

San Mateo County Transportation Authority
San Carlos, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020
With Comparative Totals for 2019



This Page Left Intentionally Blank.



SAN MATEO COUNTY
***Transportation
Authority***

San Carlos, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020
(With Comparative Totals for 2019)

Prepared by the Finance Division

This Page Left Intentionally Blank.

Table of Contents

	Page
I. INTRODUCTORY SECTION	
Letter of Transmittal	i
GFOA Certificate of Achievement	x
Board of Directors	xi
Organization Chart	xiii
Executive Management	xiv
Map	xv
Table of Credits	xvi
II. FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Fund Balance Sheet	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – to the Government Wide Statement of Activities	15
Notes to Basic Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund – Budgetary Comparison Schedule	34
Notes to Required Supplementary Schedule.....	35

Table of Contents

	Page
III. STATISTICAL SECTION	
Financial Trends:	
Net Position and Change in Net Position.....	37
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.....	39
Fund Balances of Governmental Funds	41
Revenue Capacity:	
Revenue Base and Revenue Rate.....	42
Principal Revenue Payers	44
Demographic and Economic Information:	
Population, Income and Unemployment Rates	45
Principal Employers.....	46
Operating Information:	
Capital Outlay	47
Employees.....	49
Capital Assets.....	50
IV. COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	52
Schedule of Findings and Questioned Costs.....	54
Status of Prior Year Findings and Questioned Costs.....	55

Section I

INTRODUCTORY

Letter of Transmittal

GFOA Certificate of Achievement

Board of Directors

Organization Chart

Executive Management

Map

Table of Credits

This Page Intentionally Left Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL



October 26, 2020

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

Comprehensive Annual Financial Report Year Ended June 30, 2020

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, 2019 through June 30, 2020. 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 the 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 independent auditing services from Eide Bailly 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 in all material respects and in compliance with accounting principles generally accepted in the United States. This conclusion is the most favorable kind and is commonly known as an "unmodified" or "clean" opinion.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

ORGANIZATIONAL PROFILE

Basic Information

San Mateo County, with a population of over 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. This Measure A vote authorized an annual one-half cent county sales tax levy. The Transportation Authority programs allocate sales tax revenues to designated project sponsors that are responsible for 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 levy of the sales tax with a new publicly developed Expenditure Plan containing transportation programs and projects to be implemented over an additional 25 years beyond the original expiration date of December 31, 2008. The 2004 Transportation Expenditure Plan (TEP) 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

In November 2018, San Mateo County voters approved Measure W, another sales tax measure that provides an additional half-cent transportation sales tax for 30 years to fund countywide transportation and traffic congestion solutions in San Mateo County. The San Mateo County Transit District (District) imposes the tax and administers the investments in the County Public Transportation Systems Program Category in the associated Measure W Congestion Relief Plan, which represents 50% of the proceeds. Measure W also provides that the District may designate the Transportation Authority to administer the other half of the revenues, which it has done. As a result of this designation, the Transportation Authority administers the remaining 50% of Measure W sales tax proceeds in the following four categories:

1. Countywide Highway Congestion Improvements
2. Local Safety, Pothole and Congestion Relief Improvements
3. Bicycle and Pedestrian Improvements
4. Regional Transit Connections

The Measure A TEP requires the Transportation Authority to develop and adopt a Strategic Plan and that it be updated at least once every five years. The Measure W TEP, otherwise known as the San Mateo County Congestion Relief Plan, also requires the Transportation Authority to prepare a Strategic Plan with broad-based public outreach. This plan, which was approved in December 2019, provides the policy guidance for the implementation of both the Measure A and Measure W transportation sales tax programs the Transportation Authority is tasked with administering.

Whenever possible, the Transportation Authority seeks to attract matching funds, which grantees provide in the form of state, federal, local, private and other funds. These efforts have led to effective partnerships with city, county, state and federal agencies for designing and completing transportation projects. The Transportation Authority itself is not a recipient of federal assistance.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

Interested readers may view the Measure A and Measure W TEPs as well as the Strategic Plan 2020-2024 online at www.smcta.com or by contacting:

Director, Transportation Authority Program
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 Transit District (District) (SamTrans) 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, allocates the funds to grantees as authorized by the Board, and monitors delivery of projects included in the Transportation Expenditure Plans. The Transportation Authority reimburses the District for the cost of its direct services charged to its 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 *Executive Office* is responsible for directing and overseeing all activities and for providing support to the Board of Directors and Citizens Advisory Committee.

The *Finance Division* is responsible for financial accounting and reporting, capital budgeting, operational budgeting, payroll and vendor disbursements, investments and cash management, debt management, revenue control, purchasing, contract administration, risk management, and information technology.

The *Bus Division* provides technical support for the Transportation Authority project sponsors, particularly for employer and other shuttles. The Bus Division also operates the Redi-Wheels paratransit program funded by the Transportation Authority.

The *Rail Division and the Caltrain Modernization Program (CalMod)* manages the Caltrain service, carries out state of good repair, the Peninsula Corridor Electrification Project, and Positive Train Control. The division also assists sponsors with implementing major projects, such as grade separations, with expertise offered by the capital project engineering and construction teams.

The *Communications Division* is responsible for customer service, marketing, advertising, public information, media relations, legislative activities and community outreach.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

The *Planning, Grants and Transportation Authority Division* is responsible for oversight of voter-approved Transportation Expenditure Plans; SamTrans operations planning, strategic planning and performance; grant administration; and property management.

The *Administrative Division* provides management assistance to executive divisions and is responsible for human resources and safety and security.

Component Units

The Transportation Authority is a legally separate and financially independent governmental agency similar to a special district that is not a component unit of the County of San Mateo, the San Mateo County Transit District (District) or any other entity. 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 General Fund based on established agency goals, objectives and performance measures to the Board of Directors. The staff may recommend financial reserves be made available 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.

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 on a monthly 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. 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 2020 was \$742.7 million.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

FINANCIAL AND ECONOMIC OUTLOOK

Local Economy

The Bay Area was California's fastest growing labor market but was hit hard by the unprecedented coronavirus (COVID-19) pandemic. The regional unemployment rate was 2.7% in February. To stem the spread of COVID-19, a shelter in place order was implemented in March resulting in the shutdown of many non-essential activities and businesses. This resulted in an unemployment rate that spiked to 13.1% in April. The current economic situation is highly unique in that lost or delayed consumption and business activity are not the result of imbalances in the economy, but rather are self-imposed. Therefore, the length of time before the health-mandates are fully lifted, coupled with consumers' restored confidence to gather in large crowds and the economic damage experienced throughout the mitigation phase will be the primary factors determining when and to what degree the region will recover. Employment began showing signs of recovery in July and the unemployment rate decreased to 10.6%, but future forecasts are highly uncertain as many pandemic impacts are unknown. California and the Bay Area lagged behind the nation in terms of job recovery and that is most likely due to a more cautious re-opening pace. There is also concern, as crisis continues, whether many of the temporary layoffs become permanent job losses.

The San Mateo County economy mirrors the greater Bay Area in terms of growth and unemployment, but could not escape the impact of COVID-19. Unemployment in San Mateo County was 2.8% in March and ranked #1 in lowest unemployment in the state. In April that rate jumped to 11.4%. With restrictions lifted, the unemployment rate improved to 10.8% in June, however the County's unemployment ranking dropped to #7 in the state. While the recovery is slow the region is well positioned due to the relatively large number of high-paying tech jobs.

Despite a recent construction boom and building activity, housing production has not kept pace with population growth. High home prices are reducing migration to San Mateo County. Population growth has decelerated to below the statewide average. Because home prices are expected to rise faster than incomes, worsening the housing affordability problem, net migration will be negative for the foreseeable future.

The San Mateo County technology sector continues to expand rapidly. In 2018, venture capital funding to local tech firms surpassed \$10 billion, helping to fuel job growth. The county now has 11,900 workers at software firms, 18,800 workers at Internet publishing and search companies, and 3,600 workers in data services and hosting companies. Income per capita in 2018 was \$121,400, placing San Mateo County among the wealthiest regions of California. Real income per capita has risen at a rapid rate in the county, growing by an average of 2.5 percent per year over the last 6 years. Real income per capita was expected to grow by 2.3 percent per year through 2024 prior to the pandemic induced recession.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

TRANSPORTATION AUTHORITY PROGRAMS AND INITIATIVES

The goal of the Transportation Authority is to administer the proceeds from the voter approved Measures A and Measure W to fund a broad spectrum of projects and programs to meet San Mateo County's growing transportation need. Long-term financial planning is crucial in order to accomplish this goal, and to ensure funds are expended in the most efficient and effective manner possible.

As noted previously, both Measure A and Measure W require the adoption of a Strategic Plan. The current plan, Strategic Plan 2020-2024, was adopted in December 2019, 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 Transportation Expenditure Plan.

Below are highlights of the programs currently supported by Measures A and W.

Caltrain

Measure A funds help subsidize San Mateo County's share of the Peninsula Corridor Joint Powers Board (JPB) annual operating and capital funding needs. 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:

- Grade crossing improvements and grade separations
- Safety improvements
- Planning studies to support new capital projects and operations
- State of good repair projects for:
 - Rail and associated civil structures
 - Bridges
 - Signal and communications
 - Facilities
 - Vehicles

Notable recent projects supported by Measure A include:

- On-going construction of a new South San Francisco Caltrain station, slated for completion in 2021
- On-going construction of the 25th Avenue Grade Separation Project, slated for completion in 2021
- Ongoing construction for the Peninsula Corridor Electrification and the Positive Train Control projects

Accessible Services

With a growing aging population in San Mateo County, Accessible Services are becoming an even more critical component of providing mobility options for county residents. Four percent of Measure A is provided to SamTrans for their annual Paratransit budget, providing an essential lifeline for the county's mobility-impaired population.

