

SACOG Audited Financial Statements

AND INDEPENDENT AUDITOR'S REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**Sacramento Area
Council of
Governments**

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Sacramento Area Council of Governments

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Area Council of Governments

We have audited the accompanying general purpose financial statements of the Sacramento Area Council of Governments, as of and for the fiscal year ended June 30, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the Sacramento Area Council of Governments' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Transportation Development Act (TDA) private purposes trust funds, comprised of the following entities which statements reflect total assets of \$19,570,000 as of June 30, 2002 and total revenues of \$58,846,376 for the fiscal year then ended:

Sacramento County Local Transportation Trust Fund
Yuba County Local Transportation Trust Fund
Yolo County Local Transportation Trust Fund
Sutter County Local Transportation Trust Fund
State Transit Assistance Fund

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for the private purpose trust funds is based solely on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sacramento Area Council of Governments, as of June 30, 2002 and the results of its operations

Sacramento Area Council of Governments

October 11, 2002

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and cash flows of its proprietary fund types for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Council adopted the provisions of the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – For State and Local Governments* and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as of July 1, 2001.

The adoption of Statement No. 34 and Statement No. 33 affected the classification of net assets in accordance with the statements and the presentation of capital contributions as a change in net assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002 on our consideration of the Sacramento Area Council of Governments’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Sacramento Area Council of Governments, taken as a whole. The accompanying schedules 1-6, 8 and expenditures of federal awards (schedule 7) are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the general purpose financial statements of Sacramento Area Council of Governments. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Management’s Discussion and Analysis on pages 6-16 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

October 11, 2002

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

As management of the Sacramento Area Council of Governments (SACOG), we offer readers of SACOG's financial statements this narrative overview and analysis of SACOG's financial performance during the fiscal year ending June 30, 2002. Please read it in conjunction with SACOG's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- SACOG adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments* and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as of July 1, 2001. The adoption of Statement No. 34 and Statement No. 33 affected the classification of net assets in accordance with the statements and the presentation of capital contributions as a change in net assets.
- SACOG's net assets increased \$0.3 million (5%) over the course of this year's operations. Overall, SACOG continues to adhere to budgetary restraints and to refrain from using prior year's unrestricted reserves to fund current year operating expenses. The Sacramento Emergency Clean Air Act and Transportation program (SECAT) transactions did not impact the change in net assets since SECAT revenue and expenses offset each other.
- SACOG's total assets and liabilities continue to be significantly affected by SECAT. SACOG has a fiduciary responsibility for the management and release of these funds. As of June 30, 2002, the SECAT cash balance was \$10.2 million. Deferred revenues of \$9.9 million included interest totaling \$1.1 million earned on the advanced grant funding. The accumulated interest is to be remitted to the state upon completion of the program. This is the second year of the grant, and the second year where SECAT program revenues/expenses were significantly below budgeted expectations.
- Total operating and nonoperating revenue was \$8.3 million compared to \$7.1 million for last year. The \$1.2 million (17%) increase was due to a \$0.4 million increase in TDA and other state and local funding, \$0.3 million increase in SECAT consulting reimbursement, and \$0.5 million increase in other reimbursable grants/activities. Reimbursements from federal funding (FHWA and FTA) remained flat at \$2.6 million for each of the last two years.

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

FINANCIAL HIGHLIGHTS (Continued)

- Operating expenses were \$8.0 million compared to \$6.7 million last year, a 19% increase. The increase of \$1.3 million is primarily due to additional consulting costs of which SECAT consulting costs were \$0.7 million and \$0.3 million for the respective years. Salaries/benefits and indirect services costs, which approximated \$4.0 million of total operating expenses (50%), increased \$0.3 million (8%) from the previous year.
- SACOG entered into a \$2.0 million loan on August 9, 2002 to provide funds for an investment interest in an office building and parking structure to be built in Sacramento, California. SACOG plans to move to this new building (in summer 2003) and sell its current building to pay off the loan. SACOG also entered into a long-term lease agreement for office space in the new office building.
- SAFE, *The Service Authority for Freeway Emergencies*, is shown as a component unit of SACOG due to SACOG's policy oversight responsibilities (essentially same Board of Directors), financial reporting accountability, and financial interdependency between the two agencies. SAFE's net assets at June 30, 2002 were \$5.2 million compared to \$4.9 million last year. Operating revenues for the year increased \$0.1 million due to the addition of El Dorado County. Operating expenses decreased by \$0.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of SACOG. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

REQUIRED FINANCIAL STATEMENTS

The financial statements report information of SACOG and its component unit using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about their activities. The Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of SACOG and its component unit and assessing their liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of operations over the past year and can be used to determine whether SACOG and its component unit have successfully recovered all their costs through membership dues, federal/state and local reimbursements, Transportation Development Act apportionments, and sales taxes.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF SACOG

One of the most important questions asked about SACOG's finances is "Is SACOG as a whole better off or worse off as a result of this year's activities?". The Statement of Net Assets, and Statement of Revenues, Expenses, and Changes in Net Assets report information about SACOG's activities in a way that will help answer this question. These two statements report the net assets of SACOG and the changes in them. One can think of SACOG's net assets –the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in SACOG's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed governmental legislation.

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

NET ASSETS

To begin our analysis, a summary of SACOG's Statement of Net Assets is presented in Table A-1.

Table A-1
Condensed Statement of Net Assets (In Millions)

	Current Year	Last Year	Dollar Change	Total Percent Change
Current Assets	\$15.4	\$19.4	(\$4.0)	(21%)
Capital Assets (net)	2.4	2.5	(0.1)	(4%)
Total Assets	\$17.8	\$21.9	(\$4.1)	(19%)
Current Liabilities	\$10.7	\$15.0	(\$4.3)	(29%)
Long Term Debt	0.6	0.7	(0.1)	(14%)
Total Liabilities	\$11.3	\$15.7	(\$4.4)	(28%)
Invested in Capital Assets, Net of Related Debt	\$2.4	\$2.5	(\$0.1)	(4%)
Unrestricted	\$4.1	\$3.7	\$0.4	11%
Total Net Assets	\$6.5	\$6.2	\$0.3	5%

Current Assets – Current assets declined by \$4.0 million (21%) compared to last year. The decrease is primarily due to SECAT program activity. SECAT cash (Designated Reserve) was \$10.2 million at 6/30/02 compared to \$14.5 million at 6/30/01. The decrease of \$4.3 million was a combination of SECAT program costs partially offset by interest received on SECAT funds. There was also a \$0.3 million increase in accounts receivable (year-end accruals).

Current Liabilities – Current liabilities declined by \$4.3 million compared to the previous year. This was primarily related to SECAT program activity. SECAT deferred revenue was \$9.9 million at 6/30/02 compared to \$14.7 million last year. The reduction of the SECAT deferred revenue (including interest earned on SECAT funds) was \$4.7 million. Liabilities also increased by \$0.4 million due to year-end accruals in accounts payable.

