

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

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

JUNE 30, 2016

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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, 2016, 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 C/CAG as of June 30, 2016, 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. 72, *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1e to the financial statements. There was no material effect on the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

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 November 18, 2016, 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.

Mare & Associates

Pleasant Hill, California
November 18, 2016

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, 2016. 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 \$20.81 million, an increase of \$2.35 million or 12.75%.
- The combined C/CAG revenues were \$16 million, an increase of \$0.67 million or 4.37%.
- The combined C/CAG expenditures were \$13.65 million, a decrease of \$1.35 million or 9.01%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

requirements. All of the C/CAG activities are reported in governmental funds. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental Fund Financial Statements provide a detailed view of the C/CAG operations. Governmental fund information helps to determine the amount of financial resources used to finance the C/CAG programs.

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

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, 2016 and June 30, 2015

	2016	2015	\$ Change	% Change
Cash and investments (note 2)	\$ 21,546,519	\$ 17,300,222	\$ 4,246,297	24.54%
Accounts receivable and other assets	3,184,912	4,050,031	(865,119)	-21.36%
Total Assets	24,731,431	21,350,253	3,381,178	15.84%
Deferred outflows related to pension	117,765	49,003	68,762	140.32%
Total Deferred Outflow	117,765	49,003	68,762	140.32%
Current and other liabilities	3,621,416	2,569,448	1,051,968	40.94%
Long-term obligations	380,604	286,324	94,280	32.93%
Total Liabilities	4,002,020	2,855,772	1,146,248	40.14%
Deferred inflows related to pension	37,662	86,566	(48,904)	-56.49%
Total Deferred Inflow	37,662	86,566	(48,904)	-56.49%
Net Position:				
Restricted	\$ 20,870,647	\$ 18,683,845	\$ 2,186,802	11.70%
Unrestricted	(61,133)	(226,927)	165,794	73.06%
Total Net Position	\$ 20,809,514	\$ 18,456,918	\$ 2,352,596	12.75%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The total net position is \$20.81 million, an increase of \$2.35 million, or 12.75% from the prior fiscal year. Significant changes during the fiscal year are as follows:

Total assets increased by \$3.38 million or 15.84%, of which \$4.25 million is an increase in cash and investments as a result of the timing of Storm Water Program implementation which is part of the Measure M program. The available funds will gradually be drawn down once the project costs are expended. The completion of the Smart Corridor System Integration project also contributed to the increase with less payments incurred in the current fiscal year. The decrease of \$0.86 million or 21.36% in accounts receivable is due to the timing of the receipt of reimbursement from the Bay Area Air Quality Management and cost reimbursement submission for the Safe Route to School program.

Current and other liabilities increased by \$1.05 million or 40.94%. The increase in current and other liabilities is mainly due to the timing of San Mateo County Transit District submitting invoices for the Red-Wheels Program. The program is funded by the Measure M Fund Transit Operation Program. C/CAG's long-term obligations and proportionate shares of pension liability related deferred inflows and outflows have remained stable with a minimal decrease of \$0.02 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 \$20.87 million of the total net position. Of this amount, \$8.14 million is restricted for Measure M, \$7.26 million is restricted for Congestion Management Program, \$2.92 million is restricted for AB1546 and \$1.65 million is restricted for NPDES. 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 negative balance of \$0.06 million.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 2
Statement of Activities and Changes in Net Position
June 30, 2016 and June 30, 2015**

	2016	2015	\$ Change	% Change
Revenues				
Program Revenues:				
Charges for services	\$ 12,352,301	\$ 11,227,087	\$ 1,125,214	10.02%
Operating grants and contributions	3,511,644	4,023,869	(512,225)	-12.73%
General Revenues:				
Investment Income	141,119	82,495	58,624	71.06%
Total Revenues	\$ 16,005,064	\$ 15,333,451	\$ 671,613	4.38%
Expenses				
AB 1546	91,627	1,077,979	(986,352)	-91.50%
Congestion management	3,441,004	4,284,512	(843,508)	-19.69%
Air quality (BAAQMD)	662,468	923,879	(261,411)	-28.29%
General government	343,589	488,993	(145,404)	-29.74%
Abandoned vehicle abatement	3,497	20,586	(17,089)	-83.01%
Measure M	6,979,999	6,238,245	741,754	11.89%
NPDES stormwater	1,504,115	1,346,323	157,792	11.72%
Energy Watch	626,169	623,270	2,899	0.47%
Total Expenses	13,652,468	15,003,787	(1,351,319)	-9.01%
Inc (Dec) in Net Position	\$ 2,352,596	\$ 329,664	\$ 2,022,932	613.63%
Beginning Net Position	18,456,918	18,445,150	11,768	0.06%
Restatement	-	(317,896)	317,896	-100%
Ending Net Position	\$ 20,809,514	\$ 18,456,918	\$ 2,352,596	12.75%

