

**PENINSULA TRAFFIC CONGESTION  
RELIEF ALLIANCE  
BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
 BASIC FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2016**

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To The Honorable Members of the Board of Directors of the  
Peninsula Traffic Congestion Relief Alliance  
San Mateo County, California

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Peninsula Traffic Congestion Relief Alliance (Alliance), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Alliance'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 the 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. 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 Alliance'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 Alliance'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.

***Emphasis of a Matter***

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2016 that require a modification of the notes to financial statements as discussed in Note 2 to the financial statements:

***Statement No. 72 – Fair Value Measurement and Application***

The emphasis of these matters does not constitute a modification to our 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 Alliance as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Required Supplementary Information*

Management's Discussion and Analysis is not a required part of the basic financial statements but is Supplementary information required by the Governmental Accounting Standards Board. The Alliance has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement although not required to be a part of, the basic financial statements.

*Mare & Associates*

Pleasant Hill, California  
January 25, 2017

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE

STATEMENT OF NET POSITION  
AND STATEMENT OF ACTIVITIES

The Statement of Net Position reports the difference between the Alliance's total assets and deferred outflows and the Alliance's total liabilities and deferred inflows, including all the Alliance's capital assets. The Statement of Net Position presents information similar to the traditional balance sheet format, but presents it in a way that focuses the reader on the composition of the Alliance's net position, by subtracting total liabilities from total assets.

The Statement of Activities reports increases and decreases in the Alliance's net position. It is also prepared on the full accrual basis, which means it includes all the Alliance's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Alliance's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The Alliance's general revenues are then listed and the Change in Net Position is computed and reconciled with the Statement of Net Position.

These financial statements along with the Fund Financial Statements and footnotes are called *Basic Financial Statements*.

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
STATEMENT OF NET POSITION  
JUNE 30, 2016

ASSETS

Cash (Note 2)	\$182,398
Grants receivable	609,594
Prepays	18,479
Capital assets: Equipment, net (Note 3)	<u>23,603</u>
Total Assets	<u>834,074</u>

DEFERRED OUTFLOW OF RESOURCES

Related to pension (Note 4)	<u>324,023</u>
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LIABILITIES

Accounts payable	206,040
Compensated absences, due within one year (Note 1D)	32,990
Collective net pension liability (Note 4)	<u>367,754</u>
Total Liabilities	<u>606,784</u>

DEFERRED INFLOW OF RESOURCES

Related to pension (Note 4)	<u>98,351</u>
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NET POSITION (Note 7)

Net investment in capital assets	23,603
Restricted for traffic congestion mitigation programs	<u>429,359</u>
Total Net Position	<u><u>\$452,962</u></u>

See accompanying notes to financial statements



PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Governmental Activities:</b>			
Employer Shuttles	\$2,496,787	\$2,483,345	(\$13,442)
Employer Services	627,340	614,040	(13,300)
Commuter Services	258,922	190,159	(68,763)
Community Services	50,591	164,510	113,919
Administration, Finance and Business Practices	10,147	253,425	243,278
<b>Total Governmental Activities</b>	<u>\$3,443,787</u>	<u>\$3,705,479</u>	<u>261,692</u>
<b>General Revenues:</b>			
Investment earnings			2,494
Miscellaneous revenue			<u>15,116</u>
<b>Total General Revenues</b>			<u>17,610</u>
<b>Change in Net Position</b>			279,302
<b>Net Position - Beginning</b>			<u>173,660</u>
<b>Net Position - Ending</b>			<u>\$452,962</u>

See accompanying notes to financial statements

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**MAJOR GOVERNMENTAL FUND**

**GENERAL FUND**

The General Fund is the general operating fund of the Alliance. It is used to account for all financial resources. The General Fund is always a major fund.