Shuttles

Four percent of Measure A revenue supports commuter and community shuttle programs in San Mateo County. The Measure A program has allocated over \$32.8 million in funding for shuttles operations through fiscal year end June 30, 2020. A joint Shuttle Program Call for Projects with the City and County Association of Governments was issued in January 2020 which resulted in the allocation of another \$8.6 million of Measure A funding. Funding was allocated to support a combination of 28 commuter and community shuttles in Fiscal Year 21 and Fiscal Year 22.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

Highway Program

The Transportation Authority previously adopted a Short-Range Highway Plan in 2011, which included a policy framework for making investment decisions. The Transportation Authority subsequently prepared a capital improvement plan in 2017. These planning documents support the call for projects processes to make funding decisions anchored to goals for the program. The following are examples of the types of projects funded and constructed under the highway program:

- Roadway widening
- Interchange reconstruction
- Highway ramp modification
- Travel pattern forecasts
- Travel time information system
- Applying technology to help better manage traffic

Notable street and highway projects completed include:

- Completion of the Highway 92/El Camino Interchange Project
- Completion of the U.S. 101/Willow Interchange
- Substantial completion of the southern segment of the U.S. 101 Express Lanes Project from the Santa Clara County Line to Whipple Avenue
- Start of construction of the northern segment of the U.S. 101 Express Lanes Project from Whipple Avenue to I-380
- Ongoing final design for the U.S. 101/Woodside Road Interchange Project
- Ongoing environmental work associated with the 101 Peninsula and Produce Avenue Projects
- Completion of environmental and design work for safety and operational improvements on State Route 1

Measure A provides 27.5% of the annual one-cent sales tax receipts for highway projects, while Measure W added another 22.5% of the new one cent sales approved by voters in 2018 for these types of projects. Together, these two measures provide approximately \$45 million for the highway program in FY2020. To help prioritize future investments of Measure A and Measure W funds, the Transportation Authority will develop a new Short Range Highway Plan, which was kicked off in August 2020 and will be complete in early 2021. This is done in accordance with the directions set forth in the Strategic Plan 2020-2024.

In 2019, as co-sponsors of the San Mateo 101 Express Lanes Project with the City/County of Association of Governments of San Mateo County (C/CAG), the Transportation Authority and C/CAG jointly created the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA). The SMCELJPA Board is comprised of six members, three members each from the TA and C/CAG Boards, and the new agency is the owner of the San Mateo County express lanes, and will be responsible for administration and management of the facility once the construction of the facility is complete. The facility, when complete in late 2022, will provide 22 continuous miles of express lanes in each direction on the 101 Corridor within San Mateo County.

In mid-2020, the TA Board took action to authorize a loan to SMCEL JPA of up to \$100 million in support of the construction of the San Mateo 101 Express Lanes Project, which has a project cost of \$581 million. In addition to the \$100 million loan, the project also has funding sources that include State, Regional, and Federal grants, as well as \$53 million in private sector funds. The TA and SMCELJPA entered into a loan agreement, and the SMCELJPA pledged to pay the \$100 million loan from future toll revenues in the coming years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

Alternative Congestion Relief

The Transportation Authority funds alternative congestion relief (ACR) programs aimed at reducing single occupancy vehicles (SOV) trips 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. One percent of Measure A proceeds are set aside for this category.

To date the Transportation Authority has provided a major portion of its ACR funding to Commute.org, which serves seventeen cities. The Transportation Authority made an allocation of \$567,036 in support of Commute.org's Fiscal Year 2020 work plan. Commute.org's work plan concentrates on four primary activities:

- 1) Employer outreach and support services
- 2) Employer-based shuttle program administration
- 3) Commuter outreach and incentive programs
- 4) Development of public/private partnerships to reduce congestion

As part of the Measure W, four percent of the Measure W Highway Congestion Improvements Category will be provided for Transportation Demand Management (TDM)/ACR programs, which is equivalent to 1% of the Measure W program. Funding allocation guidelines for this new subcategory will be coordinated with the development of the Alternative Congestion Relief/TDM plan. The ARC/TDM plan will serve as a guide for initiating and selecting projects to be implemented under the Measure A Alternative Congestion Relief Program and the Measure W TDM subcategory.

Pedestrian and Bicycle Programs

Three percent of Measure A and five percent of Measure W funds are available 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 and the Measure W Congestion Relief Plan include a list of candidate pedestrian & bicycle candidate improvement projects. 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 Strategic Plan. The Transportation Authority allocated approximately \$5.7 million to 10 projects in Fiscal Year 18 from its fourth Pedestrian and Bicycle Call for Projects.

The Transportation Authority released its fifth call for projects in August 2020 and \$8.1 million in both Measure A and W funding is available. Included in this amount is \$202,500 for Safe Routes to School projects that will be administered by the San Mateo County Office of Education (SMCOE). The Board programmed and allocated these funds to SMCOE in June 2020.

Local Programs

Measure A requires the Transportation Authority to earmark 22.5% to local cities and San Mateo County for various transportation-related improvements according to a formula based on population and number of road-miles and Measure W has added an additional 10 percent to this category. During Fiscal Year 2020, local agencies received \$28.7 million from both Measures and recipients of these funds primarily use them for street projects.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

LETTER OF TRANSMITTAL

Regional Transit Connections

Ten percent of Measure W will be invested in infrastructure and services that are designed to improve transit connectivity between the County and the nine county Bay Area region. Investments from this category will be prioritized based on a project's ability to reduce congestion and enhance mobility options by connecting the County to the rest of the region, and a project's support through public-private partnership. This program is somewhat unique in that it can fund a variety of different transit modes. A Regional Transit Connections planning study and an accompanying Transit CIP will be prepared in 2021 to better inform the competitive selection process for this program.

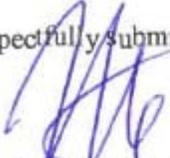
AWARDS AND ACKNOWLEDGMENTS

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 modest, 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 2019 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 2020 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, Eide Bailly 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 Board of Directors for their interest and support in the development and maintenance of a reliable financial management and reporting system.

Respectfully submitted,



Jim Hartnett
Executive Director



Derek Hansel
Chief Financial Officer/Treasurer



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, 2019

Christopher P. Morill

Executive Director/CEO

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

EMILY BEACH, CHAIR

RICO E. MEDINA, VICE CHAIR

CAROLE GROOM

DON HORSLEY

JULIA MATES

KARYL MATSUMOTO CARLOS ROMERO

EMILY BEACH, Chair, was appointed to the Transportation Authority in 2017 representing the Cities at Large. She was elected to the Burlingame City Council in 2015 and currently serves as Mayor. Ms. Beach's professional experience spans non-profit, public and private sectors, previously working as a business executive in Silicon Valley before re-inventing herself as a stay-at-home mom and active community volunteer. She served as an U.S. Army officer in Saudi Arabia, South Korea and Texas. During her four years on active duty, she earned the rank of captain and obtained the U.S. Army Parachutist Badge. Ms. Beach also serves on the Caltrain Modernization Local Policy Makers Group, El Camino Real (California Highway 82) Task Force, Peninsula Congestion Relief Alliance, the San Mateo County Congestion Management and Environmental Quality Committee and the Grand Boulevard Initiative Task Force. Ms. Beach holds a Bachelor's degree from the University of Notre Dame in Government and Spanish, Magna Cum Laude.

RICO E. MEDINA, Vice Chair, was appointed to the Transportation Authority in 2017, representing Northern San Mateo County. He also serves on the San Mateo County Express Lanes Joint Powers Authority (SMCEL JPA). Mr. Medina has served on the San Bruno City Council since 2005 and was directly elected as San Bruno's Mayor in November 2017. Mr. Medina is the Vice-Chair of the San Mateo County Operational Area Emergency Services Council, the Peninsula San Mateo County Pre-Hospital Emergency Medical Services Group (JPA) Traffic Congestion Relief Alliance (Commute.org) and serves as the alternate for the Association of Bay Area Governments board.

CAROLE GROOM was appointed to the Transportation Authority Board by the San Mateo County Board of Supervisors in January 2009. She was elected to the Board of Supervisors in June 2009, and served as President of the Board in 2011 and 2015. Ms. Groom represents District 2, which includes the cities of Belmont, Foster City and San Mateo. Prior to joining the Board of Supervisors, Supervisor Groom served on the San Mateo City Council for nine years; two terms as Mayor, and spearheaded many ongoing community events such as "Active San Mateo County," an annual conference on creating healthy communities and "Streets Alive! Parks Alive!," an annual event to promote parks and public spaces. She also serves on the San Mateo County Transit District, the California Coastal Commission and the Peninsula Clean Energy Board.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

DON HORSLEY, was appointed to the Transportation Authority in 2011 representing the San Mateo County Board of Supervisors. He has served District 3 since 2010, representing several bayside cities, unincorporated parts of San Mateo County, as well as the coastside. Prior to joining the Board of Supervisors, Mr. Horsley dedicated his life to public service as a police officer in both the city of Daly City and the San Mateo County Sheriff's Office. In 1993, he successfully ran for the elected sheriff's position and held that position for fourteen years. Mr. Horsley also serves on the Sequoia Healthcare District Board of Directors. Mr. Horsley holds a Bachelor's degree from San Francisco State University.