The overall change in net position in current fiscal year is an increase of \$2.35 million. The reasons for significant changes in the revenues and expenses are as follows:

The combined amount of charges for services increased by \$1.13 million or 10.02% compared to the prior year. Revenue from Measure M fund increased by \$1.29 million is due to the timing of receipt motor vehicle fee from Department of Motor Vehicle. The increase in Measure M fund is offset by the decrease of \$0.2 million in Congestion Management Program which is mainly due to a decrease in reimbursement for the Traffic Light Synchronization (TLSP) project. The TLSP project is completed and has received less reimbursement in fiscal year 2015-2016.

The combined amount of operating grants & contributions received in fiscal year 2015-2016 is \$3.51 million or 12.73% less than the prior year. The main factor for the decrease is associated with the completion of Smart Corridor System Integration Project which is part of Congestion Management Fund. C/CAG has received less reimbursement from the State Transportation Improvement Program in fiscal year 2015-2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment income increased by \$0.06 million or 71.06% compared to the prior year. The increase is a result of higher interest earnings.

Program expenses totaled \$13.65 million in the fiscal year 2015-2016, a decrease of \$1.35 million or 9.01% from the prior year's expenses of \$15 million. Significant changes in the expenses of C/CAG's programs from the prior year are as follows:

- The decrease of \$0.99 million or 91.5% in Transportation/Environmental Fund (AB1546) is due to the fund distribution to members for the Supplemental Trash Program in fiscal year 2014-2015, only minimal distribution incurred in the current year.
- Congestion Management Program expenses decreased by \$0.84 million or 19.69%. The decrease is due to the completion of the Smart Corridor System Integration Project; the majority of the construction was performed through fiscal year 2014-2015. The remaining work was performed and completed in fiscal year 2015-2016 with less expenses incurred.
- Abandon Vehicle Abatement program ended as of May 31, 2013 by statute. The fund is completely closed with no more fund balance left in the program.
- The Bay Area Air Quality program expenses decreased by \$0.26 million or 28.29% mainly because of reduced funding allocated to the San Mateo County Transit District. The reduction is a result of a cost-effective analysis for the shuttle services provided by the San Mateo County Transit District.
- General Government expenses decreased by \$0.15 million or 29.74%. The decrease is associated with the timing of recording the pension contributions as required by the new GASB guidelines in fiscal year 2014-2015.
- The increase in expenses of \$0.74 million or 11.89% in the Measure M fund is due to the timing of member agencies submitting reimbursement requests for Congestion Traffic Management.
- NPDES program expenses increased by \$0.16 million or 11.72%. The increases of consulting costs were associated with the implementation of mandated programs in Municipal Regional Permits which were reissued for a new five-year term in November 2015.

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. If you have any questions about this report or need additional information, please contact the Executive Director of the City/County Association of Governments of San Mateo County at 555 County Center Fifth Floor, Redwood City, CA 94063 or the C/CAG Financial Agent which is the Finance Department at the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

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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, 2016**

Assets		
Cash and investments (Note 2)		\$ 21,546,519
Accounts receivable		<u>3,184,912</u>
Total Assets		<u>24,731,431</u>
Deferred Outflows of Resources		
Deferred pension related items		<u>117,765</u>
Total Deferred Outflows of Resources		<u>117,765</u>
Liabilities		
Accounts payable		1,891,984
Accrued liabilities		1,729,432
Net pension liability		338,250
Net OPEB obligation		<u>42,354</u>
Total Liabilities		<u>4,002,020</u>
Deferred Inflows of Resources		
Deferred pension related items		<u>37,662</u>
Total Deferred Inflows of Resources		<u>37,662</u>
Net Position		
Restricted for:		
Congestion Management		7,263,582
NPDES		1,652,083
BAAQMD		680,462
AB 1546		2,922,771
Energy watch		208,766
Measure M		8,142,983
Unrestricted		<u>(61,133)</u>
Total Net Position		<u><u>\$ 20,809,514</u></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, 2016