Sacramento Area Council of Governments

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2002

NET ASSETS (Continued)

Unrestricted Net Assets – Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints (debt covenants or other legal requirements), increased by \$0.4 million to \$4.1 million due to revenue exceeding expenses. SACOG has designated portions of this balance for specific future uses.

Total Net Assets – Total net assets (total assets–total liabilities–invested in capital assets) increased slightly, by \$0.3 million (5%) compared to last year. Management continues to work within its budgeted revenues which ended up higher than current year operating expenses. The increase in certain nonreimbursable revenue streams (TDA) helped management to avoid having to use prior-year reserves to fund unexpected costs.

Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In Millions)

	Current Year	Last Year	Dollar Change	Total Percent Change
Operating revenues:				
TDA	\$2.0	\$1.8	\$0.2	11%
Other State & Local Funds	2.0	1.8	0.2	11%
Total Operating Revenue	\$4.0	\$3.6	\$0.4	11%
Operating Expenses:				
Salaries/Benefits	\$2.7	\$2.5	\$0.2	8%
Indirect Services	1.3	1.2	0.1	8%
Consultants	2.7	1.5	1.2	80%
Other Operating Expenses	1.3	1.5	(0.2)	(13%)

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

NET ASSETS (Continued)

**Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In Millions) (Continued)**

	Current Year	Last Year	Dollar Change	Total Percent Change
Total Operating Expenses	\$8.0	\$6.7	\$1.3	19%
Operating Loss	(\$4.0)	(\$3.1)	(\$0.9)	(29%)
Nonoperating Revenue/Exp				
Federal Grants	\$2.6	\$2.6	\$ ---	None
State and Local Grants, Miscellaneous	1.7	0.9	0.8	89%
Total Nonoperating	\$4.3	\$3.5	\$0.9	26%
Income before Contributions and Transfers	\$0.3	\$0.4	0.1	25%
Contributions and Transfers	0	(1.2)	(1.2)	None
Change in Net Assets	\$0.3	(\$0.8)	\$1.1	None

Operating Revenues – Operating revenues increased by \$0.4 million (11%), of which \$0.2 million was generated by higher TDA funding than last year. TDA funding is dependent on sales tax revenues and can change from year-to-year depending on various economic factors.

Operating Expenses – Operating expenses increased by \$1.3 million (19%), from \$6.7 million to \$8.0 million. The increase of \$1.3 million is primarily due to additional consulting costs of which SECAT consulting costs consisted of \$.7 million and \$.3 million for the respective years. Salaries/benefits and indirect service costs totaled \$4.0 million (50% of total operating expenses) and increased by \$0.3 million (8%).

Sacramento Area Council of Governments

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2002

NET ASSETS (Continued)

Nonoperating Revenue – Nonoperating revenue was \$4.3 million compared to \$3.5 million for last year. The \$0.8 million (23%) increase is attributed to \$0.3 million in higher SECAT consulting revenue and \$0.5 million from other non-federal reimbursable grants/activities. Reimbursements from federal funding (FHWA and FTA) remained flat at \$2.6 million for the last two years.

Transfers out – Transfers out of \$1.2 million (last year) occurred due to the transfer of Post Retirement Health assets to a separate fiduciary fund (pension trust fund).

BUDGET VS. ACTUAL

In May 2001, SACOG adopted its original operating budget of \$8.4 million, which included the Overall Work Program (OWP), projected capital purchases, pass-through funding arrangements, and other costs not related to the OWP. The OWP budget of \$7.5 million was previously approved by SACOG’s federal oversight agency. SACOG’s operating budget is usually revised several times during the year. The 2001/02 budget comparison and analysis is presented in Table A-3.

**Table A-3
Original/Amended Budget vs. Actual (In Millions)**

	Original Budget	Amended Budget (Final)	Actual	Variance–Amended to Actual Favorable(Unfavorable)
Operations	\$4.3	\$4.0	\$4.0	None
Nonoperating	4.0	4.4	4.3	(\$0.1)
Total Revenue	\$8.3	\$8.4	\$8.3	(\$0.1)
Salaries and Benefits	\$2.9	\$2.9	\$2.7	0.2

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

BUDGET VS. ACTUAL (Continued)

Table A-3
Original/Amended Budget vs. Actual (In Millions) (Continued)

	Original Budget	Amended Budget (Final)	Actual	Variance—Amended to Actual Favorable(Unfavorable)
Indirect Services	1.6	1.5	1.4	0.1
Consultants	2.4	2.8	2.7	0.1
Pass-through Grants	0.8	0.8	0.8	None
Remaining	.7	.6	.4	0.2
Total Expenses	\$8.4	\$8.6	\$8.0	\$0.6
Income/ Loss before Interfund Transfers	(\$0.1)	(\$0.2)	\$0.3	\$0.5

The original and amended budget line items for total revenue and total expenses are *not* materially different.

Actual revenues approximated both budget revenue amounts while total expenses came in under the amended budget by \$0.6 million. Salaries and benefits were \$0.2 million less (7%) than the budget and, as a direct result, indirect services costs were \$0.1 million (7%) less. The indirect rate is a calculation based on salaries and benefits.

Consulting costs did increase by \$0.3 million over the original budget due to changes in the OWP, of which a portion is attributable to SECAT consulting costs.

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

BUDGET VS. ACTUAL (Continued)

SECAT costs are budgeted in two places, (1) the OWP reflects consulting costs for SECAT, and (2) the remaining funds (outside the OWP) represent program costs, i.e. payments for the new engines. SECAT consulting costs were \$0.7 million and \$0.3 million for the respective years. SECAT payments for new engines were \$4.7 million and \$2.4 million for the respective years. For reporting purposes, the SECAT costs are netted against revenues and reported under non-operating revenues and expenses. SECAT deferred revenue was \$14.7 million at 6/30/01 with the entire amount budgeted for release in the current year. Actual funds expended, however, were \$5.3 million due to lower than expected demand.

SACOG does not receive any fees or proceeds for administering the SECAT program.

CAPITAL ASSETS

At June 30, 2002, SACOG had invested \$3.4 million in capital assets, as shown in Table A-4.

**Table A-4
Capital Assets (In Millions)**

	Current Year	Last Year	Dollar Change	Total Percent Change
Buildings and Improvements	\$1.8	\$1.8	None	None
Equipment	1.3	1.3	None	None
Land	0.3	0.3	None	None
Sub-total	\$3.4	\$3.4	None	None
Less: Accumulated Depreciation	(\$1.0)	(\$0.9)	\$0.1	11%
Net Capital Assets	\$2.4	\$2.5	(\$0.1)	(4%)

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

CAPITAL ASSETS (Continued)

Declines in net capital assets were negligible when compared to prior year (\$2.4 million vs. \$2.5 million). Current year asset additions and retirements offset one another and accumulated depreciation was slightly higher (\$0.1 million) than last year. The asset acquisitions mainly consisted of computer and office-related equipment. There was no outstanding debt related to any capital assets.

