

San Mateo County Transportation Authority
San Carlos, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015
With Comparative Totals for 2014



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SAN MATEO COUNTY
Transportation
Authority

San Carlos, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015
(With Comparative Totals for 2014)

Prepared by the Finance Division

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Section I

INTRODUCTORY

Letter of Transmittal

GFOA Certificate of Achievement

Board of Directors

Executive Management

Organization Chart

Map

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT JANUARY 15, 2016



January 15, 2016

To the Executive Director, Board of Directors of the San Mateo County
Transportation Authority, and the Citizens of San Mateo County

**Comprehensive Annual Financial Report
Year Ended June 30, 2015**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Transportation Authority (Transportation Authority) for fiscal year July 1, 2014 through June 30, 2015. This transmittal letter includes the formal transmittal of the CAFR, a profile of the Transportation Authority, information useful in assessing the government's economic condition and awards and acknowledgements. Readers desiring an analytical overview of the basic financial statements or Transportation Authority's financial activities may refer to the Management's Discussion and Analysis in the Financial Section.

Management assumes sole responsibility for the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, this report is complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the Transportation Authority's assets from loss, to identify and record transactions accurately and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the likely benefits, the Transportation Authority's internal control system intends to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

To test the performance of the internal control system, the Transportation Authority contracted for independent auditing services from Vavrinek, Trine, Day & Co., LLP, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the Transportation Authority's financial statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind and is commonly known as an "unmodified" or "clean" opinion.

PROFILE OF THE ORGANIZATION

Basic Information

San Mateo County, with a population of nearly 750,000, is located on a peninsula south of the City and County of San Francisco, bordered on the west by the Pacific Ocean, on the east by San Francisco Bay and on the south by the counties of Santa Clara and Santa Cruz. The voters of San Mateo County approved the creation of the Transportation Authority pursuant to the Bay Area County Traffic and Transportation Funding Act in June 1988. Measure A vote funded the Transportation Authority with an annual one-half cent county sales tax levy and charged the Transportation Authority with delivering a broad spectrum of transportation projects and programs pursuant to a Transportation Expenditure Plan over a period of 20 years. In November 2004, the voters reauthorized the Transportation Authority and its publicly developed expenditure plan for an additional 25 years beyond the original expiration date of 2008.

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The 2004 Transportation Expenditure Plan includes six program categories including:

1. Transit
2. Highways
3. Local Streets/Transportation
4. Grade Separations
5. Pedestrian and Bicycle
6. Alternative Congestion Relief Programs

Whenever possible, the Transportation Authority seeks to attract state, federal and local funds by matching grant funds with Measure A dollars. These efforts have led to effective partnerships with city, county, state and federal agencies for designing and completing transportation projects. Thus, the Transportation Authority will continue to fund vital transportation improvements to the benefit of San Mateo County residents through 2033.

Interested readers may view the 1988 and the 2004 Measure A Transportation Expenditure Plans online at http://www.smcta.com/about/Expenditure_Plans.html or by contacting:

Chief Officer, Transportation Authority
San Mateo County Transportation Authority
1250 San Carlos Avenue
P.O. Box 3006
San Carlos, California 94070-1306

Governance

A seven-member Board of Directors governs the Transportation Authority with input from a 15-member Citizens Advisory Committee. The Board members are selected as follows:

- The publicly elected County Board of Supervisors appoints two of its members to serve on the Board.
- Local governments participate in a Cities Selection Committee to appoint four Board members, one each to represent the interests of North County, Central County, South County and the cities-at-large.
- The San Mateo County Transportation Authority (District) appoints one Board member.

The Board of Directors meets once a month to determine overall policy for the Transportation Authority and to review the progress of the Transportation Expenditure Plans.

Administration

The District provides administrative and staff services under the direction and oversight of the Transportation Authority Board of Directors. District staff manages the funds collected through the one-half cent county sales tax and delivers projects per the Transportation Expenditure Plans. The Transportation Authority reimburses the District for the cost of its direct services charged to the Transportation Authority cost centers and also for indirect charges pursuant to overhead rates approved by the U.S. Department of Transportation. Currently, District divisions and departments provide a complete and responsive team for all the Transportation Authority activities as follows:

The *Office of the District Secretary* is responsible for directing and overseeing all activities, and for providing support to the Board of Directors. The office also handles Public Records Act requests.

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The *Finance Division* is responsible for financial accounting and reporting, capital and grant administration and budgeting, operational budgeting, payroll and vendor disbursements, cash and investment management, debt management, revenue control and contracts & procurement.

The *Administration Division* is responsible for human resources, risk management, information technology, security, safety, real estate and special projects.

The *Operations Division for Rail*, is responsible for the overall management of Caltrain, including contractor oversight, right of way activities, fare and schedule administration, shuttle administration, service planning and quality assurance, and accommodations for persons with mobility impairments pursuant to the requirements of the Americans with Disabilities Act (ADA), management of all capital projects, including right-of-way maintenance, from conceptual engineering planning through construction and acceptance. The contract operator, TASI, provides train service, maintains equipment and property, and prepares financial and operational reports.

The *Operations Division for Bus* is responsible for the overall management of the SamTrans, including bus operations, shuttle/CUB contract administration, vehicle and facility maintenance, stores/inventory management, fare collection systems maintenance, ITS systems maintenance, operations planning and training, and accessible services.

The *Office of Caltrain Modernization Program* is responsible for guiding the planning and implementation of projects that will upgrade the performance, operating efficiency, capacity, safety and reliability of Caltrain's commuter rail service.

The *Office of Planning, Grants and Transportation Authority* is responsible for program administration for the San Mateo County Transportation Authority, general and strategic planning, grants research and development, transit-oriented development, the Grand Boulevard Initiative and sustainability.

The *Communications Division* is responsible for all external and internal communications, media relations, legislative activities, community outreach, customer service, marketing, sales, advertising, market research, website and distribution services.

Component Units

The Transportation Authority is a legally separate and financially independent governmental agency that is not a component unit of the County of San Mateo, the San Mateo County Transit District (District) or any other entity. Therefore, this CAFR and the financial statements contained within represent solely the activities, transactions and status of the Transportation Authority.

Budget

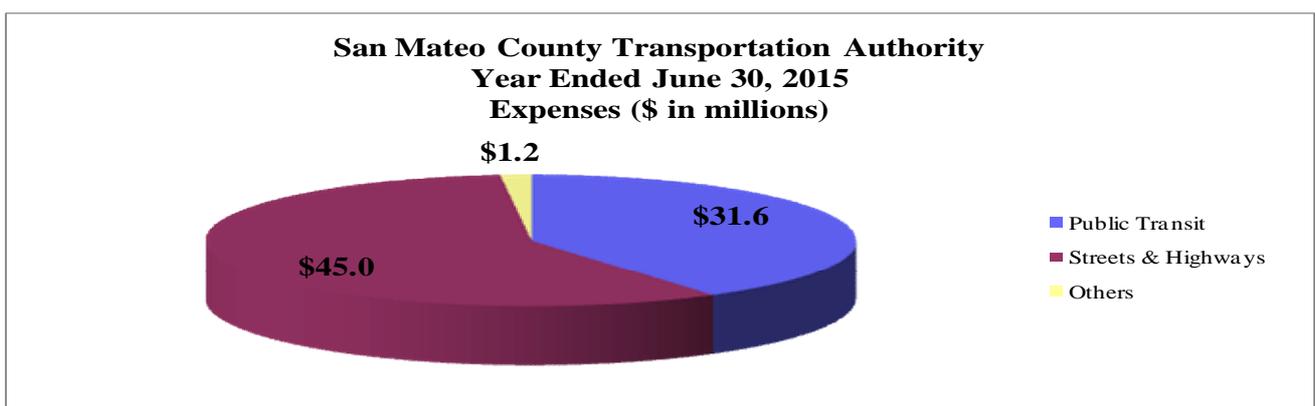
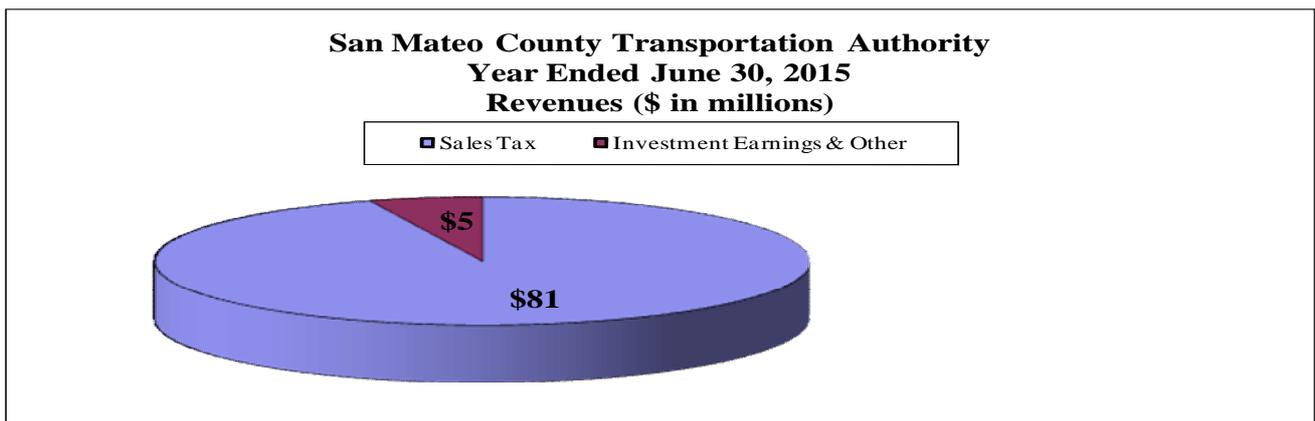
State law requires the Transportation Authority to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents an annual budget for the Special Revenue governmental fund based on established agency goals, objectives and performance measures to the Board of Directors. The presentation may recommend using financial reserves to balance the budget where proposed expenditures exceed projected revenues. The Board of Directors monitors budget-to-actual performance through monthly staff reports. The Financial Section of this report includes supplemental schedules that compare actual results on a budgetary basis of accounting to the original and final adopted budgets.

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Once adopted, the Board of Directors has the authority to amend the budget. While the legal level of budgetary control is at the entity level, the Transportation Authority maintains more stringent control at division, departmental and line item levels to serve various needs. Cost center managers monitor budget-to-actual performance monthly on an accrual basis. The Board has delegated the authority to transfer budget amounts between divisions and departments to the Executive Director or his designee. However, any increase to the expenditure budget as a whole requires the approval of the Board. In addition, the Transportation Authority uses the encumbrance system to reduce budget balances by issuing purchase orders to avoid over-commitment of resources.

The Transportation Authority employs the same basis of controls and accounting principles for both budgeted and actual revenues and expenditures, except that actual proceeds from the sale of capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. The pie charts below show actual results for the major revenue and expense categories of fiscal year 2015. Pursuant to procedures established in its enabling legislation, the Transportation Authority establishes an appropriation limit for each annual budget cycle. The appropriation limit for fiscal year 2015 was \$588.7 million and the limit for fiscal year 2016 is \$617.3 million.



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ECONOMIC CONDITION

Local Economy

Shrinking jobless rates and steadily expanding employment gains, along with a surging economy, are primarily what is boosting the employment picture for San Mateo County. San Mateo County posted a 3.3 percent unemployment rate, better than the June 2015 statewide rate of 6.1 percent and nationwide rate of 5.2 percent. The main driver is the growth of the technology sector in Silicon Valley but health care, leisure and hospitality, retail, construction and even manufacturing are growing. According to forecasts, California employment will remain steady for the rest of 2015 but will slow down slightly in 2016 and 2017.

Lower unemployment coupled with increased consumer and business spending, has helped increase the Transportation Authority's revenue base. The Transportation Authority's major revenue source is dependent upon taxable sales activity in the county. Sales tax revenue increased 4.3 percent and 5.1 percent in FY 2015 and 2014, respectively.

Long-term Financial and Strategic Planning

The goal of the Transportation Authority is to administer the proceeds from Measure A to fund a broad spectrum of projects and programs as approved by the San Mateo County voters. Long-term financial planning is crucial towards accomplishing this goal, and to ensure funds are expended in the most efficient and effective manner possible.