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	\$ 343,589	\$ -	\$ 307,271	\$ (36,318)
Special programs:				
Congestion management	3,441,004	2,629,541	1,275,562	464,099
National Pollutant Discharge & Elimination System	1,504,115	122,155	1,376,925	(5,035)
Bay Area Air Quality Management District	662,468	1,104,802	-	442,334
Abandoned vehicle abatement	3,497	787	-	(2,710)
AB 1546	91,627	1,510	-	(90,117)
Energy watch	626,169	-	551,886	(74,283)
Measure M	6,979,999	8,493,506	-	1,513,507
Total Governmental Activities	<u>\$ 13,652,468</u>	<u>\$ 12,352,301</u>	<u>\$ 3,511,644</u>	<u>2,211,477</u>
General Revenues:				
Investment income				<u>141,119</u>
Total General Revenues				<u>141,119</u>
Change in Net Position				2,352,596
Net Position - Beginning				<u>18,456,918</u>
Net Position - Ending				<u>\$ 20,809,514</u>

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

ENERGY WATCH - The San Mateo County Energy Watch is a Local Government Partnership between C/CAG and Pacific Gas & Electric (PG&E). The objective of Energy Watch is to provide integrated approach to energy savings and incentives to encourage cost effective projects for municipal governments, non-profits, schools, farms, and small/medium businesses. C/CAG contracts with the County of San Mateo to implement the program. 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.

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CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<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)	\$ 217,944	\$ 6,997,115	\$ 2,018,757	\$ 572,362
Accounts receivable	85,087	1,096,819	19,800	143,550
Total Assets	<u>\$ 303,031</u>	<u>\$ 8,093,934</u>	<u>\$ 2,038,557</u>	<u>\$ 715,912</u>
LIABILITIES:				
Accounts payable	\$ 63,663	\$ 518,352	\$ 377,758	\$ 35,450
Accrued liabilities	-	312,000	8,716	-
Total Liabilities	<u>63,663</u>	<u>830,352</u>	<u>386,474</u>	<u>35,450</u>
FUND BALANCE:				
Restricted for				
Congestion management	-	7,263,582	-	-
NPDES	-	-	1,652,083	-
Bay Area AQMD	-	-	-	680,462
AB 1546	-	-	-	-
Energy watch	-	-	-	-
Measure M	-	-	-	-
Unassigned	239,368	-	-	-
Total Fund Balance	<u>239,368</u>	<u>7,263,582</u>	<u>1,652,083</u>	<u>680,462</u>
Total Liabilities and Fund Balances	<u>\$ 303,031</u>	<u>\$ 8,093,934</u>	<u>\$ 2,038,557</u>	<u>\$ 715,912</u>

See accompanying notes to financial statements.

<u>Abandoned Vehicle Abatement</u>	<u>AB 1546</u>	<u>Energy Watch</u>	<u>Measure M</u>	<u>Total Governmental Funds</u>
\$ 149 -	\$ 2,922,985 28	\$ 169,144 131,891	\$ 8,648,063 1,707,737	\$ 21,546,519 3,184,912
<u>\$ 149</u>	<u>\$ 2,923,013</u>	<u>\$ 301,035</u>	<u>\$ 10,355,800</u>	<u>\$ 24,731,431</u>
\$ 149 -	\$ 242 -	\$ 92,269 -	\$ 804,101 1,408,716	\$ 1,891,984 1,729,432
<u>149</u>	<u>242</u>	<u>92,269</u>	<u>2,212,817</u>	<u>3,621,416</u>
-	-	-	-	7,263,582
-	-	-	-	1,652,083
-	-	-	-	680,462
-	2,922,771	-	-	2,922,771
-	-	208,766	-	208,766
-	-	-	8,142,983	8,142,983
-	-	-	-	239,368
<u>-</u>	<u>2,922,771</u>	<u>208,766</u>	<u>8,142,983</u>	<u>21,110,015</u>
<u>\$ 149</u>	<u>\$ 2,923,013</u>	<u>\$ 301,035</u>	<u>\$ 10,355,800</u>	<u>\$ 24,731,431</u>

See accompanying notes to financial statements.

