# Peninsula Corridor Joint Powers Board

San Carlos, California

A Joint Exercise of Powers Agreement among:
City and County of San Francisco
San Mateo County Transit District
Santa Clara Valley Transportation Authority


# Comprehensive Annual Financial Report

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

Caltrain®

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# PENINSULA CORRIDOR
# JOINT POWERS BOARD

*San Carlos, California*

*Comprehensive Annual Financial Report*
Fiscal Year Ended June 30, 2015
(With Comparative Totals for 2014)

**Prepared by the Finance Division**

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# *Section I*

## INTRODUCTORY

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**January 15, 2016**

**To the Executive Director, Board of Directors of the Peninsula Corridor Joint Powers Board and the Citizens of San Francisco, San Mateo and Santa Clara Counties**

**San Carlos, California**

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Peninsula Corridor Joint Powers Board (JPB) for the fiscal year July 1, 2014 through June 30, 2015. This transmittal letter provides a summary of the JPB's finances, services, achievements and economic prospects for readers without a technical background in accounting or finance. Readers desiring a more detailed discussion of the JPB's financial results may refer to the Management's Discussion and Analysis in the Financial Section. Management assumes sole responsibility for all the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the JPB's assets from loss, to identify and record transactions accurately and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the likely benefits, the JPB's internal control system intends to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement. To test the performance of the internal control system, the JPB contracted for independent auditing services from Vavrinek, Trine, Day & Co., LLP, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the JPB's financial statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind and is commonly known as an "unmodified" or "clean" opinion.

## PROFILE OF THE ORGANIZATION

### *Purpose*

The JPB is responsible for Caltrain passenger rail service on the San Francisco Peninsula and south into Santa Clara County. Caltrain operates a rail system that has been a central part of Peninsula communities for 149 years. The rail line currently extends from San Francisco 77 miles south to Gilroy, serving 32 stations. Spanning San Francisco, San Mateo and Santa Clara counties, Caltrain provides vital links to multiple transit properties in 20 cities.

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

***Entity***

The JPB is a legally separate and financially independent entity that is not a component unit of the County of San Francisco, the County of San Mateo, the County of Santa Clara or any other organization. Furthermore, the JPB has no component unit organizations under its control. Therefore, this comprehensive annual financial report and the financial statements contained within represent solely the activities, transactions and status of the JPB.

***History***

After two years of negotiations, the California Department of Transportation (Caltrans) and the Southern Pacific Transportation Company (Southern Pacific) executed a purchase-of-service agreement for maintaining passenger rail service between San Francisco and San Jose. Service under this agreement began in 1980 with Southern Pacific operating the trains while receiving subsidies from state and local agencies and with Caltrans providing contract administration, service planning, marketing, engineering, scheduling, fare management, customer support and performance monitoring. In 1988, the City and County of San Francisco (CCSF), the San Mateo County Transit District (District) and the Santa Clara Valley Transportation Authority (VTA) commissioned a study that recommended transferring responsibility for the rail service from the state to the local level. The three parties accomplished this objective in October 1991, executing a joint powers agreement that formed the JPB. Two months later, the JPB purchased the rail right of way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific. The JPB member agencies and the California Transportation Commission funded this acquisition. The JPB holds title to all right of way property located in the County of San Francisco. The JPB holds title to all right of way property in the County of San Mateo as tenants in common with the District. The JPB owns title to the right of way property in the County of Santa Clara from Palo Alto station to the Tamien station in San Jose. The County of Santa Clara holds the balance of the trackage rights south to Gilroy. The JPB assumed responsibility for the operation of Caltrain service from the Southern Pacific Transportation Company in 1992. Amtrak served as the JPB’s operator until May of 2012. The Caltrain Board of Directors, at its September 2011 meeting, authorized the award of contract to Transit America Services, Inc. The amended first full year budget (FY 2013) of the five-year contract was for $64.9 million. The FY2015 and FY2014 approved budget contract amount is $67.7 million and $64.5 million respectively. Subsequent contract amounts are subject to annual negotiations.

***Governance***

The joint powers agreement established a nine-person board of directors that shapes the current and future direction of Caltrain. Various entities at the local level participate in appointing three persons to represent each of the member counties: San Mateo, Santa Clara and San Francisco. The JPB also created a nine-person Citizens Advisory Committee (CAC) composed of three citizens from each JPB county. The principal objective of the CAC is to articulate the interests and needs of current and future customers.

***Administration***
The joint powers agreement designates the District as the managing agency to provide administrative and staff services for Caltrain under the direction and oversight of the JPB Board of Directors. The JPB reimburses the District for the direct and administrative costs incurred for Caltrain operations. Some administrative costs are determined by overhead rates approved by the Federal Transportation Administration (FTA). Currently, the District provides the following services:

