

**CITY/COUNTY ASSOCIATION  
OF GOVERNMENTS  
OF SAN MATEO COUNTY, CALIFORNIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2014**

CITY/COUNTY ASSOCIATION  
OF GOVERNMENTS  
OF SAN MATEO COUNTY, CALIFORNIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF  
SAN MATEO COUNTY, CALIFORNIA

JUNE 30, 2014

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## INDEPENDENT AUDITORS' REPORT

To the Governing Board of the City/County Association  
Of Governments of San Mateo County  
San Mateo, California

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City/County Association of Governments of San Mateo County (C/CAG) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the C/CAG's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the C/CAG as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Governing Board of the City/County Association  
Of Governments of San Mateo County  
San Mateo, California

**Other Matters**

*Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014 on our consideration of the C/CAG'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 C/CAG's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea, California  
December 2, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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The information presented in the "Management's Discussion and Analysis" is intended to be a narrative overview of the City/County Association of Governments of San Mateo County (C/CAG) financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the accompanying financial statements, notes, supplementary and statistical information located herein.

## FINANCIAL STATEMENT OVERVIEW

This discussion and analysis is intended to serve as an introduction to the C/CAG Annual Financial Report. The C/CAG basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

## FINANCIAL HIGHLIGHTS

- C/CAG total net position increased by \$1.4 million or 8.2%.
- The combined C/CAG revenues were \$19.8 million, a decrease of \$3.2 million or 13.8%.
- The combined C/CAG expenditures were \$18.4 million, a decrease of 3.8 million or 17.2%.

**Government-wide Financial Statements:** The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the C/CAG finances. These statements include *all* assets and liabilities, using the full *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All revenues and expenses related to the current fiscal year are included regardless of when the funds are received or paid.

- The *Statement of Net Position* presents all of the C/CAG assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.
- The *Statement of Activities* presents information showing how the C/CAG net position changed during the fiscal year. All changes in net position (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., uncollected revenues, and accrued but unpaid interest expenses).

The services of the Agency are considered to be governmental activities including General and special purpose Government. All Agency activities are financed with investment income, City/ County fees, State/Federal/ Regional grants, Motor Vehicle Fees, and County discretionary State/ Federal Transportation funds.

**Fund Financial Statements:** A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the C/CAG activities are reported in governmental funds. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental Fund Financial Statements provide a detailed view of the C/CAG operations. Governmental fund information helps to determine the amount of financial resources used to finance the C/CAG programs.

**Notes to the Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

## FINANCIAL ANALYSIS

Statement of net position presents the difference between C/CAG's total assets and total liabilities. Net position may over time serve as a useful indicator of C/CAG financial position. The following table summarizes the C/CAG's net position change from last year to this year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 1**  
**Statement of Net Position**  
**June 30, 2014 and June 30, 2013**

	2014	2013	\$ Change	% Change
<b>Assets:</b>				
Cash and investments (note 2)	\$ 19,089,318	\$ 19,418,887	\$ (329,569)	-1.7%
Accounts receivable and other assets	3,617,740	5,568,592	(1,950,852)	-35.0%
<b>Total Assets</b>	<b>22,707,058</b>	<b>24,987,479</b>	<b>(2,280,421)</b>	<b>-9.1%</b>
<b>Liabilities:</b>				
Accounts payable and Accrued liabilities	4,218,085	7,917,788	(3,699,703)	-46.7%
Net OPEB liability	43,823	22,585	21,238	94.0%
<b>Total Liabilities</b>	<b>4,261,908</b>	<b>7,940,373</b>	<b>(3,678,465)</b>	<b>-46.3%</b>
<b>Net Position:</b>				
Restricted	18,415,474	17,061,254	1,354,220	7.9%
Unrestricted	29,676	(14,148)	43,824	309.8%
<b>Total Net Position</b>	<b>\$ 18,445,150</b>	<b>\$ 17,047,106</b>	<b>\$ 1,398,044</b>	<b>8.2%</b>

### Statement of Net Position (Table 1) Change:

The change of net position is driven by the decrease in accounts receivable and accounts payable as a result of construction of the Smart Corridor project that is part of Congestion Management Program.

The total net position increased by \$1.4 million or 8.2% from the prior fiscal year. The reduction in liabilities is mainly from the construction of Smart Corridor project. The project is near completion; therefore, had less expenditure in FY2013-2014. The reduction in accounts receivable balance also contributed to the change. The net decrease of \$2 million in accounts receivable and other assets is a result of the timing of grant reimbursement of \$2.7 million from the grantors offset by \$0.7 million prepaid to the San Mateo County Public Works for the Smart Corridor project.

The majority of C/CAG's net position is subject to external restrictions, such as grantor's stipulations or enabling legislation, on how they may be used. The restricted assets were \$18.4 million of the total net position. Of this amount, \$6.6 million is restricted for Congestion Management Program; \$6 million is restricted for Measure M, \$4 million is restricted for AB1546 and \$1.5 million is restricted for NPDES. The remaining amount related to other programs. The unrestricted net position of \$0.03 million represents the remaining balance of the net position. The change is related to the other post-employment benefit (OPEB) liability that the Agency provides on a pay-as-you go basis. Prior to July 1, 2012, C/CAG's OPEB liability was included with the OPEB liability reported by the City of Redwood City. Beginning in fiscal year 2012-13 C/CAG reported the OPEB liability on its own financial statements. In fiscal year 2013-2014 the annual required contribution based on actuarial report was \$0.03 million. Since there is only minimum contribution made, the increase in liability reflects the required contribution.

