

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

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This Page Left Intentionally Blank

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY, CALIFORNIA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Notes to the Basic Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	
General Fund	42
Congestion Management Fund	43
National Pollutant Discharge & Elimination System Fund	44
Bay Area Air Quality Management District Fund	45
AB 1546 Fund	46
Energy Watch Fund	47
Measure M	48
Miscellaneous Pension Plan	
Schedule of Proportionate Share of the Net Pension Liability	49
Schedule of Plan Contributions	50
Other Post-Employment Benefits Plan	
Schedule of Changes in Net OPEB Liability and Related Ratios	51
Notes to Required Supplementary Information	52

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2018, 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 the 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 C/CAG'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 C/CAG'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 C/CAG as of June 30, 2018, 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.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 1 and Note 6.

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents 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 October 19, 2018, 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 the C/CAG's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. We encourage readers to consider this information in conjunction with the basic financial statements.

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 four components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, 3) Notes to the Financial Statements, and 4) Required Supplementary Information.

FINANCIAL HIGHLIGHTS

- C/CAG total net position was \$22.40 million, an increase of \$0.60 million or 2.77%.
- The combined C/CAG revenues were \$14.94 million, a decrease of \$0.29 million or 1.98%.
- The combined C/CAG expenditures were \$14.25 million, a decrease of 0.08%.

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 deferred outflows of resources and liabilities and deferred inflows of resources, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this section contains C/CAG's budgetary comparison schedules for all major governmental funds and C/CAG's obligation for the provision of pension to its employees.

FINANCIAL ANALYSIS

Net position is the excess of all the C/CAG's assets and deferred outflows of resources over liabilities and deferred inflows of resources. Net position may over time serve as a useful indicator of C/CAG financial position. The following table summarizes C/CAG's net position change from this year to last year.

Table 1
Statement of Net Position
June 30, 2018 and June 30, 2017

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Cash and investments (note 2)	\$ 24,641,463	\$ 21,976,647	\$ 2,664,816	12.13%
Accounts receivable and other assets	2,287,509	3,907,855	(1,620,346)	-41.46%
Total Assets	26,928,972	25,884,502	1,044,470	4.04%
Deferred outflows related to pension	244,492	169,403	75,089	44.33%
Total Deferred Outflow	244,492	169,403	75,089	44.33%
Current and other liabilities	4,059,753	3,736,160	323,593	8.66%
Long-term obligations	676,119	493,568	182,551	36.99%
Total Liabilities	4,735,872	4,229,728	506,144	11.97%
Deferred inflows related to pension	37,303	21,043	16,260	77.27%
Total Deferred Inflow	37,303	21,043	16,260	77.27%
Net Position:				
Restricted	\$ 22,347,933	\$ 21,761,460	\$ 586,473	2.70%
Unrestricted	52,356	34,025	18,331	53.88%
Total Net Position	\$ 22,400,289	\$ 21,795,485	\$ 604,804	2.77%

The total net position is \$22.40 million, an increase of \$0.60 million or 2.77% from the prior fiscal year. Significant changes during the fiscal year are as follows:

The Governmental Accounting Standards Board (GASB) issued Statement No.75 (Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pension (OPEB), an amendment of Statement No. 45) that requires all government entities to recognize and measure liabilities, deferred outflows of resources, deferred inflow inflows of resources and expenses. As a result, C/CAG's long-terms obligations and pension related deferred inflows and outflows have increased by \$0.12 million in the fiscal year 2017-2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets increased by \$1.04 million or 4.04%, of which \$2.66 million is an increase in cash and investment. Congestion Management Fund increased by \$1.20 million, in comparison with the prior year mainly because of the delay in Smart Corridor expansion to the North which includes South San Francisco, Daly City, Brisbane and Colma. The projects are still in the planning phase and the objective is to reduce traffic congestion in San Mateo County. Once the projects are underway the cash balance will be gradually depleted. Measure M Fund increased by \$1.59 million in comparison with the prior year. Part of the cash balance in Measure M Fund is planned to use for future maintenance and upgrade for Smart Corridor equipment. The decrease of \$1.62 million or 41.46% in accounts receivable is due to the timing of cost reimbursement submission for the Bay Area Air Quality Management and Metropolitan Transportation Commission for Safe Routes to School program and Highway Planning and Programming.

Current and other liabilities increased by \$0.32 million or 8.66%. The increase in current and other liabilities is mainly due to the timing of vendors submitting invoices. C/CAG's long-term obligations include OPEB and proportionate shares of pension liability related deferred inflows and outflows have an increase of \$0.12 million in comparison with the prior year. The change is affected by the proportionate shares of contributions and investment gains of the CalPERS retirement pool.

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 \$22.35 million of the total net position. Of this amount, \$9.65 million is restricted for Measure M, \$8.29 million is restricted for Congestion Management Program, \$2.76 million is restricted for AB1546, \$0.76 million is restricted for NPDES and \$0.58 million is restricted for Bay Area Air Quality Management Program. The remaining amount is related to other programs.