ECONOMIC CONDITIONS

SACOG considered many factors when setting the fiscal year 2001/02 budget, including funding from federal and state grants and the Local Transportation Fund (LTF) apportionment.

SACOG relies primarily on federal and state grants, local programs, and the Local Transportation Fund (LTF) to fund its activities. LTF funds are derived from a portion of state sales tax dollars and are allocated to SACOG for planning and administration services.

At present, federal and state funding sources are secure, however, negative legislative action can affect both federal and state revenue streams. LTF funding is dependent on sales tax collections, which in turn is fueled by consumer spending.

The entire Sacramento region continues to grow steadily due to an influx of jobs, housing markets affordability, and lower interest rates. The need for SACOG's services (regional transportation planning and cooperation) will intensify in the future due to the tremendous growth and the problems associated with it. SACOG's 2002/03 budget is projected to be \$8.1 million.

Sacramento Area Council of Governments

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

CONTACTING SACOG'S FINANCIAL MANAGER

This financial report is designated to provide federal and state oversight agencies, taxpayers, and creditors with a general overview of SACOG's finances and to demonstrate SACOG's accountability for the money it receives. Additional financial information can be obtained by contacting Bob Faseler, Director of Finance, Sacramento Area Council of Governments, 3000 "S" Street, Suite 300, and Sacramento, California 95816.

Sacramento Area Council of Governments

STATEMENT OF NET ASSETS

June 30, 2002

	Proprietary Fund SACOG	Component Unit SAFE
	<u> </u>	<u> </u>
Current Assets:		
Cash and Investments:		
Operating	\$ 2,877,699	\$ 980,533
Designated Reserves	10,792,026	1,223,588
Accounts Receivable	1,167,291	187,224
Due from Other Funds or Agencies	20,792	
Interest Receivable	226,951	27,845
Prepaid Expenses	273,916	
Other	<u>27,657</u>	<u> </u>
Total Current Assets	\$ 15,386,332	\$ 2,419,190
Capital Assets	<u>2,420,129</u>	<u>2,851,726</u>
Total Assets	<u>\$ 17,806,461</u>	<u>\$ 5,270,916</u>

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

STATEMENT OF NET ASSETS

June 30, 2002

	Proprietary Fund <u>SACOG</u>	Component Unit <u>SAFE</u>
Current Liabilities:		
Accounts Payable	\$ 724,491	\$ 66,961
Retainage Payable	42,863	
Deferred Revenues	<u>9,900,157</u>	
Total Current Liabilities	\$ 10,667,511	\$ 66,961
Long-Term Debt:		
Compensated Absences	<u>638,278</u>	
Total Liabilities	<u>\$ 11,305,789</u>	<u>\$ 66,961</u>
Net Assets:		
Invested In Capital Assets	\$ 2,420,129	\$ 2,851,726
Unrestricted	<u>4,080,543</u>	<u>2,352,229</u>
Total Net Assets	<u>\$ 6,500,672</u>	<u>\$ 5,203,955</u>

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS

For the Fiscal Year Ended June 30, 2002

	Proprietary Fund SACOG	Component Unit SAFE
	<u> </u>	<u> </u>
Operating Revenues:		
State Funds:		
TDA-SB325	\$ 2,017,999	\$
Other State and Local Funds	<u>1,993,355</u>	<u>2,041,321</u>
Total Operating Revenues	<u>\$ 4,011,354</u>	<u>\$ 2,041,321</u>
Operating Expenses:		
Salaries and Benefits	\$ 2,669,399	\$
Indirect Services (Schedule 6)	1,345,197	
Planning Grants (Pass-Thru)	776,149	
Consultants	2,698,432	30,538
Professional Services	3,086	
CHP Services		326,604
Freeway Service Patrol		375,000
AT&T Contract		170,416
Printing	188,922	
Meetings	91,497	
Equipment and Maintenance	34,899	439,092
Corrective Maintenance		14,241
Utilities	40,550	
Telephone	346	
Office Supplies	1,587	
Marketing Materials	126,636	
DMV Fees		9,988
Building and Maintenance	19,695	
Insurance	15,314	15,314

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS

For the Fiscal Year Ended June 30, 2002

	Proprietary Fund SACOG	Component Unit SAFE
Operating Expenses (Continued):		
Legal Services	7,374	
SACOG Services		155,023
Depreciation		341,346
Other	3,928	
 Total Operating Expenses	\$ 8,023,011	\$ 1,877,562
 Operating Income (Loss)	\$ (4,011,657)	\$ 163,759
 Non-Operating Revenues (Expenses):		
Federal Grant Funds:		
FHWA (Incl. CMAQ & STP Funds)	\$ 2,211,676	\$
FTA	433,570	
SP & R Discretionary	148,454	
 State Grant Funds:		
Sacramento Emergency Clean Air & Transportation Program (SECAT)	5,345,853	
SECAT Expenses	(4,683,919)	
Planning Congestion Relief Program	144,000	
Caltrans	235,472	
SP&R Discretionary	43,114	
Transportation Demand Management	36,029	
Regional Improvement Program	113,000	
Interest Revenues	152,751	72,029
Loss on Disposal of Equipment	(49,881)	
Other Revenues	116,746	
Other Expenses	(333)	73
 Total Non-Operating Revenues	\$ 4,246,532	\$ 72,102

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS

For the Fiscal Year Ended June 30, 2002

	Proprietary Fund <u>SACOG</u>	Component Unit <u>SAFE</u>
Income Before Other Revenues	\$ 234,875	\$ 235,861
Capital Contribution from Grantor	<u>36,530</u>	<u>88,249</u>
Increase in Net Assets	\$ 271,405	\$ 324,110
Net Assets, July 1, 2001	<u>6,229,267</u>	<u>4,879,845</u>
Net Assets, June 30, 2002	<u>\$ 6,500,672</u>	<u>\$ 5,203,955</u>