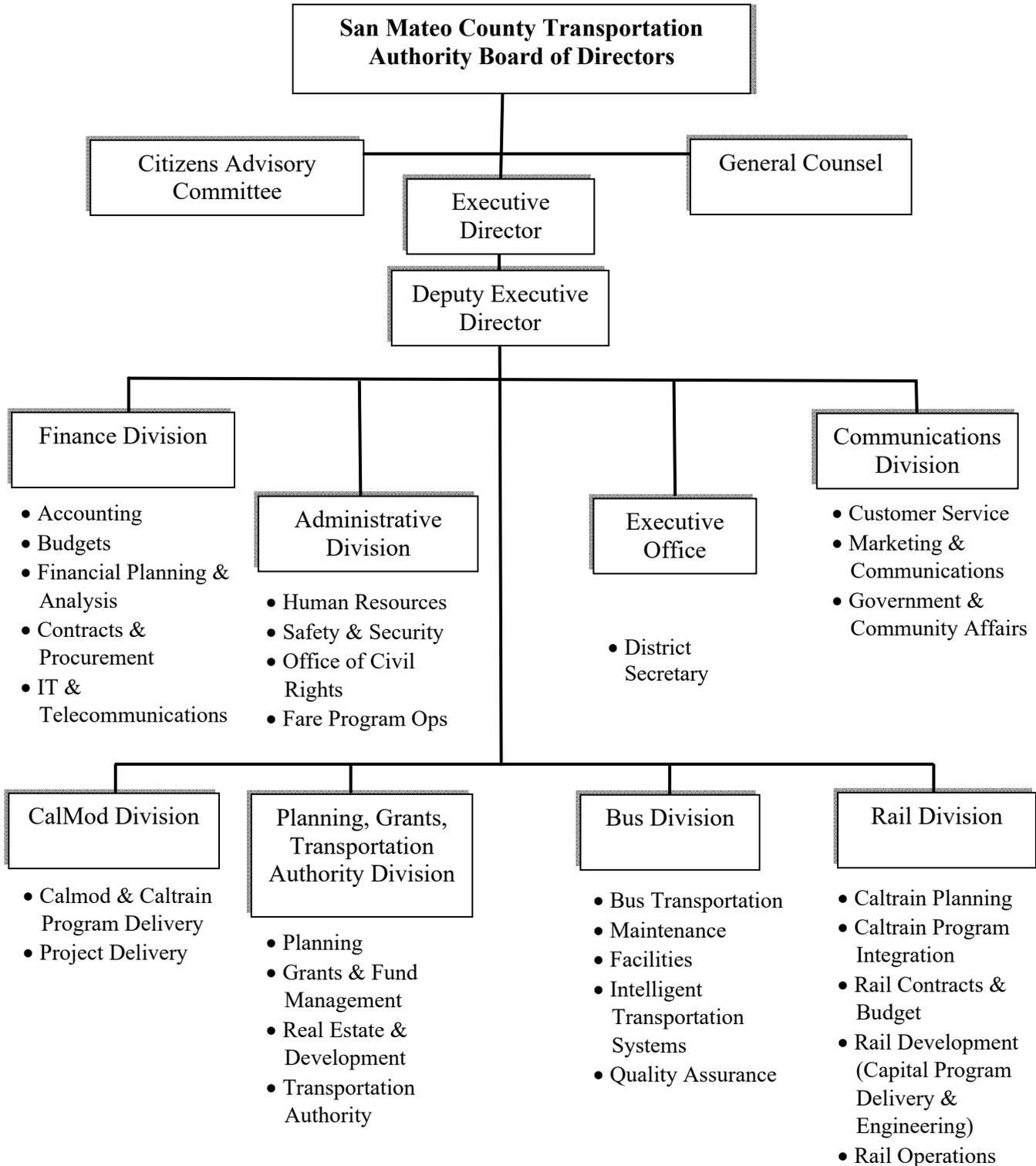
JULIA MATES, a City Selection Committee appointee representing Central Cities of San Mateo County for a remaining term expiring December 31, 2020. She was appointed to the Transportation Authority Board in November 2019. Ms. Mates was appointed to the Belmont City Council in January 2018, elected in November 2018, and had served on the Belmont City Planning Commission prior to that. Ms. Mates' professional experience includes over 17 years as a Historian and Cultural Resources Specialist consultant with experience in land use planning. She has served as representative on a number of committees including the Belmont Chamber of Commerce, CalMod (Caltrain Modernization), Housing and Regional Trust (HEART), Peninsula Clean Energy, and the SFO Roundtable. She holds a Bachelor's degree from UCLA and a Master's degree from Cal State Sacramento History/Public History.

KARYL MATSUMOTO, a City Selection Committee appointee for the Northern portion of San Mateo County, was appointed to the Transportation Authority Board in February 2007. Ms. Matsumoto was elected to the South San Francisco City Council in November 1997 and has served as Mayor four times. Ms. Matsumoto is also the representative of the governing body of the San Mateo County Transit District ("SamTrans"), the City/County Association of Governments of San Mateo County and the Caltrain Modernization Local Policy Maker Group. She holds a Bachelor's degree in Business Administration and her work experience covers public, private, and nonprofit sectors.

CARLOS ROMERO was appointed to the Transportation Authority in 2019 representing San Mateo County. He was elected to the East Palo Alto City Council in May 2015, and was re-elected in November 2016 and 2018. Mr. Romero's professional experience includes consulting on affordable housing land-use development, serving as the executive director of the Mission Housing Development Corporation from 1994-2004, and serving as the mayor of East Palo Alto in 2010. Mr. Romero holds a Bachelor's degree from Stanford University in International Relations and Economics.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART



SAN MATEO COUNTY TRANSPORTATION AUTHORITY

EXECUTIVE MANAGEMENT

GENERAL MANAGER/CEO

Jim Hartnett

EXECUTIVE OFFICERS

Carter Mau – Deputy Chief Executive Officer

Derek Hansel – Chief Financial Officer

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

Michelle Bouchard – Chief Operating Officer, Rail

John Funghi – Chief Officer, CalMod Program

Seamus Murphy – Chief Communications Officer

David Olmeda – Chief Operating Officer, Bus

Dora Seamans – Executive Officer, District Secretary/Executive Administration

GENERAL COUNSEL

Hanson Bridgett LLP

Joan Cassman, Esq.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MAP

San Mateo County, California



SAN MATEO COUNTY TRANSPORTATION AUTHORITY

TABLE OF CREDITS

TABLE OF CREDITS

The following individuals contributed to the production of the Fiscal Year 2020 CAFR:

<u>Finance:</u>	Deputy Chief Financial	Grace Martinez, CPA
	Director of Treasury	Connie Mobley-Ritter
	Director, Budgets	Ladi Millard – Olmeda, CPA
	Manager, Financial Reporting and General Ledger	Jennifer Ye, CPA
	Manager of Finance Planning & Analysis	Ryan Hinchman
<u>Audit Firm:</u>	Partner	Ahmad Gharaibeh, CPA
	Senior Manager	Tomohito Oku, CPA

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

This Page Left Intentionally Blank.



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 general fund of the San Mateo County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2020, 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 the general fund of the Transportation Authority, as of June 30, 2020, 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

We have previously audited the financial statements of the Transportation Authority as of and for the year ended June 30, 2019, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the general 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 October 26, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



San Mateo, California
October 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2020

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, 2020, with comparisons to the fiscal year ended June 30, 2019. 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

- The assets of the Transportation Authority exceeded its liabilities at June 30, 2020 by \$423.5 million (net position). Of this amount, \$11.7 million represents net investment in capital assets and \$411.8 million represents restricted net position, which is restricted to Measure A and Measure W programs.
- The Transportation Authority's total net position increased by \$16.1 million. Expenses in the public transit projects and street and highways projects increased by \$3.1 million.
- At June 30, 2020, the Transportation Authority's Governmental Fund reported a balance of \$406.4 million, an increase of \$16.0 million in comparison with the prior year. Of this amount, \$242.5 million represents restricted fund balance for current Measure A and Measure W projects and \$164.0 million represents restricted fund balance for future Measure A and Measure W projects.

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.

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. 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, 2020

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 has only one General Fund:

- The *General Fund* which accounts for the proceeds of the one-half cent county sales tax and the TA's share of the half cent Measure W sales tax. These funds are legally restricted to expenditures for specific transportation improvement projects authorized in a referendum approved by San Mateo County voters. These referendums are referred to as *Measure A and Measure W* 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 fully understand the *government-wide* and *fund* financial statements. These notes begin 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 *General 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, 2020, total assets were \$478.3 million, an increase of \$42.5 million or 9.8% from June 30, 2019. Cash and investments comprise \$434.0 million of this amount. With \$54.8 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 2020, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$242.5 million.

Capital assets of \$11.7 million in 2020, remained unchanged from June 30, 2019.

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 to which the Transportation Authority's grants were made. For more information on capital assets, please refer to *Note #7-Capital Assets* of the *Notes to the Financial Statements*.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2020**

	Governmental Activities	
	2020	2019
Assets:		
Current and other assets	\$ 466,619,448	\$ 424,073,228
Capital assets	11,681,806	11,681,806
Total assets	478,301,254	435,755,034
Liabilities:		
Other liabilities	54,787,926	28,321,135
Total liabilities	54,787,926	28,321,135
Net position:		
Investment in capital assets	11,681,806	11,681,806
Restricted	411,831,522	395,752,093
Total net position	\$ 423,513,328	\$ 407,433,899

Total assets increased by \$42.5 million or 9.8% to \$478.3 million. Total liabilities increased by \$26.5 million or 93.5% to \$54.8 million.

Net position increased by \$16.1 million 3.9% to \$423.5 million at June 30, 2020, the result of total revenues exceeded total expenses in 2020.

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,050,483	\$ 708,491
Operating grants/contributions	5,672,417	7,730,472
General revenues:		
Sales tax	135,793,300	100,728,384
Investment earnings and others	14,033,006	14,691,660
Total revenues	156,549,206	123,859,007
Expenses:		
Public transit	45,534,584	63,988,983
Streets and highways	93,091,687	71,586,690
Others	1,843,506	2,252,811
Total expenses	140,469,777	137,828,484
Change in net position	16,079,429	(13,969,477)
Net position - beginning	407,433,899	421,403,376
Net position - ending	\$ 423,513,328	\$ 407,433,899

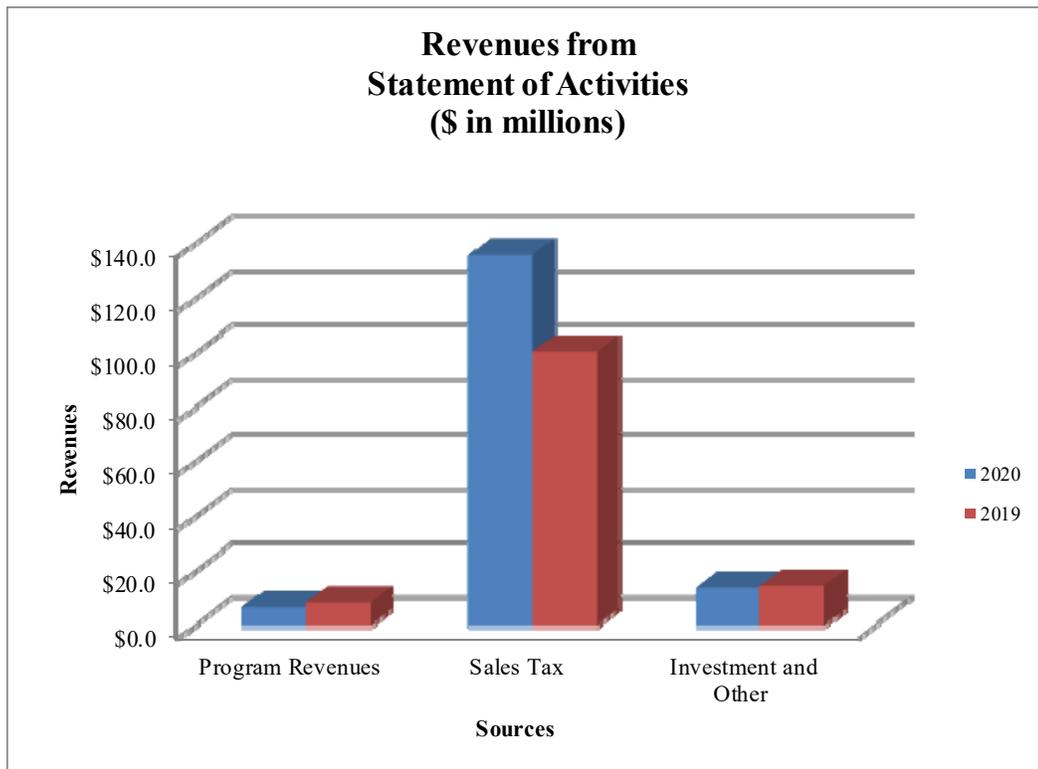
SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2020

Governmental Activities

Total expenses for governmental activities were \$140.5 million in 2020, an increase of \$2.6 million or 1.9% compared to 2019. The functional components of total expenses are public transit (32.4%), streets and highways (66.3%) and other programs (1.3%). The following are the highlights of the Transportation Authority's governmental activities:

- Sales tax revenue increased by \$35.1 million or 34.8% to \$135.8 million in 2020 from 2019.
- Investment earnings and other revenues of \$14.0 million in 2020 was \$0.7 million or 4.5% lower compared to 2019.