Unrestricted net position can be used to finance day-to-day operations without constraints established by other legal requirements or restrictions. Due to the requirement to report the net pension liability the unrestricted net position has a balance of \$0.05 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Table 2
Statement of Activities and Changes in Net Position
June 30, 2018 and June 30, 2017

	2018	2017	\$ Change	% Change
Revenues				
Program Revenues:				
Charges for services	\$ 11,308,820	\$ 11,816,678	\$ (507,858)	-4.30%
Operating grants and contributions	3,332,740	3,270,756	61,984	1.90%
General Revenues:				
Investment Income	295,700	137,186	158,514	115.55%
Total Revenues	\$ 14,937,260	\$ 15,224,620	\$ (287,360)	-1.89%
Expenses				
AB 1546	212,984	5,172	207,812	4018.02%
General government	402,966	374,384	28,582	7.63%
Energy Watch	509,010	501,080	7,930	1.58%
Air quality (BAAQMD)	1,581,790	771,272	810,518	105.09%
NPDES stormwater	2,012,241	1,899,319	112,922	5.95%
Congestion management	3,110,905	3,702,066	(591,161)	-15.97%
Measure M	6,420,736	6,985,356	(564,620)	-8.08%
Total Expenses	14,250,632	14,238,649	11,983	0.08%
Inc (Dec) in Net Position	\$ 686,628	\$ 985,971	\$ (299,343)	-30.36%
Beginning Net Position	21,795,485	20,809,514	985,971	4.74%
Restatement of Net Position	(81,824)			
Ending Net Position	\$ 22,400,289	\$ 21,795,485	\$ 604,804	2.77%

The overall change in net position in current fiscal year is an increase of \$0.60 million. The reasons for significant changes in the revenues and expenses are as follows:

Due to the implementation of the new GASB requirements for Other Post-Employment Benefits Other Than Pensions (OPEB), C/CAG was required to restate the beginning net position by \$0.08 million. See Note 5 to the financial statements for further detail.

The combined amount of charges for services decreased by \$0.51 million or 4.3% compared to the prior year. The decreases are associated with final billing submission to Department of Transportation for Smart Corridor Segment 2 projects in prior year and received less funding from Metropolitan Transportation Commission for Safe Route to School Program.

The combined amount of operating grants & contributions received in fiscal year 2017-2018 is \$3.33 million, an increase of \$0.06 million or 1.9%. The increase in revenue is relatively flat compared to the prior year. Annual member fees remain the same as fiscal year 2017 and National Pollutant Discharge and Elimination System (NPDES) assessments increased by 1.6%, the assessments are based on total parcels in each jurisdiction.

Investment income increased by \$0.16 million or 115.55%. The increase is a result of higher interest earnings and increasing investment balance in County Pool Investment to earn higher investment return.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Program expenses totaled \$14.25 million in the fiscal year 2017-2018, approximately the same level as the prior year's expenses of \$14.24 million. Significant changes in the expenses of C/CAG's programs from the prior year are as follows:

- AB1546 program expenses increased by \$0.21 million, due to increase in technical support services to develop sustainable streets guidelines and perform visual assessment of street trash loads.
- General Government expenses increased by \$0.03 million or 7.63%, to \$0.40 million. The increase is mainly associated with the prefunding of OPEB to California Employers' Retiree Benefit Trust Program (CERBT). Due to a higher amount of actuarially determined contribution than the past years, C/CAG was required to prefund a higher amount in the fiscal year 2017-18.
- Energy Watch Program expenses remain approximately the same level as prior year. \$0.25 million were paid to the County of San Mateo Office of Sustainability to monitor the program. The remaining expenditures were payments for the consultant and administrative services.
- The Bay Area Air Quality program expenses increased by \$0.81 million or 105.09% mainly because of new funding allocated to Countywide Carpooling Incentives Pilot Program. The program is to encourage commuters and workers of San Mateo County to use of carpools and rideshares during peak commute periods. The primary objectives of the program are to reduce air pollution, greenhouse gas emissions and traffic congestion within the County
- NPDES program expenses increased by \$0.11 million or 5.95%. The increase of consulting costs are associated with helping member agencies to comply with Municipal Regional Stormwater Permit and developing a countywide Stormwater Resource Plan.
- The decrease of expenses in Congestion Management Program is primarily result of one-time claim settlement paid in prior year. The claim was made by the contractor against County of San Mateo for Smart Corridor project additional construction costs.
- Measure M expenses decreased by \$0.56 million or 8.08% is mainly due to decrease expenses in Safe Routes to School program. The project is placed on-hold for a new funding agreement with Metropolitan Transportation Commission.

For a description of each of the Agency's programs see Note 1 to financial statements.