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

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

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

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

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

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

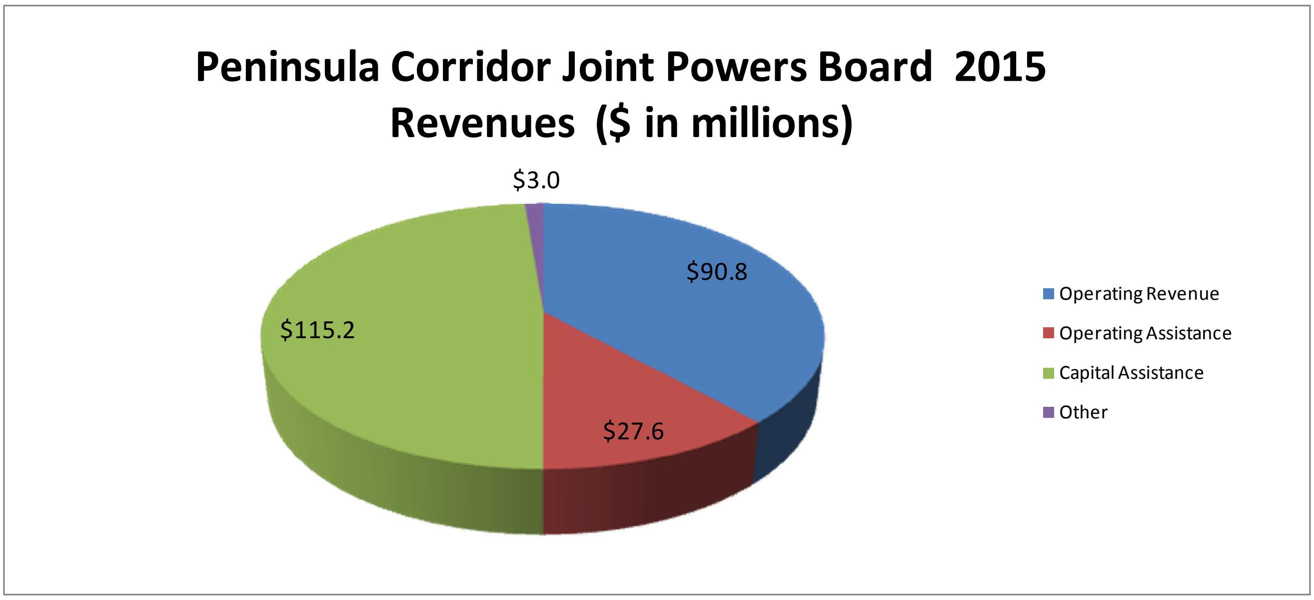
The *Office of Planning, Grants and Transportation Authority* is responsible for program administration for the San Mateo County Transportation Authority, general and strategic planning, grants research and development, transit-oriented development, the Grand Boulevard Initiative and sustainability.

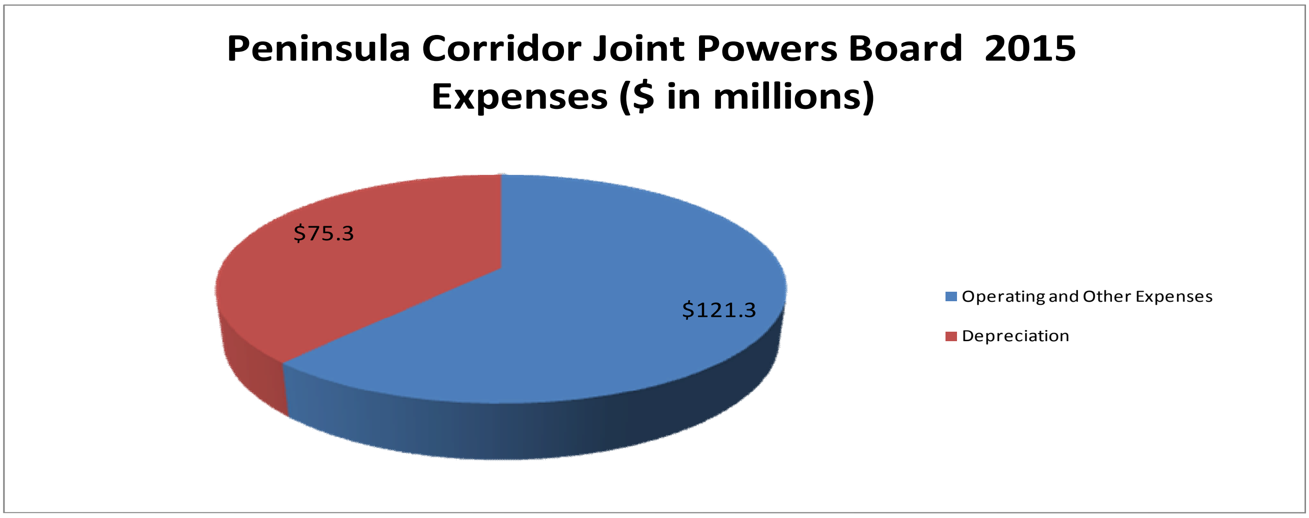
The *Communications Division* is responsible for all external and internal communications, media relations, legislative activities, community outreach, customer service, marketing, sales, advertising, market research, website and distribution services.

*Budgetary Control*
State law requires the JPB to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents an annual budget based on established agency goals, objectives and performance measures to the Board of Directors. The Board of Directors monitors budget to actual performance through monthly staff reports. The Financial Section of this report includes a supplemental schedule that compares actual results on a budgetary basis of accounting to the final adopted budgets.

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

The JPB employs the same basis and principles for both budgeted and actual revenues and expenses, except that proceeds from the sale of fixed assets, unrealized investment gains and losses, depreciation and amortization and inter-fund transfers are not included in the budget. As a special purpose organization established pursuant to joint powers legislation, the JPB is not subject to the State of California's Gann Act requiring adherence to an annual appropriation limit. The following pie charts show actual results for the major revenue and expense categories for fiscal year 2015.






