

City/County Association of Governments of San Mateo County

Measure M Fund

Redwood City, California

*Financial Statements and
Independent Auditor's Reports*

For the year ended June 30, 2023

**City/County Association of Governments
of San Mateo County
Measure M Fund
For the year ended June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Measure M Fund (Fund) of the City/County Association of Governments of San Mateo County (C/CAG), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of C/CAG, as of June 30, 2023, and the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

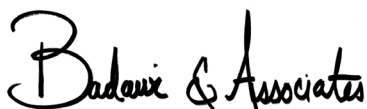
Required Supplementary Information

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 omitted 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 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 solely 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 the effectiveness of 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.



Badawi & Associates, CPAs
Berkeley, California
November 14, 2023

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**City/Council Association of Governments
of San Mateo County**
Measure M Fund
Balance Sheet
June 30, 2023

	Measure M Fund
ASSETS:	
Cash	\$ 11,467,007
Accounts receivable	1,692,471
Total assets	\$ 13,159,478
LIABILITIES	
Accounts payable	\$ 2,490,097
Accrued liabilities	1,306,964
Total liabilities	3,797,061
FUND BALANCE:	
Restricted for Measure M	9,362,417
Total fund balance	9,362,417
Total liabilities and fund balance	\$ 13,159,478

**City/Council Association of Governments
of San Mateo County**

Measure M Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended June 30, 2023

	Measure M Fund
REVENUES:	
From other agencies	\$ 7,030,830
Cost reimbursement	552,803
Investment income	261,605
Total revenues	7,845,238
EXPENDITURES:	
Distributions	4,982,162
Professional services	2,388,029
Conferences and meetings	1,841
Administrative services	23,924
Publications	500
Total expenditures	7,396,456
REVENUES OVER (UNDER) EXPENDITURES	448,782
OTHER FINANCING SOURCES (USES):	
Transfers in	-
Transfers out	(2,176,947)
Total other financing sources (uses)	(2,176,947)
Net change in fund balance	(1,728,165)
FUND BALANCES:	
Beginning of year	11,090,582
End of year	\$ 9,362,417

**City/County Association of
Governments of San Mateo County
Measure M Fund
Notes to Basic Financial Statements
For the year ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City/County Association of Governments of San Mateo County (C/CAG), California Measure M Fund (Fund) is used to account for the Fund's activities. This fund accounts for Motor Vehicle Fees of \$10 per vehicle per year for 25 years. This will raise a total of approximately \$170 million, with \$85 million allocated to the cities and San Mateo County for Water Pollution Prevention Programs and Congestion Management Programs. The remaining \$85 million will go to transit and senior mobility improvement, safe routes to schools, Intelligent Transportation System projects, and County-wide Water Pollution Prevention Programs.

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

The accompanying financial statements are for the Fund only and are not intended to fairly present the financial position of C/CAG 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 Fund reports the following major governmental fund:

The Measure M Fund (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 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
Measure M Fund
Notes to Basic Financial Statements
For the year ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows, 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. 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 C/CAG 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
Measure M Fund
Notes to Basic Financial Statements
For the year ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity, Continued

Deferred Outflows and 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 assets 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 and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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.

**City/County Association of
Governments of San Mateo County
Measure M Fund
Notes to Basic Financial Statements
For the year ended June 30, 2023**

2. CASH AND INVESTMENTS

At June 30, 2023, the Fund's cash and investment totaled \$11,467,007.

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.

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 funds' 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

**City/Council Association of Governments
of San Mateo County**

Measure M Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
From other agencies	\$ 7,907,241	\$ 7,907,241	\$ 7,030,830	\$ (876,411)
Cost reimbursement	-	-	552,803	552,803
Investment income	80,000	80,000	261,605	181,605
Total revenues	<u>7,987,241</u>	<u>7,987,241</u>	<u>7,845,238</u>	<u>\$ (142,003)</u>
EXPENDITURES:				
Distributions	5,864,000	5,864,000	4,982,162	881,838
Professional services	2,531,500	2,531,500	2,388,029	143,471
Conferences and meetings	7,000	7,000	1,841	5,159
Administrative services	47,000	47,000	23,924	23,076
Publications	500	500	500	-
Total expenditures	<u>8,450,000</u>	<u>8,450,000</u>	<u>7,396,456</u>	<u>1,053,544</u>
REVENUES OVER (UNDER) EXPENDITURES	(462,759)	(462,759)	448,782	(911,541)
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,114,902)	(4,114,902)	(2,176,947)	1,937,955
Total other financing sources (uses)	<u>(4,114,902)</u>	<u>(4,114,902)</u>	<u>(2,176,947)</u>	<u>1,937,955</u>
Net change in fund balance	<u>\$ (4,577,661)</u>	<u>\$ (4,577,661)</u>	(1,728,165)	<u>\$ 2,849,496</u>
FUND BALANCES:				
Beginning of year			11,090,582	
End of year			<u>\$ 9,362,417</u>	

**City/County Association of
Governments of San Mateo County
Measure M Fund
Required Supplementary Information
For the year ended June 30, 2023**

1. BUDGET AND BUDGETARY ACCOUNTING

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.

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**INDEPENDENT AUDITOR'S REPORT ON MEASURE M COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for Measure M

Opinion

We have audited the City/County Association of Governments of San Mateo County's (C/CAG) compliance with the types of compliance requirements in Measure M and California Government Code Section 65089.20 that could have a direct and material effect on the Measure M Fund (Fund) for the year ended June 30, 2023.

In our opinion, C/CAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Fund for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of C/CAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Fund. Our audit does not provide a legal determination of C/CAG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Fund.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on C/CAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about C/CAG's compliance with the requirements of the Fund as a whole.

In performing an audit in accordance with GAAS, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding C/CAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of C/CAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Measure M and California Government Code Section 65089.20, but not for the purpose of expressing an opinion on the effectiveness of C/CAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

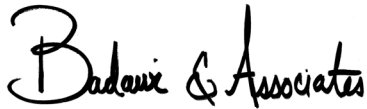
Report on Internal Control over Compliance

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 a program 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 material noncompliance with a type of compliance requirement of a program 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 with a type of compliance requirement of a program 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 of Measure M and California Government Code Section 65089.20. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
November 14, 2023