### Statement of Activities and Changes in Net Position

The Statement of Activities presents program revenues and expenses, and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized in Table 2. C/CAG's practice is to limit the total program expenses within the available resources.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 2**  
**Statement of Activities and Changes in Net Position**  
**June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 12,312,217	\$ 17,896,986	\$ (5,584,769)	-31.2%
Operating grants and contributions	7,363,654	5,045,208	2,318,446	46.0%
<b>General Revenues:</b>				
Investment Income	134,697	52,574	82,123	156.2%
<b>Total Revenues</b>	<b>19,810,568</b>	<b>22,994,768</b>	<b>(3,184,200)</b>	<b>-13.8%</b>
<b>Expenses</b>				
Congestion management	6,978,216	8,776,803	(1,798,587)	-20.5%
AB 1546	763,643	2,411,535	(1,647,892)	-68.3%
Measure M	6,427,286	6,950,336	(523,050)	-7.5%
Abandoned vehicle abatement	540,937	691,638	(150,701)	-21.8%
General government	545,591	545,104	(487)	-0.1%
NPDES stormwater	1,444,514	1,270,661	173,853	13.7%
Energy Watch	668,881	566,908	101,973	18.0%
Air quality (BAAQMD)	1,043,456	1,014,626	28,830	2.8%
<b>Total Expenses</b>	<b>18,412,524</b>	<b>22,227,611</b>	<b>(3,815,087)</b>	<b>-17.2%</b>
<b>Inc (Dec) in Net Position</b>	<b>1,398,044</b>	<b>767,157</b>	<b>630,887</b>	<b>82.2%</b>
Beginning Net Position	17,047,106	16,279,949	767,157	4.7%
<b>Ending Net Position</b>	<b>\$ 18,445,150</b>	<b>\$ 17,047,106</b>	<b>\$ 1,398,044</b>	<b>8.2%</b>

The combined amount of charges for services decreased by \$5.6 million or 31.2% is due to a one-time revenue of \$3 million received in fiscal year 2012-2013 from the San Mateo County Transportation Authority for implementing Smart Corridor Segment 2 project. The other factors contributing to the decrease are associated with funding for Abandon Vehicle Abatement and AB1546 program that expired in May 2013 and December 2012, respectively. Since the program expired, there were no more funding sources allocated to the program. Revenue from Measure M program relating to Metropolitan Transportation Commission Regional Safe Route to School also decreased due to completion of cycle 1 project. Cycle 2 project began in fiscal year 2013-2014 and C/CAG has received only \$0.5 million for the Cycle 2 project at year-end.

The combined amount of operating grants & contributions received in the fiscal year 2013-2014 is \$2.3 million or 46% more than the prior year. In the fiscal year 2012-2013, C/CAG was awarded \$5.3 million from State Transportation Improvement Program for the Smart Corridor project (project #2 North Segment). In fiscal year 2013-2014 \$3.8 million reimbursement for the Smart Corridor project were received while only \$1.5 million reimbursement were received in fiscal year 2012-2013.

Investment income increased by \$0.1 million or 156.2% compared to the prior year. The increase is a result of higher interest earnings and receipt of \$0.06 million final settlement from Lehman Brother investment loss. During the fiscal year, C/CAG Board authorized to increase the investment balance in the County Pool Investment to earn higher investment return. Interest earnings are proportionately allocated to each fund quarterly.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Program expenses totaled \$18.4 million in the fiscal year 2013-2014, a decrease of \$3.8 million or 17.2% from the prior year's expenses of \$22.2 million.

Significant changes in the expenses of C/CAG's program from the prior year are as follows:

- The decrease of \$1.8 million or 20.5% in Congestion Management Program is mainly due to the start of construction of Smart Corridor project in the fiscal year 2012-2013. The project was near completion in fiscal year 2013-2014; as a result, decrease of expenses in the fiscal year 2013-2014.
- The Transportation/Environmental fund (AB1546) decreased by \$1.6 million or 68.3%. The main factor for the decrease in expenses is the program expiration on 12/31/12. C/CAG Board has adopted a resolution authorizing the fund expenditure plan for the unspent fund balance.
- Expenses in Measure M program decreased by \$0.5 million or 7.5%. The decrease is associated with the Metropolitan Transportation Commission Regional Safe Route to School Cycle 1 project. The majority of the project was done in fiscal year 2012-2013. Only small amount of expenditures were made in fiscal year 2013-2014 to complete the project. Cycle 2 construction began in mid-year of fiscal year 2013-2014.
- Due to expiration of Abandon Vehicle Abatement program in May 2013, only \$0.5 million was distributed to the members in the fiscal year 2013-2014.
- NPDES program increased by \$0.2 million or 13.7% because of expenses for the public opinion survey and analysis for the Municipal Regional Permit compliance.
- The increase of \$0.1 million or 18% in Energy Watch is because C/CAG received more funding from PG&E for this program that allowed a service level increase in fiscal year 2013-2014.

For description of each of the Agency's programs, see Note 1.

### **CONTACTING THE C/CAG FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the C/CAG finances. If you have any questions about this report or need additional information, please contact the Executive Director of the City/County Association of Governments of San Mateo County at 555 County Center Fifth Floor, Redwood City, CA 94063 or the C/CAG Financial Agent which is the Finance Department at the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

The Statement of Net Position reports the difference between C/CAG's total assets and C/CAG's total liabilities. The Statement of Net Position presents information similar to the traditional balance sheet format, but presents it in a way that focuses the reader on the composition of C/CAG's Net Position, by subtracting total liabilities from total assets.

The Statement of Activities reports increases and decreases in C/CAG's Net Position. It is also prepared on the full accrual basis, which means it includes all C/CAG's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents C/CAG's expenses first, listed by program. Program revenues - that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. C/CAG's general revenues are then listed and the Change in Net Position is computed and reconciled with the Statement of Net Position.

These financial statements along with the Fund Financial Statements and footnotes are called Basic Financial Statements.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 19,089,318
Accounts receivable	2,908,683
Prepaid costs	<u>709,057</u>
<b>Total Assets</b>	<b><u>22,707,058</u></b>
<b>Liabilities:</b>	
Accounts payable	4,080,450
Accrued liabilities	137,635
Net OPEB liability	<u>43,823</u>
<b>Total Liabilities</b>	<b><u>4,261,908</u></b>
<b>Net Position:</b>	
Restricted for:	
Congestion management	6,615,272
NPDES	1,538,529
BAAQMD	96,938
Abandoned vehicle abatement	18,710
AB 1546	4,053,616
Energy watch	70,710
Measure M	6,021,699
Unrestricted	<u>29,676</u>
<b>Total Net Position</b>	<b><u>\$ 18,445,150</u></b>