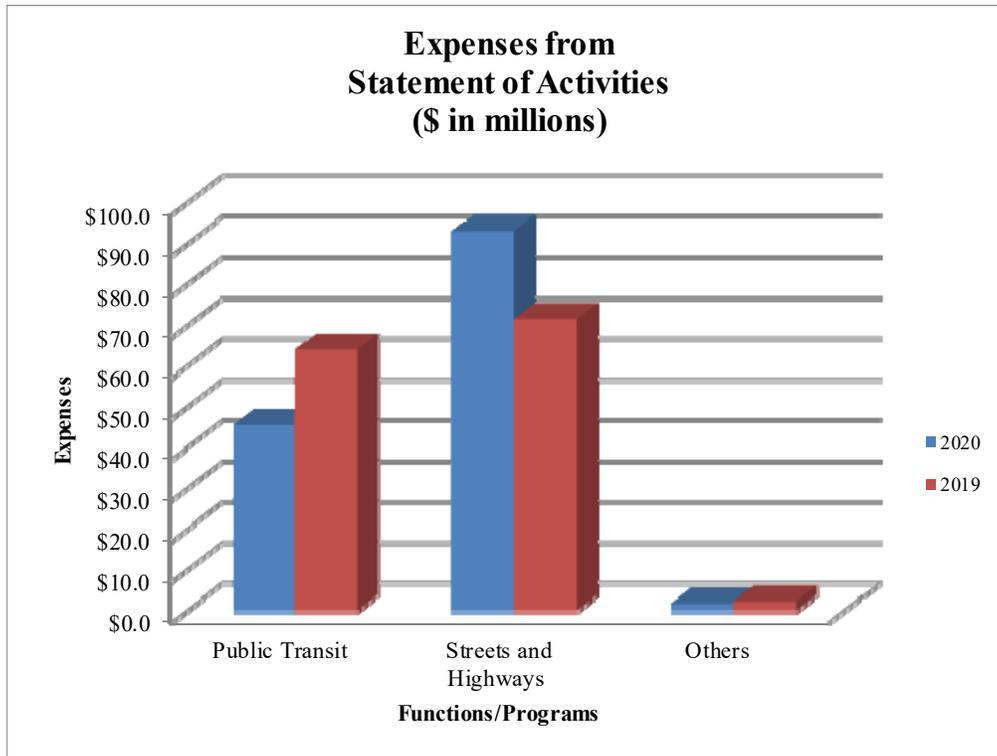


SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

- Expenses for public transit projects in 2020 decreased by \$18.5 million or 28.9% to \$45.5 million compared to 2019. The decrease was mainly due to less expenses in the Caltrain electrification project, 25th Ave Grade Separation, Caltrain and Shuttles projects, partially offset by more expenses in the South San Francisco Caltrain Station and Broadway Grade Separation projects.
- Spending for streets and highways in 2020 increased by \$21.5 million or 30.0% to \$93.1 million compared to 2019 mainly due to more expenses in the US 101 Express Lanes Project (Whipple Avenue to San Bruno Avenue), partially offset by less expenses in 101 Interchange to Willow and Broadway Projects.



SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2020

Financial Analysis of the Transportation Authority's Fund

The *General Fund* is the operating fund of the Transportation Authority. The fund balance reached \$406.0 million at June 30, 2020, an increase of \$16.0 million or 4.1% from June 30, 2019, as a new sales tax, Measure W, was effective since July 1, 2020. The total fund balance at June 30, 2020 is restricted for Measure A and Measure W 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, 2020, the estimated cost to complete on-going projects is \$242.5 million or 59.7% of total fund balance.

General Fund Budgetary Highlights

GAAP requires a discussion of the budget-to-actual performance for the general fund. The *General 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 93.4% of the *General Fund's* total budgeted revenue for Fiscal Year 2020. Actual sales tax revenue for the year was \$135.8 million, which is slightly less than the budget by \$0.71 million or 0.5%.

Total program expenses excluding capital outlay for the *General Fund* were slightly over budget.

During the Fiscal Year 2020, there was a \$6.5 million increase in the capital outlays between the original and final amended budget. Capital outlay budget, which is a "pass-through", was trued up based on the actual sales tax received. The Transportation Authority spent \$96.3 million or 111.3% of its final 2020 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 *General Fund*, the carry-over amount from 2019 is not included in the 2020 *Budgetary Comparison Schedule*.

Capital Projects

The Transportation Authority spent \$96.3 million on capital projects in 2020, a decrease of \$1.5 million or 1.5% compared to 2019. Following are the major capital expenditures:

- Caltrain Electrification project (\$4.2 million).
- San Mateo Local Share Caltrain CIP Project (\$7.5 million).
- Construction costs associated with the 101/Willow Interchange project (\$4.6 million).
- Construction costs associated with the 84/101 Interchange project (\$2.5 million).
- Construction costs associated with the 101/HOV Lane Whipple - San Bruno project (\$47.1 million).
- Construction costs associated with the 25th Avenue Grade Separation project (\$15.1 million).
- Construction costs associated with South San Francisco Caltrain Station project (\$3.1 million).

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

Economic Factors and Next Year's Budget

The Transportation Authority's Board adopted the Fiscal Year 2021 Budget of \$212.1 million on September 3, 2020. The Transportation Authority's role is to administer the proceeds from Measure A and Measure W 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 allocations are approximately \$37.2 million. The Transportation Authority's projected program expenditures are approximately \$70.6 million and compose the funding requirements for Alternative Congestion Relief, Dumbarton, Caltrain, Pedestrian and Bicycle, Local Shuttle, Streets and Highways programs, Grade Separation and the San Mateo County Ferry Service, and Regional Transit Connections. In addition, \$100.0 million was budgeted as a loan to the San Mateo County Express Lanes Joint Powers Authority for the 101 Express Lanes Project.

Of the \$0.8 million budgeted for the Alternative Congestion Relief program, \$0.5 million was proposed to be set aside for Peninsula Traffic Congestion Relief Alliance's Transportation Demand Management (TDM) Program. A budget of \$6.4 million has been set aside to fund system-wide capital improvements for the Caltrain system. These include State of Good Repair rolling stock, 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, as well as funds from a variety of outside sources. The Streets and Highways program, which include funding for key congested corridors has a budget of \$13.8 million and \$8.2 million for the supplemental roadway projects. Under Measure W, the Countywide Highway Congestion Improvement program has a budget of \$18.0 million and Regional Transit Connections program has a budget of \$8.0 million. The Transportation Authority will put out a call for projects in order to allocate these funds to eligible recipients.

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 Avenue, P.O. Box 3006, San Carlos, California, 94070-1306.

BASIC FINANCIAL STATEMENTS

This Page Left Intentionally Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**STATEMENT OF NET POSITION
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

	Governmental Activities	
	2020	2019
ASSETS:		
Cash and investments (Note 2)	\$ 433,979,291	\$ 392,022,094
Receivables:		
Sales tax (Note 3)	20,643,934	16,650,195
Interest (Note 4)	2,474,807	3,193,008
Note receivable (Note 5 and 7)	4,343,404	4,343,404
Other (Note 6)	5,178,012	7,864,527
Capital assets, nondepreciable (Note 7)	11,681,806	11,681,806
Total assets	478,301,254	435,755,034
LIABILITIES:		
Accounts payable (Note 8)	4,845,510	12,975,126
Accrued liabilities (Note 9)	41,913,742	10,285,820
Unearned revenue	8,028,674	5,003,102
Deposits	-	57,087
Total liabilities	54,787,926	28,321,135
NET POSITION (Note 10):		
Investment in capital assets	11,681,806	11,681,806
Restricted for Measure A and Measure W Programs	411,831,522	395,752,093
Total net position	\$ 423,513,328	\$ 407,433,899

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	2020	2019
GOVERNMENTAL ACTIVITIES:					
Public Transit					
Upgrades and extensions	\$ 15,487,720	\$ -	\$ -	\$ (15,487,720)	\$ (25,071,060)
Grade separations	17,938,990	1,050,483	-	(16,888,507)	(23,405,960)
Dumbarton spur	133,508	-	-	(133,508)	(40,332)
BART	1,832,842	-	-	(1,832,842)	(2,014,567)
Caltrain	7,331,368	-	-	(7,331,368)	(8,892,351)
Projects funding	2,810,156	-	-	(2,810,156)	(3,856,222)
Street and highways					
Distributions to local entities	33,115,396	-	-	(33,115,396)	(26,819,338)
Projects funding	59,976,291	-	5,672,417	(54,303,874)	(37,036,880)
Program administration	1,843,506	-	-	(1,843,506)	(2,252,811)
Total governmental activities	\$140,469,777	\$ 1,050,483	\$ 5,672,417	(133,746,877)	(129,389,521)
GENERAL REVENUES:					
Sales tax revenue				135,793,300	100,728,384
Investment earnings and other (Note 11)				14,033,006	14,691,660
Total general revenues				149,826,306	115,420,044
Change in net position				16,079,429	(13,969,477)
Net position-beginning of year				407,433,899	421,403,376
Net position-end of year				\$ 423,513,328	\$ 407,433,899