Voters reauthorized Measure A with the 2004 Transportation Expenditure Plan (TEP) in November 2004 by a 75.3 percent majority, extending the Transportation Authority's mission through 2033. The implementation guidelines in the TEP required that the Transportation Authority prepare a strategic plan and update it at least every five years. The current plan, Strategic Plan 2014-2019, was adopted December 4, 2014, and can be viewed at www.smcta.com. The plan establishes a framework of policies to guide the decision-making process of prioritizing transportation projects and programs consistent with the goals and objectives of the Countywide Transportation Plan and the TEP.

Significant strides have been made with the funds in both the original and new Measure A programs. Most notably, original Measure A revenues contributed to the Caltrain right of way purchase, the purchase of the Dumbarton rail corridor, and provided funding for Caltrain operational improvements such as the construction of passing tracks and new signal and control systems. These improvements enabled the Baby Bullet service that has contributed to Caltrain ridership growth of 143 percent.¹ Measure A funding has also contributed significantly to the Caltrain Modernization Program (CalMod), which includes electrification of the railroad from San Francisco to San Jose and installation of Positive Train Control. CalMod is a transformative project which will provide quicker, more frequent train service, with many ancillary benefits such as fewer greenhouse gas emissions, and improved safety.

¹ Source: 2015 Caltrain Annual Passenger Count Key Findings

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To reduce local traffic congestion and improve safety, Measure A funds were allocated for the construction of grade separation projects, including the San Bruno Grade Separation, as well as the environmental phase for a 25th Ave Grade Separation in the city of San Mateo, and planning studies for grade separations in the cities of San Bruno, South San Francisco, Burlingame, and Menlo Park.

Measure A also contributes toward BART service in San Mateo County; its contribution largely accounts for SamTrans' local match for the San Francisco Airport/Millbrae extension.

In Fiscal Year 2015, funds were allocated for the design phase of the Highway 101/Holly Street Interchange Project. In addition, funds were re-allocated from earlier phases to continue work on two projects -the Highway 101/Willow Road Interchange Project and the US 101 HOV Lanes Study. In early Fiscal Year 2016, the Transportation Authority will award funds from a Highway Program Call for Projects to further improve safety and relieve congestion in the county's highway and arterial network. Funded from earlier allocations, the ongoing 101/Broadway interchange reconstruction is nearing 50 percent complete. On the local level, Measure A Local Streets and Transportation funds are passed to cities and the county for streets and road improvements, and other transportation investments to be chosen by the cities and county for implementation.

The pedestrian and bicycle program provided funds for the Ralston Avenue Bicycle/Pedestrian Overcrossing over Highway 101, as well as funds for other cities to complete preliminary phases of three additional proposed crossings over Highway 101. Bike lanes, sidewalks, multi-use pedestrian/bicycle trails, and safer crosswalks at multiple locations throughout the county, round out the active transportation investments funded by Measure A.

The Measure A Shuttle Program currently funds 28 shuttles, providing first- or last-mile connections to Caltrain and BART, and a viable local mobility option to the private automobile to meet the needs of people dependent on transit.

With an aging population, Accessible Services are becoming an even more critical component of providing mobility options for county residents. Measure A provides approximately 20 percent of Samtrans' annual Paratransit budget, providing an essential lifeline for the county's mobility-impaired population.

With recent job growth on the Peninsula, traffic congestion on the roadways has become a substantial challenge for the region. Measure A allocates funds toward Alternative Congestion Relief programs, such as the transportation demand management programs of Commute.org that educates employers and employees of the county about alternatives to driving alone to work, such as transit, carpooling, vanpooling, telecommuting, and bicycling.

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Major Initiatives

Transit Programs

Measure A funds and contributions from the District support the county's share of the Peninsula Corridor Joint Powers Board (JPB). The JPB provides public transit services via its Caltrain railroad over a 77-mile right of way extending from San Francisco in the north to Gilroy in the south. Projects funded include new construction and improvements and studies for the following:

- Railway and trackage
- Maintenance facility
- Passenger stations
- Parking facilities
- Grade crossings and separations
- Safety improvements
- Signal and communications upgrades

Notable projects supporting the JPB during fiscal year 2015 include:

- Environmental and preliminary engineering for the Peninsula Corridor Electrification Project
- Design of Communications Based Overlay Signal System Positive Train Control (CBOSS PTC)
- Construction work for the San Mateo Replacement Project
- Provision of local match requirements for federally funded capital construction grants

Other notable public transit projects during fiscal year 2015 include:

- Contributions to SamTrans for paratransit and other accessible services
- Contributions to BART for the SFO Extension
- Contribution to local shuttles

Highway Program

On October 6, 2011, the Board adopted the Short-range Highway plan, a 10-year outlook which includes a policy framework for making investment decisions and developing a capital improvement plan over time. The call for projects process will be used to make short term funding decisions anchored to long term goals for the program. The following are some types of projects undertaken:

- Roadway widening
- Interchange reconstruction
- Highway ramp modification
- Travel pattern forecasts
- Travel time information system

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Notable street and highway projects during fiscal year 2015 include:

- Construction work for the 101/Broadway Interchange project.
- Project Approval and Environmental Document (PA&ED) phase of the US 101/Woodside Road Interchange
- Construction work for San Pedro Creek/Route 1 Bridge Replacement project in Pacifica.
- Prepare Plans, Specifications and Estimates (PS&E) for the Highway 92/El Camino Real Interchange project.

Alternative Congestion Relief Programs

The Transportation Authority funds alternative congestion relief (ACR) programs aimed at reducing vehicular traffic on congested freeways and busy city streets. These customized programs target both infrastructure problems and personal driving habits. ACR programs have an incremental but discernible impact on reducing traffic congestion and improving air quality in San Mateo County and the San Francisco Bay region.

For the past fifteen years, the Transportation Authority has provided the majority of its ACR funding to the Peninsula Traffic Congestion Relief Alliance, which serves 17 cities. The Alliance concentrates on four primary activities:

- 1) Employer outreach and support services
- 2) Employer based shuttle program
- 3) Commuter outreach and transit alternatives
- 4) Partnerships with other agencies and special projects

Key initiatives in the Alliance's FY 2014-2015 work plan include: strategic plan update, Bay Area commuter benefits program, Commute Profile 2014 and innovative TDM grants.

Bicycle Programs

Three percent of New Measure A funds have been set aside for the Pedestrian and Bicycle Program. The purpose of the program is to fund specific projects to encourage and improve walking and bicycling conditions. The 2004 Transportation Expenditure Plan includes a list of candidate bikeways and overcrossings. Funding considerations are made through a call for projects where project review committees evaluate applications and review the projects based on a set of criteria which were approved as part of the adoption of the Measure A Implementation Plan.

The Transportation Authority has issued two Pedestrian and Bicycle Call for Projects totaling \$11 million in funds. Twenty-nine projects have been funded; nine projects with scope-of work completed and twenty projects still ongoing.

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Local Programs

The original Measure A required the Transportation Authority to earmark 20 percent of its sales tax revenue to local cities and San Mateo County for various transportation-related improvements according to a formula based on population and number of road-miles. The total local aid distributed from the original Measure A was \$203.3 million. The new Measure A requires the Transportation Authority to earmark 22.5 percent for this purpose. During fiscal year 2015, local agencies received \$18.2 million from the new Measure A, bringing the total local aid since the inception of the new Measure A to \$101.4 million. The recipients of these funds principally use them for street and road projects.

AWARDS AND ACKNOWLEDGMENTS

The staff and contracted firms of the Transportation Authority bring an effective combination of skill, experience and dedication to carrying out the Transportation Authority's mission. Together, they plan, develop and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many attributes of the Bay Area and beyond. Although we expect sales tax growth to be minimal in the coming years as we emerge from the recession, the Transportation Authority expects the continued enthusiasm and dedication of its transit professionals to meet the transportation challenges of the future.

The Government Finance Officers Association (GFOA) recognized the Transportation Authority's fiscal year 2014 CAFR for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our fiscal year 2015 CAFR also meets the requirements for a Certificate of Achievement and have submitted it to the GFOA for evaluation. We would like to thank our independent audit firm, Vavrinek, Trine, Day & CO., LLP for its timely and expert guidance in this matter.

A comprehensive annual financial report requires the dedicated effort of many individuals working together as a team. We extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year. Finally, we wish to thank the Executive Director and the Board of Directors for their interest and support in the development and maintenance of a reliable financial management and reporting system.

Respectfully submitted,


Virginia Harrington
Deputy CEO


Rima Lobo
Director of Finance

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JANUARY 15, 2016**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**San Mateo County
Transportation Authority
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

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BOARD OF DIRECTORS

KARYL MATSUMOTO, CHAIR

DAVID CANEPA, VICE CHAIR

CAROLE GROOM

DON HORSLEY

CAMERON JOHNSON

TERRY NAGEL

MARY ANN NIHART

KARYL MATSUMOTO, CHAIR was elected to the Transportation Authority in 2008 representing the San Mateo County Transit District. She was first elected to the South San Francisco City Council in 1997. She has served as mayor in 2000, 2004, 2009, and 2014.

DAVID CANEPA, VICE CHAIR was elected to the Transportation Authority in 2013 representing North County. He was first elected to the City Council of Daly City in December 2008 and served as the city's mayor in 2014. In addition, Director Canepa has served on several San Mateo County regional boards dealing with transportation, housing, homelessness and infrastructure including City/County Association of Governments.

CAROLE GROOM was appointed to the Transportation Authority in 2009 representing the Board of Supervisors. She has served as a member of the San Mateo County Board of Supervisors since 2009 and currently serves as president. Prior to joining the Board of Supervisors, she served nine years on the San Mateo City Council, and two terms as mayor.

DON HORSLEY was appointed to the Transportation Authority in 2011 representing the Board of Supervisors. He has served as a member of the San Mateo County Board of Supervisors since 2010. Prior to joining the Board of Supervisors, he served as the elected county sheriff for 14 years and was board president of the Sequoia Healthcare District.

CAMERON JOHNSON was appointed to the Transportation Authority in 2015 representing South County. He was elected to the San Carlos City Council in 2013 and serves as the Vice Mayor for the city of San Carlos. He is also the Chair of the San Mateo County Mental Health and Substance Abuse Recovery Commission, and has previously served four years on the San Carlos Economic Development Advisory Commission.

TERRY NAGEL was elected to the Transportation Authority in 2010 representing Central County. She was elected to the Burlingame City Council in 2003, is the current mayor, and has served two previous terms as mayor. Among other roles, Director Nagel is the Burlingame and Transportation Authority representative on the City/County Association of Governments.

MARYANN NIHART was elected to the Transportation Authority in 2015 representing San Mateo County's cities-at-large. She is a councilmember and former Mayor for the city of Pacifica, and sits on several committees including the City/County Association of Governments as chair, and the Association of Bay Area Governments.