## ECONOMIC CONDITION

***Local Economy***

Shrinking jobless rates and steadily expanding employment gains, along with a surging economy, are primarily what is boosting the employment picture for San Francisco, San Mateo, and Santa Clara Counties. San Francisco posted a 3.5 percent unemployment rate while San Mateo County posted 3.3 percent and Santa Clara County 3.9 percent. These unemployment rates are better than the June 2015 statewide rate of 6.1 percent and nationwide rate of 5.2 percent. The main driver is the growth of the technology sector in Silicon Valley but health care, leisure and hospitality, retail, construction and even manufacturing are growing. According to forecasts, California employment will remain steady for the rest of 2015 but will slow down slightly in 2016 and 2017.

San Francisco, San Mateo and Santa Clara counties are consistently ranked among the most affluent in California. With an extremely diverse employment market in various industries, Caltrain's service area is not dependent on any one employment sector. This diversity of industry helps to ensure financial strength and stability for residents along the Caltrain corridor. However, the JPB continues to face a structural deficit in its operating budget. Each of the Member Agencies provide operating contributions to the JPB, which are intended to make up the amount necessary to cover deficits in the operating budget. This contribution has become increasingly more difficult for each member agency to make as individual funding sources become more limited.

***Long-term Financial and Strategic Planning***

Caltrain's vision as identified in its 2014 Strategic Plan is to provide a safe, reliable, sustainable modern rail system that meets the growing mobility needs of the San Francisco Bay Area region. The Caltrain Strategic Plan goes on to identify seven focus areas where Caltrain will make critical policy and business choices over the coming decade. Caltrain's overarching vision is supported by focus areas, goals and objectives with each level of policy providing a greater degree of specificity and intent. Caltrain's focus areas include: safety, service, infrastructure and rolling stock, finance, transportation and land use, partners and stakeholders and social responsibility. The strategic plan was adopted in 2014 and covers a 10-year timeframe. The 2014 plan has been updated to address some of the challenges facing the JPB, including increasing demand, capacity constraints, aging infrastructure, growing safety regulations and funding constraints. The plan will also look at key opportunities ahead, including Caltrain electrification, regional intermodal network and High-Speed Rail connections.

The policy framework articulated by the Strategic Plan is reflected in Caltrain's 2015 Short Range Transit Plan. This plan outlines Caltrain's operating plan and Capital Improvement Program for the coming 10-years and forms the basis for decisions related to service adjustments and capital project coordination. Caltrain updates its Short Range Transit Plan on a regular basis as requested by the Metropolitan Transportation Commission.

Today, Caltrain operates a total of 92 diesel locomotive-hauled trains per day on the weekdays between San Francisco and San Jose with limited service further south to Gilroy. Over the next 10 years, Caltrain will expand its service to 114 trains per weekday using a mixed fleet of diesel locomotive-hauled rolling stock and new Electric Multiple Unite (EMU) trains. This shift poses both a tremendous opportunity and challenge that underlies the agency's operational planning across the coming 10 years.

Caltrain has experienced rapid ridership growth and many of its peak-hour trains currently operate near, at, or above their seated capacity. Meeting growing customer demand while maintaining a high standard of safe, reliable and comfortable service is the preeminent operational challenge faced by the agency. It is anticipated that this challenge will be especially acute during the primary electrification construction period (2016-2020) when Caltrain will need to maintain reliable revenue service in the midst of a corridor-wide construction project. Caltrain will also need to ensure its operational integrity by evolving its organization to operate and maintain an expanded, electrified system.

Caltrain does not have a dedicated source of funding and has an on-going structural deficit in its operating budget. Caltrain is currently developing strategies to balance the annual budget through FY2024 and will comprehensively evaluate a variety of factors that influence the system's operating deficit including: fare policy and pass programs; incremental impacts of added service on operating revenues and costs; potential for securing dedicated operating funds through a three-county ballot measure; and cost containment strategies.

Caltrain's 10-Year Capital Improvement Plan (CIP) is a $3 billion program focused on maintaining the JPB's assets in a state-of-good repair, enhancing the reliability of the system, and delivering electrified service from San Francisco to San Jose by 2020. The CIP also reflects Caltrain's ongoing planning for the next generation of system improvements that are needed in the FY2015-2024 timeframe to expand system capacity and continue preparations for the Caltrain / HSR blended system.

Revenue sources included in the CIP reflect Caltrain's reasonable expectation of funding levels. Caltrain will, however, continue to work with its funding partners to solidify the Caltrain 10-year CIP funding plan and identify additional funding to implement the CIP in total. Among other options, Caltrain will explore both traditional (e.g. grants) and innovative funding strategies, including the possibility of new public and private partnerships.

***Major Initiatives***

**Regional Service Coordination**

Caltrain is at the heart of the Peninsula transportation network and collaborates with other Bay Area transit agencies to provide connections between systems. These connections are with the District, the San Francisco Municipal Transportation Agency (SFMTA/Muni), the Bay Area Rapid Transit District (BART), VTA, Capitol Corridor, Altamont Commuter Express (ACE), Dumbarton Express and the Alameda-Contra Costa Transit District (AC Transit) as follows:

- *SamTrans Bus Service:* Passengers may connect to SamTrans at most stations in San Mateo County.
- *Muni Light Rail*: Passengers may connect to the Muni light rail N-Judah and T-Third lines across from the San Francisco Caltrain Station.