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. Questions about this report or additional information can be obtained by contacting 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 Division at the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

This Page Left Intentionally Blank

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 deferred outflows of resources and C/CAG's total liabilities and deferred inflows of resources. 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, 2018**

Assets		
Cash and investments (Note 2)		\$ 24,641,463
Accounts receivable		<u>2,287,509</u>
Total Assets		<u>26,928,972</u>
Deferred Outflows of Resources		
Deferred pension related items (Note 5)		183,311
Deferred OPEB related items (Note 6)		<u>61,181</u>
Total Deferred Outflows of Resources		<u>244,492</u>
Liabilities		
Accounts payable		3,252,836
Accrued liabilities		806,917
Net pension liability (Note 5)		511,510
Net OPEB Liability (Note 6)		<u>164,609</u>
Total Liabilities		<u>4,735,872</u>
Deferred Inflows of Resources		
Deferred pension related items (Note 5)		29,912
Deferred OPEB related items (Note 6)		<u>7,391</u>
Total Deferred Inflows of Resources		<u>37,303</u>
Net Position		
Restricted for:		
Energy watch		305,530
BAAQMD		585,955
NPDES		761,799
AB 1546		2,759,499
Congestion Management		8,290,049
Measure M		9,645,101
Unrestricted		<u>52,356</u>
Total Net Position		<u>\$ 22,400,289</u>

See accompanying notes to financial statements

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs:	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
General government	\$ 402,966	\$ -	\$ 278,407	\$ (124,559)
Special programs:				
Congestion management	3,110,905	2,333,049	1,192,309	414,453
National Pollutant Discharge & Elimination System	2,012,241	129,520	1,417,753	(464,968)
Bay Area Air Quality Management District	1,581,790	1,142,764	-	(439,026)
AB 1546	212,984	2,110	-	(210,874)
Energy watch	509,010	-	444,271	(64,739)
Measure M	6,420,736	7,701,377	-	1,280,641
Total Governmental Activities	<u>\$14,250,632</u>	<u>\$ 11,308,820</u>	<u>\$ 3,332,740</u>	<u>390,928</u>
General Revenues:				
Investment income				<u>295,700</u>
Total General Revenues				<u>295,700</u>
Change in Net Position				686,628
Net Position - Beginning, as restated (Note 1)				<u>21,713,661</u>
Net Position - Ending				<u>\$ 22,400,289</u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

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.

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.

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. 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**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Congestion Management</u>	<u>National Pollutant Discharge & Elimination System</u>	<u>Bay Area Air Quality Management District</u>
ASSETS:				
Cash and investments (Note 2)	\$ 442,400	\$ 8,658,631	\$ 1,108,417	\$ 1,065,425
Accounts receivable	<u>109,134</u>	<u>411,799</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 551,534</u>	<u>\$ 9,070,430</u>	<u>\$ 1,108,417</u>	<u>\$ 1,065,425</u>
LIABILITIES:				
Accounts payable	\$ 17,126	\$ 703,549	\$ 329,283	\$ 370,540
Accrued liabilities	<u>13,122</u>	<u>76,832</u>	<u>17,335</u>	<u>108,930</u>
Total Liabilities	<u>30,248</u>	<u>780,381</u>	<u>346,618</u>	<u>479,470</u>
FUND BALANCE:				
Restricted for				
Congestion management	-	8,290,049	-	-
NPDES	-	-	761,799	-
Bay Area AQMD	-	-	-	585,955
AB 1546	-	-	-	-
Energy watch	-	-	-	-
Measure M	-	-	-	-
Unassigned	<u>521,286</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>521,286</u>	<u>8,290,049</u>	<u>761,799</u>	<u>585,955</u>
Total Liabilities and Fund Balances	<u>\$ 551,534</u>	<u>\$ 9,070,430</u>	<u>\$ 1,108,417</u>	<u>\$ 1,065,425</u>

See accompanying notes to financial statements.

<u>AB 1546</u>	<u>Energy Watch</u>	<u>Measure M</u>	<u>Total Governmental Funds</u>
\$ 2,840,236	\$ 283,923	\$ 10,242,431	\$ 24,641,463
91	106,477	1,660,008	2,287,509
<u>\$ 2,840,327</u>	<u>\$ 390,400</u>	<u>\$ 11,902,439</u>	<u>\$ 26,928,972</u>
\$ 80,828	\$ 84,870	\$ 1,666,640	\$ 3,252,836
-	-	590,698	806,917
<u>80,828</u>	<u>84,870</u>	<u>2,257,338</u>	<u>4,059,753</u>
-	-	-	8,290,049
-	-	-	761,799
-	-	-	585,955
2,759,499	-	-	2,759,499
-	305,530	-	305,530
-	-	9,645,101	9,645,101
-	-	-	521,286
<u>2,759,499</u>	<u>305,530</u>	<u>9,645,101</u>	<u>22,869,219</u>
<u>\$ 2,840,327</u>	<u>\$ 390,400</u>	<u>\$ 11,902,439</u>	<u>\$ 26,928,972</u>

See accompanying notes to financial statements.

