PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE
BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE
BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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, 2018, 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.

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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, 2018, and the respective changes in financial position and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 5 and 7c.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information 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.

Pleasant Hill, California
October 19, 2018

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, 2018

ASSETS	
Cash (Note 2)	$738,979
Grants receivable	658,325
Prepaids	40,651
Capital assets: Equipment, net (Note 3)	11,649
Total Assets	1,449,604
DEFERRED OUTFLOW OF RESOURCES	
Related to pension (Note 4)	367,206
Related to OPEB (Note 5)	6,588
Total Deferred Outflows of Resources	373,794
LIABILITIES	
Accounts payable	417,677
Compensated absences, due within one year (Note 1D)	37,837
Unearned Revenue	175,937
Collective net pension liability (Note 4)	603,108
Collective net OPEB liability (Note 5)	51,586
Total Liabilities	1,286,145
DEFERRED INFLOW OF RESOURCES	
Related to pension (Note 4)	37,579
Related to OPEB (Note 5)	410
Total Deferred Inflows of Resources	37,989
NET POSITION (Note 7)	
Net investment in capital assets	11,649
Restricted for traffic congestion mitigation programs	487,615
Total Net Position	$499,264

See accompanying notes to financial statements

PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues	Net (Expense)
	Expenses	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:			
Employer Shuttles	$2,502,789	$2,598,699	$95,910
Employer Services	528,029	532,883	4,854
Commuter Services	417,714	447,500	29,786
Community Services	53,430	110,300	56,870
Administration, Finance and Business Practices	550,133	209,912	(340,221)
Total Governmental Activities	$4,052,095	$3,899,294	(152,801)
General Revenues:			
Investment earnings			1,258
Miscellaneous revenue			3,112
Total General Revenues			4,370
Change in Net Position			(148,431)
Net Position - Beginning, as restated (Note 7c)			647,695
Net Position - Ending			$499,264

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, 2018

ASSETS	
Cash (Note 2)	$738,979
Grants receivable	324,970
Prepaids	40,651
Total Assets	$1,104,600
LIABILITIES	
Accounts payable	$417,677
Unearned Revenue	175,937
Total Liabilities	$593,614
FUND BALANCES	
Nonspendable:	
Prepaids	$40,651
Restricted for traffic congestion mitigation programs	470,335
Total Fund Balance	510,986
Total Liabilities and Fund Balances	$1,104,600

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, 2018

Total fund balances reported on the General Fund Balance Sheet	$510,986
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.	11,649
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	367,206
Deferred outflows related to OPEB	6,588
Deferred inflows related to pension	(37,579)
Deferred inflows related to OPEB	(410)
LONG TERM ASSETS AND LIABILITIES	
The assets/liabilities below are not due and receivable/payable in the current period and therefore are not reported in the funds:	
Grants Receivables	333,355
Compensated absences	(37,837)
Collective net pension liability	(603,108)
Collective net OPEB liability	(51,586)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$499,264

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, 2018

REVENUES	
AB 434 Grants	$599,900
Measure A Funds	458,500
C/CAG Congestion Relief Funds	510,000
Shuttle Consortium Contributions	842,108
Shuttle Grants Pass-Throughs	1,115,931
MTC Employer Outreach	70,000
Interest	1,258
Miscellaneous revenue	3,112
Total Revenues	3,600,809
EXPENDITURES	
Employer Shuttles	2,501,405
Employer Services	525,690
Commuter Services	416,240
Community Services	52,994
Administration, Finance and Business Practices	295,550
Total Expenditures	3,791,879
Net Change in Fund Balance	(191,070)
Fund Balance at Beginning of Year	702,056
FUND BALANCE AT END OF YEAR	$510,986

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, 2018

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	($191,070)
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:	
Depreciation expense is deducted from the fund balance	(7,837)
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	302,855
Compensated absences	6,431
Net pension liability, deferred outflows and deferred inflows	(251,890)
Net OPEB liability, deferred outflows and deferred inflows	(6,920)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	($148,431)

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, 2018

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
AB 434 Grants	$600,000	$600,000	$599,900	($100)
Measure A Funds	458,500	458,500	458,500	
C/CAG Congestion Relief Funds	510,000	510,000	510,000	
Shuttle Consortium Contributions	826,000	826,000	842,108	16,108
Shuttle Grants Pass-Throughs	1,456,000	1,456,000	1,115,931	(340,069)
MTC Employer Outreach	70,000	70,000	70,000	
Interest	1,200	1,200	1,258	58
Miscellaneous revenues	6,000	6,000	3,112	(2,888)
Total Revenues	3,927,700	3,927,700	3,600,809	(326,891)
EXPENDITURES				
Employer Shuttles	2,632,970	2,632,970	2,501,405	131,565
Employer Services	535,070	535,070	525,690	9,380
Commuter Services	497,220	497,220	416,240	80,980
Community Services	71,980	71,980	52,994	18,986
Administration, Finance and Business Practices	256,360	256,360	295,550	(39,190)
Total Expenditures	3,993,600	3,993,600	3,791,879	201,721
NET CHANGE IN FUND BALANCE	($65,900)	($65,900)	(191,070)	($125,170)
Fund Balance at Beginning of Year			702,056	
FUND BALANCE AT END OF YEAR			$510,986	

See accompanying notes to financial statements

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 San Carlos 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.