- *BART*: Passengers may connect to BART at the Millbrae Transit Center.
- *VTA Light Rail*: Caltrain passengers may connect to the VTA system at the Mountain View station and the Diridon and Tamien stations in San Jose.
- *VTA Bus Service:* Passengers may connect to VTA buses at most stations in Santa Clara County.
- *Amtrak's Capitol Corridor:* Passengers may connect to Caltrain at the San Jose Diridon station.
- *ACE:* Passengers may connect to Caltrain at the Santa Clara) and San Jose Diridon stations.
- *Dumbarton Express:* Passengers may connect to the DB Express at the Palo Alto station.
- *AC Transit:* Passengers may connect to the M-line at the Caltrain Hillsdale station.

In addition to service connectivity, Caltrain is one of seven Bay Area transit agencies that are partners in Clipper, an electronic fare payment card. The program is coordinated by the Metropolitan Transportation Commission, which is the regions planning organization.

**Caltrain Bicycle Program**
Caltrain offers a comprehensive bicycle program that helps provide options for the last-mile connection to the train station, as well as onboard the train. Caltrain offers a range of bicycle options at the station, including more than 400 rack spaces, 1,100 lockers and a staffed parking facility. Caltrain maintains the most generous onboard bicycle program of all U.S. commuter rail operators. Every train has a guaranteed 48-bike space capacity with some trains having as many as 80. There are no peak-hour or direction restrictions, other than capacity. According to the Caltrain 2015 Annual Passenger Counts, Caltrain had 6,207 bike boardings on an average weekday. This represents a 5.7% increase from fiscal year 2014.

In September 2008, Caltrain adopted a Bicycle Access and Parking Plan, which identified bicycle programs and innovative strategies to improve bicycle access to the stations. This strategy was focused and refined in 2014 through the development of a Bicycle Access and Parking Plan Implementation Strategy. In general, Caltrain's strategy is to encourage and promote bicycle access to stations by increasing and improving bicycle parking and pursuing innovative approaches to managing demand of the onboard bicycle program. Caltrain has a dedicated Bicycle Advisory Committee that serves as the primary venue for the interests of bicyclists to be integrated into Caltrain's planning processes. In the coming year Caltrain will develop a Bicycle Parking Management Plan to further improve the customer service and administrative performance of bicycle facilities at its stations.

**State-of-Good-Repair Program**
This program includes system-wide, scheduled improvements on infrastructure, tracks, bridges, signal and communication equipment, ticket vending and validation equipment, and preventative maintenance and strategic replacement of the Caltrain rolling stock. In order to ensure these assets are kept in a state of good repair, replacement and rehabilitation of these assets must be done at intervals recommended by industry or manufacturer standards. Otherwise, the cost of operating these assets could increase due to potentially higher maintenance costs and operational delays that occur when these assets are out of service or in a state of disrepair. Some of the projects that are currently underway include replacements of the SF Roadway Bridge, Quint Street Bridge, Los Gatos Creek Bridge, and San Mateo Bridges**,** the installation of train departure monitors at terminal stations that will transmit real-time train schedule information in San Francisco and San Jose/Diridon stations, and the upgrading of cables at the ticket vending machines that allow faster and more reliable transmission of information. Projects completed in fiscal year 2015 include the upgrading of the public address and visual messaging signs at four stations that inform passengers of train schedules, delays, and other pertinent rider information, a technology based asset management system that tracks the conditions of assets such as rail, cross ties, bridges, and stations was developed and is being enhanced and disseminated throughout the agency, the purchase and commissioning (including station modifications) of used vehicles from the SCCRA (Metrolink) that

were put into service to extend train sets to 6-cars long, and the installation of outward facing cameras onboard the locomotive trains to record events along the right-of-way.

**Caltrain Station Safety Improvement Program**
The Caltrain Station Safety Improvement Program includes station redesign, grade crossing improvements and right of way fencing. The primary purpose of the program is to remove the “hold-out” rule at a number of Caltrain stations. These stations have narrow center island platforms, which have several negative impacts on Caltrain service, including customer safety concerns and schedule delays. Improvements to the stations will include demolition of existing narrow center platforms and construction of new platforms, installation of center fencing between the existing mainline tracks through the platform area, and installation of new pedestrian underpasses and/or signalized pedestrian at-grade crossings with pedestrian gates. There are only four hold-out rule stations remaining on the Caltrain line, including Atherton, Broadway, College Park and South San Francisco.

The grade crossing improvement program was developed to make grade crossings in San Mateo County safer for both vehicular and pedestrian traffic. Some of the projects currently in progress include the South San Francisco Stations Improvement Project that will remove the hold-out rule at that station, the San Mateo Grade Separation Project that will construct grade separations at 31st, 28th, and 25th Avenues in the City of San Mateo, and the Sunnyvale Station Platform Rehabilitation project that will address uneven surfaces at that station. Projects completed in fiscal year 2015 include the completion of Signal Preemption project that improves the safety at five signalized traffic intersections including Brewster Avenue in Redwood City, Churchill Avenue and East Meadow Avenue in Palo Alto, and Rengstorff Avenue and Castro Street in Mountain View. Also completed were significant amounts of right-of-way safety fencing to enclose portions of the corridor to discourage trespassing, and center track fencing at stations to prevent crossings at unsafe locations.