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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, 2016

Fund balances of governmental funds \$ 21,110,015

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	117,765
Deferred inflows related to pension	(37,662)

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	(338,250)
OPEB obligation	(42,354)

Net Position of governmental activities \$ 20,809,514

See Notes to Financial Statements

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, 2016

	General Fund	Congestion Management	National Pollutant Discharge & Elimination System
REVENUES			
Member contributions	\$ 262,526	\$ 2,260,454	\$ -
Intergovernmental	44,745	1,275,562	122,155
NPDES fees	-	-	1,376,925
Abandoned vehicle program	-	-	-
AB 434 DMV fees	-	-	-
Investment income	1,632	45,777	13,200
Cost reimbursement	-	368,687	-
Other revenue	-	400	-
Total Revenues	308,903	3,950,880	1,512,280
EXPENDITURES			
Current:			
Professional services	242,373	2,378,068	1,410,087
Field and program supplies	2,046	-	-
Administrative services	95,158	208,542	30,621
Dues and membership	-	115	42,298
Conferences and meetings	8,733	1,609	3,312
Publications	15,017	578	-
Distributions	-	852,092	17,444
Other	3,648	-	353
Total Expenditures	366,975	3,441,004	1,504,115
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(58,072)	509,876	8,165
OTHER FINANCING SOURCES (USES)			
Transfers in	200,480	200,000	-
Transfers (out)	-	(312,266)	(16,513)
Total Other Financing Sources (Uses)	200,480	(112,266)	(16,513)
NET CHANGE IN FUND BALANCES	142,408	397,610	(8,348)
Fund balances at beginning of year	96,960	6,865,972	1,660,431
Fund balances at end of year	\$ 239,368	\$ 7,263,582	\$ 1,652,083

See accompanying notes to financial statements

<u>Bay Area Air Quality Management District</u>	<u>Abandoned Vehicle Abatement</u>	<u>AB 1546</u>	<u>Energy Watch</u>	<u>Measure M</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,522,980
-	-	1,510	551,886	7,821,283	9,817,141
-	-	-	-	-	1,376,925
-	787	-	-	-	787
1,104,802	-	-	-	-	1,104,802
3,735	-	19,118	1,104	56,553	141,119
-	-	-	-	672,223	1,040,910
-	-	-	-	-	400
<u>1,108,537</u>	<u>787</u>	<u>20,628</u>	<u>552,990</u>	<u>8,550,059</u>	<u>16,005,064</u>
31,033	2,500	39,470	610,199	1,950,907	6,664,637
-	-	-	-	-	2,046
4,635	997	1,181	9,940	41,980	393,054
-	-	-	-	-	42,413
-	-	-	5,652	-	19,306
-	-	-	378	-	15,973
626,800	-	50,976	-	4,987,112	6,534,424
-	-	-	-	-	4,001
<u>662,468</u>	<u>3,497</u>	<u>91,627</u>	<u>626,169</u>	<u>6,979,999</u>	<u>13,675,854</u>
<u>446,069</u>	<u>(2,710)</u>	<u>(70,999)</u>	<u>(73,179)</u>	<u>1,570,060</u>	<u>2,329,210</u>
-	-	-	200,000	-	600,480
<u>(3,896)</u>	<u>-</u>	<u>(248)</u>	<u>(46,185)</u>	<u>(221,372)</u>	<u>(600,480)</u>
<u>(3,896)</u>	<u>-</u>	<u>(248)</u>	<u>153,815</u>	<u>(221,372)</u>	<u>-</u>
442,173	(2,710)	(71,247)	80,636	1,348,688	2,329,210
<u>238,289</u>	<u>2,710</u>	<u>2,994,018</u>	<u>128,130</u>	<u>6,794,295</u>	<u>18,780,805</u>
<u>\$ 680,462</u>	<u>\$ -</u>	<u>\$ 2,922,771</u>	<u>\$ 208,766</u>	<u>\$ 8,142,983</u>	<u>\$ 21,110,015</u>

See accompanying notes to financial statements

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, 2016

Net change in fund balances - total governmental funds \$ 2,329,210

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 37,017

OPEB - Governmental funds report all contributions in relation to the annual required
contribution (ARC) for OPEB as expenditures, however, in the statement
of Activities, the total ARC is recognized as an expense. (13,631)

Change in net position of governmental activities \$ 2,352,596

See Notes to Financial Statements

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016

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.