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Capital Contributions and Grants	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Contributions and Grants		
					Governmental Activities
Governmental Activities:					
General Government	\$ 545,591	\$ -	\$ 420,468	\$ -	\$ (125,123)
Special Programs:					
Congestion management	6,978,216	3,544,796	5,153,154	-	1,719,734
National Pollutant Discharge & Elimination System	1,444,514	116,271	1,342,757	-	14,514
Bay Area Air Quality Management District	1,043,456	1,061,826	-	-	18,370
Abandoned vehicle abatement	540,937	18,173	-	-	(522,764)
AB 1546	763,643	33,957	-	-	(729,686)
Energy watch	668,881	-	447,275	-	(221,606)
Measure M	6,427,286	7,537,194	-	-	1,109,908
<b>Total Governmental Activities</b>	<b>\$18,412,524</b>	<b>\$12,312,217</b>	<b>\$7,363,654</b>	<b>\$-</b>	<b>1,263,347</b>
<b>General Revenues:</b>					
Investment Income					134,697
<b>Total General Revenues</b>					<b>134,697</b>
Change in Net Position					1,398,044
Net Position at Beginning of Year					17,047,106
<b>Net Position at End of Year</b>					<b>\$ 18,445,150</b>

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Congestion Management	National Pollutant Discharge & Elimination System	Bay Area Air Quality Management District
<b>Assets:</b>				
Cash and investments	\$ 3,286	\$ 5,945,966	\$ 1,987,712	\$ 295,716
Accounts receivable	185,886	763,588	34,138	-
Prepaid costs	-	709,057	-	-
<b>Total Assets</b>	<b>\$ 189,172</b>	<b>\$ 7,418,611</b>	<b>\$ 2,021,850</b>	<b>\$ 295,716</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 102,161	\$ 685,212	\$ 483,321	\$ 198,778
Accrued liabilities	13,512	118,127	-	-
<b>Total Liabilities</b>	<b>115,673</b>	<b>803,339</b>	<b>483,321</b>	<b>198,778</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	25,951	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>25,951</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Congestion management	-	6,589,321	-	-
NPDES	-	-	1,538,529	-
Bay Area AQMD	-	-	-	96,938
Abandoned vehicle abatement	-	-	-	-
AB 1546	-	-	-	-
Energy watch	-	-	-	-
Measure M	-	-	-	-
<b>Unassigned</b>	<b>73,499</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>73,499</b>	<b>6,589,321</b>	<b>1,538,529</b>	<b>96,938</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 189,172</b>	<b>\$ 7,418,611</b>	<b>\$ 2,021,850</b>	<b>\$ 295,716</b>

<b>Abandoned Vehicle Abatement</b>	<b>AB 1546</b>	<b>Energy Watch</b>	<b>Measure M</b>	<b>Total Governmental Funds</b>
\$ 41,665	\$ 4,370,271	\$ 37,079	\$ 6,407,623	\$ 19,089,318
-	2,651	251,072	1,671,348	2,908,683
-	-	-	-	709,057
<b>\$ 41,665</b>	<b>\$ 4,372,922</b>	<b>\$ 288,151</b>	<b>\$ 8,078,971</b>	<b>\$ 22,707,058</b>
\$ 22,955	\$ 319,306	\$ 217,441	\$ 2,051,276	\$ 4,080,450
-	-	-	5,996	137,635
<b>22,955</b>	<b>319,306</b>	<b>217,441</b>	<b>2,057,272</b>	<b>4,218,085</b>
-	-	-	5,308	31,259
-	-	-	<b>5,308</b>	<b>31,259</b>
-	-	-	-	6,589,321
-	-	-	-	1,538,529
-	-	-	-	96,938
18,710	-	-	-	18,710
-	4,053,616	-	-	4,053,616
-	-	70,710	-	70,710
-	-	-	6,016,391	6,016,391
-	-	-	-	73,499
<b>18,710</b>	<b>4,053,616</b>	<b>70,710</b>	<b>6,016,391</b>	<b>18,457,714</b>
<b>\$ 41,665</b>	<b>\$ 4,372,922</b>	<b>\$ 288,151</b>	<b>\$ 8,078,971</b>	<b>\$ 22,707,058</b>

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
JUNE 30, 2014**

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Fund balances of governmental funds	\$ 18,457,714
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(43,823)
Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>31,259</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 18,445,150</u></u></b>

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Congestion Management	National Pollutant Discharge & Elimination System	Bay Area Air Quality Management District
<b>Revenues:</b>				
Member contributions	\$ 250,025	\$ 2,448,908	\$ -	\$ -
Intergovernmental	169,832	5,153,154	116,271	-
NPDES grant	-	-	1,342,757	-
Abandoned vehicle program	-	-	-	-
AB 434 DMV fees	-	-	-	1,061,826
Investment income	301	41,729	14,009	2,088
Cost reimbursement	-	1,260,837	-	-
Other revenue	611	125	-	-
<b>Total Revenues</b>	<b>420,769</b>	<b>8,904,753</b>	<b>1,473,037</b>	<b>1,063,914</b>
<b>Expenditures:</b>				
Current:				
Professional services	380,482	5,472,448	1,361,892	31,101
Field and program supplies	44,762	211	-	-
Administrative services	75,991	181,853	31,754	2,751
Dues and memberships	929	-	46,518	-
Conferences and meetings	7,181	1,747	4,350	-
Publications	13,528	1,402	-	-
Distributions	-	1,320,555	-	1,009,604
Other	1,480	-	-	-
<b>Total Expenditures</b>	<b>524,353</b>	<b>6,978,216</b>	<b>1,444,514</b>	<b>1,043,456</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(103,584)	1,926,537	28,523	20,458
<b>Other Financing Sources (Uses):</b>				
Transfers in	168,646	500,000	-	-
Transfers out	-	(294,063)	(14,755)	(3,970)
<b>Total Other Financing Sources (Uses)</b>	<b>168,646</b>	<b>205,937</b>	<b>(14,755)</b>	<b>(3,970)</b>
Net Change in Fund Balances	65,062	2,132,474	13,768	16,488
Fund Balances, Beginning of Year	8,437	4,456,847	1,524,761	80,450
<b>Fund Balances, End of Year</b>	<b>\$ 73,499</b>	<b>\$ 6,589,321</b>	<b>\$ 1,538,529</b>	<b>\$ 96,938</b>