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

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Fund balances of governmental funds \$ 22,869,219

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

Deferred inflows and outflows:

The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows related to pension	183,311
Deferred inflows related to pension	(29,912)
Deferred outflows related to OPEB	61,181
Deferred inflows related to OPEB	(7,391)

Long term liabilities:

The liabilities below are not due and payable in the current period and therefore are not reported in the funds:

Net pension liability	(511,510)
Net OPEB liability	(164,609)

Net Position of governmental activities \$ 22,400,289

See accompanying notes to financial statements

The Page Left Intentionally Blank

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Congestion Management</u>	<u>National Pollutant Discharge & Elimination System</u>	<u>Bay Area Air Quality Management District</u>
REVENUES				
Member contributions	\$ 275,651	\$ 2,260,452	\$ -	\$ -
Intergovernmental	-	1,192,309	129,520	-
NPDES fees	-	-	1,417,753	-
AB 434 DMV fees	-	-	-	1,142,764
Investment income	6,798	102,906	12,755	13,219
Cost reimbursement	2,756	71,000	-	-
Other revenue	-	1,597	-	-
	<u>285,205</u>	<u>3,628,264</u>	<u>1,560,028</u>	<u>1,155,983</u>
EXPENDITURES				
Current:				
Professional services	210,207	1,935,499	1,931,352	784,767
Field and program supplies	1,601	-	-	-
Administrative services	120,054	238,116	28,088	5,583
Dues and membership	750	265	43,948	-
Conferences and meetings	14,163	3,777	4,306	110
Publications	11,463	1,200	-	-
Distributions	-	932,048	4,547	791,330
Other	2,830	-	-	-
	<u>361,068</u>	<u>3,110,905</u>	<u>2,012,241</u>	<u>1,581,790</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(75,863)</u>	<u>517,359</u>	<u>(452,213)</u>	<u>(425,807)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	217,916	-	-	-
Transfers (out)	-	(223,714)	(40,381)	(5,303)
	<u>217,916</u>	<u>(223,714)</u>	<u>(40,381)</u>	<u>(5,303)</u>
NET CHANGE IN FUND BALANCES	142,053	293,645	(492,594)	(431,110)
Fund balances at beginning of year	<u>\$379,233</u>	<u>\$7,996,404</u>	<u>1,254,393</u>	<u>1,017,065</u>
Fund balances at end of year	<u>\$ 521,286</u>	<u>\$ 8,290,049</u>	<u>\$ 761,799</u>	<u>\$ 585,955</u>

See accompanying notes to financial statements

<u>AB 1546</u>	<u>Energy Watch</u>	<u>Measure M</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,536,103
2,110	444,271	7,513,879	9,282,089
-	-	-	1,417,753
-	-	-	1,142,764
33,900	3,386	122,736	295,700
-	-	187,498	261,254
-	-	-	1,597
<u>36,010</u>	<u>447,657</u>	<u>7,824,113</u>	<u>14,937,260</u>
203,526	482,673	1,116,639	6,664,663
-	-	-	1,601
1,946	21,567	38,143	453,497
-	-	-	44,963
-	4,754	165	27,275
-	16	-	12,679
7,512	-	5,265,789	7,001,226
-	-	-	2,830
<u>212,984</u>	<u>509,010</u>	<u>6,420,736</u>	<u>14,208,734</u>
<u>(176,974)</u>	<u>(61,353)</u>	<u>1,403,377</u>	<u>728,526</u>
-	100,000	-	317,916
<u>(280)</u>	<u>(31,423)</u>	<u>(16,815)</u>	<u>(317,916)</u>
<u>(280)</u>	<u>68,577</u>	<u>(16,815)</u>	<u>-</u>
(177,254)	7,224	1,386,562	728,526
<u>2,936,753</u>	<u>298,306</u>	<u>8,258,539</u>	<u>22,140,693</u>
<u>\$ 2,759,499</u>	<u>\$ 305,530</u>	<u>\$ 9,645,101</u>	<u>\$ 22,869,219</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds **\$ 728,526**

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

Pension expense related to the proportionate share of net pension liabilities is recorded on the economic resources basis of accounting and therefore not reported as expenditures in the governmental funds (64,390)

OPEB - Governmental funds report all contributions in relation to the actuarially determined contribution (ADC) for OPEB as expenditures, however, in the statement of Activities, the total ADC is recognized as an expense. 22,492

Change in net position of governmental activities **\$ 686,628**

See accompanying notes to financial statements

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

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. 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**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

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. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

e. Assets, Liabilities, Deferred Outflow/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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The C/CAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. Deferred outflows relating to the proportionate share of the net pension liability and OPEB liability reported in the government-wide statement of net position. These outflows are the results of adjustments due to difference in proportions and the contributions made subsequent to the measurement period.

In addition to liabilities, the statement of financial position 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 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 two items that qualifies for reporting in this category which are deferred inflows relating to the proportionate share of the net pension liability and OPEB liability reported in the government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position Restatements

Management adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. The implementation of the Statement required the C/CAG to make prior period adjustments. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees (both active employees and inactive employees) are provided with post-employment benefits other pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

As a result, the net positions of the Governmental Activities was restated and reduced by \$81,824. See Note 6.

Fund Balance

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

Nonspendable - include 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 - Includes amounts that have constraints on the use of resources by being externally imposed, imposed by law through constitution, or through enabling legislation.

Committed - include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, C/CAG's Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is Board resolution.