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

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

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Energy Watch - The San Mateo County Energy Watch is a Local Government Partnership between C/CAG and Pacific Gas & Electric (PG&E). The objective of Energy Watch is to provide integrated approach to energy savings and incentives to encourage cost effective projects for municipal governments, non-profits, schools, farms, and small/medium businesses. C/CAG contracts with the County of San Mateo to implement the program. 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.

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.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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."

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

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 one item that qualify for reporting in this category. Deferred outflows relating to the proportionate share of the net pension 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 one item that qualifies for reporting in this category which are deferred inflows relating to the proportionate share of the net pension 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.

Net Pension Liability

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 5 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, C/CAG recognizes a net pension liability, which represents C/CAG's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of C/CAG's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of C/CAG's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

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, 2016

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, 2016**

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, 2016, C/CAG's cash and investment balance was \$21,546,519, consisting of \$12,208,089 in the California Local Agency Investment Fund, \$8,179,395 in the San Mateo County Investment Pool, and \$1,159,035 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 53600 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, 2016**

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	\$12,208,089
San Mateo County Investment Pool	8,179,395
Total Investments	20,387,484
Total Cash in Banks and Cash on Hand	1,159,035
Total Cash and Investments	<u>\$21,546,519</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	\$50 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	30%	(A), (B)
Commercial Paper	270 Days	A-1	25%	(A), (B)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A), (B)
Time Certificates of Deposit - Banks or Savings and Loans	5 Years	N/A	25%	(A), (B)
Medium Term Corporate Notes	5 Years	A-1	30%	(A), (B)

(A) 5% of outstanding paper of issuing corporation

(B) 5% of the portfolio in one corporation

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

Investment Type	Level 2	Total
Investments by Fair Value:		
California Local Agency Investment Fund	\$12,208,089	\$12,208,089
San Mateo County Investment Pool	8,179,395	8,179,395
Total Investments at Fair Value	<u>\$20,387,484</u>	20,387,484
Cash in banks		<u>1,159,035</u>
Total District Cash and Investments		<u>\$21,546,519</u>

The California Local Agency Investment Fund and the San Mateo County Investment Pool, classified in Level 2 of the fair value hierarchy, is valued based on the fair value of the underlying assets of the pool. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

Atherton	\$	23,078
Belmont		85,459
Brisbane		16,628
Burlingame		114,447
Colma		10,874
Daly city		319,202
East Palo Alto		82,006
Foster City		105,899
Half Moon Bay		41,488
Hillsborough		34,163
Menlo Park		120,749
Millbrae		75,387
Pacifica		119,724
Portola Valley		15,014
Redwood City		289,928
San Bruno		146,376
San Carlos		101,410
South San Francisco		221,597
San Mateo		357,772
San Mateo County		222,874
Woodside		18,905
Total:	\$	<u>2,522,980</u>

Note 4: Interfund Transfers

Interfund transfers at June 30, 2016, 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	\$ 112,266	\$ 16,513	\$ 3,896	\$ 248	\$ 46,185	\$ 21,372	\$ 200,480	(A)
Congestion Management						200,000	200,000	(B)
Energy Watch	200,000						200,000	(B)
Total Interfund Transfers	<u>\$ 312,266</u>	<u>\$ 16,513</u>	<u>\$ 3,896</u>	<u>\$ 248</u>	<u>\$ 46,185</u>	<u>\$ 221,372</u>	<u>\$ 600,480</u>	

(A) Administration overhead

(B) Capital projects

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 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	19.282%	6.237%

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 were \$41,142. C/CAG's employer contributions were equal to the required employer contributions for the year ended June 30, 2016.

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

As of June 30, 2016, C/CAG reported \$338,250 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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2015 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.012329%
Proportion - June 30, 2014	0.010423%
Increase (Decrease)	<u>0.001906%</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5: Pension Plan (Continued)

For the year ended June 30, 2016, C/CAG recognized a total pension expense of \$4,125 for all plans in total. At June 30, 2016, the C/CAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution subsequent to measurement date	\$ 41,142	\$ -
Differences between actual and expected experience	2,629	-
Changes in assumptions	-	(24,875)
Net differences between projected and actual earnings on plan investments	-	(12,470)
Change in proportion and differences between actual contributions and proportionate share of contributions	<u>73,994</u>	<u>(307)</u>
Total	<u>\$ 117,765</u>	<u>\$ (37,652)</u>

In the table above, the \$41,142 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, 2017. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	\$ 9,589
2018	9,205
2019	4,237
2020	15,940

Actuarial Assumptions

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5: Pension Plan (Continued)

All other actuarial assumptions used in the June 30, 2014 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 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.