<b>Abandoned Vehicle Abatement</b>	<b>AB 1546</b>	<b>Energy Watch</b>	<b>Measure M</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 2,698,933
-	33,957	447,275	6,977,886	12,898,375
-	-	-	-	1,342,757
18,173	-	-	-	18,173
-	-	-	-	1,061,826
300	30,806	238	45,226	134,697
-	-	-	589,182	1,850,019
-	-	-	-	736
<b>18,473</b>	<b>64,763</b>	<b>447,513</b>	<b>7,612,294</b>	<b>20,005,516</b>
-	36,063	657,566	2,045,472	9,985,024
-	-	-	-	44,973
-	11,176	6,835	38,986	349,346
-	-	350	-	47,797
-	-	4,130	-	17,408
-	-	-	-	14,930
540,937	716,404	-	4,342,828	7,930,328
-	-	-	-	1,480
<b>540,937</b>	<b>763,643</b>	<b>668,881</b>	<b>6,427,286</b>	<b>18,391,286</b>
(522,464)	(698,880)	(221,368)	1,185,008	1,614,230
-	-	200,000	-	868,646
-	(1,342)	(33,278)	(521,238)	(868,646)
-	<b>(1,342)</b>	<b>166,722</b>	<b>(521,238)</b>	-
(522,464)	(700,222)	(54,646)	663,770	1,614,230
541,174	4,753,838	125,356	5,352,621	16,843,484
<b>\$ 18,710</b>	<b>\$ 4,053,616</b>	<b>\$ 70,710</b>	<b>\$ 6,016,391</b>	<b>\$ 18,457,714</b>

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

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Net change in fund balances - total governmental funds	\$ 1,614,230
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the Statement of Activities only the ARC is an expense.	(21,238)
Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>(194,948)</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ 1,398,044</u></u></b>

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies**

**a. Reporting Entity**

The City/County Association of Governments of San Mateo County (C/CAG), California was formed in 1990 as a joint exercise of powers between San Mateo County and all the cities in San Mateo County. The purpose of C/CAG is to prepare, adopt, monitor and enforce County-wide State mandated plans for congestion management, integrated solid waste management, airport land use, hazardous waste management and water/air pollution reduction.

C/CAG is controlled by a twenty-one member board consisting of one member from each of the participating entities. None of the member entities exercise specific control over the budgeting and financing of C/CAG activities beyond their representation on the board. The County fulfills contractual obligations with C/CAG by providing engineering and professional services. Accounting services are provided by the City of San Carlos. C/CAG is administered by an Executive Director who works directly for the Board.

C/CAG's operations are financed by contributions made by each member agency and grants received from other governments, vehicle registration fees and fee for services.

**b. Basis of Presentation**

C/CAG's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented.

*Government-wide Statements:* The Statement of Net Position and the Statement of Activities display overall information about C/CAG. C/CAG's activities generally are financed through grants and contributions received from other governments.

The Statement of Activities presents a summary of expenses specifically associated with each function of C/CAG's governmental activities. Program revenues include grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**c. Major Funds**

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

C/CAG reported all its governmental funds as major funds in the accompanying financial statements:

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 1: Summary of Significant Accounting Policies (Continued)**

General Fund - Finances all administrative and management functions relating to the C/CAG Board, the Administrator's Advisory Committee, Finance Committee, Airport Land Use Committee (ALUC) and Solid Waste and Hazardous Waste Advisory Committees. Legal services finance and accounting services, office expenses and the coordination of all C/CAG programs and activities are also accounted for in this fund.

Congestion Management Fund - Finances the Congestion Management and Congestion Relief Programs, Smart Corridor Project, Countywide Transportation Plan, Bicycle/Pedestrian Project TDA Fund Management, Local Street Repair Program, and policy development to better integrate transportation and land use. This fund provides the support to program the San Mateo County discretionary State/Federal Transportation Funds.

National Pollutant Discharge and Elimination System Fund - The NPDES program is a response to the State/Federal Clean Water Act mandate directing San Mateo County jurisdictions to obtain a storm water discharge permit. C/CAG has been designated by its members as the coordinator of the program for the Water Pollution Prevention Program (WPPP). Its main objective is to implement a comprehensive storm water quality management program to protect the water quality of San Francisco Bay.

Bay Area Air Quality Management District Fund - Used to fund local programs implementing specified transportation control measures to improve air quality in the San Francisco Bay Area.

Abandoned Vehicle Abatement Fund - Assists Cities and County in the abatement of abandoned vehicles. C/CAG has been designated as the San Mateo County Service Authority for the abatement of abandoned vehicles. State law allows the imposition of a \$1.00 fee increase to motor vehicle registration to fund this program. The revenues of this program are used to provide cost recovery for expenses incurred by member jurisdictions related to the abatement of abandoned vehicles. The \$1.00 fee expired in May 2013. On November 8, 2012, C/CAG Board adopted Resolution 12-64 authorizing the distribution of the Abandoned Vehicle Abatement fund balance to be used to fund an additional year Abandoned Vehicle Abatement program, and to return a certain portion of the fund balance to the State.

AB 1546 - State law authorizes C/CAG Board to impose up to a \$4.00 fee increase to motor vehicle registration to fund this program. Half of the funds are for programs that provide congestion management and the other half are for programs to address the impact of motor vehicles on the environment (water quality). This program expired in December 2012. C/CAG Board adopted Resolution 12-71 authorizing the fund expenditures plan for the unspent fund balance.

Energy Watch - The San Mateo County Energy Watch is a Local Government Partnership between C/CAG and Pacific Gas & Electric (PG&E). The objective of Energy Watch is to provide integrated approach to energy savings and incentives to encourage cost effective projects for municipal governments, non-profits, schools, farms, and small/medium businesses. C/CAG contracts with the County of San Mateo to implement the program. Approximately \$840,000 will be provided to C/CAG for calendar years 2013 and 2014. This fund also includes the activity of the County-wide Climate Action Planning function.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 1: Summary of Significant Accounting Policies (Continued)**

Measure M - This fund accounts for Motor Vehicle Fees of \$10 per vehicle per year for 25 years. This will raise approximately \$170 million, with \$85 million allocated to the cities and the County for Water Pollution Prevention Programs and Congestion Management Programs. The remaining \$85 million will go to transit operations, safe routes to schools, Intelligent Transportation System projects, and County-wide Water Pollution Prevention Programs.