Assigned - include amounts that are constrained by C/CAG's intent to be used for specific purposes, but are neither restricted nor committed. C/CAG's Executive Director authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through a resolution.

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Policy

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 C/CAG's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into two captions. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

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 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, C/CAG's cash and investment balance was \$24,641,463 consisting of \$13,962,689 in the California Local Agency Investment Fund, \$9,308,488 in the San Mateo County Investment Pool, and \$1,370,286 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. C/CAG reports its investments in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share.

b. San Mateo County Investment Fund

C/CAG is a voluntary participant in the San Mateo County Investment Pool (SMCIP) that is regulated by California Government Code Section 53684 under the oversight of the treasurer of the County of San Mateo. The balance available for withdrawal is based on the accounting records maintained by SMCIP, which are recorded on an amortized cost basis. Included in SMCIP'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 SMCIP at the fair value amounts provided by SMCIP, 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: Cash and Investments (continued)

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:

Investment Type	12 Months or less
Local Agency Investment Fund	\$13,962,689
San Mateo County Investment Pool	9,308,488
Total Investments	23,271,177
Total Cash in Banks and Cash on Hand	1,370,286
Total Cash and Investments	<u>\$24,641,463</u>

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
State of California Local Agency Investment Fund	Upon Demand	N/A	\$65 million per account	N/A
San Mateo County Investment Pool	Upon Demand	N/A	As approved by C/CAG Board	N/A
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Securities	5 Years	N/A	100%	N/A
Bankers Acceptances	180 Days	N/A	40%	(B)
Commercial Paper	270 Days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A)
Time Certificates of Deposit - Banks or Savings and Loans	5 Years	N/A	30%	(A)
Medium Term Corporate Notes	5 Years	A	30%	(A)

(A) 10% of outstanding paper of issuing corporation and 10% of the portfolio in one corporation

(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: Cash and Investments (continued)

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.

g. Fair Value Hierarchy

The C/CAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of C/CAG as of June 30, 2018:

Investment Type	Exempt	Total
Investments by Fair Value:		
California Local Agency Investment Fund	\$13,962,689	\$13,962,689
San Mateo County Investment Pool	9,308,488	9,308,488
Total Investments at Fair Value	<u>\$23,271,177</u>	23,271,177
Cash in banks		<u>1,370,286</u>
Total Cash and Investments		<u>\$24,641,463</u>

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pool measured at fair value, and exempt in the fair value hierarch under GASB 72.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

Atherton	\$	23,282
Belmont		87,045
Brisbane		17,009
Burlingame		113,305
Colma		10,897
Daly city		323,415
East Palo Alto		84,201
Foster City		106,744
Half Moon Bay		42,702
Hillsborough		34,596
Menlo Park		121,426
Millbrae		75,570
Pacifica		117,123
Portola Valley		15,400
Redwood City		297,585
San Bruno		149,088
San Carlos		99,762
South San Francisco		216,522
San Mateo		359,016
San Mateo County		222,382
Woodside		19,033
Total:	\$	<u>2,536,103</u>

Note 4: Interfund Transfers

Interfund transfers at June 30, 2018, consisted of the following:

Transfers In:	Transfers Out:							Total
	Congestion Management	National Pollutant Discharge & Elimination System	Bay Area Air Quality Management District	AB 1546	Energy Watch	Measure M		
General Fund	\$ 123,714	\$ 40,381	\$ 5,303	\$ 280	\$ 31,423	\$ 16,815	\$ 217,916 (A)	
Energy Watch	100,000						100,000 (B)	
Total Interfund Transfers	<u>\$ 223,714</u>	<u>\$ 40,381</u>	<u>\$ 5,303</u>	<u>\$ 280</u>	<u>\$ 31,423</u>	<u>\$ 16,815</u>	<u>\$ 317,916</u>	

(A) Administration overhead

(B) Capital projects

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 5: Pension Plan

Plan Description

C/CAG contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the C/CAG's Miscellaneous Employee Pension Plans and Public Employee's Pension Reform Act of 2013 (PEPRA,) cost-sharing multiple employer defined benefit pension plans administered by CalPERS. CalPERS 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 CalPERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The provisions and benefits of the plan in effect at June 30, 2018 are summarized as follows:

	CCAG Miscellaneous Plan	
	Tier 1	PEPRA
Hire date	On or after March 12, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.0%	6.25%
Required employer contribution rates	22.731%	6.575%

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 5: Pension Plan (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The required employer contribution and the amount paid to CalPERS by C/CAG for the year ended June 30, 2018 were \$52,418. C/CAG's employer contributions were equal to the required employer contributions for the year ended June 30, 2018.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, C/CAG reported \$511,510 of net pension liabilities for its proportionate shares of the net pension liability.