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5: Pension Plan (Continued)

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	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(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 7.65% 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 (6.65%) or 1% point higher (8.65%) than the current rate:

	Discount Rate		
	1% Decrease 6.65%	Current 7.65%	1% Increase 8.65%
Miscellaneous	\$ 557,679	\$ 338,250	\$ 157,087

Note 6: Other Post-Employment Benefits

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

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

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6: Other Post-Employment Benefits (Continued)

Total current payroll for all covered employees for the fiscal year ended June 30, 2016 was \$257,695.

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

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

Annual required contribution	\$ 50,790
Interest on net OPEB obligation	2,257
Adjustment to annual required contribution	<u>(5,217)</u>
Annual OPEB cost (expense)	47,830
Contributions made	<u>34,199</u>
Increase/(decrease) in Net OPEB obligation	13,631
Net OPEB obligation - beginning of year	<u>28,723</u>
Net OPEB obligation - end of year	<u><u>\$ 42,354</u></u>

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

C/CAG annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost	Net OPEB Obligation (Asset)
6/30/2016	\$ 47,830	\$ 34,199	72%	\$ 42,354

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6: Other Post-Employment Benefits (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Overfunded (Unfunded) AAL (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Unfunded) AAL as Percentage of Covered Payroll [(A - B)/C]
7/1/2015	\$ 30,000	\$ 229,309	\$ (199,309)	13.08%	\$ 239,064	-83.37%

Actuarial methods and assumptions are as follows:

Valuation Date	July 1, 2015
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.5% (6.73% less .23% margin for adverse deviation)
Discount Rate	6.50%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Wage Inflation	3.0% per year; used to determine amortization payments if developed on a level percent of pay basis
General Inflation Rate	2.75% per year
Amortization method	Level Dollar
Initial amortization period (in years)	10
Remaining period (in years)	9

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6: Other Post-Employment Benefits (Continued)

Healthcare trend is as follows:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2016	Actual	2020	6.00%
2017	7.50%	2021	5.50%
2018	7.00%	2022	5.00%
2019	6.50%	2023 & later	4.50%

Note 7: Risk Management

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

Note 8: Commitments and Contingent Liabilities

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

Construction Commitments

There are no significant construction commitments as of June 30, 2016.

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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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Member contributions	\$ 262,525	\$ 262,525	\$ 262,526	\$ 1
Intergovernmental	56,000	56,000	44,745	(11,255)
Investment income	3,260	3,260	1,632	(1,628)
Total Revenues	321,785	321,785	308,903	(12,882)
EXPENDITURES				
Professional services	357,330	357,330	242,373	114,957
Field and program supplies	4,000	4,000	2,046	1,954
Administrative services	126,000	126,000	95,158	30,842
Dues and membership	1,750	1,750	-	1,750
Conferences and meetings	11,000	11,000	8,733	2,267
Publications	21,000	21,000	15,017	5,983
Other	10,000	10,000	3,648	6,352
Total Expenditures	531,080	531,080	366,975	164,105
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(209,295)	(209,295)	(58,072)	151,223
OTHER FINANCING SOURCES				
Transfers in	-	-	200,480	200,480
Total Other Financing Sources	-	-	200,480	200,480
NET CHANGE IN FUND BALANCES	\$ (209,295)	\$ (209,295)	142,408	\$ 351,703
FUND BALANCES AT BEGINNING OF YEAR			96,960	
FUND BALANCES AT END OF YEAR			\$ 239,368	