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**GOVERNMENTAL FUNDS – GENERAL FUND
BALANCE SHEET**

JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and investments (Note 2)	\$ 433,979,291	\$ 392,022,094
Receivables:		
Sales tax (Note 3)	20,643,934	16,650,195
Interest (Note 4)	2,474,807	3,193,008
Other (Note 6)	5,178,012	7,864,527
Total Assets	<u>\$ 462,276,044</u>	<u>\$ 419,729,824</u>
LIABILITIES:		
Accounts payable (Note 8)	4,845,510	12,975,126
Accrued liabilities (Note 9)	41,913,742	10,285,820
Unearned revenues	8,028,674	5,003,102
Deposits	-	57,087
Total Liabilities	<u>54,787,926</u>	<u>28,321,135</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenues	1,059,661	981,625
FUND BALANCES:		
Fund balances (Note 10)		
Restricted for:		
Current Measure A and Measure W projects	242,478,032	194,704,006
Future Measure A and Measure W Projects	163,950,425	195,723,058
Total fund balances	<u>406,428,457</u>	<u>390,427,064</u>
Total liabilities, deferred inflows and fund Balances	<u>\$ 462,276,044</u>	<u>\$ 419,729,824</u>

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

	<u>2020</u>	<u>2019</u>
TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$ 406,428,457	\$ 390,427,064
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.	11,681,806	11,681,806
Long term note receivable is not a financial resource and, therefore, is not reported in the governmental fund.	4,343,404	4,343,404
Accrued interest on long-term note receivable is not available to pay for current period expenditures and therefore are deferred in the governmental fund.	1,059,661	981,625
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 423,513,328</u></u>	<u><u>\$ 407,433,899</u></u>

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

GOVERNMENTAL FUNDS – GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCES

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
REVENUES:		
Sales tax revenue	\$ 135,793,300	\$ 100,728,384
Investment income (Note 11)	13,954,970	14,614,241
Rental income	1,050,483	708,491
Other income	5,672,417	7,730,472
Total revenues	156,471,170	123,781,588
EXPENDITURES:		
Public Transit:		
Upgrades and extensions	15,487,720	25,071,060
Grade separations	17,938,990	24,114,451
Dumbarton spur	133,508	40,332
BART	1,832,842	2,014,567
Caltrain	7,331,368	8,892,351
Projects funding	2,810,156	3,856,222
Street and highways:		
Distributions to local entities	33,115,396	26,819,338
Projects funding	59,976,291	44,767,352
Program administration	1,843,506	2,252,811
Total expenditures	140,469,777	137,828,484
Net change in fund balances	16,001,393	(14,046,896)
Beginning fund balances	390,427,064	404,473,960
Ending fund balances	\$ 406,428,457	\$ 390,427,064

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

	<u>2020</u>	<u>2019</u>
Amounts reported for governmental activities in the statement of activities are different because of the following:		
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND	\$ 16,001,393	\$ (14,046,896)
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 fund.	78,036	77,419
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 16,079,429</u></u>	<u><u>\$ (13,969,477)</u></u>

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

<i>INDEX TO THE NOTES</i>		<i>Pages</i>
(1)	Reporting Entity and Significant Accounting Policies	17
(2)	Cash and Investments	22
(3)	Sales Tax Receivables	27
(4)	Interest Receivable	27
(5)	Note Receivable	27
(6)	Other Receivables	28
(7)	Capital Assets	28
(8)	Accounts Payable	28
(9)	Accrued Liabilities	29
(10)	Net Position/Fund Balance	29
(11)	Investment Income	30
(12)	Staff Support Expenditures	30
(13)	Capital Projects	31
(14)	Commitments and Contingencies	31
(15)	Insurance Programs	32
(16)	San Mateo County Express Lanes Joint Powers Authority	33

This Page Left Intentionally Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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 is responsible for the administration of funds collected through the one-half cent county sales tax, initially for a period of 20 years from its formation. In November 2004, the voters reauthorized the sales tax to be administered by the Transportation Authority and a new publicly developed Expenditure Plan for an additional 25 years beyond the original expiration date of 2008. The Transportation Authority has designated the San Mateo County Transit District (District) as the entity responsible for overall management of the Transportation Authority.

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

Effective this Fiscal Year

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 or later. For the Authority, the requirements became effective for FY 2019/2020. The dates noted below were modified to include the postponement.

Effective in Future Fiscal Years

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or the FY 2020/2021. The Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2020, or FY 2021/2022. The Authority is evaluating the impact of this Statement on the financial statements.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 or FY 2021/2022. The Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61*. The objectives of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government’s holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 or FY 2020/2021. The Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 or FY 2022/2023. The Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except for Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The Authority is evaluating the impact of this Statement on the financial statements.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement is to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022 or FY 2022/2023. The Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objective of this Statement is to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022. The Authority is evaluating the impact of this Statement on the financial statements.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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.

Fund Financial Statements

The Transportation Authority accounts for its sales tax revenue in the General Fund. Sales tax proceeds are legally restricted to improve, construct, maintain, and operate certain transportation projects and facilities contained in the 2004 Transportation Expenditure Plan (Plan) adopted by the Board of Supervisors of San Mateo County, all of the Cities in the County, and the voters in San Mateo County with the approval of the sales tax. 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement 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 180 days after the end of the accounting period. Sales tax and investment earnings are recorded when measurable and available. Expenditures are generally recognized in the accounting period in which the liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds.

E. Fair Value Measurement

Generally accepted accounting principles provides guidance for determining a fair value measurement for reporting purposes, applying fair value to investments, and disclosures related to a hierarchy established by generally accepted accounting principles. The Transportation Authority's fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment including quoted price for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; Level 3 inputs are significant unobservable inputs.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

F. Prepaid items

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. Cash deposits are reported at carrying amount.

H. Capital Assets

Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation plus ancillary charges, if any. 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. The Transportation Authority does not have depreciable capital assets. The Transportation Authority's policy is to capitalize all capital assets with a cost greater than \$5,000 and a useful life of more than one year.

I. Use of Estimates

The Transportation Authority's management has made a number of estimates and assumptions relating to the reported amounts of the financial statements and the related disclosures in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

J. Summarized Data

The summarized partial data provided in these financial statements for Fiscal Year ended June 30, 2019 is not a requirement for fair presentation of the financial statements, but is being presented as additional analysis. 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, 2019 from which such comparative partial information was derived.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 - CASH AND INVESTMENTS

The Transportation Authority pools cash from all sources and funds 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, 2020</u>	<u>June 30, 2019</u>
Cash and Investments		
Cash in bank	\$ 38,261,749	\$ 18,314,118
Investments	395,717,542	373,707,976
Total cash and investments	\$ 433,979,291	\$ 392,022,094

Authorized Investments by the Transportation Authority

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

<u>Authorized Investment Type</u>	<u>Minimum Credit Rating</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations		15 years	100%	100%
U.S. Agency Securities		15 years	100%	100%
Banker's Acceptances	A1/P1/F1	180 days	15%	5%
Commercial Paper (\$500 Mil. Min. Assets)	A1/P1/F1	270 days	15%	10%
Commercial Paper		31 days	10%	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%
Shares of Beneficial Interest Issued By				
Diversified Management Companies		30 days	10%	5%
Mortgage Pass-through Securities	AA	5 years	20%	5%
Obligations of California Local Agencies		10 years	50%	50%
Local Agency Investment Fund (LAIF)		N/A	None	\$75M
San Mateo County Investment Fund		N/A	None	None

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

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:

The Transportation Authority’s weighted average maturity of its investment portfolio at June 30, 2020 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury Bonds/Notes	\$ 76,390,516	2.52
Federal Agency Collateralized and Agency Bonds/Notes	23,588,232	2.32
Commercial Paper	9,257,644	0.24
Certificates of Deposit	14,042,531	1.44
Corporate Bonds and Notes	30,888,061	2.19
Asset Back Securities	9,260,169	2.11
Municipal Debt Securities	395,726	4.09
Money Market Mutual Funds	1,651,041	-
LAIF	70,026,669	0.52
San Mateo County Pool	160,216,953	1.75
Total	\$ 395,717,542	
Portfolio Weighted Average Maturity		1.71

The Transportation Authority’s weighted average maturity of its investment portfolio at June 30, 2019 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury Bonds/Notes	\$ 61,836,493	3.22
Federal Agency Collateralized and Agency Bonds/Notes	15,748,717	2.05
Commercial Paper	6,099,491	0.38
Certificates of Deposit	10,597,685	1.65
Corporate Bonds and Notes	56,370,258	2.02
Money Market Mutual Funds	7,866,189	-
LAIF	14,720,197	0.53
San Mateo County Pool	200,468,946	0.91
Total	\$ 373,707,976	
Portfolio Weighted Average Maturity		1.49

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

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.

The Transportation Authority’s investment portfolio credit quality ratings at June 30, 2020 were as follows:

Investment Type	Amount	S&P Rating as of June 30, 2020				
		AAA	AA	A	BBB	Not Rated
U.S. Treasury Bonds/Notes	\$ 76,390,516	\$ -	\$ 76,390,516	\$ -	\$ -	\$ -
Federal Agency Collateralized and Agency Bonds/Notes	23,588,232	-	23,588,232	-	-	-
Commercial Papers	9,257,644	-	-	9,257,644	-	-
Certificates of Deposit	14,042,531	-	9,392,840	4,649,691	-	-
Corporate Bonds and Notes	30,888,061	-	3,193,046	21,295,060	6,399,955	-
Asset-Backed Security	9,260,169	9,260,169	-	-	-	-
Municipal Debt Securities	395,726	-	395,726	-	-	-
Money Market Mutual Funds	1,651,041	1,651,041	-	-	-	-
LAIF	70,026,669	-	-	-	-	70,026,669
San Mateo County Pool	160,216,953	-	-	-	-	160,216,953
Total	\$ 395,717,542	\$ 10,911,210	\$ 112,960,360	\$ 35,202,395	\$ 6,399,955	\$ 230,243,622

The Transportation Authority’s investment portfolio credit quality ratings at June 30, 2019 were as follows:

Investment Type	Amount	S&P Rating as of June 30, 2019				
		AAA	AA	A		Not Rated
U.S. Treasury Bonds/Notes	\$ 61,836,493	\$ -	\$ 61,836,493	\$ -	\$ -	\$ -
Federal Agency Collateralized and Agency Bonds/Notes	15,748,717	-	15,748,717	-	-	-
Commercial Paper	6,099,491	-	-	6,099,491	-	-
Certificates of Deposit	10,597,685	-	3,128,589	7,469,096	-	-
Corporate Bonds and Notes	56,370,258	10,502,279	16,281,724	29,586,255	-	-
Money Market Mutual Funds	7,866,189	-	-	-	-	7,866,189
LAIF	14,720,197	-	-	-	-	14,720,197
San Mateo County Pool	200,468,946	-	-	-	-	200,468,946
Total	\$ 373,707,976	\$ 10,502,279	\$ 96,995,523	\$ 43,154,842	\$ -	\$ 223,055,332

Concentration of Credit Risk

There were no investments in any one issuer that exceeded 5% of the Authority’s total investment portfolio for the years ended June 30, 2020 or June 30, 2019.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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 cash on deposit in the name of the pool, 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 and places the pool ahead of general creditors of the institution in which the Transportation Authority is a participant.

