



*City Of San Jose
Office Of The City Auditor
151 W. Mission Street, Room 109
San Jose, CA 95110
(408) 277-4601*

**SANTA CLARA COUNTY CITIES ASSOCIATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1994 AND 1995**

By

Gerald A. Silva, CPA

City Auditor

June 28, 1996



CITY OF SAN JOSÉ, CALIFORNIA

151 W. MISSION STREET, ROOM 109
SAN JOSE, CALIFORNIA 95110
(408) 277-4601

GERALD A. SILVA
City Auditor

July 15, 1996

Marty Clevenger,
Executive Director
Santa Clara County Cities Association
505 W. Olive Avenue, Suite 630
Sunnyvale, CA 94086

Dear Ms. Clevenger:

Transmitted herewith is a copy of our audit of the general fund balance sheets of the *Santa Clara County Cities Association* (SCCCA) as of June 30, 1994 and 1995, and the related statements of revenues and expenditures, changes in fund balances, and fixed assets for the years ended June 30, 1994 and 1995. These financial statements are the responsibility of the SCCCA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

I will be glad to present this report to the SCCCA Board. Please contact Nestor Baula or Bill Hewitt of my staff at (408) 277-4601 to schedule the presentation at a mutually convenient time.

Sincerely,

Gerald A. Silva
City Auditor

GS:emc

Encl.

cc: Dennis Kennedy
Karen Tucker
Joanne Benjamin
Bob Johnson



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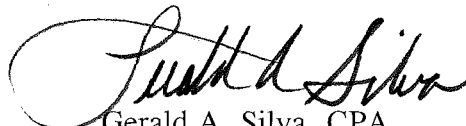
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Santa Clara County Cities Association

We have audited the accompanying general fund balance sheets of the *Santa Clara County Cities Association* (SCCCA) as of June 30, 1994 and 1995, and the related statements of revenues and expenditures, changes in fund balances, and fixed assets for the years ended June 30, 1994 and 1995. These financial statements are the responsibility of the SCCCA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCCCA as of June 30, 1994 and 1995, and the results of its operations for the years in conformity with generally accepted accounting principles.


Gerald A. Silva, CPA
City Auditor

June 28, 1996

SANTA CLARA COUNTY CITIES ASSOCIATION

General Fund Balance Sheet
June 30, 1994 And 1995

	<u>1994</u>	<u>1995</u>
Assets		
Cash	\$59,278	\$69,970
Petty cash	1,000	3,000
Interest receivable	383	609
Prepaid rent	<u>620</u>	<u>620</u>
Total Assets	<u>\$61,281</u>	<u>\$74,199</u>
Liabilities and Fund Balance		
Accounts payable	\$ 827	\$ 774
Accrued liability		1,777
Fund balance	<u>60,454</u>	<u>71,648</u>
Total Liabilities and Fund Balance	<u>\$61,281</u>	<u>\$74,199</u>

See accompanying notes to the financial statements.

SANTA CLARA COUNTY CITIES ASSOCIATION

**Statement Of Revenues, Expenditures, And Changes In Fund Balances
For The Years Ended June 30, 1994 And 1995**

	<u>1994</u>	<u>1995</u>
Revenue		
Contributions from		
Santa Clara County cities	\$40,005	\$42,672
Interest income	2,834	4,146
Other sources	<u>0</u>	<u>1,770</u>
Total revenues	<u>\$42,839</u>	<u>\$48,588</u>
Expenses		
Office staff	\$21,000	\$19,200
Consultant services	1,200	2,049
Other professional services	1,150	2,451
Office supplies	798	2,001
Meeting and conference expenses	910	3,004
Postage	1,121	1,388
Printing	1,137	1,841
Rent	3,720	3,720
Travel	295	455
Telephone	407	730
Maintenance	<u>0</u>	<u>555</u>
Total expenses	<u>\$31,738</u>	<u>\$37,394</u>
Excess of revenues over expenses	\$11,101	\$11,194
Fund balance at beginning of period	<u>49,353</u>	<u>60,454</u>
Fund balance at end of period	<u>\$60,454</u>	<u>\$71,648</u>

See accompanying notes to the financial statements.