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2002

	Proprietary Fund SACOG	Component Unit SAFE
<u>Cash Flow from Operating Activities:</u>		
Apportionments under Transportation Development Act	\$ 2,017,999	\$
Receipts from State and Local Funds	2,025,300	2,162,243
Payments to Employees	(2,669,399)	
Payments to Consultants	(2,710,670)	(30,538)
Payments to Vendors	(1,160,975)	(1,457,067)
Payments for Indirect Services	(1,368,709)	
	\$ (3,866,454)	\$ 674,638
<u>Cash Flow from Noncapital Financing Activities:</u>		
Grant Revenue	\$ 3,671,800	\$
Grant Expense	(4,390,583)	
Other Non-Operating Revenue	116,745	88,323
Other Non-Operating Expense	(343)	
	\$ (602,381)	\$ 88,323
<u>Cash Flow from Capital Financing Activities:</u>		
Purchase of Fixed Assets	\$ (135,167)	\$ (413,272)
<u>Cash Flow from Investing Activities:</u>		
Interest Received on Investments	\$ 370,454	\$ 93,637
Net Increase (Decrease) in Cash	\$ (4,233,548)	\$ 443,326
Cash & Cash Equivalents at July 1, 2001	17,903,273	1,760,795
Cash & Cash Equivalents at June 30, 2002	\$ 13,669,725	\$ 2,204,121

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund</u>	<u>Component Unit</u>
	<u>SACOG</u>	<u>SAFE</u>
<u>Cash & Cash Equivalents as Shown</u>		
<u>on the Balance Sheet:</u>		
Operating	\$ 2,877,699	\$ 980,533
Designated Reserves	<u>10,792,026</u>	<u>1,223,588</u>
	<u>\$ 13,669,725</u>	<u>\$ 2,204,121</u>
 <u>Cash Flows from Operating Activities:</u>		
Net Operating (Loss) Income	\$ (4,011,657)	\$ 163,759
Adjustment to Reconcile Net Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	195,142	341,346
Decrease (Increase) in:		
Accounts Receivable	27,912	120,922
Prepaid Expenses	(218,654)	
Other	4,033	
Increase (Decrease) in:		
Accounts Payable	116,283	48,611
Retention Payable	21,483	
Accrued Expenses	(18,740)	
Compensated Absences	28,232	
Other	<u>(10,488)</u>	
 Net Cash Provided (Used) by Operating Activities	 <u>\$ (3,866,454)</u>	 <u>\$ 674,638</u>
 <u>Noncash Investing Activities:</u>		
Contributed Assets Deletions, Net of Depreciation	<u>\$ (49,881)</u>	<u>\$ 0</u>

Note: Cash and Cash Equivalents for cash flow purposes are any instruments with a maturity date when acquired of three months or less.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2002

	PRIVATE PURPOSE TRUST - TDA and GLENN COUNTY SAFE FUNDS
Assets:	
Cash and Investments:	
Operating	\$ 12,931,030
Accounts Receivable	2,502
Sales Tax Receivable	6,548,141
Interest Receivable	129,465
Glenn County Equipment, net of Accumulated Depreciation of \$26,297	103,640
Total Assets	\$ 19,714,778
Liabilities:	
Accounts Payable	\$ 3,750,709
Claims & Warrants Payable	12,049,472
Total Liabilities	\$ 15,800,181
Net Assets:	
Held in Trust for Other Governmental Entities	\$ 3,914,597

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Fiscal Year Ended June 30, 2002

	<u>PRIVATE PURPOSE TRUST - TDA and SAFE FUNDS</u>
Deductions (Continued):	
Sacramento Regional Transit District	\$ 38,052,052
Yuba - Sutter Transit Authority	1,238,626
Yolo County Transit Authority	43,334
Planning and Administration	2,650
CRVS Services	18,644
Depreciation	18,562
DMV Fees	<u>143</u>
Total Deductions	<u>\$ 66,058,912</u>
Change in Net Assets	\$ (7,182,123)
Net Assets - Beginning of the Year	<u>11,096,720</u>
Net Assets - End of the Year	<u><u>\$ 3,914,597</u></u>

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Sacramento Area Council of Governments (SACOG) conform to accounting principles generally accepted in the United States of America as applied to governmental units. The following is a summary of significant policies:

A. Organization and Description of SACOG:

In January 1965, the Sacramento Regional Area Planning Commission (SRAPC) was organized under the State Planning Law to provide a forum for elected officials to address multi-county problems, issues, and needs. In January 1981, SACOG succeeded SRAPC under a new Joint Powers Agreement pursuant to Section 6500 of the California Government Code.

SACOG is an association of local governments formed by 6 counties and 19 cities. SACOG's member governments are the Counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba, and the Cities of Auburn, Citrus Heights, Colfax, Davis, Elk Grove, Folsom, Galt, Isleton, Lincoln, Live Oak, Marysville, Rocklin, Roseville, Sacramento, West Sacramento, Wheatland, Winters, Woodland, and Yuba City.

SACOG's various designations and certifications include:

Designations as:

1. Regional Transportation Planning Agency for Sacramento, Sutter, Yolo, and Yuba Counties by the California State Secretary of Business and Transportation.
2. Metropolitan Planning Organization (MPO) by the Governor and the U.S. Department of Transportation for the Sacramento, Yuba City, and Davis Urbanized Areas.
3. Metropolitan Planning Organization in the Sacramento Metropolitan Planning Area (MPA) by the Secretary of State of Business, Transportation and Housing Agency.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

A. Organization and Description of SACOG (Continued):

4. Airport Land Use Commission for Sacramento, Sutter, Yolo, and Yuba Counties.
5. Service Authority for Freeway Emergencies for Sacramento, San Joaquin, Yolo, Yuba, Sutter, and El Dorado Counties.
6. Area Wide Clearinghouse for the Counties of Sacramento, Sutter, Yolo, and Yuba and the Cities of Lincoln, Rocklin, and Roseville by the State of California Procedures of Intergovernmental Review of Federal Financial Assistance and Direct Development Activities.

Joint Certification as:

1. Sacramento Area Metropolitan Planning Process by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA).

B. Description of the Reporting Entity:

SACOG is governed by a 19-member Board of Directors composed of elected officials representing the member governments. The Board of Directors maintains budgetary controls over SACOG's accounts.

Management, in determining what potential component entities should be included for financial reporting purposes, considered the accountability for fiscal matters, other manifestations of oversight responsibility, scope of public service, and special financial relationships. Fiscal accountability, the most significant of all the criteria, refers to conditions of financial interdependency between two entities including budgetary adoption, taxing authority, responsibility for debt, and control over or responsibility for financial management. Other manifestations of oversight responsibility encompass the ability to select governing authority, designate management, or significantly influence operations. The scope of public service is determined by evaluating the benefits of the services provided to the citizens within SACOG's sphere of influence.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Description of the Reporting Entity (Continued):

Discretely Presented Component Units:

The Sacramento Area Council of Governments Service Authority for Freeway Emergencies (SAFE), also known as the Capitol Valley Regional Service Authority for Freeways and Expressways, is a legally constituted public entity created and established pursuant to the provisions of Chapter 14 of Division 3 of the Street and Highways Code of the State of California (the "Freeway Act") to serve as the service authority for freeway emergencies in the Counties of El Dorado, Sacramento, San Joaquin, Sutter, Yolo, and Yuba. Under the Freeway Act, SAFE is authorized to impose a fee on vehicles registered in the five counties for the implementation, maintenance, and operation of the motorist aid system of call boxes. SAFE is administered by a governing board consisting of members of SACOG's board of directors plus one member representing San Joaquin County and one member representing the cities of San Joaquin County. SACOG provides administrative services for SAFE.