C/CAG's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. C/CAG's proportion of the net pension liability was based on a projection of the C/CAG's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The C/CAG's proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.012976%
Proportion - June 30, 2016	<u>0.012726%</u>
Increase (Decrease)	<u><u>0.000250%</u></u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 5: Pension Plan (Continued)

For the year ended June 30, 2018, C/CAG recognized a total pension expense of \$64,390 for all plans in total. At June 30, 2018, the C/CAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contribution subsequent to measurement date	\$ 52,418	\$ -
Differences between actual and expected experience	658	(9,423)
Changes in assumptions	81,604	(6,222)
Net differences between projected and actual earnings on plan investments	18,455	-
Change in proportion and differences between actual contributions and proportionate share of contributions	<u>30,176</u>	<u>(14,267)</u>
Total	<u>\$ 183,311</u>	<u>\$ (29,912)</u>

In the table above, the \$52,418 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2019	\$ 37,476
2020	46,695
2021	27,767
2022	(10,957)

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 5: Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website: www.calpers.ca.gov

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change in assumptions – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 5: Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-2.20%	-2.70%
Total	100%		

- (a) An expected inflation of 2.5% used for this period.
- (b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the C/CAG's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15% for each Plan, as well as what the C/CAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15%) or 1% point higher (8.15%) than the current rate:

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Miscellaneous	\$ 780,500	\$ 511,510	\$ 288,728

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6: Other Post-Employment Benefits

General Information about the Other Post Employment Benefit Plan (OPEB)

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 are two retirees receiving this benefit.

During the fiscal year 2015, the Board authorized to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of C/CAG, with a deposit of \$30,000 with CERBT to begin funding its OPEB liability. Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. This Trust is not considered a component unit of C/CAG and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O.Box 942709, Sacramento, CA 94229-2709.

Employees Covered – Membership in the plan consisted of the following at June 30, 2018:

Active plan members	2
Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	0
Total	<u><u>4</u></u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6: Other Post-Employment Benefits (Continued)

Net OPEB Liability

Actuarial Methods and Assumptions – C/CAG’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions:

<u>Actuarial Assumption</u>	<u>Measurement Date</u>
Measurement date	June 30, 2017
Funding Method	Entry Age Normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.5% as of June 30, 2016 and June 30, 2017
Discount Rates	6.5% as of June 30, 2016 and June 30, 2017
Salary increases	3.25% per year, used only to allocate the cost of benefits between service years
Inflation	2.75% per year
Healthcare cost trend rates	Start at 8.0% and grade down to 5.0% per year for years 2024 and thereafter
Mortality rate	MacLeod Watts Scale 2017 applied generationally

Discount Rate – The discount rate used to measure the total OPEB liability was 6.73%.

Changes in Net OPEB Liability

The changes in the Net OPEB Liability follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net OPEB Liability/(Asset)</u> <u>(c) = (a) - (b)</u>
Balance at Fiscal Year Ending 6/30/2017: (Measurement Date 6/30/16)	\$239,601	\$57,882	\$181,719
Changes Recognized for the Measurement Period:			
Service Cost	20,211		20,211
Interest on the total OPEB liability	16,127		16,127
Expected investment income		4,574	(4,574)
Employer contribution		48,408	(48,408)
Administrative expenses		(31)	31
Difference between expected and actual experience	(9,558)		(9,558)
Changes of assumptions	8,580		8,580
Net investment income		(481)	481
Benefit payments	(23,408)	(23,408)	-
Net Changes during Fiscal Year 2018	<u>11,952</u>	<u>29,062</u>	<u>(17,110)</u>
Balance at Fiscal Year Ending 6/30/2018: (Measurement Date 6/30/2017)	<u>\$251,553</u>	<u>\$86,944</u>	<u>\$164,609</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6: Other Post-Employment Benefits (Continued)

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5.73 %)	(6.73%)	(7.73%)
\$195,704	\$164,609	\$138,695

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
7%	8%	9%
\$135,785	\$164,609	\$201,130

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, C/CAG recognized OPEB Expense of \$31,670. As of fiscal year ended June 30, 2018, it reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$54,162	\$ -
Differences between actual and expected experience	385	7,391
Changes of assumptions	6,634	-
Total	\$61,181	\$7,391

\$54,162 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$125)
2020	(125)
2021	(125)
2022	3
2023	-
Thereafter	-

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

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

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Member contributions	\$ 275,651	\$ 275,651	\$ 275,651	\$ -
Cost reimbursement	-	-	2,756	2,756
Investment income	2,000	2,000	6,798	4,798
Total Revenues	277,651	277,651	285,205	7,554
EXPENDITURES				
Professional services	367,500	367,500	210,207	157,293
Field and program supplies	4,000	4,000	1,601	2,399
Administrative services	104,000	104,000	120,054	(16,054)
Dues and membership	1,750	1,750	750	1,000
Conferences and meetings	12,500	12,500	14,163	(1,663)
Publications	19,000	19,000	11,463	7,537
Other	9,000	9,000	2,830	6,170
Total Expenditures	517,750	517,750	361,068	156,682
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(240,099)	(240,099)	(75,863)	164,236
OTHER FINANCING SOURCES				
Transfers in	-	-	217,916	217,916
Total Other Financing Sources	-	-	217,916	217,916
NET CHANGE IN FUND BALANCES	\$ (240,099)	\$ (240,099)	142,053	\$ 382,152
FUND BALANCES AT BEGINNING OF YEAR			379,233	
FUND BALANCES AT END OF YEAR			\$ 521,286	