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EXECUTIVE MANAGEMENT

EXECUTIVE DIRECTOR

Jim Hartnett

EXECUTIVE OFFICERS

April Chan – Chief Officer, Planning, Grants, and the Transportation Authority

Virginia Harrington – Deputy CEO / Chief Administrative Officer

Chuck Harvey – Deputy CEO / Organizational Support and Special Projects

Martha Martinez – Executive Officer, District Secretary / Executive Administration

Seamus Murphy – Chief Communications Officer

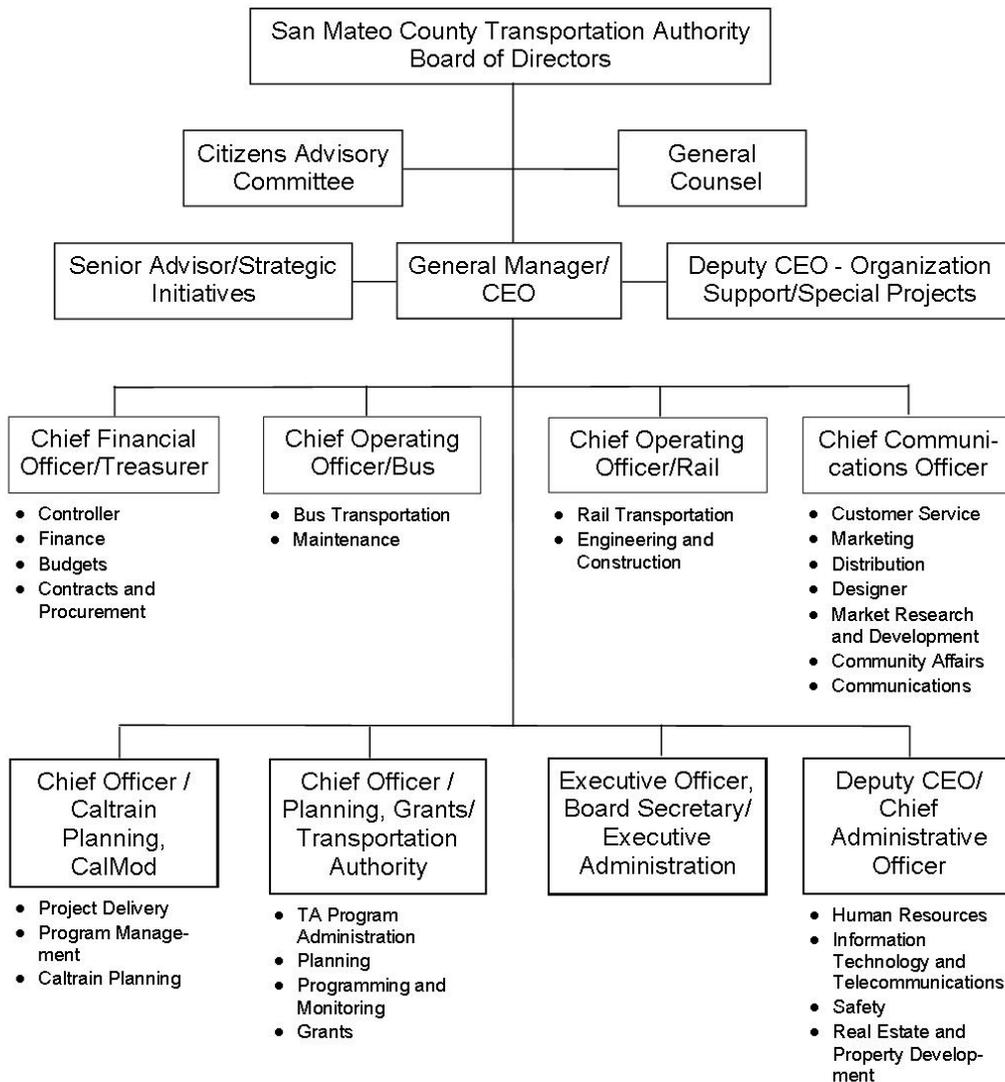
Mark Simon – Senior Advisor / Strategic Initiative

GENERAL COUNSEL

Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP
Joan Cassman, Esq.

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TABLE OF CREDITS

The following individuals contributed to the production of the Fiscal Year 2015 CAFR:

Finance:	Manager, General Ledger	Sheila Tioyao
	Interim Managers, Treasury	Carl Cubba
	Senior Budget Analyst	Connie Yee
Audit Firm:	Partner	Ahmad Gharaibeh, CPA
	Manager	Nathan Edelman, CPA

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Section II

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Required Supplementary Information

Other Supplemental Information

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
San Mateo County Transportation Authority
San Carlos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Mateo County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Transportation Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Transportation Authority, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

The prior year summarized comparative financial information has been derived from the Transportation Authority's 2014 financial statements which were audited by other auditors and whose report dated December 16, 2014, expressed an unmodified opinion on the financial statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transportation Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016 on our consideration of the Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transportation Authority's internal control over financial reporting and compliance.

Vavrinek, Trinc, Day & Co. LLP

Palo Alto, California
January 15, 2016

Management's Discussion and Analysis

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the Transportation Authority's financial position addresses the Transportation Authority's activities for the fiscal year ended June 30, 2015 with comparisons to the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the introductory section and with the statements and related notes contained in the financial section.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$13.5 million or 2.8 percent to \$494.8 million at June 30, 2015 compared to June 30, 2014. Cash and investments comprised \$460.2 million or 93.0 percent of the total 2015 year-end amount.
- Sales tax revenue for all funds was \$81.0 million during 2015, an increase of \$3.3 million or 4.3 percent from 2014.
- The Transportation Authority expended \$47.1 million in capital outlay during 2015, an increase of \$.4 million or 1.0 percent over 2014. This amount included construction costs related to the US-101 Broadway Interchange Project and preliminary engineering work for the Caltrain Electrification Project.
- Total liabilities increased by \$4.3 million or 31.2 percent to \$18.2 million at June 30, 2015 compared to June 30, 2014.
- Total net position increased by \$9.1 million or 2.0 percent to \$476.5 million at June 30, 2015 compared to June 30, 2014. The increase is due primarily to total revenues exceeding total expenditures in 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report presents the Transportation Authority's basic financial statements in three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplementary information also appears in addition to the financial statements.

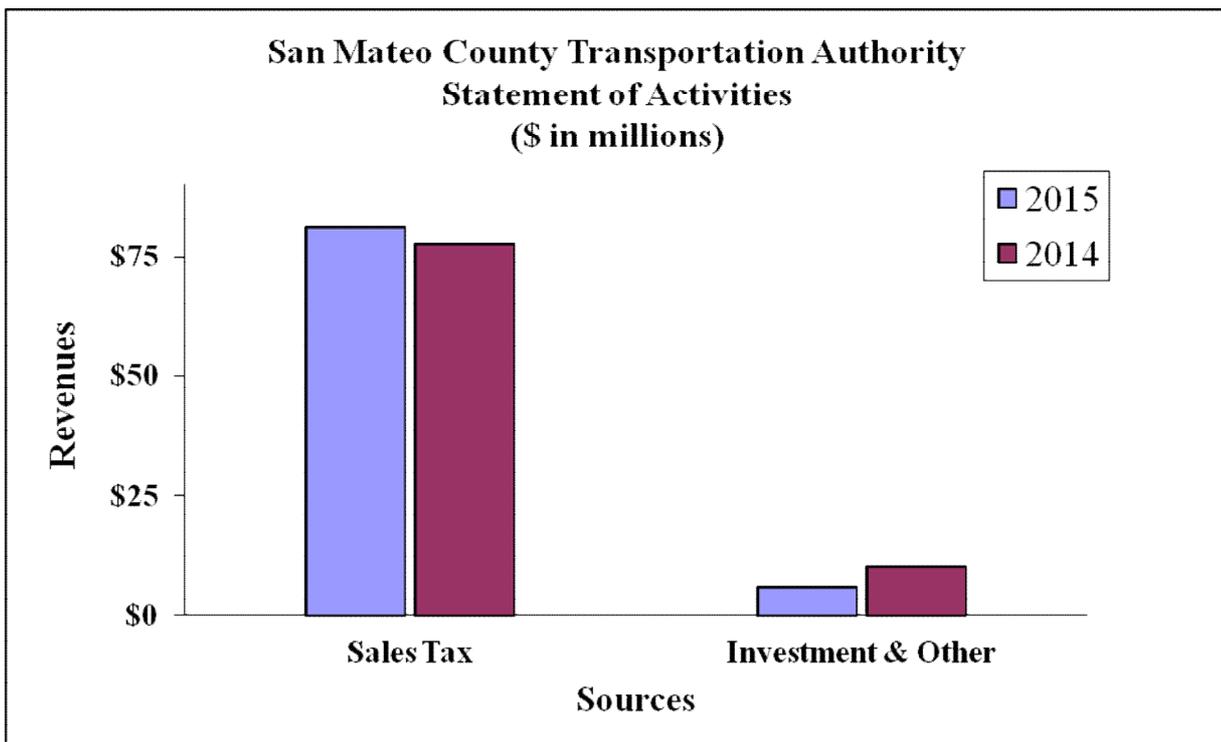
Government-wide Financial Statements

The *Statement of Net Position* presents total assets and total liabilities with the difference between the two reported as net position. Changes in net position over time provide an indicator of whether the financial position of the government is improving or deteriorating.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2015

The *Statement of Activities* reports on the change in net position during the year. It includes a comparison between direct expenses and related revenues for each program or function. Direct expenses are those specifically associated with and clearly identifiable with a particular program or function. The *Statement of Activities* matches revenues from charges to customers for goods and services to the program and functional expenses with which the revenues are directly related. Revenues not classified as program or functional, such as sales tax, are presented separately as general revenues. The Transportation Authority reports all changes in net position as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in the *Statement of Activities* result in cash flows in a future period.



Fund Financial Statements

A *fund* is a set of accounts used to control resources segregated for specific activities or objectives. Funds classified as *major* are reported individually on the financial statements. The Transportation Authority reports one major fund only. In the supplemental section of this report, *combining statements* report data for each of the *non-major* funds. The Transportation Authority uses fund accounting to ensure compliance with various legal requirements, such as the annually adopted budget. Accordingly, certain financial schedules in this report provide a comparison between budgeted and actual amounts.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2015

The Transportation Authority classifies all of its funds as *governmental*. Unlike the *government-wide* financial statements discussed above, the financial statements for *governmental funds* focus on the inflows, outflows and balances of spendable resources, rather than net position. This information is useful for evaluating the Transportation Authority's current financing requirements.

The Transportation Authority reports the *major governmental funds* in individual columns:

- The *Special Revenue Fund* which accounts for the proceeds of the one-half cent county sales tax. These funds are legally restricted to expenditures for specific transportation improvement projects authorized in a referendum approved by San Mateo County voters. This referendum is referred to as *Measure A* and the list of eligible projects can be found in the *Transportation Expenditure Plan*.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the *government-wide* and *fund* financial statements. These notes begin on page 26 of this report, immediately following the financial statements to which they refer.

Other Information

This report also presents certain *required supplementary information* concerning compliance with the Transportation Authority's annual budget for the *Special Revenue Fund* which is the Transportation Authority's main operating fund and the equivalent of a *general fund*. This information and associated notes immediately follow the *financial statements* and their accompanying notes.

Government-wide Financial Analysis

At June 30, 2015, total assets were \$494.8 million, an increase of \$13.5 million or 2.8 percent from June 30, 2014. Cash and investments comprise \$460.2 million of this amount. With only \$18.2 million in total liabilities, the Transportation Authority is in an excellent position to meet its obligations for current construction projects. As of the end of fiscal year 2015, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$331.5 million.

Capital assets were \$11.7 million in 2015, a decrease of \$1.9 million from June 30, 2014.

The Transportation Authority does not record the capital assets created by the construction projects it finances on its own accounting books since these assets are of value only to the local government units in which they are located. For more information on capital assets, please refer to *Note #7- Capital Assets* of the *Notes to the Financial Statements* on page 36 of this report.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2015**

	Governmental Activities	
	2015	2014
Current and other assets	\$ 483,136,091	\$ 467,769,850
Capital assets	11,681,806	13,590,975
Total assets	<u>494,817,897</u>	<u>481,360,825</u>
Other liabilities	18,242,489	13,901,292
Total liabilities	<u>18,242,489</u>	<u>13,901,292</u>
Net position:		
Net investment in capital assets	11,681,806	13,590,975
Restricted	464,893,602	453,868,558
Total net position	<u>\$ 476,575,408</u>	<u>\$ 467,459,533</u>

Total liabilities increased by \$4.3 million or 31.2 percent to \$18.2 million at June 30, 2015, compared to \$13.9 million at June 30, 2014. The increase was due to more accruals for capital projects.

Net position increased by \$9.1 million or 2.0 percent to \$476.5 million at June 30, 2015, the result of revenues exceeding expenditures in 2015.