SANTA CLARA COUNTY CITIES ASSOCIATION

Statement Of General Fixed Assets
June 30, 1994 And 1995

	<u>1994</u>	<u>1995</u>
General Fixed Assets		
Office equipment	<u>\$7,392</u>	<u>\$7,392</u>
Total	<u>\$7,392</u>	<u>\$7,392</u>
Investment In General Fixed Assets		
Fund balance	<u>\$7,392</u>	<u>\$7,392</u>
Total	<u>\$7,392</u>	<u>\$7,392</u>

See accompanying notes to the financial statements.

SANTA CLARA COUNTY CITIES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

1. History and Organization

The Santa Clara County Cities Association (SCCCA), an unincorporated association, was established in February 1990 by the cities of Santa Clara County, California. SCCCA is a joint powers agreement among the member cities and is not a public entity separate from the parties to the agreement. The purposes and functions of SCCCA are (a) to review, study, develop consensus positions, and recommend on issues of interest to Santa Clara County cities; (b) to develop a common agenda for Santa Clara County cities; (c) to serve as a unified voice for Santa Clara County cities in relationship to other agencies, organizations, and levels of government, including the Peninsula Division of the League of California Cities; (d) to serve as the City Selection Committee pursuant to Government Code, Section 50270 et seq., and make appointments to regional and local bodies as provided by law; (e) to assist in development of statewide legislative policy through the structure of the League of California Cities; (f) to serve as a source of education, information and networking for officials from all cities in Santa Clara County; and (g) to provide a forum for non-city individuals, groups and organizations, and the private sector to address items of interest to Santa Clara County cities.

2. Summary of Significant Accounting Policies

- a. All activity of the SCCCA is recorded in the general fund and general fixed asset account group.
- b. The City of San Jose is the administering agency for the SCCCA.
- c. The SCCCA's financial statements are prepared using the modified accrual method of accounting. Expenditures are recorded when the liability is incurred. Revenues are recognized when they become both measurable and available.
- d. All revenues for the operation of SCCCA are provided by the contributions of the member cities.
- e. The SCCCA Board of Directors initially authorized the executive director the use of a \$500 petty cash fund. In February 1993, the Board increased the fund balance to \$1,000. In October 1994, the Board increased the fund balance to \$3,000.

3. **Related Organizations**

SCCCA was formed through a joint powers agreement among the cities of Santa Clara County and was not intended to be a separate public entity. Based on the agreement, SCCCA does not have the authority to incur any liability binding upon its members or levy any assessment against its members other than the normal dues established pursuant to the agreement.

4. **Lease Commitments**

SCCCA occupies office space at the Sunnyvale Office Center at 505 West Olive Avenue, Suite 630, Sunnyvale, California, and pays \$310 in monthly rent under a month-to-month rental agreement. In December 1990, SCCCA paid \$620 for security deposit and prepaid rental.

5. **Fixed Assets**

Purchases of furniture and equipment exceeding \$500 are recorded as Fixed Assets and accounted for in the Statement of Fixed Assets. In prior years, SCCCA received donations of furniture and equipment. Such donations are included in the SCCCA equipment list, but since no values were assigned to the donations, the donated furniture and equipment are not included in the Statement of Fixed Assets.

SUBSEQUENT EVENTS

Change In The General Administrators

The SCCCA was created by the cities in Santa Clara County in 1990 to provide a forum for cities to discuss issues of common interest. All fifteen Santa Clara County cities agreed to be dues paying members of the Association with representatives who meet once a month. The original Agreements provided for the Treasurer of the Association to be the General Administrator, providing accounting and other administrative functions. Since inception, the City of San Jose's Finance Department has been the General Administrator. However, on June 6, 1995, the San Jose City Council approved a revision to the Santa Clara County Cities Association's Agreements designating the Cities Association as the General Administrator. Thus, after June 30, 1995, the Cities Association became the General Administrator for its funds.

