

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

AB 1546 FUND

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2015

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

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

AB 1546 FUND
FINANCIAL STATEMENTS

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the AB 1546 Fund of the City/County Association of Governments of San Mateo County, (C/CAG) as of and for the year ended June 30, 2015 and the related notes to the financial statements.

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; 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.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the AB 1546 Fund of the City/County Association of Governments of San Mateo County, as of June 30, 2015, 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.

Emphasis of a Matter

As described in Note 1 to the financial statements, the financial statements are prepared in accordance with AB 1546, *Vehicle Fee for Congestion and Stormwater Management Program*, as contained in Government Code Section 65089.11 through 65089.15 which requires financial statements that present only the AB 1546 Fund and does not purport to, and does not, present fairly the financial position of the C/CAG as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Management has elected not to do the management's discussion and analysis that accounting principles generally accepted in the United States of America require to 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. Our opinion on the basic financial statements is not affected by this information.

Restriction of Use

Our report is intended solely for the information and use of the C/CAG and is not intended to be and should not be used by anyone other than these specified parties.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of 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.

Brea California
December 11, 2015

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

AB 1546 FUND
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2015

	<u>AB 1546 Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and investments	\$ 3,029,892	\$ -	\$ 3,029,892
Accounts receivable	514	-	514
Total Assets	<u>\$ 3,030,406</u>	<u>-</u>	<u>3,030,406</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts payable	\$ 36,388	-	36,388
Total Liabilities	<u>36,388</u>	<u>-</u>	<u>36,388</u>
Fund Balance:			
Restricted for AB 1546	2,994,018	(2,994,018)	-
Total Fund Balance	<u>2,994,018</u>	<u>(2,994,018)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,030,406</u>		
Net Position:			
Restricted for AB 1546		2,994,018	2,994,018
Total Net Position		<u>\$ -</u>	<u>\$ 2,994,018</u>

See Independent Auditors' Report and Notes to Financial Statements

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

AB 1546 FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2015

	<u>AB 1546 Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
From other agencies	\$ 5,693	\$ -	\$ 5,693
Investment income	14,287	-	14,287
Total Revenues	19,980	-	19,980
Expenditures:			
Professional Services	176,189	-	176,189
Administrative services	6,062	-	6,062
Distributions	895,728	-	895,728
Total Expenditures	1,077,979	-	1,077,979
Excess (Deficiency) of Revenues Over (under) Expenditures	(1,057,999)	-	(1,057,999)
Other Financing Sources (Uses):			
Transfers out	(1,599)	-	(1,599)
Total Other Financing Sources (Uses)	(1,599)	-	(1,599)
Net Change in Fund Balance/Net Position	(1,059,598)	-	(1,059,598)
Fund Balance/Net Position at Beginning of Year	4,053,616	-	4,053,616
Fund Balance/Net Position at End of Year	\$ 2,994,018	\$ -	\$ 2,994,018

See Independent Auditors' Report and Notes to Financial Statements

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

**AB 1546 FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The City/County Association of Governments of San Mateo County (C/CAG), California AB 1546 Fund (the "Fund") is used to account for the AB 1546 Fund's activities. State laws authorize C/CAG Board to impose up to a \$4.00 fee increase to motor vehicle registration to fund this program. The fee terminated on January 1, 2013. The State legislature did not reauthorize the fee. 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.

The Fund is a governmental fund of the C/CAG, and the accompanying financial statements are included in the C/CAG basic financial statements.

The accompanying financial statements are for AB 1546 Fund only and are not intended to fairly present the financial position of the City/County Association of Governments of San Mateo County or the results of its operations.

b. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

c. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major funds. The government reports the following major governmental funds:

The AB 1546 fund (the "Fund") is the primary operating fund. It accounts for all financial resources.

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 accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

**AB 1546 FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual consist of grants and interest. Grants collected within 365 days after year end are accrued as revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

e. Assets, Liabilities 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.

The fund pools its cash and investments with the City/County Association of Governments of San Mateo County (C/CAG).

Receivables and Payables

All receivables are shown net of an allowance for uncollectibles.

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. The Fund has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position or 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 or 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 Fund has no items that qualify for reporting in this category.

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

**AB 1546 FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Equity

The Fund reports a restricted fund balance which include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Net Position

Net position is the excess of all of the Fund's assets over all its liabilities. Net position 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.

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, liabilities, revenues and expenses. Actual results could differ from those estimates.

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

**AB 1546 FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 2: Cash and Investments

Cash and investments as reported in the accompanying financial statements consisted of the following:

Cash and investments	<u>\$ 3,029,892</u>
Total	<u><u>\$ 3,029,892</u></u>

The fund's cash and investments are pooled with C/CAG's cash and investment in order to generate optimum interest income. Each fund's share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the fund's pooled cash and investments is included in the C/CAG's basic financial statements, which are available at 555 County Center Fifth Floor, Redwood City, CA 94063.

Note 3: Commitments and Contingent Liabilities

The fund 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 the fund.

Note 4: 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.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

AB 1546 FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
From other agencies	\$ -	\$ -	\$ 5,693	\$ 5,693
Investment Income	8,000	8,000	14,287	6,287
Amounts Available for Appropriations	8,000	8,000	19,980	11,980
Charges to Appropriation (Outflow):				
Professional services	7,000	7,000	176,189	(169,189)
Administrative services	5,000	5,000	6,062	(1,062)
Distributions	2,969,835	2,969,835	895,728	2,074,107
Total Charges to Appropriations	2,981,835	2,981,835	1,077,979	1,903,856
Other Financing Sources (Uses)				
Transfers Out	-	-	(1,599)	(1,599)
Total Financing Sources (Uses)	-	-	(1,599)	(1,599)
Budgetary Fund Balance, June 30	\$ (2,973,835)	\$ (2,973,835)	(1,059,598)	\$ 1,914,237
Fund Balances at Beginning of Year			4,053,616	
Fund Balances at End of Year			\$ 2,994,018	

**CITY/ COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
AB 1546 FUND**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE
REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance

We have audited the compliance of the AB 1546 Fund of the City/County Association of Governments of San Mateo County, California (the "C/CAG") with the types of compliance requirements described in AB 1546, *Vehicle Fee for Congestion and Stormwater Management Program*, as contained in Government Code Section 65089.11 through 65089.15 for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of Government Code Sections 65089.11 through 65089.15.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with the requirements described in AB 1546, *Vehicle Fee for Congestion and Stormwater Management Program*, as contained in Government Code Section 65089.11 through 65089.15 based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and AB 1546, *Vehicle Fee for Congestion and Stormwater Management Program*, as contained in Government Code Section 65089.11 through 65089.15. Those standards and AB 1546, *Vehicle Fee for Congestion and Stormwater Management Program*, as contained in Government Code Section 65089.11 through 65089.15 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on AB 1546 Fund of C/CAG. An audit includes examining, on a test basis, evidence about the C/CAG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the C/CAG's compliance with those requirements.

Opinion

In our opinion, the C/CAG complied, in all material respects, with the requirements referred to above that are applicable to the AB 1546 Fund for the year ended June 30, 2015.



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

Report on Internal Control Over Compliance

The management of the C/CAG is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit, we considered the C/CAG's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the C/CAG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement described in AB 1546, *Vehicle Fee for Congestion and Stormwater Management Program*, as contained in Government Code Section 65089.11 through 65089.15 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements described in AB 1546, *Vehicle Fee for Congestion and Stormwater Management Program*, as contained in Government Code Section 65089.11 through 65089.15. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

December 11, 2015