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues		
Charges for services	\$ 1,218,594	\$ 1,203,816
Operating grants/contributions	15	133,508
General revenues		
Sales tax	80,974,178	77,625,765
Investment earnings and others	4,775,200	10,237,144
Total revenues	<u>86,967,987</u>	<u>89,200,233</u>
Expenses:		
Public transit	31,610,650	44,961,678
Streets and highways	45,033,220	30,081,638
Others	1,208,242	837,581
Total expenses	<u>77,852,112</u>	<u>75,880,897</u>
Change in net position	9,115,875	13,319,336
Net assets - July 1,	467,459,533	454,140,197
Net assets - June 30,	<u>\$ 476,575,408</u>	<u>\$ 467,459,533</u>

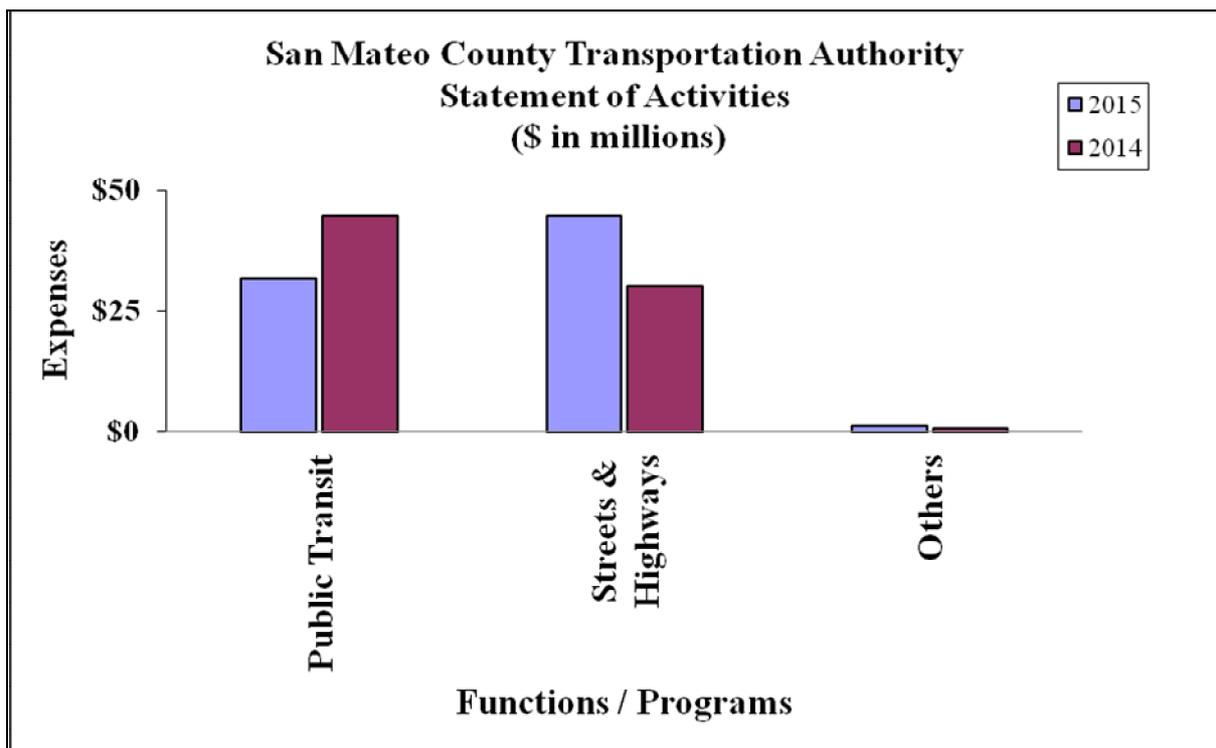
SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2015

Governmental Activities

Total expenses for governmental activities were \$77.8 million in 2015, an increase of \$1.9 million or 2.5 percent compared to 2014. The functional components of total expenses are public transit (40.6 percent), streets and highways (57.8 percent) and other programs (1.5 percent). The following are the highlights of the Transportation Authority's governmental activities:

- Sales tax revenue increased by \$3.3 million or 4.3 percent to \$81.0 million in 2015 from 2014.
- Investment earnings and other revenues of \$4.8 million in 2015 was \$5.5 million or 53.4 percent lower compared to 2014. The decrease was mostly due to less recovery from Lehman Brothers in 2015.
- Expenses for public transit projects in 2015 decreased by \$13.4 million or 29.7 percent to \$31.6 million compared to 2014. The decrease was mainly due to the completion of the San Bruno Grade Separation Project.
- Spending for streets and highways in 2015 increased by \$14.9 million or 49.5 percent to \$45.0 million compared to 2014 mainly due to the increase in distributions to local entities based on sales tax revenue and the additional costs for the construction phase of the Broadway Interchange Project and the San Pedro Creek/Route 1 Bridge Replacement Project.



SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2015

Financial Analysis of the Transportation Authority's Funds

The *Special Revenue Fund* is the operating fund of the Transportation Authority and equivalent to the general fund of other governmental entities. The fund balance reached \$459.8 million at June 30, 2015, an increase of \$11.0 million or 2.4 percent from June 30, 2014, as total revenues exceeded total expenditures during 2015. The total fund balance at June 30, 2015 of \$459.8 million is restricted for Measure A projects and is available for spending at the discretion of the Transportation Authority's Board of Directors in accordance with the Transportation Expenditure Plan. Since the Transportation Authority principally passes funding through to other organizations, the most accurate indicator of the Transportation Authority's ability to meet its current and future obligations is a comparison of its fund balance to its future commitments. At June 30, 2015, the estimated cost to complete on-going projects is \$331.5 million or 72.1 percent of total fund balance.

Special Revenue Fund Budgetary Highlights

GAAP requires a discussion of the budget-to-actual performance for the general fund or its equivalent. In the case of the Transportation Authority, the *Special Revenue Fund* is the equivalent of a general fund as it is the chief operating fund. The Transportation Authority classifies this fund as a special revenue fund because the activity of the fund is legally restricted to the special purposes enumerated in the Transportation Expenditure Plan approved by the voters of San Mateo County.

The *Special Revenue Fund* employs the same accounting basis and principles for both its budget and actual revenues and expenditures, except that proceeds from the sale of capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. Sales tax represented 95.6 percent of the *Special Revenue Fund's* total budgeted revenue for FY 2015. Actual sales tax revenue for the year was \$81.0 million, which exceeded the budget by \$5.9 million or 8.0 percent.

Program administration costs for the *Special Revenue Fund* were slightly under budget.

The Transportation Authority spent \$47.1 million or 55.9 percent of its final 2015 budget for capital outlays, which included the cost of completing on-going capital projects. Since capital projects normally span more than one year, the Transportation Authority carries over unexpended budgets to succeeding years. However, to enhance understanding of the Transportation Authority's fund balance for the *Special Revenue Fund*, the carry-over amount from 2014 is not included in the 2015 *Budgetary Comparison Schedule*.

Capital Projects

The Transportation Authority spent \$47.1 million on capital projects in 2015, an increase of \$0.4 million or 0.8 percent compared to 2014. Following are the major capital expenditures:

- Construction costs associated with the grade separation project for San Bruno Avenue in San Bruno and Linden Avenue in South San Francisco (\$5.7 million).
- Funding for the 2015 local capital match requirement assessed to San Mateo County according to the Caltrain Joint Powers Agreement (\$3.5 million).
- Construction costs associated with the 101/Broadway Interchange project (\$11.6 million).
- Final design costs associated with the Communications Based Overlay Signal System Positive Train Control (CBOSS PTC) project (\$3.2 million).
- Construction costs for the San Pedro Creek/Route 1 Bridge Replacement (\$2.9 million).
- Environmental Assessment/Final Environmental Impact Report costs associated with the Caltrain Electrification project (\$5.6 million).

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2015

More information on the Transportation Authority's capital project activity appears in *Notes #13 and #14 – Capital Outlay and Construction Commitments* in the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budget

The Transportation Authority's Board adopted the fiscal year 2016 Budget of \$63.7 million on June 4, 2015. The Transportation Authority's role is to administer the proceeds from Measure A to fund a broad spectrum of transportation-related projects. In accordance with the 2004 Transportation Expenditure Plan, annual allocations have been budgeted to four plan categories based on a percentage of projected sales tax revenues. The total annual allocation is approximately \$28.1 million. The Transportation Authority's projected program expenditure is approximately \$33.9 million which is mostly made up of funding requirement for Alternative Congestion Relief, Caltrain, Pedestrian and Bicycle, Local Shuttle and Streets and Highways programs.

Of the \$0.7 million budgeted for the Alternative Congestion Relief program, \$0.4 million was proposed to be set aside for Peninsula Traffic Congestion Relief Alliance's Transportation Demand Management (TDM) Program. A budget of \$6.2 million has been set aside to fund system-wide capital improvements anticipated to be undertaken in FY2016 for the Caltrain system. These include State of Good Repair rolling stock, and signal, track and station work. These funds will be matched with monies from the Caltrain partners, Santa Clara Valley Transportation Authority and the City and County of San Francisco. The Streets and Highways program, which include funding for key congested corridors has a budget of \$13.3 million and \$7.9 million for the supplemental roadway projects. The Transportation Authority will put out a call for projects in order to allocate these funds to eligible recipients. Also included in the FY16 budget is \$5.3 million for the Pedestrian and Bicycle and Local Shuttle programs. Similar to the Streets and Highway Program, there will be a call for projects that will determine where these funds will be spent.

Requests for Information

This financial report intends to provide our citizens, taxpayers, customers and creditors with a general overview of the Transportation Authority's finances and to demonstrate accountability for resources received. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, 1250 San Carlos Ave., P.O. Box 3006, San Carlos, California, 94070-1306.

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BASIC FINANCIAL STATEMENTS
Government-wide Financial Statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**STATEMENT OF NET POSITION
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments (Note 2)	\$ 460,187,064	\$ 446,558,171
Receivables:		
Sales tax (Note 3)	14,483,806	14,666,468
Interest (Note 4)	1,535,562	1,420,727
Note receivable (Note 5 and 7)	4,343,404	4,343,404
Other (Note 6)	800,035	777,780
Prepays	1,786,220	3,300
Capital assets, nondepreciable (Note 7)	11,681,806	13,590,975
Total Assets	<u>494,817,897</u>	<u>481,360,825</u>
LIABILITIES		
Accounts payable (Note 8)	7,547,907	2,150,338
Accrued liabilities (Note 9)	10,635,717	11,698,478
Unearned revenue	9,848	6,659
Deposits	49,017	45,817
Total Liabilities	<u>18,242,489</u>	<u>13,901,292</u>
NET POSITION (Note 10)		
Net investment in capital assets	11,681,806	13,590,975
Restricted for Measure A Programs	464,893,602	453,868,558
Total Net Position	<u>\$ 476,575,408</u>	<u>\$ 467,459,533</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	2015	2014
GOVERNMENTAL ACTIVITIES					
Public Transit					
Upgrades and extensions	\$ 14,572,768	\$ -	\$ -	\$ (14,572,768)	\$ (7,670,849)
Grade separations	6,524,841	894,515	-	(5,630,326)	(26,665,305)
Dumbarton spur	210,143	324,079	-	113,936	68,267
BART	1,619,484	-	-	(1,619,484)	(1,552,515)
Caltrain	6,477,934	-	-	(6,477,934)	(6,210,061)
Projects funding	2,205,480	-	-	(2,205,480)	(1,639,930)
Street and highways					
Distributions to local entities	21,902,434	-	-	(21,902,434)	(20,572,983)
Projects funding	23,130,786	-	-	(23,130,786)	(9,462,615)
Program administration	1,208,242	-	15	(1,208,227)	(837,582)
Total Governmental Activities	\$ 77,852,112	\$ 1,218,594	\$ 15	(76,633,503)	(74,543,573)
GENERAL REVENUES:					
Sales tax				80,974,178	77,625,765
Investment earnings and other (Note 11)				4,106,440	3,065,150
Recovery from Lehman Brothers (Note 2)				666,886	7,171,994
Miscellaneous				1,874	-
Total General Revenues				85,749,378	87,862,909
Change in Net Position				9,115,875	13,319,336
Net Position-Beginning of Year				467,459,533	454,140,197
Net Position-Ending of Year				\$ 476,575,408	\$ 467,459,533

