</u>	<u>195,100</u>
	<u>\$ 65,100</u>	<u>\$ 133,000</u>	<u>\$ 7,877,900</u>	<u>\$ 8,076,000</u>

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
 SCHEDULE OF REGULAR ALLOCATIONS AND DISBURSEMENTS BY PURPOSE  
 STATE TRANSIT ASSISTANCE FUND  
 FOR THE YEAR ENDED JUNE 30, 2016**

	Allocations			Disbursements
	PUC 93313	PUC 93314	Total	
Transit Joint Powers Authority	<u>\$ 1,005,005</u>	<u>\$ 60,533</u>	<u>\$ 1,065,538</u>	<u>\$ 1,042,429</u>



**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
 SCHEDULE OF REGULAR ALLOCATIONS AND DISBURSEMENTS BY PURPOSE  
 REGIONAL SURFACE TRANSPORTATION PROGRAM EXCHANGE FUND  
 FOR THE YEAR ENDED JUNE 30, 2016**

	Section 182.6	
	Allocations	Disbursements
City of Atwater	\$ 314,413	\$ 314,413
City of Dos Palos	56,429	56,429
City of Gustine	61,387	61,387
City of Livingston	144,957	144,957
City of Los Banos	405,763	405,763
City of Merced	876,003	876,003
County of Merced	784,184	784,184
	\$ 2,643,136	\$ 2,643,136

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
SCHEDULE OF REGIONAL TRANSPORTATION IMPACT FEES BY JURISDICTION  
FOR THE YEAR ENDED JUNE 30, 2016**

City of Atwater	\$ 282,126
City of Livingston	117,251
City of Los Banos	5,300
City of Merced	314,543
County of Merced	<u>439,599</u>
	<u>\$ 1,158,819</u>

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
SCHEDULE OF INSURANCE COVERAGES  
JUNE 30, 2016**

<b>Type of Coverage</b>	<b>Amount of Coverage</b>	<b>Effective Date</b>
Building	\$ 1,297,900	2/13/15-2/13/16
	\$ 1,297,900	2/13/16-2/13/17
Business Property	\$ 281,200	2/13/15-2/13/16
	\$ 281,200	2/13/16-2/13/17
Business Income/Extra Expense	\$ 500,000	2/13/15-2/13/16
	\$ 500,000	2/13/16-2/13/17
General Aggregate	\$ 2,000,000	2/13/15-2/13/16
	\$ 2,000,000	2/13/16-2/13/17
Products and Completed Operations Aggregate	\$ 2,000,000	2/13/15-2/13/16
	\$ 2,000,000	2/13/16-2/13/17
Personal and Advertising Injury	\$ 1,000,000 (each occurrence)	2/13/15-2/13/16
	\$ 1,000,000 (each occurrence)	2/13/16-2/13/17
Damage to Rental Premises	\$ 100,000 (each occurrence)	2/13/15-2/13/16
	\$ 100,000 (each occurrence)	2/13/16-2/13/17
Medical Expense	\$ 5,000 (any one person)	2/13/15-2/13/16
	\$ 5,000 (any one person)	2/13/16-2/13/17
Employee Benefits	\$ 1,000,000	2/13/15-2/13/16
	\$ 1,000,000	2/13/16-2/13/17
Automobile - Liability	\$ 1,000,000 (collision)	2/13/15-2/13/16
	\$ 1,000,000 (collision)	2/13/16-2/13/17
Automobile - Medical Payments	\$ 5,000 (each person)	2/13/15-2/13/16
	\$ 5,000 (each person)	2/13/16-2/13/17
Automobile - Uninsured Motorist	\$ 1,000,000 (collision)	2/13/15-2/13/16
	\$ 1,000,000 (collision)	2/13/16-2/13/17
Employee Theft	\$ 500,000 (per loss)	2/21/16-2/21/17
Deposit Forgery or Alteration	\$ 100,000	2/21/16-2/21/17
Theft, Disappearance and Destruction Money, Securities and Other Property	\$ 10,000.00	2/21/16-2/21/17

## OTHER AUDITOR'S REPORTS

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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

To the Governing Board of the  
Merced County Association of Governments  
Merced, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Merced County Association of Governments (the Association), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 1, 2016.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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 Association'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*.

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**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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Price Pange & Company*

Clovis, California  
December 1, 2016



REPORT ON COMPLIANCE WITH RULES AND REGULATIONS  
OF THE TRANSPORTATION DEVELOPMENT ACT

To the Governing Board of the  
Merced County Association of Governments

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Merced County Association of Governments (the Association) as of and for the year ended June 30, 2016, which collectively comprise the Association's basic financial statements and have issued our report thereon dated December 1, 2016. We conducted our audit 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, and was further made to determine compliance with the Transportation Development Act, the California Administrative Code, and the rules and regulations of the Association.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the 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 that are required to be reported under *Government Auditing Standards*. Among the other items considered was determination of the Association's ability to receive funds allocated to it, and propriety of expenditures made in accordance with the Transportation Development Act and the regulations of the Association.

In our opinion, our evaluation of compliance factors disclosed that the funds received by the Association under the Transportation Development Act were allocated and disbursed in conformance with the Transportation Development Act, the California Administrative Code, and the rules and regulations of the Association.

This report is intended solely for the information and use of the Governing Board and management of the Merced County Association of Governments, others within the organization, 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.

*Price Paige & Company*

Clovis, California  
December 1, 2016



**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	_____ yes <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes <u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u>  X  </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**MERCED COUNTY ASSOCIATION OF GOVERNMENTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINANCIAL STATEMENT FINDINGS**

None reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.