

TOWN OF WOODSIDE

**REPORT ON COMPLIANCE WITH
THE AGREEMENT FOR DISTRIBUTION OF
SAN MATEO COUNTY MEASURE A FUNDS
FOR LOCAL TRANSPORTATION PURPOSES**

FOR THE YEAR ENDED JUNE 30, 2014

**Town of Woodside
Measure A Fund
For the year ended June 30, 2014**

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JJACPA, Inc.

A Professional Accounting Services Corp.

Independent Auditors' Report on Applying Agreed-Upon Procedures

The Honorable Town Council
Town of Woodside
Woodside, California

We have performed the procedures enumerated below, which were agreed to by the management of the Town of Woodside (Town), solely to assist you with compliance with the reporting requirements of the San Mateo County Transportation Authority for the year ended June 30, 2014. The Town's management is responsible for the financial information included in this report and the compliance with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes (Agreement)*. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

- a. Verified the appropriateness of personnel and support costs, including equipment purchases, using the Town's policies and procedures as the standard for verification.

Findings: No exceptions were noted.

- b. Determined that the Balance Sheet and Schedule of Changes in Fund Balance are an accurate reflection of information contained in the Town's records.

Findings: No exceptions were noted.

- c. Determined that revenues from the Measure A Fund for the period are included in the Schedule of Changes in Fund Balance even if they were deposited by the Town after the end of the period (i.e., treats revenues from Measure A on an accrual basis). Ensure that the Audit Report reflects the correct amount of revenues received for the period and, if applicable, the correct amount of prior year carryover.

Findings: No exceptions were noted.

- d. Determined that personnel time charged to the program was expended only for purposes of the Agreement.

Findings: No exceptions were noted.

- e. Determined that personnel expenses charged to the program are limited to personnel funded by the Agreement for the purposes stated in d above.

Findings: No exceptions were noted.

- f. Determined that direct charges to Measure A Funds are not also included in indirect costs (i.e., space charges) also charged to the Fund.

Findings: No exceptions were noted.

- g. Determined that equipment purchases made with Measure A Funds are only for items specifically approved by the Agreement in the Town's budget.

Findings: No exceptions were noted.

- h. Determined that equipment purchased with Measure A Funds is in the custody and use of the personnel funded by Measure A.

Findings: No exceptions were noted.

- i. Compared the results of the audited expenses to the end-of-the-year Schedule of Changes in Fund Balance provided in the accompanying schedules of Measure A Funds.

Findings: No exceptions were noted.

- j. Identified non-compliance with applicable statute, regulation, Town policy, or Agreement requirements, and any questionable or disallowed amounts received for the period.

Findings: No exceptions were noted.

Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Town management, the Town Council, others within the entity, and the San Mateo County Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2014

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA

Town of Woodside, California
Balance Sheet - Measure A Fund
June 30, 2014

ASSETS

Cash and investments	\$ 480,254
Receivables:	
Intergovernmental	<u>27,804</u>
Total assets	<u><u>\$ 508,058</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 30,986
Total liabilities	<u>30,986</u>

Fund balances:

Restricted	<u>477,072</u>
Total fund balances	<u>477,072</u>
Total liabilities and fund balances	<u><u>\$ 508,058</u></u>

Town of Woodside, California
Schedule of Changes in Fund Balance - Measure A Fund
June 30, 2014

REVENUES:

Measure A	\$ 301,190
General fund contribution	500,000
Interest income	233
Other	<u>272,530</u>
Total revenues	<u><u>1,073,953</u></u>

EXPENDITURES:

Current:	
Town-wide road rehabilitation project	862,719
Capital Outlay	6,622
Cost allocation transfer to general fund	<u>107,000</u>
Total expenditures	<u><u>976,341</u></u>

**REVENUES OVER (UNDER)
EXPENDITURES**

97,612

Net change in fund balances

97,612

FUND BALANCES:

Beginning of year	<u>379,460</u>
End of year	<u><u>\$ 477,072</u></u>

Town of Woodside
Measure A Fund
For the year ended June 30, 2014

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

All transactions of the Measure A Fund of the Town of Woodside (Town) are included as a separate special revenue fund in the basic financial statements of the Town. The Measure A Fund is used to account for the Town's share of revenues earned and expenditures incurred under Measure A. The accompanying financial statements are for the Measure A Fund only and are not intended to fairly present the financial position of the Town and the results of its operations.

B. *Basis of Accounting and Measurement Focus*

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. *Description of Fund Accounting*

The account is maintained using fund accounting. A fund is a separate accounting entity with a self balancing set of accounts.