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**GOVERNMENTAL FUNDS – SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	2015	2014
ASSETS		
Cash and investments (Note 2)	\$ 460,187,064	\$ 446,558,171
Receivables:		
Sales tax (Note 3)	14,483,806	14,666,468
Interest (Note 4)	768,091	694,571
Other (Note 6)	800,035	777,780
Prepays	1,786,220	3,300
Total Assets	<u>478,025,216</u>	<u>462,700,290</u>
LIABILITIES		
Accounts payable (Note 8)	7,547,907	2,150,338
Accrued liabilities (Note 9)	10,635,717	11,698,478
Deferred rent revenue	9,848	6,659
Deposits	49,017	45,817
Total Liabilities	<u>18,242,489</u>	<u>13,901,292</u>
FUND BALANCES		
Fund balance (Note 10)		
Nonspendable:		
Prepays	1,786,220	3,300
Restricted for:		
Current Measure A projects	331,485,040	286,900,375
Future Measure A Projects	126,511,467	161,895,323
Total Fund Balances	<u>459,782,727</u>	<u>448,798,998</u>
Total Liabilities and Fund Balances	<u>\$ 478,025,216</u>	<u>\$ 462,700,290</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	<u>2015</u>	<u>2014</u>
The schedule below reconciles the net changes in fund balances reported on the governmental funds balance sheet which measures only changes in current assets and current liabilities on the modified accrual basis, with the change in net position of governmental net position reported on the statement of net position, which is prepared on the full accrual basis.		
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 459,782,727	\$ 448,798,998
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,681,806	13,590,975
Long term note receivable is not a financial resource and, therefore, is not reported in the governmental funds:		
Note receivable	4,343,404	4,343,404
Interest receivable	767,471	726,156
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 476,575,408</u>	<u>\$ 467,459,533</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**GOVERNMENTAL FUNDS – SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	2015	2014
REVENUES		
Sales tax	\$ 80,974,178	\$ 77,625,765
Investment income (Note 11)	4,181,166	3,019,255
Rental income	1,218,594	1,203,816
Other income	2,461,901	7,183,748
Grant proceeds	-	121,754
Total Revenues	<u>88,835,839</u>	<u>89,154,338</u>
EXPENDITURES		
Current:		
Administrative:		
Staff support (Note 12)	681,512	531,535
Board compensation	6,900	7,200
Professional and legal fees	195,046	232,091
Other services and supplies	317,708	59,590
Travel and meeting	1,134	2,605
Distribution to local entities	21,458,157	20,570,828
BART	1,619,484	1,552,515
Caltrain	6,477,934	6,210,061
Dumbarton corridor maintenance	4,729	4,020
Debt service:		
Principal repayments	-	3,450,000
Capital outlay (Note 13)	47,089,506	46,710,452
Total Expenditures	<u>77,852,110</u>	<u>79,330,897</u>
NET CHANGE IN FUND BALANCES	10,983,729	9,823,441
BEGINNING FUND BALANCES	448,798,998	438,975,557
ENDING FUND BALANCES	<u>\$ 459,782,727</u>	<u>\$ 448,798,998</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	<u>2015</u>	<u>2014</u>
The schedule below reconciles the net changes in fund balances reported in the statement revenues, expenditures and changes in fund balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the change in net position of governmental activities reported in the statement of activities, which is prepared on the full accrual basis.		
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 10,983,729	\$ 9,823,441
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Accrual of interest revenue on the note receivable for the sale of land is recorded as revenue in the government-wide statement of activities, but is not recorded in the governmental funds.	41,315	45,895
Repayment of principal balance of loan payable to State	-	3,450,000
Sale of land is a disposition of capital assets, which are not reported in the governmental funds		
Loss on sale of land	(116,041)	-
Proceeds from sale of land	(1,793,128)	-
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,115,875</u>	<u>\$ 13,319,336</u>

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BASIC FINANCIAL STATEMENTS
Notes to the Financial Statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The San Mateo County Transportation Authority (Transportation Authority) was formed in June 1988 as a result of the approval of Measure A (one-half cent county sales tax and Transportation Expenditure Plan) by the voters of San Mateo County pursuant to the Bay Area County Traffic and Transportation Funding Act. The Transportation Authority was responsible for the administration of funds collected through the one-half cent county sales tax for a period of 20 years, initially. In November 2004, the voters reauthorized the Transportation Authority and its publicly developed expenditure plan for an additional 25 years beyond the original expiration date of 2008. The San Mateo County Transit District (The District) was designated as the entity responsible for overall management of the Transportation Authority.

B. Implementation of Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for the fiscal year ended June 30, 2015. This Statement did not impact the Transportation Authority's June 30, 2015 financial statements.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The Statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This Statement is effective for the fiscal year ended June 30, 2015. This Statement did not impact the Transportation Authority's June 30, 2015 financial statements.

GASB Statement No. 71 - In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB 68*. The objective of this Statement is to address an issue regarding the application of the transition provisions of Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement is effective for the fiscal year ended June 30, 2015. This Statement did not impact the Transportation Authority's June 30, 2015 financial statements.

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. The Transportation Authority has not determined the effect of the statement.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Transportation Authority has not determined the effect of the statement.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The Transportation Authority has not determined the effect of the statement.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the 2017-2018 fiscal year. The Transportation Authority has not determined the effect of the statement.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Transportation Authority has not determined the effect of the statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The Transportation Authority has not determined the effect of that statement.

C. Basis of Presentation

Government-wide Financial Statements

The Statement of Net position and Statement of Activities report the financial activities of the Transportation Authority. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Transportation Authority. Direct expenses are those that are specifically associated with a program or a function and therefore, are clearly identifiable to a particular function. Program revenues refer to charges paid by the recipients of goods or services offered by the program. Revenues that are not classified as program revenues, including sales tax revenues, are presented instead as general revenues.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

Fund Financial Statements

The Transportation Authority reports the Sales Tax Revenue Special Revenue Fund to account for the proceeds of the one-half cent San Mateo County sales tax. Sales tax proceeds are legally restricted to improve, construct, maintain, and operate certain transportation projects and facilities contained in the 2004 Transportation Expenditure Plan (the Plan) adopted by the Board of Supervisors of San Mateo County and all of the Cities in the County. That Plan may be amended from time to time pursuant to the Plan and applicable law.

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place.

Nonexchange transactions, in which the Transportation Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include one-half cent county sales tax receipts and distributions to local entities. On an accrual basis, revenues from the one-half cent county sales tax are recognized when the underlying exchange transactions occur.

Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when their receipt occurs within 60 days after the end of the accounting period. Sales tax and investment earnings are recorded when measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds.

E. Non-current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the government-wide Statement of Net Position.

F. Prepaids

Prepaid items represent amounts paid in advance of receiving goods or services. The Transportation Authority has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The Transportation Authority has chosen to report the expenditures during the benefiting period.

G. Cash and Investments

All highly liquid investments with maturities of three months or less when purchased are considered cash equivalents. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

H. Capital Assets

Capital assets are recorded at historical cost. All capital asset purchases are recorded as expenditures at the time of acquisition in the governmental funds. Such amounts are then capitalized and reported in the government-wide financial statements. Construction projects financed by the Transportation Authority from the one-half cent county sales tax include highways, streets and grade separations. These infrastructure assets are of value only to the local government units in whose jurisdiction they are constructed and are not recorded as capital assets on the Transportation Authority’s books.

I. Use of Estimates

The Transportation Authority’s management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

J. Summarized Data

The summarized data provided in these financial statements for fiscal year ended June 30, 2014 is not a requirement for fair presentation of the financial statements, but is being presented as additional analytical data. Such information does not provide sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Transportation Authority’s financial statements for the year ended June 30, 2014 from which such comparative information was derived.

NOTE 2 – CASH AND INVESTMENTS

The Transportation Authority pools cash from all sources and funds except cash and investments with Trustees so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The Transportation Authority records investment transactions on the trade date. Investments are reported at fair value. Fair value is defined as the amount that the Transportation Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller, and is generally measured by quoted market prices. The Transportation Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end. The effects of changes in market value are reflected as a component of investment income.

Deposits and investments as of June 30 are categorized as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash and Investments		
Cash in bank	\$ 1,581,700	\$ 979,431
Investments	458,605,364	445,578,740
Total cash and investments	<u>\$ 460,187,064</u>	<u>\$ 446,558,171</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

Authorized Investments by the Transportation Authority

In accordance with the California Government Code or its investment policy where more restrictive, the Transportation Authority may acquire investments as identified in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	15 years	None	None
U.S. Agency Securities or Government Sponsored Enterprises	15 years	None	None
Banker's Acceptances	180 days	15%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	10%	5%
Repurchase Agreements	1 year	100%	50%
Reverse Repurchase Agreements	92 days	20% of base value	20%
Medium-term Notes	5 years	30%	10%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-through Securities	5 years	20%	5%
San Mateo County Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk incurred when market interest rates adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Transportation Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Transportation Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. With respect to this metric, the Transportation Authority's policies are as follows:

- No investment shall be made in securities with a remaining useful life exceeding 15 years.
- The weighted average maturity of the portfolio shall not exceed 5 years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

The Transportation Authority's weighted average maturity of its investment portfolio at June 30, 2015 was as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity (in years)</u>
U.S. Treasury Notes	\$ 93,917,728	1.45
U.S. Agency Securities	59,927,779	0.86
San Mateo County Investment Pool	283,464,154	1.63
Local Agency Investment Fund	21,295,703	0.65
	<u>\$ 458,605,364</u>	
Portfolio Weighted Average Maturity		1.45

The Transportation Authority's weighted average maturity of its investment portfolio at June 30, 2014 was as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Notes	\$ 62,123,599	1.99
U.S. Agency Securities	108,571,378	1.67
San Mateo County Investment Pool	250,554,453	1.71
Local Agency Investment Fund	24,329,310	1.57
	<u>\$ 445,578,740</u>	
Portfolio Weighted Average Maturity		1.65

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the fiscal year end for each investment type.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)**

Transportation Authority’s investment portfolio credit quality ratings at June 30 were as follows:

Investment Type	Amount	Rating as of June 30, 2015	
		AA	Not Rated
U.S. Treasury Notes	\$ 93,917,728	\$ 93,917,728	\$ -
U.S. Agency Securities	59,927,779	59,927,779	-
Investment in County Investment Pool	283,464,154	-	283,464,154
Investment in State Investment Pool	21,295,703	-	21,295,703
Total	<u>\$ 458,605,364</u>	<u>\$ 153,845,507</u>	<u>\$ 304,759,857</u>

Investment Type	Amount	Rating as of June 30, 2014	
		AA	Not Rated
U.S. Treasury Notes	\$ 62,123,599	\$ 62,123,599	\$ -
U.S. Agency Securities	108,571,378	108,571,378	-
Investment in County Investment Pool	250,554,453	-	250,554,453
Investment in State Investment Pool	24,329,310	-	24,329,310
Total	<u>\$ 445,578,740</u>	<u>\$ 170,694,977</u>	<u>\$ 274,883,763</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)**

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the Transportation Authority’s total investments at June 30 are held in the Special Revenue Fund as follows:

Issuer	Investment Type	Fair Value 2015
Federal National Mortgage Association (FNMA)	U.S. Agency Security	\$ 59,927,779

Issuer	Investment Type	Fair Value 2014
Federal National Mortgage Association (FNMA)	U.S. Agency Security	\$ 78,685,122
Federal Home Loan Mortgage Corporation (FHLM)	U.S. Agency Security	30,017,100

Custodial Credit Risk

The custodial credit risk for *deposit* is the risk that, in the event of the failure of a depository financial institution, the Transportation Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the Transportation Authority will not be able to recover the value of its investment or collateral securities that are in possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Transportation Authority’s cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the Transportation Authority’s name and places the Transportation Authority ahead of general creditors of the institution.

The Transportation Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, Transportation Authority employs the Trust Department of a bank or trustee as the custodian of certain Transportation Authority managed investments, regardless of their form.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)**

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5 percent or more of the Transportation Authority’s total investments are as follows at June 30 (in thousands):

Issuer	Investment Type	2015	2014
Federal National Mortgage Association (FNMA)	U.S. Agency Security	\$ 59,927,779	\$ 78,685,122

Fair Value of Investments

Accounting pronouncement GASB Statement No. 31 applies to investments purchased with maturities greater than one year, investments in external investment pools (State of California LAIF & county treasury investment pools), mutual funds, and certain investment agreements. Generally, governmental entities need to report the fair value changes for these investments at year-end and record these gains or losses on their income statement.

Methods and assumptions used to estimate fair value: The Transportation Authority maintains investment accounting records on amortized cost and adjusts those records to “fair value” on an annual basis. Unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered “fair value.” The Transportation Authority’s investment custodian provides the market value on each investment instrument. The investments held by the Transportation Authority are widely traded in the financial markets and trading values are readily available from numerous published sources. The Transportation Authority has elected to report its money market investments (those investments with maturities of less than one year) at amortized cost adjusted to fair value on an annual basis.