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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Member contributions	\$ 2,260,452	\$ 2,260,452	\$ 2,260,454	\$ 2
Intergovernmental	1,484,272	1,484,272	1,275,562	(208,710)
Investment income	17,930	17,930	45,777	27,847
Cost reimbursement	-	-	368,687	368,687
Other revenue	-	-	400	400
Total Revenues	3,762,654	3,762,654	3,950,880	188,226
EXPENDITURES				
Professional services	3,746,810	3,746,810	2,378,068	1,368,742
Field and program supplies	8,000	8,000	-	8,000
Administrative services	225,000	225,000	208,542	16,458
Conferences and meetings	206,000	206,000	1,609	204,391
Publications	3,000	3,000	578	2,422
Distributions	1,080,000	1,080,000	852,092	227,908
Dues and memberships	1,000	1,000	115	885
Other	12,000	12,000	-	12,000
Total Expenditures	5,281,810	5,281,810	3,441,004	1,840,806
EXCESS OF REVENUES OVER EXPENDITURES	(1,519,156)	(1,519,156)	509,876	2,029,032
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Transfers (out)	(200,000)	(200,000)	(312,266)	(112,266)
Total Other Financing Sources (Uses)	-	-	(112,266)	(112,266)
NET CHANGE IN FUND BALANCES	\$ (1,519,156)	\$ (1,519,156)	397,610	\$ 1,916,766
FUND BALANCES AT BEGINNING OF YEAR			6,865,972	
FUND BALANCES AT END OF YEAR			\$ 7,263,582	

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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 121,662	\$ 121,662	\$ 122,155	\$ 493
NPDES fees	1,363,877	1,363,877	1,376,925	13,048
Investment income	10,148	10,148	13,200	3,052
Total Revenues	1,495,687	1,495,687	1,512,280	16,593
EXPENDITURES				
Professional services	2,275,583	2,275,583	1,410,087	865,496
Field and program supplies	2,500	2,500	-	2,500
Administrative services	35,000	35,000	30,621	4,379
Dues and membership	48,099	48,099	42,298	5,801
Conferences and meetings	5,000	5,000	3,312	1,688
Distributions	31,000	31,000	17,444	13,556
Others	1,000	1,000	353	647
Total Expenditures	2,398,182	2,398,182	1,504,115	894,067
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(902,495)	(902,495)	8,165	910,660
OTHER FINANCING (USES)				
Transfers (out)	-	-	(16,513)	(16,513)
Total Other Financing (Uses)	-	-	(16,513)	(16,513)
NET CHANGE IN FUND BALANCES	\$ (902,495)	\$ (902,495)	(8,348)	\$ 894,147
FUND BALANCES AT BEGINNING OF YEAR			1,660,431	
FUND BALANCES AT END OF YEAR			\$ 1,652,083	

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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
AB 434 DMV Fees	\$ 1,128,241	\$ 1,128,241	\$ 1,104,802	\$ (23,439)
Investment income	4,075	4,075	3,735	(340)
Total Revenues	<u>1,132,316</u>	<u>1,132,316</u>	<u>1,108,537</u>	<u>(23,779)</u>
EXPENDITURES				
Professional services	35,000	35,000	31,033	3,967
Administrative services	7,000	7,000	4,635	2,365
Distributions	<u>1,073,300</u>	<u>1,073,300</u>	<u>626,800</u>	<u>446,500</u>
Total Expenditures	<u>1,115,300</u>	<u>1,115,300</u>	<u>662,468</u>	<u>452,832</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>17,016</u>	<u>17,016</u>	<u>446,069</u>	<u>429,053</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>(3,896)</u>	<u>(3,896)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,896)</u>	<u>(3,896)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 17,016</u>	<u>\$ 17,016</u>	442,173	<u>\$ 425,157</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>238,289</u>	
FUND BALANCES AT END OF YEAR			<u>\$ 680,462</u>	

CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY

ABANDONED VEHICLE ABATEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Abandoned vehicle program	\$ -	\$ -	\$ 787	\$ 787
Total Revenues		-	787	787
EXPENDITURES				
Professional services	2,039	2,039	2,500	(461)
Administrative services	-	-	997	(997)
Total Expenditures	2,039	2,039	3,497	(1,458)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,039)	(2,039)	(2,710)	(671)
NET CHANGE IN FUND BALANCES	<u>\$ (2,039)</u>	<u>\$ (2,039)</u>	(2,710)	<u>\$ (671)</u>
FUND BALANCES AT BEGINNING OF YEAR			2,710	
FUND BALANCES AT END OF YEAR			<u>\$ -</u>	