C. Fund Accounting:

The accounts of SACOG are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in the financial statements in this report, in two fund types as follows:

Proprietary Funds:

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Fund Accounting (Continued):

Proprietary Funds (Continued):

financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Unrestricted net assets for enterprise funds represent the net assets available for future operations.

Fiduciary funds:

Fiduciary funds which include Private Purpose Trust Funds and a Pension Trust Fund are used to account for assets held by the entity in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

In its capacity as a Regional Transportation Planning Agency, SACOG is responsible for the administration of several trust funds which benefit its member agencies located within its four-county service area and which provide funding for transportation planning and mass transportation purposes. Funds are derived from ¼ cent of the retail sales tax collected statewide.

SACOG acts as trustee for the State Transit Assistance Fund. The fund provides assistance to various agencies for the purpose of enhancing existing transit services and meeting high priority regional transit needs not funded by other means.

Agencies wishing to receive funds file a claim with SACOG. SACOG reviews the claims, determines the agency's eligibility to receive funds, and, upon approval, allocates the funds to the agency.

SACOG acts as a trustee for Glenn County SAFE. Vehicle registration fees collected to maintain call boxes and the related services are held by SACOG. Glenn County SAFE contracts with SACOG to administer its call box program.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Fund Accounting (Continued):

Fiduciary funds (Continued):

These funds are classified as private-purpose trust funds and are displayed separately from the government-wide financial statements.

SACOG administers the benefits payable to retirees for post-retirement health care. This fund is classified as a pension trust fund.

D. Basis of Accounting:

The proprietary fund types and fiduciary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net total assets. The accrual basis of accounting is utilized by proprietary and fiduciary fund types. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. Proprietary funds apply all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Major sources of revenue are federal, state and local planning grants and sales tax revenues. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received in advance, they are recorded as deferred revenues until earned. Such funding is subject to review by the funding agency and may result in disallowance in subsequent periods. Sales tax revenue in fiduciary funds is recorded when collected and apportioned to SACOG since it is both measurable and available. Sales taxes collected and held by the state at year end on behalf of SACOG are recognized as revenue.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Basis of Accounting (Continued):

Income classified as operating revenues are local monies earned by SACOG operations. These funds are received on a flow basis, not on a reimbursement basis. Nonoperating revenues have the following characteristics: (1) grants awarded prospectively, (2) monies received on a reimbursable basis, or (3) grants requiring a local match. This includes federal and state grants received for operating purposes.

E. Financial Statement Presentation:

On July 1, 2001, the Council adopted the provisions of Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a balance sheet, statement of revenues, expenses, and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. As of June 30, 2002, the Council has no debt related to capital assets.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

E. Financial Statement Presentation (Continued):

- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Council had no restricted net assets as of June 30, 2002.
- *Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

On January 1, 2001, the Council also adopted the provisions of Governmental Accounting Standards Board Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that capital contributions to the Council be presented as a change in net assets.

The adoption of Statement No. 34 and Statement No. 33 affected the classification of net assets in accordance with the statements and the presentation of capital contributions as a change in net assets.

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 expenses during the reporting period. Actual results could differ from those estimates.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. Budget and Budgetary Accounting:

The Board adopts an annual budget based on anticipated projects at the beginning of the year. The overall work program is approved by the Department of Transportation.

Because of SACOG's dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. SACOG's annual budget differs from that of a local government in two respects: 1) the uncertain nature of grant awards from other entities and 2) conversion of grant budgets to a fiscal year basis.

G. Capital Assets:

Capital assets are recorded at cost or fair value if donated. Depreciation is provided in the proprietary funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives. In SACOG's case, this has been estimated to be 30 years on the straight-line basis for building and improvements and 3 to 15 years for equipment.

H. Funding:

SACOG's local funding comes from a variable rate per resident of each member city and county. The local funds are used to match planning grants from various state and federal agencies. SACOG receives Transportation Development Act Funds (SB 325) from the State Department of Transportation for planning as well as additional funds for administration. Federal funding is made available through the Overall Work Program (OWP). The OWP enables SACOG to apply for a number of related federal assistance grants with a single application. Approved grants are administered by designated lead agencies. The Department of Transportation (DOT) is the lead agency for SACOG's federal OWP funds.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Operating:

Cash and Cash Equivalents - SACOG is required to invest in the Sacramento County Treasury's investment pool in order to facilitate the management of cash. Each fund's portion of this pool is stated at fair value on the balance sheet as "cash and investments - operating." The pool invests cash in excess of current requirements in various interest-bearing securities. Sacramento County Treasury's investment pool is included in the financial statements of the County of Sacramento. Copies of the financial statements can be obtained from County of Sacramento, Attention: Auditor-Controller, 700 H Street, Sacramento, CA 95814. "Cash and investments - operating" also includes deposits with financial institutions. At June 30, 2002, the carrying amount of SACOG's deposits with financial institutions was \$21,746. The bank's balance was \$41,593 and was insured by FDIC. Private purpose trust funds cash and investments are held in the respective county treasury's investment pool of the trust fund and are recorded at fair value which approximates cost. Pension trust funds are in a U.S. government money market fund held by Union Bank of California. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in retained earnings.

Cash and Cash Investments:

	<u>Market Value</u>	<u>Carrying Value</u>
Investments at Year End:		
Sacramento County Pooled Investments	<u>\$ 15,851,770</u>	<u>\$ 15,851,770</u>
Cash Balances at Year End:		
Petty Cash		\$ 330
Cash on Deposit		<u>21,746</u>
Total Cash Balances		<u>22,076</u>
Total Cash and Investments		<u>\$ 15,873,846</u>

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued):

Cash and Cash Investments (Continued):

Statement of Net Assets Classifications:

SACOG	\$ 2,877,699
SAFE	<u>980,533</u>
Total Operating Cash and Cash Equivalents	<u>\$ 3,858,232</u>

Designations:

SACOG:

Compensated Absences	\$ 638,278
SECAT Grant Funds	<u>10,153,748</u>
	<u>\$ 10,792,026</u>

SAFE:

Equipment Replacement Fund	\$ 1,017,519
ADA Retrofit Contingency Fund	119,393
Maintenance and Expansion Fund	<u>86,676</u>
	<u>\$ 1,223,588</u>

Total Designated and Reserved Cash \$ 12,015,614

Total Designated and Reserved Cash
and Cash Equivalents \$ 15,873,846

NOTE 3 ACCOUNTS RECEIVABLE:

Accounts receivable are from federal, state and local governmental agencies. All amounts are expected to be collected within the next year.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 4 CHANGES IN CAPITAL ASSETS:

Summaries of changes in capital assets:

SACOG:	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2002</u>
Building and Improvements	\$ 1,743,479	\$	\$	\$ 1,743,479
Equipment	<u>1,307,026</u>	<u>135,167</u>	<u>131,310</u>	<u>1,310,883</u>
Total	\$ 3,050,505	<u>\$ 135,167</u>	<u>\$ 131,310</u>	\$ 3,054,362
Accumulated Depreciation	<u>866,000</u>	<u>\$ 195,142</u>	<u>\$ 81,429</u>	<u>979,713</u>
	\$ 2,184,505			\$ 2,074,649
Land	<u>345,480</u>			<u>345,480</u>
Book Value	<u>\$ 2,529,985</u>			<u>\$ 2,420,129</u>
SAFE:				
Equipment	\$ 4,027,050	<u>\$ 413,272</u>	<u>\$ 0</u>	\$ 4,440,322
Accumulated Depreciation	<u>1,247,250</u>	<u>\$ 341,346</u>	<u>\$ 0</u>	<u>1,588,596</u>
Book Value	<u>\$ 2,779,800</u>			<u>\$ 2,851,726</u>

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 5 LIABILITY FOR COMPENSATED ABSENCES:

Employees are entitled to paid vacation and sick leave depending on length of service and other factors. SACOG has recognized a liability for unused vacation and sick leave in which employees have a vested right and which is attributable to employee services already performed.

NOTE 6 DESIGNATIONS OF UNRESTRICTED NET ASSETS:

Portions of the unrestricted net assets totaling \$1,525,000 for SACOG and \$60,000 for SAFE have been designated by the Board for specific future uses.

SACOG:

TDA Reserve	\$	225,000
TDA Administrative Reserve		200,000
Self-Insurance Reserve		200,000
Legal Defense Reserve		500,000
Office Relocation Reserve		400,000
		<u>\$ 1,525,000</u>

SAFE:

Self-Insurance Reserve	\$	<u>60,000</u>
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NOTE 7 PENSION PLAN:

Plan Description:

The Sacramento Area Council of Governments' (SACOG) defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The miscellaneous plan ("the plan") is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. SACOG selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 7 PENSION PLAN (Continued):

Plan Description (Continued):

local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy:

Active plan members are required to contribute 7% of their annual covered salary. SACOG makes the contributions required of SACOG's employees on their behalf and for their account. SACOG is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001/2002 was 0%, making a total contribution of 7%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2001/2002, SACOG's annual pension cost was \$163,715. The required contribution for fiscal year 2001/2002 was determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), and (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.2% for miscellaneous members. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two-to-five-year period depending on the size of investment gains and/or losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 1999 was 29 years.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 7 PENSION PLAN (Continued):

Annual Pension Cost (Continued):

Three-Year Trend Information for Sacramento Area Council of Government's Defined Benefit Pension Plan.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/98	\$ 287,071	100.0	\$ 0
6/30/99	\$ 227,482	100.0	\$ 0
6/30/00	\$ 215,444	100.0	\$ 0

Required Supplementary Information
Funded Status of Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a % of Payroll</u>
6/30/98	\$ 11,201,180	\$ 13,621,737	(\$2,420,557)	121.6%	\$ 1,769,319	(136.807%)
6/30/99	\$ 13,078,659	\$ 15,592,194	(\$2,513,535)	119.2%	\$ 2,212,603	(113.601%)
6/30/00	\$ 14,160,219	\$ 17,298,047	(\$3,137,828)	122.2%	\$ 2,371,466	(132.316%)

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 8 MONEY PURCHASE PLAN:

The Board of Directors established a defined contribution plan (IRC Section 401a) for all employees not covered by Social Security and for the executive director in lieu of a car allowance. The plan is fully vested. The plan assets are subject to the employees' general creditors. As a defined contribution plan, benefits are dependent solely on amounts contributed to the plan plus investment earnings. Employer contributions to the Plan totaled \$29,730 for the year ended June 30, 2002.

NOTE 9 POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS:

SACOG provides post retirement health insurance coverage, in accordance with the Public Employees' Medical and Hospital Care Act Chapter One Article 7 of the California Public Employee Retirement Law, to all employees who retire under the Public Employee's Retirement System on or after attaining the age of 50 with at least 5 years of full-time service. As of June 30, 2002, 21 retirees and their spouses met those eligibility requirements.

A Medical Retirement Trust Fund was established. The invested balance is held by Union Bank of California but is administered by SACOG.

SACOG's policy is to contribute the entire cost of retiree and dependent medical coverage. However, the maximum contribution for single retirees and for retirees with families is limited to the "Kaiser Foundation North" Family Rate. Once the retiree reaches age 65, SACOG contributes a maximum amount equal to the "Kaiser Foundation North" Medicare Risk Plan Family rate. For fiscal year 2001/2002, expenditures of \$75,054 were recognized for post-retirement health care.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 9 POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued):

The present value of future benefits was determined by an actuarial valuation as of July 1, 2002 assuming pre-funding on a level basis over an average working lifetime of current employees of 19 years. The actuarial assumptions included (a) 5.0% investment rate of return and (b) health care trend rates ranging from 5.5% to 10.0%. Premium rates in effect in plan year 2002/2003 were used as the baseline cost. It was further assumed that 50% of future retirees will have dependent spouses and that they will be covered. Demographic data and retirement rates were based on the most recent California PERS valuation.

Present Value of Future Benefits as of July 1, 2002	\$ 4,683,686
Trust Assets as of June 30, 2002	<u>1,292,856</u>
Present Value of Unfunded Future Liability	<u>\$ 3,390,830</u>

The financial statements for the pension trust fund are as follows:

Medical Retirement Trust
Statement of Fiduciary Net Assets
June 30, 2002

Assets:

Cash and Investments:

Operating	<u>\$ 1,313,648</u>
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Current and Total Assets	\$ 1,313,648
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Liabilities:

Due to Other Funds or Agencies	<u>20,792</u>
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Net Assets:

Held in trust for Postretirement Health

Care Benefits and Other Purposes	<u>\$ 1,292,856</u>
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The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 9 POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued):

Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2002

Additions:	
Interest	\$ 29,518
SACOG Contributions	<u>54,262</u>
Total Additions	<u>\$ 83,780</u>
Deductions:	
Health Insurance – Retired Employees	\$ 75,054
Trustee Fees	<u>2,722</u>
Total Deductions	<u>\$ 77,776</u>
Change in Net Assets	\$ 6,004
Net Assets - Beginning of the Year	<u>1,286,852</u>
Net Assets - End of the Year	<u><u>\$ 1,292,856</u></u>

NOTE 10 CONCENTRATION:

Approximately 18% and 41% of the organization's total revenue of its proprietary funds is from the FHWA and SECAT grants, respectively.