## FUTURE OF CALTRAIN – SYSTEM EXPANSION AND CONNECTIONS

***Caltrain Modernization Program***

The 2014 Caltrain Strategic Plan is structured around the Caltrain Modernization Program. Collectively, the Caltrain Modernization Program (CalMod) encompasses both the delivery of infrastructure projects to the Caltrain system by 2020 as well as ongoing planning for longer range improvements focused on expanding system capacity and preparing for the shared use of the Peninsula Corridor by both Caltrain and High Speed Rail Service in a "Blended System." The CalMod program and the blended system are codified and funded through a 9-party Memorandum of Understanding that was signed by the JPB, the California High Speed Rail Authority, MTC and other regional entities in 2012.

By 2020, the Caltrain Modernization Program will electrify and upgrade the performance, operating efficiency, capacity, safety and reliability of Caltrain's commuter rail service through the delivery of several key projects that form the "Early Investment Program" for the Caltrain / High Speed Rail blended system. These projects include the electrification of the existing Caltrain corridor between San Francisco and San Jose; the installation of a Communications Based Overlay Signal System Positive Train Control (CBOSS PTC), which is an advanced signal system that includes federally-mandated safety improvements; and the replacement of a majority of Caltrain's diesel trains with high-performance, electric trains called Electric Multiple Units (EMUs).

Together, the delivery of CBOSS PTC by 2016 and the Peninsula Corridor Electrification Project by 2020 constitute an "early investment" in the future shared operation of Caltrain and High Speed Rail on the corridor as a blended system. Prior to high speed rail's anticipated arrival, additional system upgrades including high-speed rail stations and the rail extension from the Caltrain 4th and King station to the new Transbay Transit Center in downtown San Francisco must also be planned, funded and constructed. The blended system may also include passing tracks that allow high-speed rail trains to bypass the Caltrain trains; grade crossing upgrades, including potential grade separations; a storage and maintenance facility and other system upgrades. Caltrain's own capital improvement program also contemplates a second "phase" of improvements to the Caltrain system including the full conversion of Caltrain's fleet to EMUs, the extension of trains from 6 to 8 cars, and modification of station platforms to accommodate longer trains and support level boarding. Over the next ten years, Caltrain will work with the California High Speed Rail Authority, the Transbay Joint Powers Authority and other local and regional partners to plan for the blended system and downtown extension as well as its own ongoing improvement and expansion.

***Other System Expansion and Connections***

*Transbay Transit Center/Caltrain Downtown Extension Project:* This project is led by the Transbay Joint Powers Authority (TJPA). The TJPA is responsible for designing, building, operating and maintaining the new Transbay Transit Center and associated facilities located in downtown San Francisco. They are also responsible or building a 1.3 mile rail extension from the existing Caltrain terminal at 4th and King to the new Transit Center which will support Caltrain and future high-speed rail services in downtown San Francisco.

**AWARDS AND ACKNOWLEDGMENTS**

The JPB staff and its contracted service providers bring an effective combination of skill, experience and dedication to carrying out the agency's mission. Together, they plan, develop and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many attributes of the Bay Area and beyond. Although we expect the recovery from the recession to be slow moving with continued slow growth and high unemployment, the JPB expects the continued enthusiasm and dedication of its transit professionals to meet the transportation challenges of the future. The Government Finance Officers Association (GFOA) recognized the JPB's 2014 Comprehensive Annual Financial Report for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our 2015 Comprehensive Annual Financial Report also meets the requirements for a Certificate of Achievement and have submitted it to the GFOA for evaluation. We would like to thank our independent audit firm, Vavrinek, Trine, Day & Co., LLP, for its timely and expert guidance in this matter. A comprehensive annual financial report requires the dedicated effort of many individuals working together as a team. We would like to extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year. Finally, we wish to thank the Executive Director and the Board of Directors for their interest and support in the development of a reliable financial management and reporting system.

Respectfully submitted,

**Virginia Harrington**
Deputy CEO

**Rima Lobo**
Director of Finance

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Peninsula Corridor Joint Powers Board**