Investment In The Local Agency Investment Fund

On October 12, 1995, the Board of Directors of the SCCCA passed and adopted a resolution authorizing the investment of monies in the Local Agency Investment Fund in the State Treasury. The SCCCA made an initial investment of \$90,000 in the Local Agency Investment Fund (LAIF) subsequent to June 30, 1995. Accordingly, the SCCCA's investment in the LAIF is not reflected in the General Fund Balance Sheet as of June 30, 1995.



GERALD A. SILVA
City Auditor

CITY OF SAN JOSÉ, CALIFORNIA

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June 28, 1996

Board of Directors
Santa Clara County Cities Association
505 West Olive Avenue, Suite 630
Sunnyvale, California


Ladies and Gentlemen:

We have audited the financial statements of the *Santa Clara County Cities Association* (SCCCA) for the years ended June 30, 1994, and 1995, and have issued our report thereon dated June 28, 1996. In planning and performing our audit of SCCCA's financial statements, we considered its internal control structure 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 structure. We have not considered the internal control structure since the date of our report.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with SCCCA's executive director, are intended to improve the internal control structure or result in other operational efficiencies and are summarized in Exhibit A.

Our audit procedures are designed primarily to enable us to form an opinion on the SCCCA's financial statements and therefore may not bring to light all weaknesses in policies or procedures that may exist.

This letter is intended solely for the information and use of the Board of Directors and SCCCA management.


Gerald A. Silva, CPA
City Auditor

SANTA CLARA COUNTY CITIES ASSOCIATION

EXHIBIT A

Comments And Recommendations

I. CASH BALANCE

SCCCA needs to maintain a sufficient cash balance to carry on its operation. Therefore, it should have sufficient cash to meet normal operating expenses as well as a prudent reserve. However, SCCCA's current cash balance significantly exceeds its projected cash needs. As of June 30, 1995, SCCCA had a cash balance of \$72,970. Since 1990, SCCCA revenues from member cities' contributions, interest income, and other sources averaged about \$41,000 annually, while expenditures averaged about \$29,000 annually. Thus SCCCA's cash balance is increasing steadily and is well in excess of its projected cash needs. The primary objective of cash management is to ensure that the SCCCA has sufficient cash to carry on its operations. Sufficient cash should be maintained to meet expenses arising in the ordinary course of business as well as a prudent reserve to meet unexpected contingencies. In our opinion, SCCCA's current cash balance significantly exceeds these requirements.

Recommendation #1:

To reduce its cash, we recommend that the Board assess the SCCCA's funding requirements and consider either refunding any excess funds to member cities or suspending or reducing their annual contributions.

II. PETTY CASH FUND AND IMPREST ACCOUNT

The SCCCA's Board of Directors authorized the Executive Director to maintain a \$1,000 petty cash fund. The fund is kept in a checking account, and the executive director writes checks from this account. On October 31, 1994, the Executive Committee of the SCCCA approved an increase in this fund from \$1,000 to \$3,000. After June 30, 1995, the Cities Association became the general administrator for the organization's funds and this account then became the checking account for the SCCCA's revenues and expenses. In our opinion, formal bank reconciliations for this checking account should be formalized and documented starting July 1995. Reconciliation of bank and book balances is intended to discover any errors or irregularities in either the bank's or the Association's record of the cash on deposit. Reconciling bank and book balances necessitates a review of all the cash transactions and provides a means of examining the accuracy of the accounting records of these transactions.

Recommendation #2:

We recommend that the Executive Administrator complete and document a monthly bank reconciliation of the SCCCA's checking account and submit the reconciliation to the SCCCA Treasurer for review and approval.