The accompanying notes are an integral part of the financial statements.

Sacramento Area Council of Governments

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE 11 COMMITMENTS

SACOG Financing Corporation was established April 9, 2002 to purchase, own, lease, encumber, and dispose of all or any interest in an office building and parking structure to be constructed in Sacramento, California. Due to a lack of financial transactions within the Finance Corporation, the fund was not displayed in the financial statements for the fiscal year ending June 30, 2002. In June 2002, the Financing Corporation entered into an agreement to purchase a 13.33% ownership in this property for \$2,000,000. Upon completion of the office building, SACOG will move its operations to this property. The estimated date of the move will be between July 2003 and October 2003. In the event of default on the construction contracts, SACOG is held harmless for any liabilities that exceed their \$2,000,000 investment.

NOTE 12 SUBSEQUENT EVENTS

SACOG entered into a loan dated August 9, 2002, secured by a deed of trust, to provide the funds for the investment disclosed in Note 11. Interest at the bank's base rate plus 1% (minimum rate of 5.75%, not to exceed 10.75%) is payable monthly, beginning on September 1, 2002. A principal payment of \$200,000 is due on or before August 1, 2004, with the balance due and payable on August 1, 2005. It is SACOG'S intent to sell the building they currently occupy to satisfy this loan.

In July 2002, SACOG Financing Corporation entered into a lease agreement for office space in the new office building. The lease commencement date is between July 2003 and October 2003, depending on the completion date of construction. SACOG is committed to 10.5 years with early termination available after 7 years if the landlord sells the property within the first 5 years after completion. Upon occupancy, the monthly lease payment will be as follows:

1 – 6 months	Rent Free
7 – 36 months	\$ 47,247
37 – 66 months	\$ 50,331
67 – 96 months	\$ 53,235
97 – 126 months	\$ 56,138

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

COMPARISON OF BUDGET TO ACTUAL - PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Operating Revenues:</u>			
State Funds:			
TDA-SB325	\$ 2,017,999	\$ 2,017,999	\$
Other State and Local Funds	<u>2,015,291</u>	<u>1,993,355</u>	(21,936)
Total Operating Revenues	<u>\$ 4,033,290</u>	<u>\$ 4,011,354</u>	(\$ 21,936)
<u>Operating Expenses:</u>			
Salaries and Benefits	\$ 2,882,514	\$ 2,669,399	\$ 213,115
Indirect Services	1,450,481	1,345,197	105,284
Planning Grants (Pass-Through)	801,845	776,149	25,696
Consultants	2,846,021	2,698,432	147,589
Professional Services	5,000	3,086	1,914
Printing	175,017	188,922	(13,905)
Meetings	134,674	91,497	43,177
Equipment and Maintenance	35,000	34,899	101
Utilities	39,500	40,550	(1,050)
Telephone	600	346	254
Office Supplies	2,500	1,587	913
Marketing Materials	129,597	126,636	2,961
Building and Maintenance	16,880	19,695	(2,815)
Insurance	15,314	15,314	
Legal Services	30,000	7,374	22,626
Other	<u>10,300</u>	<u>3,928</u>	<u>6,372</u>
Total Operating Expenses	<u>\$ 8,575,243</u>	<u>\$ 8,023,011</u>	<u>\$ 552,232</u>
Operating Income	<u>(\$ 4,541,953)</u>	<u>(\$ 4,011,657)</u>	<u>\$ 530,296</u>
<u>Non-Operating Revenues (Expenses):</u>			
Federal Grant Funds:			
FHWA (Includes CMAQ and STP Funds)	\$ 2,307,237	\$ 2,211,677	(\$ 95,560)
FTA	433,570	433,570	
State Grant Funds:			
SECAT	16,500,000	5,345,853	(11,154,147)
SP&R Discretionary	191,568	191,568	
Planning Congestion Relief Program	144,000	144,000	
Caltrans	235,472	235,472	
Transportation Demand Management	36,029	36,029	
Regional Improvement Program	113,000	113,000	
Interest Revenues	145,000	152,751	7751
Other Non-program Revenue	116,409	116,745	336
Other Non-program Expense	(5,000)	(333)	4,667
Loss on Disposal of Equipment		(49,881)	(49,881)
SECAT Expenses	(15,860,444)	(4,683,919)	11,176,525
Capital Contributions		<u>36,530</u>	<u>36,530</u>
Total Non-Operating Revenues	<u>\$ 4,356,841</u>	<u>\$ 4,283,062</u>	<u>(\$ 73,779)</u>
Net Income (Loss)	<u>(\$ 185,112)</u>	<u>\$ 271,405</u>	<u>\$ 456,517</u>

COMPARISON OF BUDGET TO ACTUAL - CAPITAL VALLEY REGIONAL SAFE

For Fiscal the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Operating Revenues:</u>			
Other State and Local Funds	\$ 2,058,050	\$ 2,041,321	(\$ 16,729)
Total Operating Revenues	<u>\$ 2,058,050</u>	<u>\$ 2,041,321</u>	<u>(\$ 16,729)</u>
<u>Operating Expenses:</u>			
Consultants	\$ 40,000	\$ 30,538	\$ 9,462
CHP Services	352,900	326,604	26,296
Freeway Service Patrol	400,000	375,000	25,000
Depreciation	256,350	341,346	(84,996)
SACOG Services	170,337	155,023	15,314
Equipment and Maintenance	450,000	453,333	(3,333)
AT&T Contract	180,000	170,416	9,584
DMV Fees	8,500	9,988	(1,488)
Insurance	15,000	15,314	(314)
Legal Services	10,000		10,000
Other	62,000		62,000
Total Operating Expenses	<u>\$ 1,945,087</u>	<u>\$ 1,877,562</u>	<u>\$ 67,525</u>
Operating Income	<u>\$ 112,963</u>	<u>\$ 163,759</u>	<u>\$ 50,796</u>
<u>Non-Operating Revenues:</u>			
Interest Revenues	\$ 50,000	\$ 72,029	\$ 22,029
Equipment Contributions and Other Revenues		<u>88,322</u>	<u>88,322</u>
Total Non-Operating Revenues	<u>\$ 50,000</u>	<u>\$ 160,351</u>	<u>\$ 110,351</u>
Net Income	<u>\$ 162,963</u>	<u>\$ 324,110</u>	<u>\$ 161,147</u>