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, the Transportation Authority employs the Trust Department of a bank or trustee as the custodian of certain Transportation Authority managed investments, regardless of their form.

Fair Value Measurements

Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment including quoted price for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; Level 3 inputs are significant unobservable inputs. Investments in County Pool and in State pool (LAIF) are not measured using the input levels above because the Transportation Authority's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The following is the Transportation Authority's fair value hierarchy table as of June 30, 2020:

Investment Type	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Total
Investment securities:			
U.S. Treasury Bonds/Notes	\$ 76,390,516	\$ -	\$ 76,390,516
Federal Agency Collateralized and Agency Bonds/Notes	-	23,588,232	23,588,232
Commercial Paper	-	9,257,644	9,257,644
Certificates of Deposit	-	14,042,531	14,042,531
Corporate Bonds and Notes	-	30,888,061	30,888,061
Asset Back Securities	-	9,260,169	9,260,169
Municipal Debt Securities	-	395,726	395,726
Money Market Mutual Funds	1,651,041	-	1,651,041
Total	\$ 78,041,557	\$ 87,432,363	165,473,920
Uncategorized:			
LAIF			70,026,669
San Mateo County Investment Pool			160,216,953
Cash			38,261,749
Total investments by fair value type			\$ 433,979,291

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

The following is the Transportation Authority's fair value hierarchy table as of June 30, 2019:

Investment Type	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Total
Investment securities:			
U.S. Treasury Bonds/Notes	\$ 61,836,493	\$ -	\$ 61,836,493
Federal Agency Collateralized and Agency Bonds/Notes	-	15,748,717	15,748,717
Commercial Paper	-	6,099,491	6,099,491
Certificates of Deposit	-	10,597,685	10,597,685
Corporate Bonds and Notes	-	56,370,258	56,370,258
Money Market Mutual Funds	7,866,189	-	7,866,189
Total	\$ 61,836,493	\$ 96,682,340	158,518,833
Uncategorized:			
LAIF			14,720,197
San Mateo County Investment Pool			200,468,946
Cash			18,314,118
Total investments by fair value type			\$ 392,022,094

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.

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 had a contractual withdrawal value (which is reported using the amortized cost) of \$157,106,141 and \$199,948,968, at June 30, 2020 and 2019, respectively, that is recorded at \$160,216,953 and \$200,468,946 on the balance sheet after the adjustment for unrealized gains/losses for fiscal years ending June 30, 2020 and 2019, respectively. The fair value change in these investments for the year just ended is included in investment income in the statement of revenues, expenditures and changes in fund balance as well as in the statement of activities 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, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

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 had a contractual withdrawal value of \$69,560,289 and \$14,720,197 (which is reported using the amortized cost) after the adjustment for unrealized gains/losses for fiscal year 2020 and 2019, respectively. 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, 2020.

NOTE 4 - INTEREST RECEIVABLE

Interest receivables at June 30 consist of the following sources:

	<u>2020</u>	<u>2019</u>
Interest due from investment portfolio	\$ 1,415,146	\$ 2,211,383
Accrued interest on note receivable	1,059,661	981,625
Total	<u><u>\$ 2,474,807</u></u>	<u><u>\$ 3,193,008</u></u>

NOTE 5 - NOTE RECEIVABLE

In July 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 San Mateo County Transit District (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 to the District and the Transportation Authority holds a note for the payments due. The District is required to make the principal and interest payments before December 1, 2033.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 6 - OTHER RECEIVABLES

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

	<u>2020</u>	<u>2019</u>
Metropolitan Transportation Commission	\$ 25,619	\$ 157,949
California Department of Transportation	4,301,964	7,559,074
Other	850,429	147,504
Total other receivables	<u>\$ 5,178,012</u>	<u>\$ 7,864,527</u>

NOTE 7 - CAPITAL ASSETS

Capital assets activities for the years ended June 30, 2019 and 2020 are as follows:

	<u>Balance at June 30, 2019</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance at June 30, 2020</u>
Capital Assets - Land	\$ 11,681,806	\$ -	\$ -	\$ 11,681,806

	<u>Balance at June 30, 2018</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance at June 30, 2019</u>
Capital Assets - Land	\$ 11,681,806	\$ -	\$ -	\$ 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.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
District - Salaries and benefits	\$ 573,522	\$ 537,181
Shuttle program	23,153	-
Paratransit program	910,000	613,505
Caltrain	2,462,752	1,227,010
Capital project	832,124	10,484,970
Other	43,959	112,460
Total	<u>\$ 4,845,510</u>	<u>\$ 12,975,126</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 9 - ACCRUED LIABILITIES

Accrued liabilities at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Disbursements to local entities for transportation projects	\$ 6,799,933	\$ 7,136,232
Capital projects	34,639,746	2,716,795
BART	306,421	365,995
Other	167,642	66,798
Total	\$ 41,913,742	\$ 10,285,820

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 two captions. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

Investment in Capital Assets – The 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.

Fund Balances

The General Fund (the Fund) balance is classified in accordance with generally accepted accounting principles, which require 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.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. The restricted fund balance reported on the governmental 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.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 11 - INVESTMENT INCOME

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

	<u>2020</u>	<u>2019</u>
Interest income	\$ 8,185,335	\$ 9,736,281
Net increase (decrease) in fair value of investments	5,847,671	4,955,379
Investment income - Statements of Activities	<u>14,033,006</u>	<u>14,691,660</u>
Increase in long-term interest receivable	<u>(78,036)</u>	<u>(77,419)</u>
Investment income - Statements of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 13,954,970</u>	<u>\$ 14,614,241</u>

NOTE 12 - STAFF SUPPORT EXPENDITURES

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

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

	<u>2020</u>	<u>2019</u>
Salaries and benefits	\$ 922,351	\$ 724,140
Indirect costs	59,820	939,871
Total	<u>\$ 982,171</u>	<u>\$ 1,664,011</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 13 - CAPITAL PROJECTS

The expenditures on public transportation projects during fiscal years 2020 and 2019 were \$96,346,664 and \$97,849,417, respectively. Total expenditures on such projects from inception through June 30, are as follows:

Capital Projects	2020	2019
Dumbarton Spur	\$ 33,830,783	\$ 33,697,275
Caltrain	332,395,993	316,908,273
Paratransit	6,510	6,510
Ferry	8,170,390	8,096,677
Local Shuttle	19,680,416	16,950,765
Railroad Grade Separations	311,279,558	293,340,568
Streets and Highways	474,903,402	418,793,014
Alternative Congestion Relief	3,742,308	2,973,025
Administration	1,755	1,755
Oversight and Bicycle	26,529,151	23,425,740
Total	\$ 1,210,540,266	\$ 1,114,193,602

Of the total expenditures of \$1,210,540,266 for capital projects, \$39,489,061 was funded by contributions from external entities.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Capital projects

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

Capital Projects	2020	2019
Dumbarton Spur	\$ -	\$ 3,800
Caltrain	82,194,045	24,500,624
Ferry	382,548	453,700
Local Shuttle	15,097,556	9,113,741
Railroad Grade Separations	35,147,355	35,472,422
Streets and Highways	98,538,668	110,928,554
Alternative Congestion Relief	-	165,502
Oversight and Bicycle	11,117,860	14,065,663
Total	\$ 242,478,032	\$ 194,704,006

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

Litigation

From time to time, the Transportation Authority is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, as of June 30, 2020, the disposition of any litigation that may be pending is not expected to have a material adverse effect on the overall financial position of the Transportation Authority.

Peninsula Corridor Electrification Project

In its role as a primary source of San Mateo County funds for the Peninsula Corridor Joint Powers Board ("JPB"), the Transportation Authority is a party to a series of funding agreements for the funding of the Peninsula Corridor Electrification Project ("PCEP" or "Project").

For over two decades, the JPB has been preparing to electrify the Caltrain railroad corridor, with revenue service expected on the electrified rail line by 2022. The estimated total budget for the PCEP is \$1.98 billion and, as part of the funding plan, the JPB applied for \$647 million in Federal Transit Administration ("FTA") Core Capacity Grant funds for the PCEP and worked with FTA staff to prepare for approval of a Full Funding Grant Agreement ("FFGA").

In late 2016, the FTA informed the JPB that it would not issue the FFGA without evidence that the JPB will have access to an additional 10% contingency (or \$200 million) beyond the budgeted 16.5% for potential cost overruns or funding shortfalls.

To address this requirement, on January 5, 2017, the Transportation Authority passed a resolution committing to provide up to \$135 million of additional contingency, with Santa Clara Valley Transportation Authority ("VTA") making a similar commitment in the amount of \$65 million. These actions were conditioned upon VTA, the San Francisco County Transportation Authority and the Metropolitan Transportation Commission accepting the obligation to each share equally with the Transportation Authority in funding whatever amount of additional contingency is called upon to complete the Project.

NOTE 15 - INSURANCE PROGRAMS

The Transportation Authority is exposed to various risks of loss including but not limited to those related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. As of June 30, 2020, coverage provided by self-insurance and excess coverage (purchased by or for the Transportation Authority) is generally summarized as follows:

<u>Type of Coverage</u>	<u>Self-Insured Retention</u>	<u>Excess Insurance</u>
Commercial General Liability	\$50,000 self-insured retention	\$11,000,000 per occurrence/ aggregate \$3,000,000 per occurrence/ aggregate (\$100,000,000 excess carried by the San Mateo County Transit District on behalf of the Transportation Authority)
Public Officials Liability	\$50,000 self-insured retention	

To date, there have been no significant reductions in any of the Authority's insurance coverage. Settlements have not exceeded coverages for each of the past three fiscal years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 16 - SAN MATEO COUNTY EXPRESS LANES JOINT POWERS AUTHORITY

The San Mateo County Transportation Authority and the City/County Association of Governments of San Mateo County (“C/CAG”) are co-sponsors of the San Mateo County 101 Express Lanes Project (“Project”). The Project includes (i) the conversion of the existing High Occupancy Vehicle (“HOV”) lanes into express lanes from the northern terminus of the Santa Clara County express lanes to the Whipple Road Interchange and (ii) the construction of new express lanes from Whipple Road to north of 1-380 in San Mateo County. When completed, the Project will provide continuous express lanes in San Mateo County in both the northbound and southbound directions of US-101. Resulting toll revenues will fund transportation and transit improvements in the corridor, as well as Project operations and maintenance.