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, 2017	$44,268
Additions	3,252
Payments	(9,683)
Balance June 30, 2018	$37,837
Due within one year	$37,837

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.

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, 2018.

GASB Statement No. 75 – The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. See Note 5 for additional information.

NOTE 2- CASH AND INVESTMENTS

A. Alliance Cash and Investments

The Alliance's cash balance is held in an operating account with Wells Fargo bank. At June 30, 2018 the Alliance did not hold any investments.

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, 2018:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Equipment	$114,322		($4,249)	$110,073
Accumulated Depreciation	(94,836)	($7,837)	4,249	(98,424)
Capital Assets, Net of Accumulated Depreciation	$19,486	($7,837)		$11,649

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, 2018, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after 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	8.0%	50% of the Total Normal Cost
Required employer contribution rates	12.036%	6.533%

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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
Contributions - employer	$101,152

NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)

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

As of June 30, 2018, the Alliance reported a collective net pension liability for its proportionate share of the net pension liability of the Plan of $603,108.

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, 2017, 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, 2016 rolled forward to June 30, 2017 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 Alliances proportionate share of the net pension liability for its Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.015299%
Proportion - June 30, 2016	0.014001%
Increase (Decrease)	0.001298%

For the year ended June 30, 2018, the Alliance recognized pension expense of $251,890. At June 30, 2018, 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	$101,152	
Differences between actual and expected experience	1,035	($14,832)
Changes in assumptions	128,454	(9,795)
Net differences between projected and actual earnings on plan investments	29,051	
Difference in actual contributions and porportionate contributions	24,860	
Change in proportion and differences between actual contributions and proportionate share of contributions	82,654	
Total	$367,206	($37,579)

NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)

$101,152 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, 2018. 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
2019	$84,389
2020	97,582
2021	63,752
2022	(17,248)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality (A)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(A) 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 April 2014 experience study report available at CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 % discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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.

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.

NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)

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	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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 6.15%	Current 7.15%	1% Increase 8.15%
Miscellaneous	$1,026,530	$603,108	$252,423

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 – POST-EMPLOYMENT HEALTH CARE BENEFITS

A. *General Information about the Alliance's Other Post Employment Benefit (OPEB) Plan*

Plan Description – The Alliance's Other Post Employment Benefit (OPEB) Plan provides health insurance benefits to its active employees and eligible retirees under the Public Employees' Medical and Hospital Care Act (PEMHCA). Medical coverage is currently provided through CalPERS. This coverage requires the employer to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

Benefits Provided – The Alliance contributes toward the cost of retiree medical coverage, as well as the cost of medical coverage of family members, for the retiree's lifetime, or until coverage is discontinued. The Alliance maintains a resolution with CalPERS defining the level of the Alliance contribution toward the cost of medical plan premiums for employees and retirees to be the PEMHCA minimum employer contribution, which is $133 per month in 2018 and increases to $136 in 2019.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	4
Inactive employees or beneficiaries currently receiving benefit payments	
Inactive employees entitled to but not yet receiving benefit payments	
Total	4

B. *Net OPEB Liability*

Actuarial Methods and Assumptions – The Alliance's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 2018 that was rolled forward using standard update procedures to determine the net OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.73%
Inflation	3.00%
Payroll Growth	3.25%
Investment Rate of Return	6.73%
Healthcare Trend Rate	6.00%

NOTE 5 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The underlying mortality assumptions were based on the MacLeod Watts Scale 2014 and all other actuarial assumptions used in the June 2018 valuation were based on demonstrated plan experience and/or the best estimate of the expected future experience.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.0%	5.25%
Global Debt Securities	27.0%	2.25%
Inflation Assets	5.0%	1.25%
REITS	8.0%	4.50%
Commodities	3.0%	1.25%
Total	100.0%	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.73%. The projection of cash flows used to determine the discount rate assumed that Alliance's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 5 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (a) - (b)**
Balance at 6/30/17 (Measurement Date 6/30/2016)	**$130,777**	**$85,701**	**$45,076**
Changes Recognized for the Measurement Period:			
Service Cost	10,073		10,073
Interest on the total OPEB liability	9,479		9,479
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions			
Contributions from the employer		6,588	(6,588)
Net investment income		6,501	(6,501)
Administrative expenses		(47)	47
Benefit payments			
Net changes	19,552	13,042	6,510
Balance at 6/30/18 (Measurement Date 6/30/2017)	**$150,329**	**$98,743**	**$51,586**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report. The benefit payments and refunds include implied subsidy benefit payments. However, in fiscal year 2018, the actuarially determined implicit subsidy was $0.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Alliance, as well as what the Alliance's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.73%) or 1-percentage-point higher (7.73%) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1% 5.73%	Discount Rate 6.73%	Discount Rate +1% 7.73%
$78,617	$51,586	$29,508