San Mateo County Treasurer’s Investment Pool: The Transportation Authority holds investments in the County Pool that are subject to adjustments to “fair value.” The Transportation Authority is required to disclose its methods and assumptions used to estimate the fair value of its holding in the County Pool. The Transportation Authority relied upon information provided by the County Treasurer in estimating the Transportation Authority’s fair value position of its holding in the County Pool. The Transportation Authority had a contractual withdrawal value of \$282,569,529 and \$252,029,881, at June 30, 2015 and 2014, respectively, that is recorded at \$283,464,154 and \$250,544,453 on the balance sheet after the adjustment for unrealized gains/losses for fiscal years ending June 30, 2015 and 2014, respectively. The fair value change in these investments for the year just ended is shown as unrealized gain/losses in the income statement via inclusion in the amount of Investment Income.

The Transportation Authority is a voluntary participant in the San Mateo County Treasurer’s Investment Pool. The Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of the pool fall under auspices of the County Treasurer’s office.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

During September 2008, Lehman Brothers Holding filed for Chapter 11 bankruptcy protection. The San Mateo County Portfolio included \$155 million of Lehman Brothers Holding investment at the time, in both commercial paper and floating securities. The County Pool wrote off these investments as of September, 2009, consequently showing a loss of \$155 million out of the total portfolio of approximately \$2.6 billion. The Transportation Authority had approximately \$453 million invested through the County Pool at the time, and therefore incurred its percentage share of this loss during October 2009. The loss the Transportation Authority incurred was approximately \$25.3 million. All funds subsequently recovered by the County Pool will be distributed to participants in proportion to their participation in the loss. Lehman exited bankruptcy in March 2012 and began making settlement payments to creditors. To date, the Transportation Authority has successfully recovered \$11,630,679, or approximately \$0.46 on the dollar.

State of California State Treasurer’s Local Authority Investment Fund (LAIF): The Transportation Authority holds an investment in LAIF that is subject to “fair value” adjustments. The Transportation Authority is required to disclose its methods and assumptions used to estimate the fair value of its holding in LAIF. The Transportation Authority relied upon information provided by the State Treasurer in estimating the Transportation Authority’s fair value position of its holdings in LAIF. The Transportation Authority had a contractual withdrawal value of \$21,295,703 and \$24,329,310 on the balance sheet after the adjustment for unrealized gains/losses for fiscal year 2015 and 2014, respectively. The LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer’s office. The Transportation Authority is a voluntary participant in the investment pool.

NOTE 3 – SALES TAX RECEIVABLES

Sales tax receivable consists of sales tax due from the State Board of Equalization of the quarter ended June 30, 2015.

NOTE 4 - INTEREST RECEIVABLE

Interest receivables at June 30 consist of the following sources:

	<u>2015</u>	<u>2014</u>
Interest due from investment portfolio, as reported on the Sales Tax Revenue Special Revenue Fund	\$ 768,091	\$ 694,571
Accrued interest on note receivable	767,471	726,156
Interest receivable on the statement of net position	<u>\$ 1,535,562</u>	<u>\$ 1,420,727</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

NOTE 5 - NOTE RECEIVABLE

On December 27, 2007, the Transportation Authority transferred 174,047 square feet of development and railroad corridor property owned by the Transportation Authority and located at the northeast corner of Holly Street and El Camino Real in the City of San Carlos to the District. The property was originally acquired by the Transportation Authority for a grade separation project but eventually became excess property. The development portion of the property was transferred at no cost; however, the District is obligated to transfer half its interest in the railroad corridor property on the JPB as San Mateo County’s share of contributions for future capital projects. The District is required to pay interest on the note at the current rate of return earned by the Transportation Authority on its investment portfolio until the principal is paid in full and is permitted to pay the principal of the note over time before December 1, 2033. See *Note 7- Capital Assets*.

NOTE 6 - OTHER RECEIVABLES

Other receivables at June 30 consist of amounts owed by other government agencies and miscellaneous receivables as follows:

	2015	2014
Metropolitan Transportation Commission	\$ 587,936	\$ 637,347
San Mateo County Transit District	126,331	67,414
Alameda County Transportation Improvement Authority	53,209	53,209
Santa Clara Valley Transportation Authority	19,810	19,810
Other	12,749	
Total other receivables	\$ 800,035	\$ 777,780

NOTE 7 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2015 are as follow:

	Balance at June 30, 2014	Acquisitions	Dispositions	Balance at June 30, 2015
Capital Assets - Land	\$ 13,590,975	\$ -	\$ 1,909,169	\$ 11,681,806

Land represents the cost of right of way acquisition for future grade separation projects, as well as for corridor preservation purposes. On December 27, 2007, the Transportation Authority conveyed right of way on the land located on Holly Street to the District for a promissory note of \$4,343,404. The original acquisition cost of the property was \$4,570,000. See *Note 5 – Note Receivable*.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

NOTE 8 – ACCOUNTS PAYABLE

Accounts payable at June 30 are as follows:

	2015	2014
District - Salaries and benefits	\$ 321,681	\$ 307,124
Shuttle program	95,351	-
Paratransit program	587,185	556,353
Caltrain	1,196,752	1,125,829
Capital project	5,193,355	26,337
Other	153,583	134,695
Total	\$ 7,547,907	\$ 2,150,338

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities at June 30 are as follows:

	2015	2014
Disbursements to local entities for transportation projects	\$ 4,033,549	\$ 3,345,125
Capital projects	6,252,822	7,986,132
BART	289,676	293,329
Other	59,671	73,892
Total	\$ 10,635,717	\$ 11,698,478

NOTE 10 – NET POSITION/FUND BALANCE

Net position is measured on the full accrual basis while fund balance is measured on the modified accrual basis.

Net Position

Net Position is the excess of all the Transportation Authority’s assets over all its liabilities. Net position is divided into three captions. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

Net Investment in Capital Assets – The net investment in capital assets reported on the statement of net position, represents the Transportation Authority’s ownership of right of way classified as nondepreciable land under capital assets, as described at Note 7.

Restricted – The restricted net position reported on the statement of net position represents the resources available to the Transportation Authority that are legally restricted to improve, construct, maintain, and operate certain transportation projects and facilities contained in the 2004 Transportation Expenditure Plan adopted by the Board of Supervisors of San Mateo County and all of the Cities in the County. That Plan may be amended from time to time pursuant to the Plan and applicable law.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)**

Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund’s cash and receivables, less its liabilities.

The Sales Tax Revenue Special Revenue Fund (the Fund) balance is classified in accordance with Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definition*, which requires the Transportation Authority to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Transportation Authority prioritizes and expends funds in the following order, as applicable: restricted, committed, assigned, and unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The nonspendable component of fund balance consists of prepaids.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. The restricted fund balance reported on the Fund balance sheet represents the resources available to the Transportation Authority that are legally restricted to improve, construct, maintain, and operate certain transportation projects and facilities contained in the 2004 Transportation Expenditure Plan adopted by the Board of Supervisors of San Mateo County and all of the Cities in the County. That Plan may be amended from time to time pursuant to the Plan and applicable law.

NOTE 11 – INVESTMENT INCOME

Investment income activity for the fiscal year ended June 30 is as follows:

	2015	2014
Interest income	\$ 2,743,230	\$ 3,705,723
Net increase (decrease) in fair value of investments	1,363,210	(640,573)
Investment income - Statements of Activities	4,106,440	3,065,150
Increase on long-term interest receivable	(41,315)	(45,895)
Investment income - Statements of Revenues, Expenditures and Changes in Fund Balance	\$ 4,065,125	\$ 3,019,255

NOTE 12 – STAFF SUPPORT EXPENDITURES

As discussed in Note 1A, the San Mateo County Transit District (The District) was designated as the entity responsible for overall management of the Transportation Authority. The Transportation Authority reimburses the District for staff support services.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)**

Staff support expenditures for the year ended June 30 are as follows:

	2015	2014
Salaries and benefits	\$ 415,095	\$ 468,484
Indirect costs	266,417	63,051
Total	\$ 681,512	\$ 531,535

NOTE 13 – CAPITAL OUTLAY

The expenditures on public transportation projects during FY 2015 and 2014 were \$47,089,506 and \$46,710,452, respectively. Total expenditures on such projects from inception through June 30, are as follows:

Capital Projects	2015	2014
Dumbarton Spur	\$ 33,103,956	\$ 32,893,813
Caltrain	201,236,175	186,663,407
Paratransit	6,510	2,155
Ferry	8,090,377	8,088,199
Local Shuttle	5,910,442	3,707,140
Railroad Grade Separations	246,221,339	239,696,498
Streets and Highways	275,287,141	253,793,601
Alternative Congestion Relief	896,521	456,599
Administration	1,750	539
Oversight and Bicycle	13,908,531	12,271,285
Total	\$ 784,662,742	\$ 737,573,236

Of the total expenditures of \$784,662,742 for capital outlay, \$21,793,796 was funded by contributions from external entities.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Capital projects

At June 30, the Transportation Authority estimated the cost to complete the following committed projects:

Capital Projects	2015	2014
Dumbarton Spur	\$ 12,741,396	\$ 12,559,539
Caltrain	82,824,005	35,993,775
Paratransit	2,761	7,116
Ferry	1,381	3,558
Local Shuttle	4,877,443	4,086,908
Railroad Grade Separations	45,064,764	50,839,605
Streets and Highways	174,449,045	173,717,584
Alternative Congestion Relief	83,207	98,129
Administration	564	1,779
Oversight and Bicycle	11,440,474	9,592,382
Total	\$ 331,485,040	\$ 286,900,375

Litigation

The Transportation Authority is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Transportation Authority at June 30, 2015.

NOTE 15 – RISK MANAGEMENT

The Transportation Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The following is a summary the Transportation Authority's insurance coverage on June 30, 2015:

Type of Coverage	Self-insurance (in aggregate)	Excess Coverage (in aggregate)
Commerical General Liability	Up to \$1,000,000 per occurrence	Up to \$10,000,000 per occurrence
Public Officials Liability	\$50,000 per claim	\$3,000,000

REQUIRED SUPPLEMENTARY INFORMATION

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Budgetary Fund Balance, Beginning of Year	\$ 401,849,379	\$ 401,849,379	\$ 445,209,646	\$ (43,360,267)
Resources (inflows)				
Sales tax	72,000,000	75,000,000	80,974,178	(5,974,178)
Investment income	2,284,610	2,284,610	2,793,272	(508,662)
Rental income	1,203,300	1,203,300	1,218,594	(15,294)
Other income	-	-	2,461,901	(2,461,901)
Amounts available for appropriation	<u>75,487,910</u>	<u>78,487,910</u>	<u>87,447,945</u>	<u>(8,960,035)</u>
Charges to appropriations (outflows)				
Program Administration				
Staff support	706,634	661,634	681,512	(19,878)
Board compensation	7,400	7,400	6,900	500
Professional and legal fees	194,200	198,200	195,046	3,154
Other services and supplies	306,264	347,264	317,708	29,556
Travel and meeting	10,050	10,050	1,134	8,916
	<u>1,224,548</u>	<u>1,224,548</u>	<u>1,202,300</u>	<u>22,248</u>
Distributions to local entities	19,080,000	19,875,000	21,458,157	(1,583,157)
BART	1,440,000	1,500,000	1,619,484	(119,484)
Caltrain	5,760,000	6,000,000	6,477,934	(477,934)
Measure A information	16,500	16,500	4,729	11,771
Capital outlays	<u>40,897,000</u>	<u>84,243,356</u>	<u>47,089,506</u>	<u>37,153,850</u>
Total charges to Appropriations	<u>68,418,048</u>	<u>112,859,404</u>	<u>77,852,110</u>	<u>35,007,294</u>
Budgetary Fund Balance, End of Year	<u>\$ 408,919,241</u>	<u>\$ 367,477,885</u>	<u>\$ 454,805,481</u>	<u>\$ (87,327,596)</u>
Explanation of differences between budgetary inflows and GAAP revenues				
Actual amounts available for appropriation - budgetary basis from above				\$ 87,447,945
Unrealized gains under GASB 31				<u>1,387,894</u>
Total revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP basis				<u>\$ 88,835,839</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE JUNE 30, 2015

Budgets and the Budgetary Process

The Transportation Authority Board adopts an annual operating budget in accordance with Section 131265(a) of the Public Utilities Code. Budget amounts may be revised by Board Resolutions. The budget adopted by the Transportation Authority includes amounts for the major Special Revenue Fund. This fund's budget and actual revenues and expenditures are presented as required supplementary information. The basis the Transportation Authority uses to prepare the budget is consistent with the basis used to reflect the actual revenues and expenditure, except that proceeds from sale of capital assets and unrealized gains and losses under GASB Statement No. 31 are not included in the budget for the major Special Revenue Fund.