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2016

ASSETS

Cash (Note 2)	\$182,398
Grants receivable	517,844
Prepays	<u>18,479</u>
Total Assets	<u><u>\$718,721</u></u>

LIABILITIES

Accounts payable	<u>\$206,040</u>
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FUND BALANCES (Note 7)

Nonspendable:	
Prepays	18,479
Restricted for traffic congestion mitigation programs	<u>494,202</u>
Total Fund Balance	<u>512,681</u>
Total Liabilities and Fund Balances	<u><u>\$718,721</u></u>

See accompanying notes to financial statements

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
RECONCILIATION OF THE  
GENERAL FUND BALANCE SHEET  
WITH THE  
STATEMENT OF NET POSITION  
JUNE 30, 2016

Total fund balances reported on the Governmental Funds Balance Sheet	\$512,681
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	23,603
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**DEFERRED OUTFLOWS AND INFLOWS**

The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds:

Deferred outflows related to pension	324,023
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Deferred inflows related to pension	(98,351)
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**LONG TERM LIABILITIES**

The liabilities below are not due and payable in the current period and therefore are not reported in the funds:

Receivables	91,750
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Compensated absences	(32,990)
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Collective net pension liability	<u>367,754</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$452,962</u></u>
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See accompanying notes to financial statements

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

REVENUES

AB 434 Grants	\$472,300
Measure A Funds	435,000
C/CAG Congestion Relief Funds	510,002
Shuttle Consortium Contributions	779,374
Shuttle Grants Pass-Throughs	1,347,053
MTC Employer Outreach	70,000
Interest	2,494
Miscellaneous revenue	<u>15,116</u>
Total Revenues	<u>3,631,339</u>

EXPENDITURES

Employer Shuttles	2,496,900
Employer Services	627,340
Commuter Services	258,922
Community Services	50,591
Administration, Finance and Business Practices	<u>249,564</u>
Total Expenditures	<u>3,683,317</u>

Net Change in Fund Balance (51,978)

Fund Balance at Beginning of Year 564,659

FUND BALANCE AT END OF YEAR \$512,681

See accompanying notes to financial statements

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
RECONCILIATION OF THE  
NET CHANGES IN FUND BALANCE  
WITH THE CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCE (\$51,978)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:

The capital outlay expenditures are therefore added back to fund balance	3,134
Net retirements are deducted from fund balance	(1,857)
Depreciation expense is deducted from the fund balance	(8,770)

ACCRUAL OF NONCURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds:

Grant revenues	91,750
Compensated absences	7,606
Net pension liability, deferred outflows and deferred inflows	<u>239,417</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$279,302

See accompanying notes to financial statements

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
AB 434 Grants	\$472,300	\$472,300	\$472,300	
Measure A Funds	435,000	435,000	435,000	
C/CAG Congestion Relief Funds	510,000	510,000	510,002	\$2
Shuttle Consortium Contributions	753,400	753,400	779,374	25,974
Shuttle Grants Pass-Throughs	1,452,100	1,452,100	1,347,053	(105,047)
MTC Employer Outreach	70,000	70,000	70,000	
MTC Innovative TDM Grant	30,000	30,000		(30,000)
Interest	1,600	1,600	2,494	894
Miscellaneous revenues	4,000	4,000	15,116	11,116
Total Revenues	<u>3,728,400</u>	<u>3,728,400</u>	<u>3,631,339</u>	<u>(97,061)</u>
<b>EXPENDITURES</b>				
Employer Shuttles	2,546,958	2,546,958	2,496,900	50,058
Employer Services	531,156	531,156	627,340	(96,184)
Commuter Services	388,152	388,152	258,922	129,230
Community Services	124,176	124,176	50,591	73,585
Administration, Finance and Business Practices	265,558	265,558	249,564	15,994
Total Expenditures	<u>3,856,000</u>	<u>3,856,000</u>	<u>3,683,317</u>	<u>172,683</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$127,600)</u>	<u>(\$127,600)</u>	(51,978)	<u>\$75,622</u>
Fund Balance at Beginning of Year			<u>564,659</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$512,681</u>	

See accompanying notes to financial statements



**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Peninsula Traffic Congestion Relief Alliance (Alliance) is a joint exercise of powers between the cities of Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, County of San Mateo, Town of Atherton and Town of Hillsborough formed to perform transit systems management efforts to mitigate traffic congestion in the member communities. The Alliance began operations on July 1, 2000.

The Alliance is controlled by an eighteen member board consisting of one member from each entity's governing board. None of the member entities exercise specific control over the budgeting and financing of Alliance activities beyond their representation on the board. The City of Daly City fulfills contractual obligations for the Alliance by providing administrative and accounting services.

The Alliance's operations are financed by grants received from other governments and contributions from Shuttle Consortium members. Measure A funds are countywide voter approved sales taxes distributed by the San Mateo County Transportation Authority which must be used for local transportation purposes to mitigate traffic congestion. AB 434 grants must be used to reduce air pollution caused by mobile sources.