STATEMENT OF ACTIVITIES – FUNCTIONAL FORMAT

For the Fiscal Year Ended June 30, 2002

Functions/Programs	Expenses	Revenues			Net Revenue (Expense)
		Charges for Services	Operating Grants	Other Revenues Including Interest	
Transportation Planning	\$8,023,011				
Less SECAT Consulting Expenses	<u>661,934</u>				
	\$ 7,361,077	\$ 4,011,354	\$ 3,481,728	\$ 152,749	\$ 284,754
SECAT: Expenses	\$4,683,919				
Consultants	<u>661,934</u>		<u>5,345,853</u>		
	\$ 5,345,853				
Total Primary Government	<u>\$ 12,706,930</u>	<u>\$ 4,011,354</u>	<u>\$ 8,827,581</u>	<u>\$ 152,749</u>	<u>\$ 284,754</u>
Component Unit:					
SAFE - Motorist Aid System of Call Boxes	\$ 1,877,562	\$ 2,041,321	\$	\$ 72,029	\$ 235,788
Total	<u>\$ 14,584,492</u>	<u>\$ 6,052,675</u>	<u>\$ 8,827,581</u>	<u>\$ 224,778</u>	<u>\$ 520,542</u>

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
PRIVATE PURPOSE TRUST FUNDS

June 30, 2002

	TDA FUNDS					Totals – TDA FUNDS	SAFE	Totals – TDA FUNDS and SAFE
	State Transit Assistance Fund	Sacramento County Local Transportation Fund	Yuba County Local Transportation Fund	Sutter County Local Transportation Fund	Yolo County Local Transportation Fund		Glenn County SAFE	
Assets:								
Cash and Investments	\$ 712,256	\$ 7,889,765	\$ 246,100	\$ 1,306,619	\$ 2,738,170	\$ 12,892,910	\$ 38,120	\$ 12,931,030
Accounts Receivable							2,502	2,502
Sales Tax Receivable	2,974,641	2,883,000	59,900	177,000	453,600	6,548,141		6,548,141
Interest Receivable	11,855	106,020	1,953	9,121		128,949	516	129,465
Glenn County Equipment, Net of Accumulated Depreciation							103,640	103,640
Total Assets	\$ 3,698,752	\$ 10,878,785	\$ 307,953	\$ 1,492,740	\$ 3,191,770	\$ 19,570,000	\$ 144,778	\$ 19,714,778
Liabilities:								
Accounts Payable	\$ 3,748,392	\$	\$	\$	\$	\$ 3,748,392	\$ 2,317	\$ 3,750,709
Claims and Warrants Payable		6,711,944	28,406	1,102,073	4,207,049	12,049,472		12,049,472
Total Liabilities	\$ 3,748,392	\$ 6,711,944	\$ 28,406	\$ 1,102,073	\$ 4,207,049	\$ 15,797,864	\$ 2,317	\$ 15,800,181
Net Assets (Deficit):								
Held in Trust for Other Governmental Entities	\$ (49,640)	\$ 4,166,841	\$ 279,547	\$ 390,667	\$ (1,015,279)	\$ 3,772,136	\$ 142,461	\$ 3,914,597

INDIRECT SERVICE COSTS - ANALYSIS AND RECONCILIATION

For the Fiscal Year Ended June 30, 2002

	<u>Unadjusted Amounts</u>	<u>Audit Adjustments</u>	<u>Adjusted Amounts (From Single Audit)</u>
Indirect Service Costs Allocated:			
Salary and Benefits, Direct Expense:			
Enterprise Fund	\$ 2,669,399	\$	\$ 2,669,399
Allocated Indirect Service Costs 50.32% of Direct Expense			
Enterprise Fund	\$ 1,343,241	\$ 1,956	\$ 1,345,197
Indirect Service Costs, Actual:			
Director's Per Diem	\$ 16,023		
Building Expense	79,000		
Depreciation	195,142		
Supplies	50,340		
Meetings	71,132		
Telephone	23,371		
Postage	31,996		
Consultants	88,533		
Printing	44,757		
Maintenance	27,195		
Memberships	38,868		
Insurance	25,039		
Mileage	19,304		
Legal	74,160		
Director's Fees	37,300		
Professional Services	702,578		
Books/Periodicals	4,637		
Software	8,833		
Temporary Services	8,760		
Other	16,883		
Total	<u>\$ 1,563,851</u>		
Indirect Costs under Allocated During Fiscal Year 2002:			
Total Actual Costs	\$ 1,563,851		
Total Allocated Costs	<u>1,345,197</u>		
Total Under Allocated Costs	<u>\$ 218,654</u>		

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June, 30, 2002

<u>Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Passed through State Department of Transportation: Federal Transit Administration, Highway Planning and Construction*	20.205	CA-81-X002	\$ 433,570
Federal Highway Administration, Highway, Planning and Construction*	20.205	CA-81-X002 CA-81-X002	1,948,983 148,454
Passed Through State Department of Transportation: Federal Highway Administration, Rideshare Matching Services *	20.205	CML-6085(008)	278,086
Passed Through Sacramento County: Regional Surface Transportation Program *	20.205	STPL-6085(014)	<u>21,137</u>
TOTAL FEDERAL ASSISTANCE and Total Expenditures under CFDA 20.205			<u>\$ 2,830,230</u>

* Major Program

Note to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sacramento Area Council of Governments and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Sacramento Area Council of Governments

We have audited the financial statements of Sacramento Area Council of Governments as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether Sacramento Area Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Sacramento Area Council of Governments in a separate letter dated October 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sacramento Area Council of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on

the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Sacramento Area Council of Governments in a separate letter dated October 11, 2002.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

October 11, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of Directors
Sacramento Area Council of Governments

Compliance

We have audited the compliance of Sacramento Area Council of Governments with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. Sacramento Area Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sacramento Area Council of Governments' management. Our responsibility is to express an opinion on Sacramento Area Council of Governments' compliance based on our audit.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sacramento Area Council of Governments' 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. Our audit does not provide a legal determination of Sacramento Area Council of Governments' compliance with those requirements.

In our opinion, Sacramento Area Council of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Sacramento Area Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sacramento Area Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

October 11, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor’s report expresses an unqualified opinion on the basic financial statements of Sacramento Area Council of Governments.
2. No reportable conditions in internal control relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. During the audit, no material weaknesses were identified in the internal control over financial reporting.
4. No instances of noncompliance material to the financial statements of Sacramento Area Council of Governments were disclosed during the audit.
5. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls Over Compliance in Accordance with OMB Circular A-133.
6. During the audit, no material weaknesses were identified in the internal control over major programs.
7. The auditor’s report on compliance for the major federal award programs for Sacramento Area Council of Governments expresses an unqualified opinion.
8. There were no audit findings relative to the major federal award programs for Sacramento Area Council of Governments that are required to be reported in accordance with section 510(a) of Circular A-133.
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
10. The threshold for distinguishing Types A and B programs was \$300,000.
11. Sacramento Area Council of Governments was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2002

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

None

D. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS

There were no findings in the prior year.