Management is authorized to exceed budget for individual categories provided the total expenditures do not exceed the total budget.

Section III

STATISTICAL

Financial Trends

- **Net Position and Change in Net Position**
- **Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**

Revenue Capacity

- **Revenue Base and Revenue Rate**
- **Principal Revenue Payers**

Debt Capacity

- **Ratio of Outstanding Debt**
- **Bonded Debt**
- **Direct and Overlapping Debt and Debt Limitation**
- **Pledged Revenue Coverage**

Demographics and Economic Information

- **Population, Income and Unemployment Rates**
- **Principal Employers**

Operating Information

- **Capital Outlay**
- **Employees**
- **Capital Assets**

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STATISTICAL SECTION

The Statistical Section of the Transportation Authority's CAFR presents detailed information as a context for understanding the information in the financial statements, notes disclosure, required supplementary information and other supplemental information and assessing the Transportation Authority's economic condition.

Financial Trends

These schedules contain trend information to assist readers in understanding and assessing how the Transportation Authority's financial position has changed over time.

Revenue Capacity

These schedules contain information to assist readers in understanding and assessing the factors affecting the Transportation Authority's ability to generate its most significant local revenue source, sales tax.

Debt Capacity

These schedules assist readers in understanding and assessing the Transportation Authority's debt burden and its capacity to issue future debt.

Demographic and Economic Information

These schedules present socioeconomic indicators to assist readers in understanding the environment within which the Transportation Authority's financial activities take place.

Operating Information

These schedules contain contextual information about the Transportation Authority's operations and resources to assist readers in using financial statement information as a tool to understand and assess the Transportation Authority's economic condition.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

FINANCIAL TRENDS – NET POSITION AND CHANGE IN NET POSITION FISCAL YEARS 2006 THROUGH 2015 (in thousands)

Fiscal year	2015	2014	2013	2012
GOVERNMENTAL ACTIVITIES:				
PROGRAM REVENUES				
Grade Separations	\$ 895	\$ 888	\$ 839	\$ 819
Paratransit	-	-	-	-
Dumbarton Spur	324	397	694	1,916
Projects Funding	-	52	2,408	1,979
Total Program Revenues	1,219	1,337	3,941	4,714
PROGRAM EXPENDITURES				
Upgrades and Extension	14,573	7,671	4,270	3,574
Grade Separations	6,525	27,553	21,421	9,157
Paratransit	-	-	-	-
Dumbarton Spur	210	329	674	2,044
BART	1,619	1,552	1,477	1,390
Caltrain	6,478	6,210	5,909	5,558
Distribution to local entities	21,902	20,573	19,982	18,809
Projects funding	25,336	11,155	28,681	13,521
Caltrain Shuttle Program	-	-	-	1,448
Transportation Systems Management	-	-	-	-
Program Administration	1,208	838	666	825
Interest on debt	-	-	-	-
Total Program Expenditures	77,851	75,881	83,080	56,325
NET REVENUES (EXPENDITURES)	(76,632)	(74,544)	(79,139)	(51,611)
General revenues				
Sales tax	80,974	77,626	73,858	69,476
Unrestricted investment earnings	4,106	3,065	378	3,569
Other income	669	7,172	2,239	1,528
CHANGE IN NET POSITION	9,117	13,319	(2,664)	22,962
Net Position Components				
Invested in capital assets,	11,682	13,591	13,591	13,591
Restricted	464,893	453,869	440,549	443,213
Unrestricted	-	-	-	-
NET POSITION	\$ 476,575	\$ 467,460	\$ 454,140	\$ 456,804

Source: Current and prior years' CAFRs

This table presents Governmental activity program revenues and expenditures, general revenues, sales tax and other income.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**FINANCIAL TRENDS – NET POSITION AND CHANGE IN NET POSITION
FISCAL YEARS 2006 THROUGH 2015 (in thousands)**

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 786	\$ 1,103	\$ 3,209	\$ 876	\$ 731	\$ 731
-	-	-	1,149	1,411	636
994	1,930	5,287	1,942	620	1,310
9	-	-	-	-	-
<u>1,789</u>	<u>3,033</u>	<u>8,496</u>	<u>3,967</u>	<u>2,762</u>	<u>2,677</u>
16,285	19,709	9,612	12,481	8,136	9,275
9,607	14,445	9,118	4,525	1,867	5,016
-	2,339	26,071	2,780	2,542	2,358
1,017	2,146	6,045	2,286	852	1,595
1,270	1,170	535	-	-	-
5,081	4,679	2,142	-	-	-
17,289	13,159	12,674	13,734	13,240	12,762
8,948	16,779	24,577	31,634	19,928	6,690
1,377	1,322	1,339	1,075	1,064	1,010
-	473	462	483	476	408
833	719	746	803	670	1,133
-	-	-	379	764	1,121
<u>61,707</u>	<u>76,940</u>	<u>93,321</u>	<u>70,180</u>	<u>49,539</u>	<u>41,370</u>
<u>(59,918)</u>	<u>(73,907)</u>	<u>(84,825)</u>	<u>(66,213)</u>	<u>(46,777)</u>	<u>(38,692)</u>
63,516	58,485	60,022	68,670	66,202	63,811
5,201	7,866	(12,249)	18,313	20,564	9,549
-	-	-	(227)	-	161
<u>8,799</u>	<u>(7,556)</u>	<u>(37,051)</u>	<u>20,543</u>	<u>39,989</u>	<u>34,829</u>
13,591	13,591	13,591	13,591	18,161	18,161
420,251	-	-	25,000	35,413	35,403
-	411,452	419,008	431,060	395,533	355,553
<u>\$ 433,842</u>	<u>\$ 425,043</u>	<u>\$ 432,599</u>	<u>\$ 469,651</u>	<u>\$ 449,107</u>	<u>\$ 409,117</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

FINANCIAL TRENDS – GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FISCAL YEARS 2006 THROUGH 2015 (in thousands)

Fiscal year	2015	2014	2013	2012
REVENUES				
Sales tax	\$ 80,974	\$ 77,626	\$ 73,858	\$ 69,476
Investment income	4,181	3,019	319	3,503
Rental income	1,219	1,204	1,142	1,108
Grant proceeds	-	121	2,796	3,607
Proceeds from sale of properties	1,793	-	-	-
Other income	669	7,184	2,241	1,527
Total Revenue	88,836	89,154	80,356	79,220
EXPENDITURES				
Administrative:				
Staff support	682	532	444	568
Board compensation	7	7	6	7
Professional and legal fees	195	232	183	190
Other services and supplies	318	60	29	52
Travel and meeting	1	2	2	2
Leases and rental				
Debt Service:				
Principal	-	3,450	-	-
Interest	-	-	-	-
Subtotal	1,203	4,283	664	820
Distributions to local entities	21,458	20,571	19,982	18,809
BART	1,619	1,553	1,477	1,390
Caltrain	6,478	6,210	5,909	5,558
Special allocation to Samtrans	-	-	-	-
Caltrain shuttles program	-	-	-	1,448
Dumbarton corridor maintenance	5	4	2	5
Measure A information				
2004 Election				
Capital outlay	47,090	46,710	55,045	28,295
Total Expenditures	77,853	79,331	83,079	56,325
Excess Revenues Over Expenditures	10,983	9,823	(2,723)	22,895
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change In Fund Balance	10,983	9,823	(2,723)	22,895
Fund Balance				
Non-Spendable	1,786	3	3	3
Restricted	457,997	448,796	438,973	441,696
Total Ending Fund Balance	\$ 459,783	\$ 448,799	\$ 438,976	\$ 441,699

Total Debt Service expenditures as a % Total Noncapital expenditures	0.0%	10.6%	0.0%	0.0%
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Source: Current and prior years' CAFRs

This table presents revenues, expenditures, other financing sources and changes in fund balance.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**FINANCIAL TRENDS – GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE
FISCAL YEARS 2006 THROUGH 2015 (in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	63,516	\$ 58,485	\$ 60,022	\$ 68,670	\$ 66,202	\$ 63,811
	5,120	7,723	(12,630)	18,995	21,985	10,306
	1,064	1,072	1,076	997	902	892
	725	1,961	7,420	1,821	449	1,149
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>70,425</u>	<u>69,241</u>	<u>55,888</u>	<u>90,483</u>	<u>89,538</u>	<u>76,159</u>
	570	489	487	593	500	418
	6	7	7	7	6	6
	206	181	170	148	112	115
	43	34	59	37	51	63
	3	3	10	9	5	4
	-	-	-	8,855	8,475	8,115
	-	-	-	407	789	1,146
	<u>828</u>	<u>714</u>	<u>733</u>	<u>10,056</u>	<u>9,938</u>	<u>9,867</u>
	17,289	15,971	14,207	16,997	16,257	15,529
	1,270	1,170	536	-	-	-
	5,081	4,679	2,143	-	-	-
	-	-	25,000	-	-	-
	1,377	1,322	1,339	1,074	1,064	1,010
	5	5	242	182	265	246
	-	-	13	14	3	11
	-	-	-	-	-	521
	<u>35,857</u>	<u>53,079</u>	<u>49,110</u>	<u>50,745</u>	<u>30,518</u>	<u>22,330</u>
	<u>61,707</u>	<u>76,940</u>	<u>93,323</u>	<u>79,068</u>	<u>58,045</u>	<u>49,514</u>
	<u>8,718</u>	<u>(7,699)</u>	<u>(37,434)</u>	<u>11,415</u>	<u>31,493</u>	<u>26,644</u>
	-	-	2,902	-	-	-
	-	-	(2,902)	-	-	-
	-	-	-	-	-	-
	<u>8,718</u>	<u>(7,699)</u>	<u>(37,434)</u>	<u>11,415</u>	<u>31,493</u>	<u>26,644</u>
	3	3	3	25,000	35,414	35,403
	<u>418,801</u>	<u>410,082</u>	<u>417,781</u>	<u>430,217</u>	<u>408,389</u>	<u>376,907</u>
\$	<u>418,804</u>	<u>410,085</u>	<u>417,784</u>	<u>455,217</u>	<u>443,803</u>	<u>412,310</u>
	0.0%	0.0%	0.0%	32.7%	33.7%	34.1%

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**FINANCIAL TRENDS – GOVERNMENTAL FUND BALANCES COMPONENTS
FISCAL YEARS 2006 THROUGH 2015 (in thousands)**

Fiscal year ended	Special Revenue Fund		
	Non-Spendable	Restricted	Total
2015	\$ 1,786	\$ 457,997	\$ 459,783
2014	3	448,796	448,799
2013	3	438,973	438,976
2012	3	441,696	441,699
2011	3	419,288	419,291
2010	3	410,082	410,085
2009	-	417,189	417,189
2008	-	425,887	425,887
2007	8,031	402,081	410,112
2006	8,031	372,326	380,357

Fiscal year ended	All Other Governmental Funds		
	Non-Spendable	Restricted	Total
2015	\$ -	\$ -	\$ -
2014	-	-	-
2013	-	-	-
2012	-	-	-
2011	-	-	-
2010	-	-	-
2009	-	594	594
2008	25,000	4,330	29,330
2007	27,383	6,307	33,690
2006	27,372	4,580	31,952

Source: Current and prior years' CAFRs.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE FISCAL YEARS 2006 THROUGH 2015 (in thousands)

<u>Fiscal year</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
The Transportation Authority's Sales Tax Rate	0.5%	0.5%	0.5%
Total Sales Tax Revenue	\$ 80,974	\$ 77,626	\$ 73,858
Total Taxable Sales in San Mateo County	\$ 16,194,800	\$ 15,525,153 ^[1]	\$ 14,771,600 ^[1]

[1] 2015, 2014 and 2013 taxable sales are estimates based on sales tax revenues received; 2012 taxable sales amount is the most current information available.