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

**CONGESTION MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Member contributions	\$ 2,260,452	\$ 2,260,452	\$ 2,260,452	\$ -
Intergovernmental	1,208,000	1,208,000	1,192,309	(15,691)
Investment income	56,000	56,000	102,906	46,906
Cost reimbursement	-	-	71,000	71,000
Other revenue	-	-	1,597	1,597
Total Revenues	3,524,452	3,524,452	3,628,264	103,812
EXPENDITURES				
Professional services	3,142,488	3,142,488	1,935,499	1,206,989
Field and program supplies	8,000	8,000	-	8,000
Administrative services	240,000	240,000	238,116	1,884
Conferences and meetings	6,000	6,000	3,777	2,223
Publications	3,000	3,000	1,200	1,800
Distributions	1,080,000	1,080,000	932,048	147,952
Dues and memberships	1,000	1,000	265	735
Other	2,000	2,000	-	2,000
Total Expenditures	4,482,488	4,482,488	3,110,905	1,371,583
EXCESS OF REVENUES OVER EXPENDITURES	(958,036)	(958,036)	517,359	1,475,395
OTHER FINANCING SOURCES (USES)				
Transfers in	700,000	700,000	-	(700,000)
Transfers (out)	(300,000)	(300,000)	(223,714)	76,286
Total Other Financing Sources (Uses)	400,000	400,000	(223,714)	(623,714)
NET CHANGE IN FUND BALANCES	\$ (558,036)	\$ (558,036)	293,645	\$ 851,681
FUND BALANCES AT BEGINNING OF YEAR			7,996,404	
FUND BALANCES AT END OF YEAR			\$ 8,290,049	

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

**NATIONAL POLLUTANT DISCHARGE AND ELIMINATION SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 130,128	\$ 130,128	\$ 129,520	\$ (608)
NPDES fees	1,412,444	1,412,444	1,417,753	5,309
Investment income	12,000	12,000	12,755	755
Total Revenues	<u>1,554,572</u>	<u>1,554,572</u>	<u>1,560,028</u>	<u>5,456</u>
EXPENDITURES				
Professional services	2,051,190	2,051,190	1,931,352	119,838
Field and program supplies	2,500	2,500	-	2,500
Administrative services	40,000	40,000	28,088	11,912
Dues and membership	44,984	44,984	43,948	1,036
Conferences and meetings	5,500	5,500	4,306	1,194
Distributions	26,000	26,000	4,547	21,453
Others	1,000	1,000	-	1,000
Total Expenditures	<u>2,171,174</u>	<u>2,171,174</u>	<u>2,012,241</u>	<u>158,933</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(616,602)</u>	<u>(616,602)</u>	<u>(452,213)</u>	<u>164,389</u>
OTHER FINANCING (USES)				
Transfers (out)	-	-	(40,381)	(40,381)
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(40,381)</u>	<u>(40,381)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (616,602)</u>	<u>\$ (616,602)</u>	(492,594)	<u>\$ 124,008</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>1,254,393</u>	
FUND BALANCES AT END OF YEAR			<u>\$ 761,799</u>	

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

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
AB 434 DMV Fees	\$ 1,079,043	\$ 1,079,043	\$ 1,142,764	\$ 63,721
Investment income	6,000	6,000	13,219	7,219
Total Revenues	1,085,043	1,085,043	1,155,983	70,940
EXPENDITURES				
Professional services	750,000	750,000	784,767	(34,767)
Administrative services	4,000	4,000	5,583	(1,583)
Conferences and meetings	-	-	110	(110)
Distributions	829,043	829,043	791,330	37,713
Total Expenditures	1,583,043	1,583,043	1,581,790	1,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(498,000)	(498,000)	(425,807)	72,193
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(5,303)	(5,303)
Total Other Financing Sources (Uses)	-	-	(5,303)	(5,303)
NET CHANGE IN FUND BALANCES	\$ (498,000)	\$ (498,000)	(431,110)	\$ 66,890
FUND BALANCES AT BEGINNING OF YEAR			1,017,065	
FUND BALANCES AT END OF YEAR			\$ 585,955	

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

**AB 1546 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,110	\$ 2,110
Investment income	20,000	20,000	33,900	13,900
Total Revenues	20,000	20,000	36,010	16,010
EXPENDITURES				
Professional services	202,500	202,500	203,526	(1,026)
Administrative services	-	-	1,946	(1,946)
Distributions	1,522,000	1,522,000	7,512	1,514,488
Total Expenditures	1,724,500	1,724,500	212,984	1,511,516
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,704,500)	(1,704,500)	(176,974)	1,527,526
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(280)	(280)
Total Other Financing Sources (Uses)	-	-	(280)	(280)
NET CHANGE IN FUND BALANCES	<u>\$ (1,704,500)</u>	<u>\$ (1,704,500)</u>	(177,254)	<u>\$ 1,527,246</u>
FUND BALANCES AT BEGINNING OF YEAR			2,936,753	
FUND BALANCES AT END OF YEAR			<u>\$ 2,759,499</u>	