**d. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. C/CAG uses the modified accrual basis of accounting, under which revenues are recognized when they become available and measurable as net current assets. Expenditures are recognized when the related fund liability is incurred. Revenues susceptible to accrual consist of grants and interest. Grants collected within 365 days after year end are accrued as revenue.

*Non-exchange Transactions*, in which C/CAG gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**e. Assets, Liabilities, Deferred Inflow of Resources, and Net Position or Equity**

Cash and Investments

The fund's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the fund are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

All receivables are shown net of an allowance for uncollectibles.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. C/CAG has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

In the fund financial statements, the fund reports the following fund balance classifications:

**Nonspendable Fund Balance** - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** - Includes amounts that have constraints on the use of resources by being externally imposed, imposed by law through constitution, or through enabling legislation.

**Assigned Fund Balance** – Includes amounts that are constrained by C/CAG's intent to be used for a specific purpose.

**Unassigned Fund Balance** - The residual classification which includes all spendable amounts not contained in other classifications.

C/CAG's Executive Director authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through a resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, C/CAG considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 1: Summary of Significant Accounting Policies (Continued)**

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net position is the excess of all the fund's assets over all its liabilities, regardless of fund. Net position is divided into three captions. These captions apply only to Net position, which is determined only at the government-wide level, and are described below:

*Net investment in capital assets* describes the portion of Net position which is represented by the current net book value of the fund's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the government cannot unilaterally alter.

*Unrestricted* describes the portion of Net position which is not restricted to use.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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 assets, deferred outflows, liabilities, deferred inflows, revenues and expenses. Actual results could differ from those estimates.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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**Note 2: Cash and Investments**

C/CAG pools cash from all sources and all funds traditionally invests in San Mateo County Pool and Local Agency Investment Fund, consistent with the principles of safety and liquidity. Individual funds can make expenditures at any time. Investments are carried at fair value.

As of June 30, 2014, C/CAG's cash and investment balance was \$19,089,318, consisting of \$12,233,351 in Local Agency Investment Fund, \$6,549,455 in San Mateo County Investment Pool, and \$306,512 of cash in bank.

**a. Local Agency Investment Fund**

C/CAG is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The carrying value of LAIF approximates fair value.

**b. San Mateo County Investment Fund**

C/CAG is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. C/CAG reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. C/CAG reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.

**c. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of C/CAG's investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of C/CAG's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the C/CAG's investments by maturity:

	<u>6 Months or Less</u>
Local Agency Investment Fund	\$ 12,233,351
San Mateo County Investment Fund	6,549,455
	<u>\$ 18,782,806</u>

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Note 2: Cash and Investments (Continued)**

**d. Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and San Mateo County Investment Pool are not rated by a nationally recognized statistical rating organization.

**e. Authorized Investments by C/CAG**

C/CAG's Investment Policy and the California Government Code allow C/CAG to invest in the following, provided the credit ratings of the issuers are acceptable to C/CAG. The following also identifies certain provisions of C/CAG and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund	Upon Demand	N/A	\$40 million per account	N/A
San Mateo County Investment Pool	Upon Demand	N/A	\$40 million per account	N/A
U. S. Treasury Bonds, Notes and Bills	5 years	N/A	100.00%	N/A
U.S. Government Agency and Federal Agency Securities	5 years	N/A	100.00%	N/A
Bankers Acceptances	180 days	N/A	30.00%	(A) (B)
Commercial Paper	270 days	AA	15.00%	(A) (B)
Negotiable Certificates of Deposit	5 years	N/A	30.00%	(A) (B)
Time Certificates of Deposit — Banks or Savings and Loans	5 years	N/A	25.00%	(A) (B)
Medium Term Corporate Notes	5 years	AA	30.00%	(A) (B)

(A) 5% of outstanding paper of issuing corporation  
(B) 5% of the portfolio in one corporation

**f. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, C/CAG will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of C/CAG's cash on deposit. All of C/CAG's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in C/CAG's name. The C/CAG Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Note 3: Member Contributions**

Member contributions are nonrefundable and are assessed annually based on population and C/CAG's adopted budget for the current fiscal year. Member contributions were as follows during the fiscal year ended June 30, 2014:

Atherton	\$ 64,962
Belmont	108,906
Brisbane	30,603
Burlingame	137,849
Colma	15,821
Daly City	309,749
East Palo Alto	87,720
Foster City	122,910
Half Moon Bay	34,546
Hillsborough	53,155
Menlo Park	151,692
Millbrae	84,623
Pacifica	98,931
Portola Valley	12,491
Redwood City	321,926
San Bruno	159,610
San Carlos	118,553
San Mateo	389,752
San Mateo County	146,240
South San Francisco	227,986
Woodside	20,908
Total	<u><u>\$ 2,698,933</u></u>

**Note 4: Interfund Balances**

Interfund balances at June 30, 2014, consisted of the following:

Transfers Out:

Transfers In:	Congestion Management	National Pollutant Discharge & Elimination System	Bay Area Air Quality Management District	AB 1546	Energy Watch	Measure M	Total	
General Fund	\$ 94,063	\$ 14,755	\$ 3,970	\$ 1,342	\$ 33,278	\$ 21,238	\$ 168,646	A
Congestion Management	-	-	-	-	-	500,000	500,000	B
Energy Watch	200,000	-	-	-	-	-	200,000	B
	<u>\$ 294,063</u>	<u>\$ 14,755</u>	<u>\$ 3,970</u>	<u>\$ 1,342</u>	<u>\$ 33,278</u>	<u>\$ 521,238</u>	<u>\$ 868,646</u>	

(A) Administration overhead

(B) Capital Projects

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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**Note 5: Pension Plan**

Plan Description

C/CAG contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and C/CAG Board resolution. Copies of PERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 8% of their annual covered salary. C/CAG makes the contributions required of employees on their behalf and for their account. C/CAG is required to contribute at an actuarially determined rate; the current rate is 17.918% of annual covered payroll. In December 2012, C/CAG made a payment of \$17,047 to pay off the unfunded liability in the side fund and reduce the contributions to the actuarially determined rate. The contribution requirements of plan members and C/CAG are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2013-2014, C/CAG's annual pension cost of \$48,752 for PERS was equal to C/CAG's required and actual contributions. The required contribution was determined as part of the new agency actuarial valuation as of January 1, 2012, using the entry age normal actuarial cost method.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 39,302	100%	\$ -
6/30/13	39,307	100%	-
6/30/14	48,752	100%	-

C/CAG participates in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Note 6: Other Post-Employment Benefits**

C/CAG administers a single-employer defined benefit post employment healthcare plan. Permanent employees who retire under C/CAG's retirement plan (CalPERS) are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums reimbursed by C/CAG up to the Kaiser family premium rate. Medical insurance premiums for spouses and other dependents generally are not paid by C/CAG. Currently there is one retiree receiving this benefit.