The following presents the net OPEB liability of the Alliance, as well as what the Alliance's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
1% Decrease 5.00%	Healthcare Cost Trend Rates 6.00%	1% Increase 7.00%
$20,783	$51,586	$97,479

NOTE 5 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Alliance recognized OPEB expense of $6,920. At June 30, 2018, the Alliance reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$6,588	
Differences between actual and expected experience		
Changes of assumptions		
Net differences between projected and actual earnings on plan investments		$410
Total	$6,588	$410

$6,588 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	$103
2020	103
2021	103
2022	101

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.

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.

NOTE 7– NET POSITION AND FUND BALANCES (Continued)

C. Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of GASB 75 required the Alliance to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities were restated and reduced by $38,488.

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REQUIRED SUPPLEMENTARY INFORMATION

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 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.

OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN:

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

This schedule reports the changes of the collective net OPEB liability, the employer's covered payroll, the collective net OPEB liability as a percentage of the employer's covered payroll and the OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the employer's contributions to the OPEB 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 payroll.

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			
Measurement Date	**6/30/14**	**6/30/15**	**6/30/16**	**6/30/17**
Plan's proportion of the Net Pension Liability	0.00543%	0.01340%	0.01400%	0.01530%
Plan's proportion share of the Net Pension Liability (Asset)	$337,663	$367,754	$486,389	$603,108
Plan's Covered Payroll	718,217	762,715	719,644	710,980
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	47.01%	40.90%	63.77%	84.83%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	80.15%	73.31%

*Note: Fiscal year 2015 was the first year of implementation.

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

SCHEDULE OF CONTRIBUTIONS

	MISCELLANEOUS			
	2015	**2016**	**2017**	**2018**
Actuarially determined contribution	$107,786	$96,984	$100,077	$101,152
Contributions in relation to the actuarially determined contributions	(107,786)	(96,984)	(100,077)	(101,152)
Contribution deficiency (excess)				
Covered payroll	$ 762,715	$ 719,644	$ 719,644	$ 710,980
Contributions as a percentage of covered payroll	14.13%	13.48%	13.91%	14.23%

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
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 four years are shown.

Other Post-Employment Benefits (OPEB) Plan
Last 10 Years*
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Measurement Date	**6/30/17**
Total OPEB Liability	
Service Cost	$10,073
Interest	9,479
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	-
Net change in total OPEB liability	19,552
Total OPEB liability - beginning	130,777
Total OPEB liability - ending (a)	$150,329
Plan fiduciary net position	
Contributions - employer	$6,588
Contributions - employee	-
Net investment income	6,501
Administrative expense	(47)
Benefit payments	-
Net change in plan fiduciary net position	13,042
Plan fiduciary net position - beginning	85,701
Plan fiduciary net position - ending (b)	$98,743
Net OPEB liability - ending (a)-(b)	$51,586
Plan fiduciary net position as a percentage of the total OPEB liability	65.68%
Covered payroll	$706,881
Net OPEB liability as a percentage of covered payroll	7.30%

Notes to schedule:

Changes in assumptions: The discount rate was changed from 5.00 percent (net of administrative expense) to 7.28 percent for the measurement period ended June 30, 2017.

* Fiscal year 2018 was the first year of implementation.

Other Post-Employment Benefits (OPEB) Plan
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30,	2018
Actuarially determined contribution	$6,588
Contributions in relation to the actuarially determined contribution	6,588
Contribution deficiency (excess)	$0
Covered payroll	$706,881
Contributions as a percentage of covered payroll	0.93%

Notes to Schedule

Valuation date:	6/30/2016

Methods and assumptions used to determine contribution rates:

Valuation Date	6/30/2016
Actuarial Assumptions:	
Discount Rate	6.73%
Inflation	3.00%
Payroll Growth	3.25%
Investment Rate of Return	6.73%
Healthcare Trend Rate	6.00%

* Fiscal year 2018 was the first year of implementation.

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 (Alliance) as of and for the year ended June 30, 2018 and have issued our report thereon October 19, 2018. 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 (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, 2018.

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.

Pleasant Hill, California
October 19, 2018

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Commute.org

October 19th, 2018

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* (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* (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, 2018:

- 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, 2018, are in compliance with the Agreement.

John Ford
Executive Director

Rebecca Mendenhall
Administrative Services Director

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