

**CITY/COUNTY ASSOCIATION  
OF GOVERNMENTS  
OF SAN MATEO COUNTY, CALIFORNIA  
AB 1546 FUND  
FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2016**

This Page Left Intentionally Blank

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

AB 1546 FUND FINANCIAL STATEMENTS

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report.....	1
Financial Statements	
Governmental Fund Balance Sheet.....	4
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance .....	5
Notes to the Financial Statements.....	7
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual .....	11
Notes to the Required Supplementary Information.....	12
Independent Auditor's Report on Compliance with Applicable Requirements and on Internal Control Over Compliance .....	13

This Page Left Intentionally Blank

## INDEPENDENT AUDITOR'S REPORT

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 AB 1546 Fund of the City/County Association of Governments of San Mateo County, (C/CAG) as of and for the year ended June 30, 2016, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

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

## ***Emphasis of a Matter***

As described in Note 1 to the financial statements, the financial statements present only the AB 1546 Fund and do not purport to, and do not, present fairly the financial position of the C/CAG as of June 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***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 as discussed in Note 1d to 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 budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected not to do the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this information.

## ***Restriction of Use***

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

### **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 C/CAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering C/CAG's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
November 18, 2016

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
OF SAN MATEO COUNTY

AB 1546 FUND  
GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2016

---

	<u>AB 1546 Fund</u>
<b>ASSETS</b>	
Cash (Note 2)	\$ 2,922,985
Accounts receivable	<u>28</u>
<b>Total Assets</b>	<u><u>\$ 2,923,013</u></u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 242</u>
<b>Total Liabilities</b>	<u>242</u>
<b>FUND BALANCE</b>	
Restricted for AB 1546	<u>2,922,771</u>
<b>Total Fund Balance</b>	<u>2,922,771</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 2,923,013</u></u>

See accompanying notes to financial statements.

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

**AB 1546 FUND  
STATEMENT OF GOVERNMENTAL FUND  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>AB 1546 Fund</b>
<b>REVENUES</b>	
From other agencies	\$ 1,510
Investment income	19,118
<b>Total Revenues</b>	<u>20,628</u>
<b>EXPENDITURES</b>	
Distributions	50,976
Professional services	39,470
Administrative services	1,181
<b>Total Expenditures</b>	<u>91,627</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	(70,999)
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers out	<u>(248)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(248)</u>
NET CHANGE IN FUND BALANCE	(71,247)
FUND BALANCE AT BEGINNING OF YEAR	<u>2,994,018</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 2,922,771</u></u>

See accompanying notes to financial statements.

This Page Left Intentionally Blank

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

**AB 1546 FUND  
NOTES TO THE 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 AB 1546 Fund (the "Fund") is used to account for the AB 1546 Fund's activities. State laws authorize C/CAG Board to impose up to a \$4.00 fee increase to motor vehicle registration to fund this program. The fee terminated on January 1, 2013. The State legislature did not reauthorize the fee. Half of the funds are for programs that provide congestion management and the other half are for programs to address the impact of motor vehicles on the environment.

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

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

**b. Basis of Presentation – Fund Financial Statements**

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

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

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

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

**AB 1546 FUND  
NOTES TO THE FINANCIAL  
STATEMENTS JUNE 30, 2016**

---

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

**d. Assets, Liabilities and Net Position or Equity**

Cash and Investments

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

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.

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

Receivables and Payables

All receivables are shown net of an allowance for uncollectibles.

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

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

**AB 1546 FUND  
NOTES TO THE 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 governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Fund has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position or governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund has no items that qualify for reporting in this category.

Fund Equity

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**Note 2: Cash and Investments**

At June 30, 2016, the Fund's cash and investment totaled \$2,922,985.

The investment fair value measurements within the fair value hierarchy are 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.

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

**AB 1546 FUND  
NOTES TO THE FINANCIAL  
STATEMENTS JUNE 30, 2016**

---

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

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

**Note 3: Commitments and Contingent Liabilities**

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

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 FISCAL YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
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
<b>EXPENDITURES</b>				
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
<b>OTHER FINANCING SOURCES (USES)</b>				
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  
AB 1546 FUND**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

---

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

C/CAG's Governing Board may amend the budget by resolution during the fiscal year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH APPLICABLE REQUIREMENTS AND ON INTERNAL  
CONTROL OVER COMPLIANCE**

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

***Report on Compliance***

We have audited the City/County Association of Governments of San Mateo County AB 1546 Fund's (AB 1546 Fund) compliance with the types of compliance for the year ended June 30, 2016.

**Management's Responsibility**

Management is responsible for compliance with the requirements of AB 1546.

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the AB 1546 Funds. However, our audit does not provide a legal determination of C/CAG's compliance with those requirements.

***Opinion***

In our opinion, the C/CAG is in compliance with the laws and regulations, contract, and grant requirements related to AB 1546 Funds for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements specified by AB 1546. Accordingly, this communication is not suitable for any other purpose.

*Mare & Associates*

Pleasant Hill, California  
November 18, 2016