C/CAG is not required by law or contractual agreement to provide funding for retiree health costs other than the pay-as-you go amount necessary to provide current benefits to retirees. C/CAG's retiree health plan is a pay-as-you go and C/CAG makes contributions equal to the premium payments for retirees.

Total current payroll for all covered employees for the fiscal year ended June 30, 2014, was \$272,084.

C/CAG's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of C/CAG's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in C/CAG's net OPEB obligation.

Annual required contribution (ARC)	\$ 29,039
Interest on net OPEB obligation	169
Adjustment to annual required contribution	<u>(844)</u>
Annual OPEB cost (expense)	28,364
Contributions made	<u>7,126</u>
Increase/(decrease) in Net OPEB obligation	21,238
Net OPEB obligation - beginning of year	<u>22,585</u>
Net OPEB obligation - end of year	<u><u>\$ 43,823</u></u>

The General Fund has been used to finance the net OPEB obligation.

C/CAG annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last two fiscal years is as follows:

Fiscal Year	Annual OPEB Cost	Actuarial Contribution	Percentage of Annual OPEB Cost	Net OPEB Obligation (Asset)
6/30/2013	\$ 27,475	\$ 4,890	18%	\$ 22,585
6/30/2014	28,364	7,126	25%	43,823

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Note 6: Other Post-Employment Benefits (Continued)**

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$215,079, and there is no actuarial value of plan assets since C/CAG provides funding in a pay-as-you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$215,079. The covered payroll (annual payroll of active employees covered by the plan) was \$272,084 and the ratio of UAAL to the covered payroll was -79.05%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the July 1, 2012 and 2013 actuarial study are presented below:

Actuarial Valuation Date	Ending Actuarial Value of Assets (A)	Entry Age Actuarial Liability (B)	Overfunded (Underfunded) Actuarial Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
7/1/2012	\$ -	\$ 197,811	\$ (197,811)	0.00%	\$ 258,974	-76.38%
7/1/2013	-	215,079	(215,079)	-	272,084	-79.05%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the actuarial cost method used is Entry Age Normal (EAN) cost method. Under the EAN method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For the retirees, the AAL is the present value of all projected benefits. The Unfunded AAL is being amortized as a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at June 30, 2014, of 29 years.

GASB 45 requires the interest rate to represent the underlying expected return for the source of funds used to pay benefits. The actuarial methods and assumptions include a 4.00% interest rate, annual inflation at 3.25% per annum, aggregate payroll assumed to increase at 3.25% per annum, and an annual healthcare trend rate of 8.00% for 2014, reduced gradually each year with an ultimate rate of 4.5% for 2020 and thereafter.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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**Note 7: Risk Management**

C/CAG is covered under the County of San Mateo's insurance policies. Therefore, the limitations and self-insured retentions applicable to the County also apply to C/CAG. Additional information on coverage and self-insured retentions can be obtained by contacting the County of San Mateo.

**Note 8: Commitments and Contingent Liabilities**

C/CAG is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of C/CAG.

Construction Commitments

There are no significant construction commitments as of June 30, 2014.

## FUND FINANCIAL STATEMENTS

The Fund Financial Statements are presented by individual major funds. Major funds are defined generally as having significant activities or balances in the current year. C/CAG has determined that all funds have significant activities.

### MAJOR GOVERNMENTAL FUNDS

**GENERAL FUND** - This fund finances all administrative and management functions relating to C/CAG Board, the Administrators' Advisory Committee, Finance Committee, Airport Land Use Committee (ALUC) and Solid Waste and Hazardous Waste Advisory Committees. Legal services finance and accounting services, office expenses and the coordination of all C/CAG programs and activities are also accounted for in this fund.

**CONGESTION MANAGEMENT FUND** - This fund finances the Congestion Management and Congestion Relief Programs, Smart Corridor Project, Countywide Transportation Plan, Bicycle/Pedestrian Project TDA Fund Management, Local Street Repair Program, and policy development to better integrate transportation and land use. This fund provides the support to program the San Mateo County discretionary State/Federal Transportation Funds.

**NATIONAL POLLUTANT DISCHARGE AND ELIMINATION SYSTEM (NPDES) FUND** - This fund is used to account for the NPDES program in response to the State/Federal Clean Water Act mandate directing individual jurisdictions in San Mateo County to obtain a stormwater discharge permit. C/CAG has been designated by its members as the coordinator of the program for the Water Pollution Prevention Program (WPPP). Its main objective is to implement a comprehensive storm water quality management program to protect the water quality of San Francisco Bay Area.

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT FUND** - This fund is used to account for local programs implementing specified transportation control measures to improve air quality in the San Francisco Bay Area.

**ABANDONED VEHICLE ABATEMENT FUND** - This fund is used to account for the program which assists Cities and County in the abatement of abandoned vehicles. C/CAG has been designated as the San Mateo County Service Authority for the abatement of abandoned vehicles. State law allows the imposition of a \$1.00 fee increase to motor vehicle registration to fund this program. The revenues of this program are used to provide cost recovery for expenses incurred by member jurisdictions related to the abatement of abandoned vehicles. The \$1.00 fee expired in May 2013. On November 12, 2012 C/CAG Board adopted Resolution No. 12-64 authorizing the distribution of the Abandoned Vehicle Abatement fund balance to be used to fund an additional year of Abandoned Vehicle Abatement program, and to return a certain portion of the fund balance to the State.