**B. Basis of Presentation**

The Alliance's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

**Organization-wide Statements:** The Statement of Net Position and the Statement of Activities display overall information about the Alliance.

The Statement of Activities presents a summary of expenses specifically associated with each function of the Alliance's governmental activities. Program revenues include grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Alliance's General Fund.

**C. Basis of Accounting**

The organization-wide financial statements (Statement of Net Position and Statement of Activities) are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The major governmental fund (General Fund) is 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*. The Alliance uses the modified accrual basis of accounting, under which revenues are recognized when they become available and measurable as net current assets. Expenditures are recognized when the related fund liability is incurred. Revenues susceptible to accrual consist of grants and interest. Grants collected within 60 days after year end are accrued as revenue.

*Non-exchange Transactions*, in which the Alliance gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**D. *Compensated Absences***

Accumulated unpaid employee benefits are accrued at year-end. If vacation is not taken by employees during their employment, the Alliance is obligated to make cash payments to them on termination or retirement at the salary rates then in effect.

Balance June 30, 2015	\$40,596
Additions	82,319
Payments	<u>(89,925)</u>
Balance June 30, 2016	<u>\$32,990</u>
Due within one year	<u>\$32,990</u>

**E. *Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows/outflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

**F. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position or balance sheets report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *New GASB Pronouncements***

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

**GASB Statement No. 72** - The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

**GASB Statement No. 76** - The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

**GASB Statement No. 79**- This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

**H. *Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Alliance categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 2- CASH AND INVESTMENTS**

**A. Alliance Cash and Investments**

The Alliance's cash is included in the City of Daly City's cash and investments pool, the details of which are presented in the City of Daly City's basic financial statements. The City's investment policy and the California Government Code permit investments in obligations of the U.S. Treasury and its agencies, commercial paper, banker's acceptances, repurchase agreements, certificates of deposit, medium term notes, passbook savings account, demand deposits, the State of California Local Agency Investment Fund and the San Mateo County Treasurer's Investment Pool.

**B. Fair Value Hierarchy**

The Alliance categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Please see disclosure presented in City of Daly City's basic financial statements.

**NOTE 3 - EQUIPMENT**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is calculated using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Alliance has assigned a useful life of 5 years for equipment. Depreciation expense is charged to the Shuttle Management program based on its usage of the related assets.

The Alliance's capital assets comprise the following at June 30, 2016:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Equipment	\$116,632	\$3,134	(\$41,501)	\$78,265
Accumulated Depreciation	(85,536)	(8,771)	39,645	(54,662)
Capital Assets, net of accumulated depreciation	<u>\$31,096</u>	<u>(\$5,637)</u>	<u>(\$1,856)</u>	<u>\$23,603</u>

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 4 - EMPLOYEE RETIREMENT PLAN**

**A. General Information about the Pension Plans**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the Alliance’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Alliance resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	3% @ 60	2% @62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% - 3.0%	1.0% - 2.5%
Required employee contribution rates		50% of the Total
	8.0%	Normal Cost
Required employer contribution rates		

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Alliance is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
Contributions - employer	\$96,984

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2016, the Alliance reported a collective net pension liability for its proportionate share of the net pension liability of the Plan of \$367,754.

The Alliance's collective net pension liability for its Plan is measured as the proportionate share of the net pension liability. The net pension liability of their Plan is measured as of June 30, 2015, and the total pension liability for its Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Alliance's proportion of the net pension liability was based on a projection of the Alliance's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Alliance's proportionate share of the net pension liability for its Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.013405%
Proportion - June 30, 2014	0.013700%
Increase (Decrease)	<u><u>-0.000295%</u></u>

For the year ended June 30, 2016, the Alliance recognized pension expense of (\$142,443). At June 30, 2016, the Alliance reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution subsequent to measurement date	\$96,984	
Differences between actual and expected experience	6,924	
Changes in assumptions		(\$65,510)
Net differences between projected and actual earnings on plan investments		(32,841)
Difference in actual contributions and proportionate contributions	32,101	
Change in proportion and differences between actual contributions and proportionate share of contributions	<u>188,014</u>	
Total	<u><u>\$324,023</u></u>	<u><u>(\$98,351)</u></u>

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)**

\$96,984 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	\$37,616
2018	34,890
2019	14,200
2020	41,982

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 % discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS' website.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.