**California**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# BOARD OF DIRECTORS

### *Representing City and County of San Francisco:*

José Cisneros

Malia Cohen

Tom Nolan

### *Representing San Mateo County Transit District:*

Jeff Gee

Rose Guilbault

Adrienne Tissier, Chair

### *Representing Santa Clara Valley Transportation Authority:*

Ash Kalra

Perry Woodward, Vice Chair

Ken Yeager

# EXECUTIVE MANAGEMENT

**EXECUTIVE DIRECTOR**

Jim Hartnett

**EXECUTIVE OFFICERS**

Michelle Bouchard - Chief Operating Officer, Rail

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

Virginia Harrington - Deputy CEO/Chief Administrative Officer

Chuck Harvey - Deputy CEO/Organizational Support and Special Projects

Marian Lee - Chief Officer, Caltrain Planning/CalMod Program

Martha Martinez - Executive Officer, District Secretary/Executive Administration

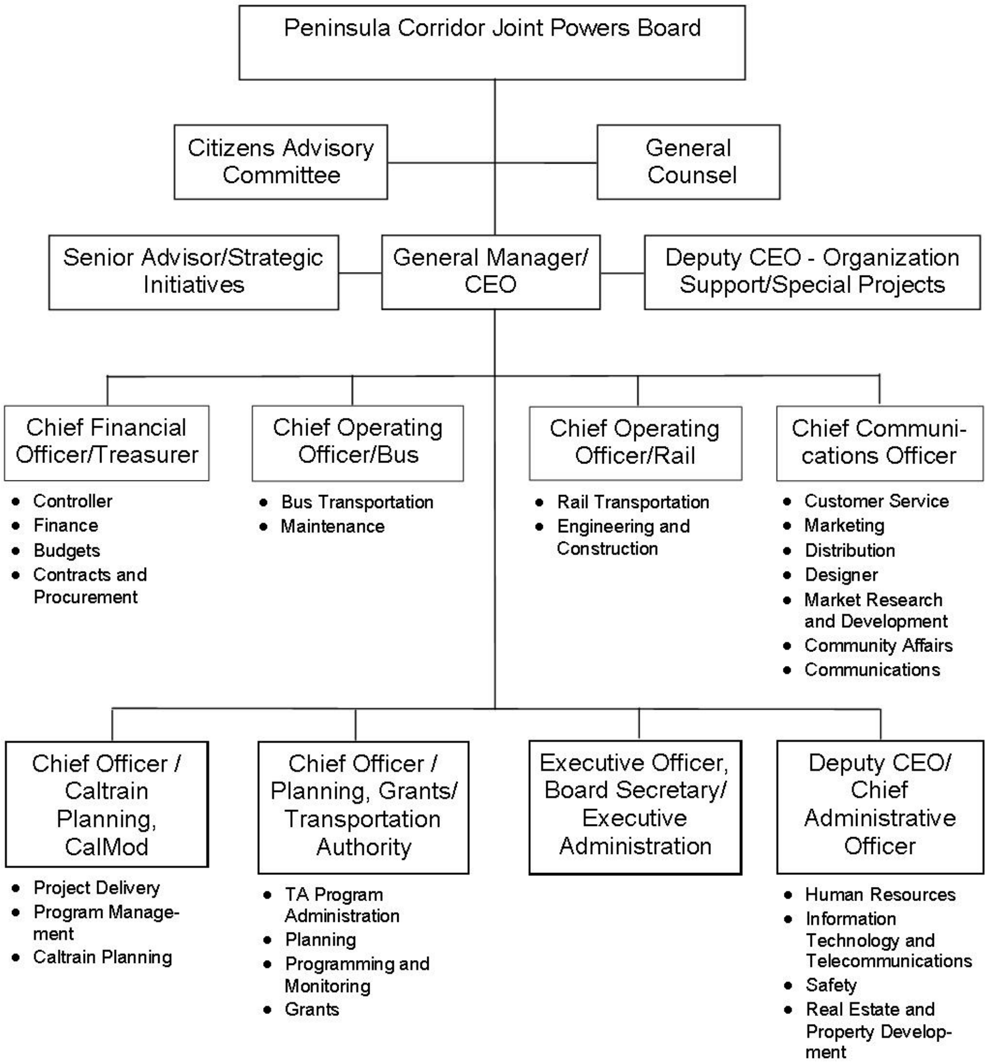
Seamus Murphy - Chief Communications Officer

Mark Simon - Senior Advisor, Strategic Initiatives

**GENERAL COUNSEL**

Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP

Joan Cassman, Esq.


Peninsula Corridor Joint Powers Board
Citizens Advisory Committee
General Counsel
Senior Advisor/Strategic Initiatives
General Manager/ CEO
Deputy CEO - Organization Support/Special Projects
Chief Financial Officer/Treasurer
• Controller
• Finance
• Budgets
• Contracts and Procurement
Chief Operating Officer/Bus
• Bus Transportation
• Maintenance
Chief Operating Officer/Rail
• Rail Transportation
• Engineering and Construction
Chief Communi-cations Officer
• Customer Service
• Marketing
• Distribution
• Designer
• Market Research and Development
• Community Affairs
• Communications
Chief Officer / Caltrain Planning, CalMod
• Project Delivery
• Program Manage-ment
• Caltrain Planning
Chief Officer / Planning, Grants/ Transportation Authority
• TA Program Administration
• Planning
• Programming and Monitoring
• Grants
Executive Officer, Board Secretary/ Executive Administration
Deputy CEO/ Chief Administrative Officer
• Human Resources
• Information Technology and Telecommunications
• Safety
• Real Estate and Property Develop-ment

**PENINSULA CORRIDOR JOINT POWERS BOARD**

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

**PENINSULA CORRIDOR JOINT POWERS BOARD**

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

# TABLE OF CREDITS

The following individuals contributed to the production of the Fiscal Year 2015 Comprehensive Annual Financial Report:

| | | |
|---|---|---|
| **Finance**: | Manager, General Ledger | Sheila Tioyao |
| | Manager, Treasury | Carl Cubba |
| | Senior Accountant | Jeannie Chen |
| | | Brian Lee |
| | | Mary Manders |
| | Senior Budget Analyst | Sam Le |
| **Audit Firm**: | Partner | Ahmad Gharaibeh |
| | Manager | Nathan Edelman, CPA |

# *Section II*

## FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements

Supplementary Information

- Supplementary Schedule of Revenues and Expenses - Comparison of Budget to Actual (Budgetary Basis)
- Notes to Supplementary Schedule

