

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Basic Financial Statements

Year Ended June 30, 2012

(with Independent Auditors' Report Thereon)

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Basic Financial Statements

Year Ended June 30, 2012

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	9
Notes to the Basic Financial Statements	10
Required Supplementary Information	
Budgetary Comparison Schedule – Governmental Fund	12
Note to the Required Supplementary Information	13
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14



INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Council of Governments
Orange, California

We have audited the accompanying financial statements of the governmental activities and the general fund of the Orange County Council of Governments (OCCOG), as of and for the year ended June 30, 2012, which collectively comprise OCCOG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCCOG's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCCOG's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of OCCOG as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of OCCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the budgetary comparison schedules on page 12 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.

Vavrinek, Train, Dwyer & Co., LLP

Laguna Hills, California
December 14, 2012

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis

As Management of the Orange County Council of Governments (OCCOG), we offer readers of OCCOG's financial statements this narrative overview and analysis of OCCOG's financial activities for the fiscal year ended June 30, 2012.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how OCTA's net assets changed during the fiscal year. All changes in net 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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements may be found on pages 6-7.

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

Governmental Funds. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements. OCCOG consists of a single governmental fund. The fund financial statements may be found on pages 8-9.

Government-wide Financial Analysis

Total net assets increased \$3,067 or 6.83% during the current fiscal year. The increase is attributed to lower than anticipated legal fees and miscellaneous expenses.

The OCCOG Board of Directors adopted a formal budget for the fiscal year ended June 30, 2012. All revenues come from member agencies that pay annual membership dues and a pro rata share of the estimated fees for demographic research performed by California State University at Fullerton.

The City of Santa Ana discontinued membership in OCCOG resulting in a shortfall of member dues totaling \$5,000.

OCCOG contracts with the Orange County Transportation Authority to provide administrative support services to OCCOG for \$141,000 per year.

OCCOG has no employees and therefore does not provide any pension or other post employment benefits. OCCOG does not participate in any public entity risk pools.

Table 1
Orange County Council Of Governments
Net Assets

	Governmental Activities	
	2012	2011
Current and other assets	\$48,795	\$46,722
Total assets	48,795	46,722
Current liabilities	830	1,824
Total liabilities	830	1,824
Net assets:		
Unrestricted	47,965	44,898
Total Net Assets	\$47,965	\$44,898

Table 2
Orange County Council Of Governments
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Member Dues and Fees	\$240,038	\$243,800
Total revenues	<u>240,038</u>	<u>243,800</u>
Expenses:		
General government	236,971	274,310
Total expenses	<u>236,971</u>	<u>274,310</u>
Changes in net Assets	3,067	(30,510)
Net assets—beginning of year	<u>44,898</u>	<u>75,408</u>
Net assets—end of year	<u><u>47,965</u></u>	<u><u>44,898</u></u>

General Fund Budgetary Highlights

All revenues are collected from member agencies. Members pay annual membership dues that fund expenses related to the administration of OCCOG. Members also reimburse OCCOG for the cost of demographic research performed by California State University, Fullerton.

The City of Santa Ana chose to discontinue membership in OCCOG resulting in actual membership dues being \$5,000 less than were budgeted. Although the actual cost of demographic research exceeded original estimates by \$1,238, total expenditures were \$6,829 less than the total appropriation.

Contacting OCCOG Management

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Accounting Department at Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Statement of Net Assets
June 30, 2012

	<u>Assets</u>	<u>Governmental Activities</u>
Cash (note 2)		\$ 48,795
Total assets		<u>48,795</u>
	<u>Liabilities</u>	
Accounts payable		<u>830</u>
Total Liabilities		<u>830</u>
	<u>Net Assets</u>	
Net assets:		
Unrestricted		<u>47,965</u>
Total net assets		<u>\$ 47,965</u>

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Statement of Activities
Year Ended June 30, 2012

	<u>Governmental Activities</u>
Program revenues, operating grants and contributions:	
Membership dues	\$ 240,038
Expenses:	
General government	<u>(236,971)</u>
Change in net assets	3,067
Net assets, beginning of year	<u>44,898</u>
Net assets, end of year	<u><u>\$ 47,965</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Governmental Fund
Balance Sheet
June 30, 2012

	<u>General Fund</u>
<u>Assets</u>	
Cash	<u>\$ 48,795</u>
Total assets	<u>\$ 48,795</u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	<u>\$ 830</u>
Total liabilities	<u>830</u>
Fund Balance:	
Unassigned	<u>47,965</u>
Total fund balance	<u>47,965</u>
Total liabilities and fund balance	<u>\$ 48,795</u>

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Governmental Fund
Statement of Revenues, Expenditures and Change in Fund Balance
Year Ended June 30, 2012

	<u>General Fund</u>
Revenues:	
Membership dues	\$ 240,038
Total revenues	<u>240,038</u>
Expenditures:	
General government:	
Demographic research	77,238
Administrative	141,000
Professional services	12,315
Miscellaneous expenses	<u>6,418</u>
Total Expenditures	<u>236,971</u>
Net change in fund balance	3,067
Fund balance, beginning of year	<u>44,898</u>
Fund balance, end of year	<u><u>\$ 47,965</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Notes to the Financial Statements Year Ended June 30, 2012

(1) Summary of Significant Accounting Policies

(a) Organization

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

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

The books and records for OCCOG for the year ended June 30, 2012 are maintained by the Orange County Transportation Authority (OCTA) Accounting Department at OCTA, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1484.

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

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

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

Government-wide Financial Statements

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Notes to the Financial Statements Year Ended June 30, 2012

Fund Financial Statements

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

OCCOG reports the following major governmental fund:

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

(c) Use of Estimates

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

(2) Cash

Cash consists of bank demand deposit accounts. The California Government Code requires California banks and savings and loan associations to secure a government's deposits by pledging government securities with a value of 110% of a government's deposits. California law also allows financial institution to secure government deposits by pledging first trust deed mortgage notes at 150% of the value of the government's total deposits. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. These securities are physically held in an undivided pool of all California public agency depositors. As of June 30, 2012, OCCOG held \$48,795 in bank deposits and did not have any amounts in excess of Federal Deposit Insurance Corporation limits.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Membership dues and fees	\$ 243,800	\$ 243,800	\$ 240,038	\$ (3,762)
Total revenues	243,800	243,800	240,038	(3,762)
Expenditures:				
Current:				
General government:				
Demographic research	76,000	76,000	77,238	(1,238)
Administrative	141,000	141,000	141,000	-
Professional services	15,000	15,000	12,315	2,685
Miscellaneous expenses	11,800	11,800	6,418	5,382
Total expenditures	243,800	243,800	236,971	6,829
Excess (deficiency) of revenues over (under) expenditures	-	-	3,067	3,067
Net change in fund balance	\$ -	\$ -	\$ 3,067	\$ 3,067

See accompanying notes to the required supplementary information.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

**Note to Required Supplementary Information
Year Ended June 30, 2012**

Budgetary Data

OCCOG establishes accounting control through formal adoption of an annual operating budget. The adopted budget can be amended by the Board as unforeseen circumstances come to management's attention.



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

Board of Directors
Orange County Council of Governments
Orange, California

We have audited the financial statements of the governmental activities, and the general fund of the Orange County Council of Governments (OCCOG), as of and for the year ended June 30, 2012, which collectively comprise OCCOG's basic financial statements and have issued our report thereon dated December 14, 2012. 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.

Internal Control Over Financial Reporting

Management of OCCOG is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered OCCOG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCCOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCCOG's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

This report is intended solely for the information and use of management of OCCOG and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.



Laguna Hills, California
December 14, 2012