**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Alliance’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Alliance’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	1% Decrease 6.65%	Current 7.65%	1% Increase 8.65%
Miscellaneous	\$670,679	\$367,754	\$117,656

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The Alliance provides health insurance benefits to its active employees and eligible retirees under the Public Employees' Medical and Hospital Care Act (PERS Health). The Alliance funds such benefits by contributing \$125.00 per month to PERS Health for each covered active employee and eligible retiree. In addition to making such contributions to PERS Health, the Alliance maintains a cafeteria plan within the meaning of section 125 of the Internal Revenue Code (the "Plan") in order to subsidize PERS Health benefits for active employees, and to provide such employees with the ability to purchase certain additional health benefits under the Plan on a pretax basis. The Alliance subsidizes the cost of each employee's enrollment in the PERS Health option under the Plan, including the enrollment of family members, by making monthly contributions to the Plan up to a maximum of \$656.13 for an employee enrolled for self alone, \$694.34 for an employee enrolled for self and one family member, and \$941.86 for an employee enrolled for self and two or more family members.

Only full-time employees are eligible. The employee must have rendered five years of service and must retire directly from Peninsula Traffic Congestion Relief Alliance. Separation from service other than by retirement renders employee ineligible for retiree health contribution. There were approximately nine active employees that should they meet requirements will be eligible to receive health care benefits upon retirement.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

*A. Actuarial Assumptions*

The following key assumptions were used in the calculation of the liability for retiree benefits using the Alternative Measurement Method for employers in plans with fewer than 100 plan members:

- Actuarial Cost Method: Entry Age
- Amortization Method: Level percentage of payroll over a 30 year period
- Discount Rate: 5.00%
- Healthcare Cost Trend: Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 4.0%.
- Payroll Growth Rate: 3.00%
- Inflation Rate: 2.75%
- Asset Valuation: \$76,752 as of June 30, 2015

The Alliance's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period, on a closed basis, for an initial June 30, 2015 Unfunded Accrued Actuarial Liability (UAAL), a 30 year amortization period for method assumptions.

In accordance with the Alliance's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. During the fiscal year ended June 30, 2013, the Board of Directors passed a resolution to participate the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CALPERS, and is managed by an appointed board not under the control of the Board of Directors. This Trust is not considered a component unit by the Alliance and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**B. Funding Progress and Funded Status**

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. The Alliance contributed funds to CERBT representing funds accumulated in prior years.

Net OPEB obligation June 30, 2015	\$0
Annual required contribution (ARC)	6,588
Interest on net OPEB obligation	-
Amortization of the net OPEB obligation	-
Annual OPEB cost	6,588
Contributions made:	
Contributions to CERBT	(6,588)
Change in net OPEB asset	-
Net OPEB obligation June 30, 2016	\$0

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2015, amounted to \$63,785 and was partially funded since assets have been transferred into CERBT. The Alliance's current year contributions, the current year annual required contribution, along with investment income net of current year premiums resulted in assets with CERBT of \$85,656 as of June 30, 2016, which partially reduced the unfunded actuarial accrued liability. The Plan's annual OPEB cost and actual contributions for fiscal years ended June 30, 2014, 2015 and 2016 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2014	\$16,965	\$16,965	100%	\$0
June 30, 2015	10,448	10,448	100%	0
June 30, 2016	6,588	6,588	100%	0

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**NOTE 6 – CONTINGENCY**

The Alliance participates in grant programs subject to program audits in accordance with the provisions of applicable laws, rules and regulations and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Alliance expects such amounts, if any, to be immaterial.

**NOTE 7 – NET POSITION AND FUND BALANCES**

**A. *Net Position***

Net Position is the excess of all the Alliance assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. The Alliance net position are divided into two segments.

Net Investment in Capital Assets, describes the portion of Net Position equal to the current net book value of the Alliance capital assets, less the outstanding balance of any debt issued to finance these assets if any.

Restricted Net Position describes the remaining portion of Net Position which are all restricted to be used for the Alliance's traffic congestion mitigation programs.

**B. *Fund Balance***

The Alliance's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the Alliance to classify its fund balances based on spending constraints imposed on the use of resources.