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants



# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Peninsula Corridor Joint Powers Board
San Carlos, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the Peninsula Corridor Joint Powers Board (JPB) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the JPB's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Peninsula Corridor Joint Powers Board, as of June 30, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Prior-Year Comparative Information*

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

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the JPB’s basic financial statements. The introductory section, supplementary schedule of revenues and expenses - comparison of budget to actual, the schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of revenues and expenses - comparison of budget to actual and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of revenues and expenses - comparison of budget to actual and the schedule of expenditures of federal awards, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
January 15, 2016

# MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the JPB's financial performance provides an overview of the JPB's activities for the fiscal year ended June 30, 2015 with comparisons to prior fiscal years ended June 30, 2013 and June 30, 2014. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

## *FINANCIAL HIGHLIGHTS*

- Total assets on June 30, 2015 stand at $1,452.2 million, an increase of $62.8 million or 4.5 percent compared to June 30, 2014 and increased $41.5 million or 3.1 percent on June 30, 2014 compared to June 30, 2013, primarily due to an increase in capital assets in both years.

- Total liabilities increased by $22.8 million or 20.3 percent to $135.2 million at June 30, 2015 compared to June 30, 2014 and increased by $2.8 million or 2.6 percent to $112.4 million at June 30, 2014 compared to June 30, 2013. The fiscal year 2015 increase was mainly due to an increase in unearned revenue. The fiscal year 2014 increase was due to increases in accounts payable and accrued liabilities and unearned member contributions.

- Total operating revenues in fiscal year 2015 were $90.8 million, an increase of $8.6 million or 10.5 percent compared to fiscal year 2014 and increased by $6.6 million or 8.7 percent in fiscal year 2014 compared to fiscal year 2013. The increases in both fiscal years were mainly due to increased farebox revenues.

- Total operating expenses in 2015 were $120.1 million, an increase of $4.4 million or 3.8 percent compared to 2014 and increased $8.7 million or 8.1 percent in fiscal year 2014 over fiscal year 2013. The fiscal year 2015 increase was mainly due to increases in contract services, insurance and wages and benefits. The fiscal year 2014 increase was mainly due to increases in contract service and wages and benefits.

- Nonoperating revenues, net of nonoperating expenses, decreased by $4.9 million or 13.8 percent to $30.6 million in fiscal year 2015 from fiscal year 2014 and decreased $7.7 million or 17.8 percent to $35.5 million in fiscal year 2014 compared to fiscal year 2013. The fiscal year 2015 decrease was due to a decrease in the federal, state and local operating assistance and other income (expense). The fiscal year 2014 increase was due to a dcrease in the federal, state and local operating assistance.

- In fiscal year 2015 the JPB recognized $115.2 million in capital contributions, an increase of $3.9 million or 3.5 percent from fiscal year 2014. In fiscal year 2014, the JPB recognized $111.3 million in capital contributions, an increase of $24.0 million or 27.4 percent from fiscal year 2013. The increases in both fiscal years represent increased activity on the San Bruno Grade separation and Caltrain Modernization program.

- Net position at June 30, 2015 were $1,317.0 million, up $40.0 million or 3.1 percent from June 30, 2014 and the net position at June 30, 2014 were $1,277.0 million up $38.7 million or 3.1 percent from June 30, 2013, as capital assets, net of accumulated depreciation and amortization increased $47.4 million and $37. 9 million during fiscal years 2015 and 2014, respectively.

## *OVERVIEW OF THE FINANCIAL STATEMENTS*

The Financial Section of this report presents the JPB's financial statements as two components: basic financial statements and notes to the financial statements. It also includes supplemental information.

### Basic Financial Statements

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

The S*tatement of Revenues, Expenses and Changes in Net Position* reports how net position has changed during the year. It compares related operating revenues and operating expenses connected with the JPB's principal business of providing rail service. Operating expenses include the cost of direct services to passengers, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses are reported as non-operating.

The *Statement of Cash Flows* reports inflows and outflows of cash, classified into four major categories:

- *Cash flows from operating activities* include transactions and events reported as components of operating income in the statement of revenues, expenses and changes in net position.
- *Cash flows from non-capital financing activitie*s include operating grant proceeds as well as operating subsidy payments from third parties as well as other non-operating items.
- *Cash flows from capital and related financing activities* include the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets, and the proceeds of capital grants and contributions.
- *Cash flows from investing activities* include proceeds from sale of investments, receipt of interest and changes in the fair value of investments subject to reporting as cash equivalents. Outflows in this category include the purchase of investments.

### Notes to the Financial Statements

Various notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are found immediately following the financial statements to which they refer.

### Other Information

This report also presents certain *supplementary* information concerning compliance with the JPB's annual budget. This *supplementary* information, as well as associated notes can be found immediately following the *basic financial statements* and the accompanying notes.

### Analysis of Basic Financial Statements

Total assets increased by $62.8 million or 4.5 percent to $1,452.2 million at June 30, 2015 compared to June 30, 2014, and increased by $41.5 million or 3.1 percent at June 30, 2014 compared to June 30, 2013. The increases for fiscal year 2015 and fiscal year 2014 were mainly due to right of way improvement projects. Current assets increased by $15.4 million or 12.9 percent to $134.7 million in 2015 mainly due to an increase in restricted investments, accounts receivable and prepaid expenses. In 2014, current assets increased by $3.6 million or 3.1 percent compared to 2013, primarily due to an increase in cash and cash equivalents, accounts receivable and inventory.