**AB 1546 FUND** - State law authorizes C/CAG Board to impose up to a \$4.00 fee increase to motor vehicle registration to fund this program. It is a pilot program until January 1, 2009. Subsequently, Senate Bill 348 authorized C/CAG's Board to continue the imposition of a \$4.00 fee on vehicles registered in San Mateo County for a period of four years. Half of the funds are for programs that provide congestion management and the other half are for programs to address the impact of motor vehicles on the environment (water quality). The program expired in December 2012. C/CAG Board adopted Resolution No. 12-71 authorizing the fund expenditures plan for the unspent fund balance.

## **MAJOR GOVERNMENTAL FUNDS (CONTINUED)**

**ENERGY WATCH** - The San Mateo County Energy Watch is a Local Government Partnership between C/CAG and Pacific Gas & Electric (PG&E). The objective of Energy Watch is to provide integrated approach to energy savings and incentives to encourage cost effective projects for municipal governments, non-profits, schools, farms, and small/medium businesses. C/CAG contracts with the County of San Mateo to implement the program. Approximately \$840,000 will be provided to C/CAG for calendar years 2013 and 2014. This fund also includes the activity of the County-wide Climate Action Planning function.

**MEASURE M** - This fund accounts for Motor Vehicle Fees of \$10 per vehicle per year for 25 years. This will raise approximately \$170 million, with \$85 million allocated to the cities and the County for Water Pollution Prevention Programs and Congestion Management Programs. The remaining \$85 million will go to transit operations, safe routes to schools, Intelligent Transportation System projects, and County-wide Water Pollution Prevention Programs.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Member Contributions	\$ 250,026	\$ 250,026	\$ 250,025	\$ (1)
Intergovernmental	148,711	148,711	169,832	21,121
Investment Income	2,000	2,000	301	(1,699)
Other revenue	-	-	611	611
	<u>400,737</u>	<u>400,737</u>	<u>420,769</u>	<u>20,032</u>
<b>Amounts Available for Appropriation</b>				
<b>Charges to Appropriation (Outflow):</b>				
Professional services	390,000	390,000	380,482	9,518
Field and program supplies	52,000	52,000	44,762	7,238
Administrative services	97,333	97,333	75,991	21,342
Dues and memberships	1,000	1,000	929	71
Conferences and meetings	9,500	9,500	7,181	2,319
Publications	17,300	17,300	13,528	3,772
Other	12,500	12,500	1,480	11,020
	<u>579,633</u>	<u>579,633</u>	<u>524,353</u>	<u>55,280</u>
<b>Total Charges to Appropriations</b>				
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	168,646	168,646
	<u>-</u>	<u>-</u>	<u>168,646</u>	<u>168,646</u>
<b>Total Financing Sources (Uses)</b>				
	<u>\$ (178,896)</u>	<u>\$ (178,896)</u>	<u>65,062</u>	<u>\$ 243,958</u>
<b>Net Change in Fund Balance</b>				
<b>Fund Balances at Beginning of Year</b>			8,437	
<b>Fund Balances at End of Year</b>			<u>\$ 73,499</u>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
CONGESTION MANAGEMENT FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Member Contributions	\$ 2,240,908	\$ 2,240,908	\$ 2,448,908	\$ 208,000
Intergovernmental	6,493,603	6,493,603	5,153,154	(1,340,449)
Investment Income	11,000	11,000	41,729	30,729
Cost reimbursement	2,367,271	2,367,271	1,260,837	(1,106,434)
Other revenue	-	-	125	125
<b>Amounts Available for Appropriation</b>	<b>11,112,782</b>	<b>11,112,782</b>	<b>8,904,753</b>	<b>(2,208,029)</b>
<b>Charges to Appropriation (Outflow):</b>				
Professional services	10,940,659	10,940,659	5,472,448	5,468,211
Field and program supplies	8,000	8,000	211	7,789
Administrative services	208,654	208,654	181,853	26,801
Conferences and meetings	6,000	6,000	1,747	4,253
Publications	3,000	3,000	1,402	1,598
Distributions	570,000	570,000	1,320,555	(750,555)
Other	3,500	3,500	-	3,500
<b>Total Charges to Appropriations</b>	<b>11,739,813</b>	<b>11,739,813</b>	<b>6,978,216</b>	<b>4,761,597</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	500,000	500,000	500,000	-
Transfers Out	(200,000)	(200,000)	(294,063)	(94,063)
<b>Total Financing Sources (Uses)</b>	<b>300,000</b>	<b>300,000</b>	<b>205,937</b>	<b>(94,063)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (327,031)</b>	<b>\$ (327,031)</b>	<b>2,132,474</b>	<b>\$ 2,459,505</b>
<b>Fund Balances at Beginning of Year</b>			4,456,847	
<b>Fund Balances at End of Year</b>			<b>\$ 6,589,321</b>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
NATIONAL POLLUTANT DISCHARGE AND ELIMINATION SYSTEM FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Intergovernmental	\$ 116,060	\$ 116,060	\$ 116,271	\$ 211
NPDES grant	1,340,656	1,340,656	1,342,757	2,101
Investment Income	6,226	6,226	14,009	7,783
<b>Amounts Available for Appropriation</b>	<b>1,462,942</b>	<b>1,462,942</b>	<b>1,473,037</b>	<b>10,095</b>
<b>Charges to Appropriation (Outflow):</b>				
Professional services	2,273,320	2,273,320	1,361,892	911,428
Administrative services	28,021	28,021	31,754	(3,733)
Dues and memberships	44,732	44,732	46,518	(1,786)
Conferences and meetings	5,000	5,000	4,350	650
Distributions	16,000	16,000	-	16,000
<b>Total Charges to Appropriations</b>	<b>2,367,073</b>	<b>2,367,073</b>	<b>1,444,514</b>	<b>922,559</b>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	-	-	(14,755)	(14,755)
<b>Total Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(14,755)</b>	<b>(14,755)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (904,131)</b>	<b>\$ (904,131)</b>	<b>13,768</b>	<b>\$ 917,899</b>
<b>Fund Balances at Beginning of Year</b>			1,524,761	
<b>Fund Balances at End of Year</b>			<b>\$ 1,538,529</b>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
BAY AREA AIR QUALITY MANAGEMENT DISTRICT FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
AB 434 DMV fees	\$ 1,050,000	\$ 1,050,000	\$ 1,061,826	\$ 11,826
Investment Income	2,200	2,200	2,088	(112)
<b>Amounts Available for Appropriation</b>	<b>1,052,200</b>	<b>1,052,200</b>	<b>1,063,914</b>	<b>11,714</b>
<b>Charges to Appropriation (Outflow):</b>				
Professional services	31,200	31,200	31,101	99
Administrative services	6,000	6,000	2,751	3,249
Distributions	1,011,000	1,011,000	1,009,604	1,396
<b>Total Charges to Appropriations</b>	<b>1,048,200</b>	<b>1,048,200</b>	<b>1,043,456</b>	<b>4,744</b>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	-	-	(3,970)	(3,970)
<b>Total Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(3,970)</b>	<b>(3,970)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 4,000</b>	<b>\$ 4,000</b>	<b>16,488</b>	<b>\$ 12,488</b>
<b>Fund Balances at Beginning of Year</b>			80,450	
<b>Fund Balances at End of Year</b>			<b>\$ 96,938</b>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
ABANDONED VEHICLE ABATEMENT FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Abandoned vehicle program	\$ -	\$ -	\$ 18,173	\$ 18,173
Investment Income	1,000	1,000	300	(700)
<b>Amounts Available for Appropriation</b>	<b>1,000</b>	<b>1,000</b>	<b>18,473</b>	<b>17,473</b>
<b>Charges to Appropriation (Outflow):</b>				
Distributions	596,578	596,578	540,937	55,641
<b>Total Charges to Appropriations</b>	<b>596,578</b>	<b>596,578</b>	<b>540,937</b>	<b>55,641</b>
<b>Net Change in Fund Balance</b>	<b>\$ (595,578)</b>	<b>\$ (595,578)</b>	<b>(522,464)</b>	<b>\$ 73,114</b>
<b>Fund Balances at Beginning of Year</b>			541,174	
<b>Fund Balances at End of Year</b>			<b>\$ 18,710</b>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
AB 1546 FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Intergovernmental	\$ -	\$ -	\$ 33,957	\$ 33,957
Investment Income	16,000	16,000	30,806	14,806
<b>Amounts Available for Appropriation</b>	<b>16,000</b>	<b>16,000</b>	<b>64,763</b>	<b>48,763</b>
<b>Charges to Appropriation (Outflow):</b>				
Professional services	15,000	15,000	36,063	(21,063)
Administrative services	11,419	11,419	11,176	243
Distributions	3,505,000	3,505,000	716,404	2,788,596
<b>Total Charges to Appropriations</b>	<b>3,531,419</b>	<b>3,531,419</b>	<b>763,643</b>	<b>2,767,776</b>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	-	-	(1,342)	(1,342)
<b>Total Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(1,342)</b>	<b>(1,342)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (3,515,419)</b>	<b>\$ (3,515,419)</b>	<b>(700,222)</b>	<b>\$ 2,815,197</b>
<b>Fund Balances at Beginning of Year</b>			4,753,838	
<b>Fund Balances at End of Year</b>			<b>\$ 4,053,616</b>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
ENERGY WATCH FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Intergovernmental	\$ 420,000	\$ 420,000	\$ 447,275	\$ 27,275
Investment Income	-	-	238	238
<b>Amounts Available for Appropriation</b>	<b>420,000</b>	<b>420,000</b>	<b>447,513</b>	<b>27,513</b>
<b>Charges to Appropriation (Outflow):</b>				
Professional services	613,500	613,500	657,566	(44,066)
Administrative services	3,692	3,692	6,835	(3,143)
Dues and memberships	-	-	350	(350)
Conferences and meetings	4,500	4,500	4,130	370
<b>Total Charges to Appropriations</b>	<b>621,692</b>	<b>621,692</b>	<b>668,881</b>	<b>(47,189)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	200,000	200,000	200,000	-
Transfers Out	-	-	(33,278)	(33,278)
<b>Total Financing Sources (Uses)</b>	<b>200,000</b>	<b>200,000</b>	<b>166,722</b>	<b>(33,278)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,692)</b>	<b>\$ (1,692)</b>	<b>(54,646)</b>	<b>\$ (52,954)</b>
<b>Fund Balances at Beginning of Year</b>			125,356	
<b>Fund Balances at End of Year</b>			<b>\$ 70,710</b>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