The Town uses a special revenue fund to account for financial resources received from the half-cent sales tax provision of Measure A. These funds are to be used towards salaries and benefits and the obtaining, furnishing, operating, and/or maintaining of local transportation purposes.

D. *Fund Balance*

Fund balance consists of only restricted amounts. Restricted amounts consist of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government.

**Town of Woodside
Measure A Fund
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash and Investments

The Measure A Fund pools its cash with the Town. The Town pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of monthly cash and investment balances. The Measure A Fund participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities (See Note 2D). LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

F. Receivables

Receivables represent the sales tax revenues due from the State Board of Equalization.

G. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

The Measure A Fund participates in the Town's cash and investment pool that includes all other Town funds, which the Town Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to each fund based on average month-end cash and investment balances in these funds. The Measure A Fund had a cash and investments balance of \$480,254 at June 30, 2014.

Town of Woodside
Measure A Fund
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, Continued

The California Government Code requires California banks and savings and loan associations to secure cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Town's name. The market value of pledged securities must equal at least 110% of the Town's cash deposits. California law also allows institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the Town's total cash deposits. The Town may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

B. Investments

The investments made by the Town Treasurer are limited to those allowable under State statutes as incorporated into the Town's Investment Policy, which is more conservative than State statutes. Under provisions of this policy, the Town is authorized to invest in the following types of investments:

Medium-term Corporate Notes	Government Agency Securities
Certificates of Deposit	Treasury Bills and Notes
Bankers' Acceptances	Passbook Savings Accounts
Commercial Paper	State of California Local Agency Investment Fund
Repurchase Agreements	

C. Risk Disclosure

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2014, the Town's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	100%

Credit Risk: It is the Town's policy that commercial paper have a rating of "A-1" or higher by a nationally recognized statistical rating organization (NRSRO) and have a maturity date not exceeding 180 days from the date of purchase. Medium-term notes, with a final maturity not exceeding five years from the date of purchase, must have a rating of A or the equivalent by a NRSRO. Federal instrumentalities must have a rating of AAA or the equivalent by a NRSRO at the time of purchase with a maximum maturity of five years at the time of purchase. LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

Town of Woodside
Measure A Fund
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

C. Risk Disclosure, Continued

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town currently has no security investments other than LAIF.

D. External Investment Pool – Local Agency Investment Fund

The Town's investments with LAIF at June 30, 2014, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes - debt securities (other than Asset-Backed Securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities - generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2014, the Town had investments in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The fair value factor of 1.00029875 was provided by LAIF and used to calculate the fair value of the investments in LAIF. The fair value of the Town's position in LAIF is materially equivalent to the value of the pool shares.

SUPPLEMENTARY INFORMATION

Town of Woodside, California

Schedule of Changes in Fund Balance - Measure A Fund - Budget and Actual

June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Measure A	\$ 265,000	\$ 301,190	\$ 36,190
General fund contribution	500,000	500,000	-
Interest income	750	233	(517)
Other	441,750	272,530	(169,220)
Total revenues	<u>1,207,500</u>	<u>1,073,953</u>	<u>(133,547)</u>
EXPENDITURES:			
Current:			
Town-wide road rehabilitation project	1,065,600	862,719	202,881
Capital Outlay	-	6,622	(6,622)
Cost allocation transfer to general fund	107,000	107,000	-
Total expenditures	<u>1,172,600</u>	<u>976,341</u>	<u>196,259</u>
REVENUES OVER (UNDER)			
EXPENDITURES	<u>34,900</u>	<u>97,612</u>	<u>62,712</u>
Net change in fund balances	34,900	97,612	62,712
FUND BALANCES:			
Beginning of year	<u>379,460</u>	<u>379,460</u>	<u>-</u>
End of year	<u>\$ 414,360</u>	<u>\$ 477,072</u>	<u>\$ 62,712</u>

Town of Woodside
Measure A Fund
For the year ended June 30, 2014

Notes to Supplementary Information

1. Budget

An annual budget is adopted by Town Council for the special revenue funds. The budget is the maximum authorization for spending in a fiscal year. An encumbrance system is used to record commitments and obligations incurred throughout the year to ensure the budget authorization is not exceeded. The budget is developed for the Special Revenue Funds using the modified accrual basis of accounting. Amendments to the approved budget are approved by Town Council. Supplemental appropriations are authorized by Town Council during the year. All unencumbered budget appropriations lapse at the end of each fiscal year. Encumbrances for significant capital projects are reappropriated as part of the following year's budget. Outstanding encumbrances are committed in fund balance. At the fund level, expenditures may not legally exceed appropriations.