For programs with multiple funding sources, the Alliance prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, and assets not expected to be converted to cash, such as prepaids are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board which may be altered only by formal action of the Board. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**NOTE 7- NET POSITION AND FUND BALANCES (Continued)**

Assigned fund balances are amounts constrained by the Board's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board or its designee and may be changed at the discretion of the Board or its designee. This category includes encumbrances; Nonspendables, when it is the Alliance's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**COST-SHARING EMPLOYER DEFINED PENSION PLAN:**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

**SCHEDULE OF CONTRIBUTIONS**

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

**SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS**

This schedule presents trend information about whether the actuarial value of plans assets is increasing or decreasing over time relative to the actuarial liability for benefits.



**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

Cost-Sharing Multiple-Employer Defined Pension Plan  
Last 10 Years\*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY AND RELATED RATIO AS OF  
THE MEASUREMENT DATE**

	Miscellaneous Plan	
	6/30/14	6/30/15
Plan's proportion of the Net Pension Liability	0.00543%	0.01340%
Plan's proportion share of the Net Pension Liability (Asset)	\$337,663	\$367,754
Plan's Covered Employee Payroll	700,444	899,218
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	48.21%	40.90%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	83.47%

**Notes to Schedule:**

**Benefit changes.** In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

**Changes in assumptions.** In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Cost-Sharing Multiple-Employer Defined Pension Plan  
Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

	MISCELLANEOUS	
	2015	2016
Actuarially determined contribution	\$107,786	\$96,984
Contributions in relation to the actuarially determined contributions	(107,786)	(96,984)
Contribution deficiency (excess)	(107,786)	(96,984)
 Covered-employee payroll	 \$718,217	 \$899,218
 Contributions as a percentage of covered- employee payroll	 15.01%	 10.79%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	59 years old
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 As of the fiscal Year Ended June 30, 2016**

**Schedule of Funding Progress – Other Post-Employment Benefits  
 Last Three Actuarial Valuations**

Valuation Date	Actuarial		Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
7/1/2012	\$0	\$101,873	\$101,873	0%	\$680,000	15.0%
7/1/2013	48,751	85,425	36,674	57%	701,300	5.2%
7/1/2015	76,752	63,785	(12,967)	120%	762,700	(1.7%)

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## INDEPENDENT AUDITOR'S REPORT ON MEASURE A COMPLIANCE

To the Board of Directors of the  
Peninsula Traffic Congestion Relief Alliance  
San Mateo County, California

We have audited the basic financial statements of the Peninsula Traffic Congestion Relief Alliance as of and for the year ended June 30, 2016 and have issued our report thereon dated January 25, 2017. Our audit was made in accordance with generally accepted auditing standards in the United States of America and provisions of the Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes (the Agreement). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

The Alliance's compliance with provisions of the Agreement regarding expenditure of Measure A funds is the responsibility of Alliance management. As part of obtaining reasonable assurance as to whether the financial statements are free of material misstatement, we performed tests of the Alliance's compliance with the Agreement for the year ended June 30, 2016.

In our opinion, based on the procedures described in the preceding paragraph, the Alliance complied with the laws, rules and regulations referred to above.

This report is intended for the use of Alliance management and the San Mateo County Transportation Authority and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Maze & Associates*

Pleasant Hill, California  
January 25, 2017

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January 25, 2017

San Mateo County Transportation Authority  
1250 San Carlos Avenue  
San Carlos, California 94070


**Management's Report on Compliance with the Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes**

The Peninsula Traffic Congestion Relief Alliance (Alliance) is responsible for complying with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes* (the Agreement) between the Alliance and the San Mateo County Transportation Authority effective on January 1, 2009. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transactions and use tax approved by *Measure A – San Mateo County Transportation Expenditure Plan* (the Measure), the Alliance agrees that funds, “shall not be used to replace funds previously provided by property tax or other local revenues for public transportation purposes, and that Alliance will limit the use of funds provided pursuant to this agreement to the improvement and maintenance of local transportation, including streets and road improvements.”

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2016:

- Management is responsible for establishing and maintaining an effective internal control structure with respect to compliance with the Agreement;
- Management is responsible for complying with the Agreement;
- Management has evaluated the Alliance's compliance with the requirements of the Agreement;
- All Transactions for the Year Ended June 30, 2016, are in compliance with the Agreement.

  
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John Ford  
Executive Director

  
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Lawrence Chiu  
Director of Finance

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