In May of 2019, the Transportation Authority and the C/CAG formed the San Mateo County Express Lanes Joint Powers Authority (“JPA”) through a Joint Exercise of Powers Agreement to exercise their shared rights to own, administer and manage the Project. Under that agreement, the San Mateo County Transit District (as managing agency for the Transportation Authority) and C/CAG both will provide staff support to the JPA. The District’s staff will support the JPA’s financial activities (e.g., budgeting, accounting, audits and treasury), marketing (including marketing use of the lanes and promoting the broader benefits of the lanes), and communications (including media and community relations, and the JPA’s website). The Transportation Authority will compensate the District for staff time spent in support of the JPA; the JPA will reimburse the Transportation Authority such costs.

In Fiscal Year 2020, the Transportation Authority and the C/CAG authorized operating funds of up to \$1,744,911, or \$872,456 from each agency, for the JPA through loans which will be repaid when Project operations commence and toll revenues become available, which is estimated to begin in 2022 for the southern segment. As of June 30, 2020, the Transportation Authority has an account receivable of \$491,055 and a loan receivable of \$125,785 from the JPA, which are reported in other receivables on the Statement of Net Positions.

Subsequent to year end, the San Mateo County Transportation Authority issued \$100 million Limited Tax Bonds in the form of subordinate sales tax revenue variable rate demand bonds, 2020 Series A in the aggregate principal amount of \$50,000,000 issued with a Weekly Reset Period and, 2020 Series B in the aggregate principal amount of \$50,000,000 with a Daily Reset Period. The entire debt is secured by and payable from a lien on revenue of (i) the measure A sales tax revenues pursuant to the Bay Area County Traffic and Transportation Funding Act and (ii) the Measure W sales tax revenues pursuant to the San Mateo County Transit District Act. The bonds have been issued to fund a loan to the San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) for the construction of express lanes on US 101 in San Mateo County in partnership with San Mateo County Transportation Authority, SMCEL-JPA and C/CAG. Excess net toll revenues will be used to repay the loan from the Transportation Authority to the SMCEL-JPA after operation of the Express Lanes begins.

This Page Left Intentionally Blank.

REQUIRED SUPPLEMENTARY INFORMATION

This Page Left Intentionally Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Sales tax	\$ 136,500,000	\$ 136,500,000	\$ 135,793,300	\$ (706,700)
Investment income	8,673,040	8,673,040	8,107,299	(565,741)
Rental income	911,951	911,951	1,050,483	138,532
Other income	-	-	5,672,417	5,672,417
Amounts available for appropriation	<u>146,084,991</u>	<u>146,084,991</u>	<u>150,623,499</u>	<u>4,538,508</u>
Charges to appropriations (outflows):				
Staff support	1,289,924	1,250,868	982,172	268,696
Board compensation	8,400	8,400	8,557	(157)
Professional and legal fees	511,464	511,464	311,913	199,551
Other services and supplies	575,950	615,006	518,609	96,397
Travel and meeting	25,850	25,850	8,468	17,382
Total program administration	<u>2,411,588</u>	<u>2,411,588</u>	<u>1,829,719</u>	<u>581,869</u>
Distributions to local entities	33,215,000	33,215,000	33,115,398	99,602
BART	1,820,000	1,820,000	1,832,842	(12,842)
Caltrain	7,280,000	7,280,000	7,331,368	(51,368)
Measure A information	15,000	15,000	13,785	1,215
Capital outlays	<u>80,055,000</u>	<u>86,595,709</u>	<u>96,346,664</u>	<u>(9,750,955)</u>
Total charges to appropriations	<u><u>\$ 124,796,588</u></u>	<u><u>\$ 131,337,297</u></u>	<u>140,469,776</u>	<u><u>\$ (9,132,479)</u></u>
Fund balances				
Beginning of Year			<u>387,232,043</u>	
End of Year			397,385,766	
Reconciliation to the Statement of Revenues, Expenditures and Fund Balances				
Unrealized gains under GASB 31			<u>9,042,691</u>	
Total Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP basis			<u><u>\$ 406,428,457</u></u>	

See note to required supplementary information.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE JUNE 30, 2020

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 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 on investment are not included in the budget for the General Fund. The excess of FY2020 actual expense over FY2020 Budget for both Grade Separation and San Mateo County Ferry Service is funded by balances from previous years' Measure A allocations.

Management is authorized to exceed budget for individual categories provided that there is sufficient fund balance.

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

The Transportation Authority had no debt outstanding for the past ten years.

Demographics and Economic Information

- Population, Income and Unemployment Rates
- Principal Employers

Operating Information

- Capital Outlay
- Employees
- Capital Assets

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

The Transportation Authority had no debt outstanding for the past ten years.

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.

This Page Left Intentionally Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**FINANCIAL TRENDS – NET POSITION AND CHANGE IN NET POSITION
FISCAL YEARS 2011 THROUGH 2020 (in thousands)**

Fiscal year	2020	2019	2018	2017
GOVERNMENTAL ACTIVITIES:				
PROGRAM REVENUES:				
Grade Separations	\$ 1,050	\$ 708	\$ 708	\$ 916
Dumbarton Spur	-	-	366	308
Projects Funding	5,672	7,730	3,040	1,210
Total Program Revenues	6,722	8,438	4,114	2,434
PROGRAM EXPENSES:				
Upgrades and Extension	15,488	25,071	62,257	13,364
Grade Separations	17,939	24,114	18,042	821
Dumbarton Spur	134	40	210	138
BART	1,833	2,015	1,756	1,687
Caltrain	7,331	8,892	6,191	6,748
Distribution to local entities	33,115	26,819	23,612	22,938
Projects funding	62,786	48,624	66,666	24,733
Caltrain Shuttle Program	-	-	-	-
Program Administration	1,844	2,253	1,689	1,316
Total Program Expenditures	140,470	137,828	180,423	71,745
NET PROGRAM REVENUES (EXPENSES)	(133,748)	(129,390)	(176,309)	(69,311)
General revenues				
Sales tax	135,793	100,728	87,818	84,354
Unrestricted investment earnings	14,033	14,692	3,841	1,488
Other income	-	-	-	-
CHANGE IN NET POSITION:	16,078	(13,970)	(84,650)	16,531
Net Position Components:				
Invested in capital assets	11,682	11,682	11,682	11,682
Restricted	411,832	395,752	409,721	494,372
NET POSITION	\$ 423,514	\$ 407,434	\$ 421,403	\$ 506,054

Source: Current and prior years' CAFRs.

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

2016	2015	2014	2013	2012	2011
\$ 874	\$ 895	\$ 888	\$ 839	\$ 819	\$ 786
293	324	397	694	1,916	994
-	5,672	52	2,408	1,979	9
<u>1,167</u>	<u>6,891</u>	<u>1,337</u>	<u>3,941</u>	<u>4,714</u>	<u>1,789</u>
15,682	14,573	7,671	4,270	3,574	16,285
4,142	6,525	27,553	21,421	9,157	9,607
205	210	329	674	2,044	1,017
1,594	1,619	1,552	1,477	1,390	1,270
6,376	6,478	6,210	5,909	5,558	5,081
21,596	21,902	20,573	19,982	18,809	17,289
23,909	25,336	11,155	28,681	13,521	8,948
-	-	-	-	1,448	1,377
1,211	1,208	838	666	825	833
<u>74,715</u>	<u>77,851</u>	<u>75,881</u>	<u>83,080</u>	<u>56,325</u>	<u>61,707</u>
<u>(73,548)</u>	<u>(70,960)</u>	<u>(74,544)</u>	<u>(79,139)</u>	<u>(51,611)</u>	<u>(59,918)</u>
79,704	80,974	77,626	73,858	69,476	63,516
6,786	4,106	3,065	378	3,569	5,201
6	669	7,172	2,239	1,528	-
<u>12,948</u>	<u>14,789</u>	<u>13,319</u>	<u>(2,664)</u>	<u>22,962</u>	<u>8,799</u>
11,682	11,682	13,591	13,591	13,591	13,591
477,842	464,893	453,869	440,549	443,213	420,251
<u>\$ 489,524</u>	<u>\$ 476,575</u>	<u>\$ 467,460</u>	<u>\$ 454,140</u>	<u>\$ 456,804</u>	<u>\$ 433,842</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**FINANCIAL TRENDS – GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE
FISCAL YEARS 2011 THROUGH 2020 (in thousands)**

Fiscal year	2020	2019	2018	2017
REVENUES:				
Sales tax revenue	\$ 135,793	\$ 100,728	\$ 87,818	\$ 84,354
Investment income	13,955	14,614	3,787	1,447
Rental income	1,050	708	1,074	1,224
Grant proceeds	-	-	-	-
Proceeds from sale of properties	-	-	-	-
Other income	5,672	7,730	3,040	1,210
Total Revenue	156,470	123,780	95,719	88,235
EXPENDITURES:				
Public Transit				
Upgrades and extensions	15,488	25,071	62,257	13,364
Grade separations	17,939	24,114	18,042	821
Dumbarton spur	134	40	210	138
BART	1,833	2,015	1,756	1,687
Caltrain	7,331	8,892	6,191	6,748
Project funding	2,810	3,856	2,209	3,042
Street and highways				
Distributions to local entities	33,115	26,819	23,612	22,938
Projects funding	59,976	44,767	64,457	21,691
Caltrain shuttle program	-	-	-	-
Program administration	1,844	2,253	1,689	1,316
Total Expenditures	140,470	137,828	180,423	71,745
Net Change In Fund Balance	16,000	(14,048)	(84,704)	16,490
Fund Balance				
Non-Spendable	-	-	-	355
Restricted	406,428	390,427	404,474	488,823
Total Ending Fund Balance	\$ 406,428	\$ 390,427	\$ 404,474	\$ 489,178

2016	2015	2014	2013	2012	2011
\$ 79,704	\$ 80,974	\$ 77,626	\$ 73,858	\$ 69,476	\$ 63,516
6,744	4,181	3,019	319	3,503	5,120
1,167	1,219	1,204	1,142	1,108	1,064
-	-	121	2,796	3,607	725
-	1,793	-	-	-	-
6	669	7,184	2,241	1,527	-
<u>87,621</u>	<u>88,836</u>	<u>89,154</u>	<u>80,356</u>	<u>79,220</u>	<u>70,425</u>
15,682	14,573	7,671	4,270	3,574	16,285
4,142	6,525	31,003	21,421	9,157	9,607
205	210	329	674	2,044	1,017
1,594	1,619	1,552	1,477	1,390	1,270
6,376	6,478	6,210	5,909	5,558	5,081
1,940	2,205	1,646	2,420	5,664	1,760
21,596	21,902	20,573	19,982	18,809	17,289
21,969	23,131	9,509	26,260	7,856	7,188
-	-	-	-	1,448	1,377
1,211	1,209	838	666	825	833
<u>74,715</u>	<u>77,852</u>	<u>79,331</u>	<u>83,079</u>	<u>56,325</u>	<u>61,707</u>
<u>12,906</u>	<u>10,984</u>	<u>9,823</u>	<u>(2,723)</u>	<u>22,895</u>	<u>8,718</u>
-	1,786	3	3	3	3
472,689	457,997	448,796	438,973	441,696	418,801
<u>\$ 472,689</u>	<u>\$ 459,783</u>	<u>\$ 448,799</u>	<u>\$ 438,976</u>	<u>\$ 441,699</u>	<u>\$ 418,804</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

FINANCIAL TRENDS – FUND BALANCES OF GOVERNMENTAL FUNDS FISCAL YEARS 2011 THROUGH 2020 (in thousands)

Fiscal year ended	General Fund		
	Non-Spendable	Restricted	Total
2020	\$ -	\$ 406,428	\$ 406,428
2019	-	390,427	390,427
2018	-	404,474	404,474
2017	355	488,823	489,178
2016	-	472,689	472,689
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

Source: Current and prior years' CAFRs.