BUDGETARY COMPARISON SCHEDULE  
MEASURE M FUND  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Intergovernmental	\$ 6,515,704	\$ 6,515,704	\$ 6,977,886	\$ 462,182
Investment Income	17,000	17,000	45,226	28,226
Cost reimbursement	635,000	635,000	589,182	(45,818)
<b>Amounts Available for Appropriation</b>	<b>7,167,704</b>	<b>7,167,704</b>	<b>7,612,294</b>	<b>444,590</b>
<b>Charges to Appropriation (Outflow):</b>				
Professional services	2,327,110	2,327,110	2,045,472	281,638
Administrative services	11,865	11,865	38,986	(27,121)
Distributions	3,761,782	3,761,782	4,342,828	(581,046)
<b>Total Charges to Appropriations</b>	<b>6,100,757</b>	<b>6,100,757</b>	<b>6,427,286</b>	<b>(326,529)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(500,000)	(500,000)	(521,238)	(21,238)
<b>Total Financing Sources (Uses)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(521,238)</b>	<b>(21,238)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 566,947</b>	<b>\$ 566,947</b>	<b>663,770</b>	<b>\$ 96,823</b>
<b>Fund Balances at Beginning of Year</b>			5,352,621	
<b>Fund Balances at End of Year</b>			<b>\$ 6,016,391</b>	

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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C/CAG's Governing Board adopts an annual operating budget on or before June 30 for the ensuing fiscal year for all funds. C/CAG follows a budgeting process in which C/CAG plans and objectives are outlined and budgeted. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds.

C/CAG's Governing Board may amend the budget by resolution during the fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles.

**Expenditures in Excess of Budget**

For the year ended June 30, 2014, the following funds had expenditures exceeding the budgeted amounts:

	Budgeted Amount	Actual Expenditures	Excess
Energy Watch	\$ 621,692	\$ 668,881	\$ 47,189
Measure M	6,100,757	6,427,286	326,529

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