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

**ENERGY WATCH FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 900,000	\$ 900,000	\$ 444,271	\$ (455,729)
Investment income	-	-	3,386	3,386
Total Revenues	<u>900,000</u>	<u>900,000</u>	<u>447,657</u>	<u>(452,343)</u>
EXPENDITURES				
Professional services	1,017,500	1,017,500	482,673	534,827
Administrative services	15,000	15,000	21,567	(6,567)
Conferences and meetings	5,000	5,000	4,754	246
Publications	1,000	1,000	16	984
Total Expenditures	<u>1,038,500</u>	<u>1,038,500</u>	<u>509,010</u>	<u>529,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(138,500)</u>	<u>(138,500)</u>	<u>(61,353)</u>	<u>77,147</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	(31,423)	(31,423)
NET CHANGE IN FUND BALANCES	<u>\$ (38,500)</u>	<u>\$ (38,500)</u>	7,224	<u>\$ 45,724</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>298,306</u>	
FUND BALANCES AT END OF YEAR			<u>\$ 305,530</u>	

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

**MEASURE M FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 6,700,000	\$ 6,700,000	\$ 7,513,879	\$ 813,879
Investment income	70,000	70,000	122,736	52,736
Cost reimbursement	520,000	520,000	187,498	(332,502)
Total Revenues	7,290,000	7,290,000	7,824,113	534,113
EXPENDITURES				
Professional services	1,581,500	1,581,500	1,116,639	464,861
Administrative services	40,000	40,000	38,143	1,857
Distributions	5,016,500	5,016,500	5,265,789	(249,289)
Conferences and meetings			165	(165)
Total Expenditures	6,638,000	6,638,000	6,420,736	217,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	652,000	652,000	1,403,377	751,377
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(500,000)	(16,815)	483,185
NET CHANGE IN FUND BALANCES	\$ 152,000	\$ 152,000	1,386,562	\$ 1,234,562
FUND BALANCES AT BEGINNING OF YEAR			8,258,539	
FUND BALANCES AT END OF YEAR			\$ 9,645,101	

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

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

Cost Sharing Multiple-Employer Miscellaneous Plan
Last 10 Years*

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date of	6/30/14	6/30/15	6/30/16	6/30/17
Plan's proportion of the Net Pension Liability (Asset)	0.00414%	0.012329%	0.012726%	0.012976%
Plan's proportion share of the Net Pension Liability (Asset)	\$257,601	\$338,250	\$442,081	\$511,510
Plan's Covered Employee Payroll	187,690	257,693	270,037	311,785
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137.25%	131.26%	163.71%	164.06%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	79.01%	75.20%	73.84%

Notes to Schedule:

Benefit changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes).

Changes in assumptions: In 2017, the accounting discount rate was reduced from 7.65% to 7.15%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

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

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

Cost Sharing Multiple-Employer Defined Pension Plans
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal year ended	2015	2016	2017	2018
Actuarially determined contribution	\$ 43,618	\$ 41,142	\$ 40,857	\$ 54,162
Contributions in relation to the actuarially determined contributions	<u>(43,618)</u>	<u>(41,142)</u>	<u>(40,857)</u>	<u>(54,162)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 187,690	\$ 257,693	\$ 270,037	\$ 311,785
Contributions as a percentage of covered payroll	23.24%	15.97%	15.13%	17.37%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
	7.15%, net of pension plan investment expense, including
Investment rate of return	inflation
Retirement age	50 years
Mortality	Derived using CalPERS Membership Data for all Funds.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

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

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Single-employer Defined Benefit Post Employment Healthcare plan (OPEB)
Last 10 years***

Measurement Date	<u>6/30/17</u>
Total OPEB Liability	
Service Cost	\$20,211
Interest	16,127
Differences between expected and actual experience	(9,558)
Changes in assumptions	8,580
Benefit payments	<u>(23,408)</u>
Net change in total OPEB liability	11,952
Total OPEB liability - beginning	<u>239,601</u>
Total OPEB liability - ending (a)	<u><u>\$251,553</u></u>
 OPEB fiduciary net position	
Contributions - employer	\$48,408
Contributions - employee	
Net investment income	4,093
Administrative expense	(31)
Benefit payments, including refunds of employee contributions	<u>(23,408)</u>
Net change in plan fiduciary net position	29,062
Plan fiduciary net position - beginning	<u>57,882</u>
Plan fiduciary net position - ending (b)	<u><u>86,944</u></u>
 Net OPEB liability - ending (a)-(b)	<u><u>\$164,609</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	<u>35%</u>
 Covered-employee payroll	<u><u>\$ 311,785</u></u>
 Net OPEB liability as a percentage of covered-employee payroll	<u><u>52.80%</u></u>

Notes to schedule:

* - Fiscal year 2018 was the first year of implementation.

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

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – C/CAG BUDGETARY INFORMATION

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, 2018, none of the funds had expenditures exceeding the budgeted amounts.