This Page Left Intentionally Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE FISCAL YEARS 2011 THROUGH 2020 (in thousands)

Fiscal Year	2020	2019	2018	2017
The Sales Tax Rate ^[2]	0.75%	0.50%	0.50%	0.50%
Total Sales Tax Revenue	\$ 135,793	\$ 100,728	\$ 87,818	\$ 84,354
Total Taxable Sales in San Mateo County ^[1]	\$ 18,105,733	\$ 19,700,000	\$ 17,900,000	\$ 16,600,000

[1] 2020 taxable sales are estimates based on sales tax revenues received; 2019 taxable sales amount is the most current information available on the County of San Mateo CAFR.

[2] Includes 0.25% Tax Rate for Measure W, effective on 7/1/2019.

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

Source: California State Board of Equalization and County of San Mateo County FY2019 CAFR.

2016	2015	2014	2013	2012	2011
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
\$ 79,704	\$ 80,974	\$ 77,626	\$ 73,858	\$ 69,476	\$ 63,516
\$ 15,941,000	\$ 16,194,800	\$ 15,298,434	\$ 14,611,618	\$ 13,906,978	\$ 13,020,643

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEARS 2019 AND 2010**

Major Industry Group	FY2019*			FY2010*		
	Rank	Percent of Sales Receipts	Amount	Rank	Percent of Sales Receipts	Amount
County & State Pool	1	20.8%	28,742,124	5	10.5%	12,175,579
General Consumer Goods	2	17.8%	24,513,327	1	23.6%	27,421,152
Autos And Transportation	3	15.9%	21,919,255	3	14.7%	17,049,367
Restaurants And Hotels	4	13.8%	18,980,596	4	12.3%	14,273,858
Business And Industry	5	10.9%	15,046,755	2	15.0%	17,429,585
Building And Construction	6	8.5%	11,692,098	7	8.3%	9,657,874
Fuel And Service Stations	7	7.2%	9,942,046	6	9.8%	11,417,449
Food And Drugs	8	5.0%	6,909,480	8	5.9%	6,910,020
Transfers & Unidentified	9	0.1%	187,539	9	0.0%	32,978
Total			137,933,220			116,367,862

* Most recent information available.

Source: County-wide sales tax data provided by the County of San Mateo and Major Industry Group provided by Hinderliter, de Llamas and associates (HdL).

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**DEMOGRAPHIC AND ECONOMIC INFORMATION – POPULATION, INCOME AND UNEMPLOYMENT RATES
FISCAL YEARS 2011 THROUGH 2020**

Year	Population	^[1] Total Personal Income (in millions)	^[2] Per Capita Personal Income	^[3] Average Unemployment Rates
2020	773,244	\$ 95,598 *	\$ 123,926 *	10.8%
2019	774,485	92,814 *	120,317 *	2.2%
2018	772,372	90,111 *	116,812 *	2.5%
2017	770,256	87,486	113,410	2.9%
2016	765,895	82,046	106,615	3.3%
2015	759,155	78,607	102,516	3.3%
2014	758,581	71,111	93,672	4.2%
2013	750,489	65,656	87,501	5.7%
2012	740,738	64,765	87,523	7.0%
2011	729,425	57,965	79,465	8.3%

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

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

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

*Personal Income and Per Capital Personal Income data for 2018, 2019, and 2020 is based on an estimated three percent annual increase over 2017. Source data for table is FY19 San Mateo County CAFR.

This table highlights San Mateo County's total population, total personal and per capita income, and percentage of unemployed residents.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

DEMOGRAPHIC AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS FISCAL YEARS 2018 AND 2010

Employers in San Mateo County	Business Type	2018*			2010		
		Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
Facebook Inc.	Social Network	14,000	1	3.13%			
Genentech Inc.	Biotechnology	9,500	2	2.12%	8,800	1	2.57%
Oracle Corp.	Hardware and Software	7,535	3	1.68%	5,600	3	1.64%
County of San Mateo	Government	5,570	4	1.25%	6,079	2	1.78%
Gilead Sciences Inc	Biotechnology	4,000	5	0.89%			
Walmart Labs	Retail Technology	2,000	6	0.45%			
YouTube	Online Video-Streaming Platform	2,000	7	0.45%			
Robert Half International Inc.	Personnel Services	1,668	8	0.37%			
Sony Interactive Entertainment	Interactive Entertainment	1,602	9	0.36%			
Electronic Arts Inc.	Interactive Entertainment	1,520	10	0.34%			
Kaiser Permanente	Health Care				3,777	4	1.10%
Mills-Peninsula Health Services	Health Care				2,500	5	0.73%
Visa Inc	Global Payments Technology				2,462	6	0.72%
Safeway Inc	Retail Grocer				2,075	7	0.61%
San Mateo Community College District	Public Education				1,951	8	0.57%
SLAC National Accelerator Laboratory	Scientific Research				1,764	9	0.52%
Seton Medical Center	Hospital				1,672	10	0.49%
Total		49,395		11.04%	36,680		10.73%

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

This Page Left Intentionally Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

OPERATING INFORMATION – CAPITAL OUTLAY FISCAL YEARS 2011 THROUGH 2020 (in thousands)

Cumulative Capital Projects	2020	2019	2018	2017
Dumbarton Spur	\$ 33,831	\$ 33,697	\$ 33,657	\$ 33,447
Caltrain-Downtown Extension	332,396	316,908	291,837	229,908
Paratransit	7	7	7	7
Ferry	8,170	8,097	8,090	8,090
Local Shuttle	19,680	16,951	13,101	10,892
Railroad Grade Separations	311,280	293,341	269,226	251,184
Streets and Highways	474,903	418,793	377,040	314,829
Alternative Congestion Relief	3,742	2,973	2,269	1,811
Admin, Oversight and Bicycle	26,531	23,428	21,117	18,541
Total	\$ 1,210,540	\$ 1,114,195	\$ 1,016,344	\$ 868,709

Source: Current and prior years' CAFRs.

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

2016	2015	2014	2013	2012	2011
\$ 33,309	\$ 33,104	\$ 32,894	\$ 32,565	\$ 31,891	\$ 29,847
216,918	201,236	186,663	178,993	174,723	171,149
7	7	2	-	-	-
8,090	8,090	8,088	8,087	7,393	2,044
7,850	5,910	3,707	2,269	543	228
250,363	246,221	239,697	212,143	190,722	181,565
294,846	275,287	253,794	245,552	223,100	216,936
1,366	897	456	10	-	-
16,321	13,911	12,272	11,005	7,197	5,505
\$ 829,069	\$ 784,663	\$ 737,573	\$ 690,624	\$ 635,569	\$ 607,274

This Page Left Intentionally Blank.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

OPERATING INFORMATION – EMPLOYEES FISCAL YEARS 2011 THROUGH 2020

DIVISION	Full-Time Equivalents									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
CALTRAIN MODERNIZATION PROGRAM	-	-	-	0.20	-	-	-	0.02	-	-
CUSTOMER SERVICE AND MARKETING	3.02	1.39	1.50	1.55	0.15	0.15	0.17	0.13	0.14	0.20
EXECUTIVE	0.35	0.49	0.49	0.49	0.40	0.57	0.60	0.55	0.57	0.55
FINANCE AND ADMINISTRATION	2.65	3.07	2.75	3.78	2.17	2.10	2.29	3.76	4.39	4.00
OPERATIONS, ENGINEERING AND CONSTRUCTION	0.12	0.12	0.14	0.08	4.16	4.34	4.35	4.43	4.47	3.66
PLANNING AND DEVELOPMENT	9.07	7.94	7.59	6.69	3.39	3.35	3.30	2.63	1.97	2.75
PUBLIC AFFAIRS	-	-	-	-	1.40	1.20	1.20	1.40	1.10	1.00
TOTAL EMPLOYEES	15.21	13.01	12.47	12.79	11.67	11.71	11.91	12.92	12.64	12.16

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.

Source: TA'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 2011 THROUGH 2020 (in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Capital Assets:				
Land	\$ 11,682	\$ 11,682	\$ 11,682	\$ 11,682
Total	\$ 11,682	\$ 11,682	\$ 11,682	\$ 11,682

Source: Current and prior years' CAFRs.

This table presents capital assets for the past 10 years.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 11,682	\$ 11,682	\$ 13,591	\$ 13,591	\$ 13,591	\$ 13,591
<u>\$ 11,682</u>	<u>\$ 11,682</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>

This Page Left Intentionally Blank.

INDEPENDENT AUDITOR'S REPORTS

This Page Left Intentionally Blank.



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 the general fund of the San Mateo County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Transportation Authority’s basic financial statements, and have issued our report thereon dated October 26, 2020.

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) as a basis for designing 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. 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 financial statements. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

San Mateo, California
October 26, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

No

Significant deficiencies identified not considered to be material weaknesses?

None reported

Noncompliance material to financial statements noted?

No

FINANCIAL STATEMENT FINDINGS

None reported.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Financial Statement Prior Year Findings

There are no prior year financial statement findings reported.