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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,000	\$ 2,000	\$ 1,510	\$ (490)
Investment income	13,040	13,040	19,118	6,078
Total Revenues	15,040	15,040	20,628	5,588
EXPENDITURES				
Professional services	3,000	3,000	39,470	(36,470)
Administrative services	1,500	1,500	1,181	319
Distributions	1,968,609	1,968,609	50,976	1,917,633
Total Expenditures	1,973,109	1,973,109	91,627	1,881,482
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,958,069)	(1,958,069)	(70,999)	1,887,070
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(248)	(248)
NET CHANGE IN FUND BALANCES	<u>\$ (1,958,069)</u>	<u>\$ (1,958,069)</u>	(71,247)	<u>\$ 1,886,822</u>
FUND BALANCES AT BEGINNING OF YEAR			2,994,018	
FUND BALANCES AT END OF YEAR			<u>\$ 2,922,771</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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 605,000	\$ 605,000	\$ 551,886	\$ (53,114)
Investment income	-	-	1,104	1,104
Total Revenues	<u>605,000</u>	<u>605,000</u>	<u>552,990</u>	<u>(52,010)</u>
EXPENDITURES				
Professional services	712,500	712,500	610,199	102,301
Administrative services	10,000	10,000	9,940	60
Conferences and meetings	4,000	4,000	5,652	(1,652)
Publications	-	-	378	(378)
Total Expenditures	<u>726,500</u>	<u>726,500</u>	<u>626,169</u>	<u>100,331</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(121,500)</u>	<u>(121,500)</u>	<u>(73,179)</u>	<u>48,321</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Transfers out	-	-	(46,185)	(46,185)
NET CHANGE IN FUND BALANCES	<u>\$ 78,500</u>	<u>\$ 78,500</u>	<u>80,636</u>	<u>\$ 2,136</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>128,130</u>	
FUND BALANCES AT END OF YEAR			<u>\$ 208,766</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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 6,700,000	\$ 6,700,000	\$ 7,821,283	\$ 1,121,283
Investment income	27,710	27,710	56,553	28,843
Cost reimbursement	635,000	635,000	672,223	37,223
Total Revenues	<u>7,362,710</u>	<u>7,362,710</u>	<u>8,550,059</u>	<u>1,187,349</u>
EXPENDITURES				
Professional services	2,420,917	2,420,917	1,950,907	470,010
Administrative services	30,000	30,000	41,980	(11,980)
Distributions	4,264,250	4,264,250	4,987,112	(722,862)
Total Expenditures	<u>6,715,167</u>	<u>6,715,167</u>	<u>6,979,999</u>	<u>(264,832)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>647,543</u>	<u>647,543</u>	<u>1,570,060</u>	<u>922,517</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(221,372)</u>	<u>(21,372)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 447,543</u>	<u>\$ 447,543</u>	<u>1,348,688</u>	<u>\$ 901,145</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>6,794,295</u>	
FUND BALANCES AT END OF YEAR			<u>\$ 8,142,983</u>	

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Cost Sharing Multiple-Employer Miscellaneous Plan
Last 10 Years*
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2015	2016
Plan's proportion of the Net Pension Liability (Asset)	0.00414%	0.012329%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 257,601	\$ 338,250
Plan's Covered Employee Payroll	187,690	257,693
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	137.25%	131.26%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	79.01%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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

SCHEDULE OF CONTRIBUTIONS

	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 43,618	\$ 41,142
Contributions in relation to the actuarially determined contributions	<u>(43,618)</u>	<u>(41,142)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 187,690	\$ 257,693
Contributions as a percentage of covered- employee payroll	23.24%	15.97%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
	7.5%, net of pension plan investment
Investment rate of return	expense, including inflation
Retirement age	50 years
	Derived using CalPers Membership Data for
Mortality	all Funds.

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

**OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST THREE FISCAL YEARS**

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2014	\$ 28,364	\$ 7,126	25%	\$ 43,823
6/30/2015	29,344	44,444	151%	28,723
6/30/2016	47,830	34,199	72%	42,354

**OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30,**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Overfunded (Unfunded) AAL (A – B)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Overfunded (Unfunded) AAL as Percentage of Covered Payroll [(A – B)/C]</u>
7/1/2012	\$ -	\$ 197,811	\$ (197,811)	0.00%	\$ 247,208	-80.02%
7/1/2015	30,000	229,309	(199,309)	13.08%	239,064	-83.37%

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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, 2016, the following fund had expenditures exceeding the budgeted amounts:

<u>Fund</u>	<u>Total Amount Budgeted</u>	<u>Total Amount Expended</u>	<u>Excess over Budget</u>
Abandoned Vehicle Abatement	\$ 2,039	\$ 3,497	\$ 1,458
Measure M	6,715,167	6,979,999	264,832

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