Source: California State Board of Equalization

This table presents total sales and total taxable sales in San Mateo County.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE (CONTINUED)
FISCAL YEARS 2006 THROUGH 2015 (in thousands)**

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
\$ 69,476	\$ 63,516	\$ 58,485	\$ 60,022	\$ 68,670	\$ 66,202	\$ 63,811
\$13,895,200	\$13,020,643	\$11,966,338	\$11,327,022	\$13,137,913	\$13,326,306	\$12,900,391

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEARS 2006 AND 2014 (in thousands)**

Principal Revenue Payers	FY2014*			FY2006		
	Rank	Percent of Taxable Sales	Amount	Rank	Percent of Taxable Sales	Amount
All other outlets	1	32.2%	\$ 1,228,366	1	27.1%	\$ 3,499,262
Automotive group	2	11.6%	443,755	2	12.9%	1,666,602
Food Services/drinking places	3	11.6%	442,330	10	3.2%	411,438
Gasoline (Service) stations	4	8.8%	333,936	6	7.1%	917,482
General merchandise stores	5	6.8%	260,257	3	10.2%	1,313,029
Building materials group	6	6.0%	229,898	7	7.0%	908,205
Apparel stores	7	5.0%	191,863	11	3.1%	398,192
Food/Beverage stores	8	3.9%	148,225	5	9.0%	1,158,608
Miscellaneous Store Retailers	9	3.7%	139,430	8	5.3%	677,986
Electronics & Appliance stores	10	2.7%	103,139			
Furniture/Home furnishings	11	2.4%	90,563	9	4.0%	512,423
Health and personal services	12	2.0%	75,358			
Sporting Goods, Hobby, Book & Music Stores (Specialty stores)	13	1.9%	70,713	4	9.7%	1,249,966
Nonstore Retailers	14	1.4%	54,575	12	1.4%	187,198
Total		100.0%	\$ 3,812,408		100.0%	\$ 12,900,391

* Principal tax payers information for 2nd Quarter, 2014 is the most current information available.

This table ranks the top 14 principal tax payers by industry.

Source: California State Board of Equalization

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**DEBT CAPACITY – RATIO OF OUTSTANDING DEBT
FISCAL YEARS 2006 THROUGH 2015**

Fiscal Year	Limited Tax Revenue Bonds for SMCTA^[1]	Personal Income for San Mateo County^[2]	As a Percent of Personal Income
2015	\$ -	\$ 63,346,079	0.00%
2014	-	61,501,048	0.00%
2013	-	59,709,755	0.00%
2012	-	58,665,994	0.00%
2011	-	51,745,573	0.00%
2010	-	47,469,961	0.00%
2009	-	46,381,026	0.00%
2008	-	48,856,877	0.00%
2007	8,855	49,894,436	0.02%
2006	17,330	47,184,337	0.04%

[1] Current and prior years' CAFRs

[2] County of San Mateo, California, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2015. Personal Income data for 2014 and 2015 is based on an estimated three percent annual increase over 2013.

This table presents the relationship between the limited tax revenue bonds and the total personal income of San Mateo County residents.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**DEBT CAPACITY – BONDED DEBT
FISCAL YEARS 2006 THROUGH 2015 (in thousands)**

Fiscal Year	Limited Tax Revenue Bonds for SMCTA	Total Taxable Sales in San Mateo County	As a Percent of Total Taxable Sales in San Mateo County
2015	\$ -	\$ 16,194,800 ^[1]	0.00%
2014	-	15,525,200 ^[1]	0.00%
2013	-	14,771,800 ^[1]	0.00%
2012	-	13,906,978	0.00%
2011	-	13,020,643	0.00%
2010	-	11,966,338	0.00%
2009	-	11,327,022	0.00%
2008	-	13,137,913	0.00%
2007	8,855	13,326,306	0.07%
2006	17,330	12,900,391	0.13%

[1] 2015, 2014 and 2013 taxable sales are estimates based on sales tax revenues received;
2012 taxable sales amount is the most current information available

Source: Current and prior years' CAFRs & California State Board of Equalization

This table presents the ability of the Transportation Authority to issue revenue bonds based on the total taxable sales in San Mateo County.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT AND DEBT LIMITATION JUNE 30, 2015

San Mateo County Transportation Authority Overlapping Debt

The Transportation Authority does not have overlapping debt with other governmental agencies.

San Mateo County Transportation Authority Debt Limitation

Enabling legislation (Measure A as approved by the voters in 1988) specifically authorized the Transportation Authority to issue limited tax bonds from time to time, not to exceed \$804,000,000. Limited tax bonds are secured by a gross pledge of the Transportation Authority's 80 percent shares of the one-half cent, Measure A sales tax revenues.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**DEBT CAPACITY – PLEDGED REVENUE COVERAGE
FISCAL YEARS 2006 THROUGH 2015 (in thousands)**

Fiscal Year	Pledged Sales Tax Revenue *	Debt Service			Coverage
		Principal	Interest	Total	
2015	\$ 64,779	\$ -	\$ -	\$ -	-
2014	62,101	-	-	-	-
2013	59,086	-	-	-	-
2012	55,581	-	-	-	-
2011	50,813	-	-	-	-
2010	46,788	-	-	-	-
2009	48,018	-	-	-	-
2008	54,936	8,855	407	9,262	6
2007	52,962	8,475	789	9,264	6
2006	51,049	8,115	1,146	9,261	6

* This amount represents 80 percent of the Transportation Authority's total sales tax revenue from the County of San Mateo.

Source: Current and prior years' CAFRs.

This table presents the relationship between total sales tax revenue, debt service payments and the Transportation Authority's ability to meet its debt obligations. The bonds were fully paid in 2009 and accordingly, no revenues were pledged.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**DEMOGRAPHIC AND ECONOMIC INFORMATION – POPULATION, INCOME AND UNEMPLOYMENT RATES
FISCAL YEARS 2006 THROUGH 2015**

Year	Population ^[1]	Total Personal Income (in millions) ^[2]	Per Capita Personal Income ^[2]	Average Unemployment Rates ^[3]
2015	753,123	\$ 63,346 *	\$ 84,758 *	3.3%
2014	745,635	61,501 *	82,290 *	4.2%
2013	736,647	59,710	79,893	5.7%
2012	727,795	58,666	79,420	7.0%
2011	722,372	51,746	71,051	8.3%
2010	718,614	47,470	65,953	8.9%
2009	713,818	46,381	64,994	8.9%
2008	707,820	48,857	69,416	4.8%
2007	701,838	49,894	71,910	4.0%
2006	699,347	47,184	68,366	3.8%

[1] Data includes retroactive revisions by the State of California Department of Finance, Demographic Research Unit.

[2] Data includes retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

[3] Data includes retroactive revisions by the State of California Employment Development Department. Unemployment rates are non-seasonally adjusted for June.

*Personal Income & Per Capital Personal Income data for 2014 and 2015 is based on an estimated three percent annual increase over 2013.

This table highlights San Mateo County's total population, total personal income, per capita income, and unemployment rates for the past ten years.

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

DEMOGRAPHIC AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS FISCAL YEARS 2013 AND 2005

Employers in San Mateo County	2013*			2005*		
	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
United Airlines	10,000	1	2.62%	10,328	1	2.95%
Genentech Inc.	8,800	2	2.30%	5,763	2	1.65%
Oracle Corp.	6,524	3	1.71%	7,000	4	2.00%
County of San Mateo	5,929	4	1.55%	5,288	3	1.51%
Kaiser Permanente	3,911	5	1.02%	3,992	5	1.14%
Visa USA/Visa International	2,895	6	0.76%	1,901	9	0.54%
Facebook Inc.	2,865	7	0.75%			
Gilead Sciences Inc.	2,596	8	0.68%			
Mills-Peninsula Health Services	2,200	9	0.58%			
Safeway Inc.	2,195	10	0.57%	2,140	7	0.61%
United States Postal Service				2,396	6	0.68%
Applera (Applied Biosystems)				2,000	8	0.57%
Electronic Arts Inc.				1,800	10	0.51%
Total	<u>47,915</u>		<u>12.55%</u>	<u>42,608</u>		<u>12.16%</u>

* The latest information available for principal employers in the County.

This table presents the top 10 principal employers in San Mateo County for 2013 and 2005.

Source: San Francisco Business Times - 2015 Book of Lists; California Employment Development Department (provided by the San Mateo County Controller's office)

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**OPERATING INFORMATION – CAPITAL OUTLAY
FISCAL YEARS 2006 THROUGH 2015 (in thousands)**

Cumulative Capital Outlay	2015	2014	2013	2012
Dumbarton Spur	\$ 33,104	\$ 32,894	\$ 32,565	\$ 31,891
Caltrain-Downtown Extension	201,236	186,663	178,993	174,723
Paratransit	7	2	-	-
Ferry	8,090	8,088	8,087	7,393
Local Shuttle	5,910	3,707	2,269	543
Railroad Grade Separations	246,221	239,697	212,143	190,722
Streets and Highways	275,287	253,794	245,552	223,100
Alternative Congestion Relief	897	456	10	-
Admin, Oversight and Bicycle	13,911	12,272	11,005	7,197
Total	\$ 784,663	\$ 737,573	\$ 690,624	\$ 635,569

Source: Current and prior years' CAFRs

This table presents the total cumulative capital outlay on public transportation projects for the past 10 years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

OPERATING INFORMATION – CAPITAL OUTLAY (CONTINUED)
FISCAL YEARS 2006 THROUGH 2015 (in thousands)

2011	2010	2009	2008	2007	2006
\$ 29,847	\$ 28,830	\$ 26,684	\$ 20,881	\$ 18,777	\$ 18,190
171,149	154,880	135,170	125,558	113,077	104,941
-	-	-	-	-	-
2,044	377	-	-	-	-
228	135	-	-	-	-
181,565	171,958	157,514	148,396	143,871	142,003
216,936	210,320	194,663	171,478	140,360	120,900
-	-	-	-	-	-
5,505	4,933	4,324	2,931	2,415	1,947
<u>\$ 607,274</u>	<u>\$ 571,433</u>	<u>\$ 518,354</u>	<u>\$ 469,244</u>	<u>\$ 418,500</u>	<u>\$ 387,981</u>

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

OPERATING INFORMATION – EMPLOYEES FISCAL YEARS 2006 THROUGH 2015

DIVISION	FULL-TIME EQUIVALENTS					
	2015	2014	2013	2012	2011	2010
CALTRAIN MODERNIZATION PROGRAM	-	-	0.02	-	-	-
CUSTOMER SERVICE AND MARKETING	0.15	0.17	0.13	0.14	0.20	0.35
EXECUTIVE	0.57	0.60	0.55	0.57	0.55	0.65
FINANCE AND ADMINISTRATION	2.10	2.29	3.76	4.39	4.00	3.75
OPERATIONS, ENGINEERING AND CONSTRUCTION	4.34	4.35	4.43	4.47	3.66	1.10
PLANNING AND DEVELOPMENT	3.35	3.30	2.63	1.97	2.75	6.80
PUBLIC AFFAIRS	1.20	1.20	1.40	1.10	1.00	0.95
TOTAL EMPLOYEES	11.71	11.91	12.92	12.64	12.16	13.60

Note: The organization went through a reorganization in FY2010; Caltrain Modernization Program division was added in FY2013 as a replacement for the Peninsula Rail department.

DIVISION	FULL-TIME EQUIVALENTS			
	2009	2008	2007	2006
EXECUTIVE	0.80	0.60	0.60	-
ADMINISTRATION	0.80	0.15	0.10	0.19
COMMUNICATIONS	0.75	0.90	1.00	1.95
DEVELOPMENT	11.14	8.00	8.83	6.12
FINANCE	0.90	0.80	1.05	1.03
OPERATIONS	0.25	0.15	0.20	0.21
TOTAL EMPLOYEES	14.64	10.60	11.78	9.50

Source: Transportation Authority's annual operating and capital budgets.

This table presents total full-time equivalents by division.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

OPERATING INFORMATION – CAPITAL ASSETS FISCAL YEARS 2006 THROUGH 2015 (in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital Assets:				
Land	\$ 11,682	\$ 13,591	\$ 13,591	\$ 13,591
Total	<u>\$ 11,682</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>

Source: Current and prior years' CAFRs.

This table presents capital assets for the past 10 years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

OPERATING INFORMATION – CAPITAL ASSETS (CONTINUED)
FISCAL YEARS 2006 THROUGH 2015 (in thousands)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>
<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>

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INDEPENDENT AUDITOR'S REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the
San Mateo County Transportation Authority
San Carlos, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the San Mateo County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transportation Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transportation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Transportation Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
January 15, 2016