Total capital assets, net of accumulated depreciation and amortization increased $47.4 million or 3.7 percent at June 30, 2015 to $1,317.5 million from $1,270.1 million on June 30, 2014, and increased $37.9 million or 3.1 percent from $1,232.2 million in fiscal year 2014 compared to fiscal year 2013. Investments in capital assets, before depreciation, consist of acquisitions and improvements to the right of way ($1,199.8 million or 62.3 percent), rail vehicles ($284.0 million or 14.7 percent), facilities and equipment ($128.6 million or 6.7 percent), intangible asset – trackage rights ($8.0 million or 0.4 percent) and construction in progress ($306.0 million or 15.9 percent) in fiscal year 2015. In fiscal year 2014, investments in capital assets, before depreciation, consist of acquisitions and improvements to the right of way ($1,030.9 million or 57.1 percent), rail vehicles ($284.1 million or 15.7 percent), facilities and equipment ($127.7 million or 7.1 percent), intangible asset – trackage rights ($8.0 million or 0.4 percent) and construction in progress ($354.3 million or 19.6 percent).

Total liabilities increased by $22.8 million or 20.3 percent to $135.2 million at June 30, 2015 compared to June 30, 2014 and increased $2.8 million or 2.6 percent to $112.4 million at June 30, 2014 compared to June 30, 2013. The fiscal year 2015 increase was primarily due to increases in accounts payable, bond issuance and accrued liabilities and unearned member contribution. The fiscal year 2014 increase was due to increase in unearned member contribution and unearned revenue.

Total net position was $1,317.0 million at June 30, 2015 which represents an increase of $39.9 million or 3.1 percent from June 30, 2015 and $1,277.0 million at June 30, 2014, which represents an increase of $38.7 million or 3.1 percent from June 30, 2013. Net investment in capital asset was $1,282.9 million at June 30, 2015, representing 97.4 percent of the total net position, $1,246.2 million at June 30, 2014, representing 97.6 percent of total net position and $1,208.6 million at June 30, 2013 representing 97.6 percent of total net position.

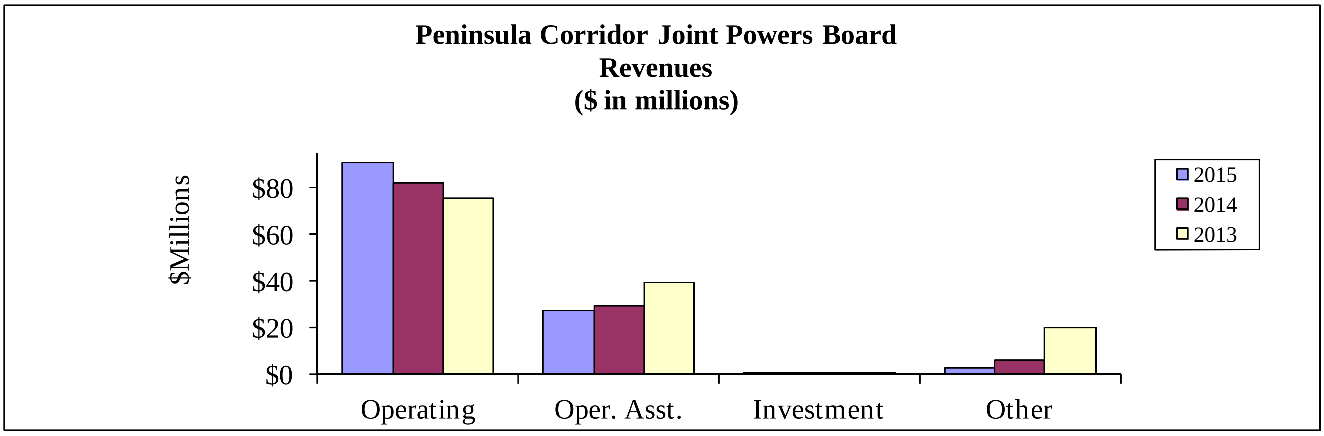
**PENINSULA CORRIDOR JOINT POWERS BOARD**
**NET POSITION**
**(in thousands)**

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Current assets | $ 134,732 | $ 119,337 | $ 115,729 |
| Capital assets, net of depreciation/amortization | 1,317,482 | 1,270,058 | 1,232,160 |
| Total assets | 1,452,214 | 1,389,395 | 1,347,889 |
| Current liabilities | 95,295 | 86,818 | 81,440 |
| Long-term liabilities | 39,943 | 25,576 | 28,110 |
| Total liabilities | 135,238 | 112,394 | 109,550 |
| Net investment in capital assets | 1,282,931 | 1,246,218 | 1,208,591 |
| Unrestricted | 34,043 | 30,783 | 29,748 |
| Total net position | $ 1,316,974 | $ 1,277,001 | $ 1,238,339 |

**Revenues**

Operating revenues increased to $90.8 million in fiscal year 2015, a $8.6 million or 10.5 percent increase from fiscal year 2014 and increased to $82.1 million in fiscal year 2014, a $6.6 million or 8.7 percent increase from fiscal year 2013. Increases for both years were due to increases in passenger fares.

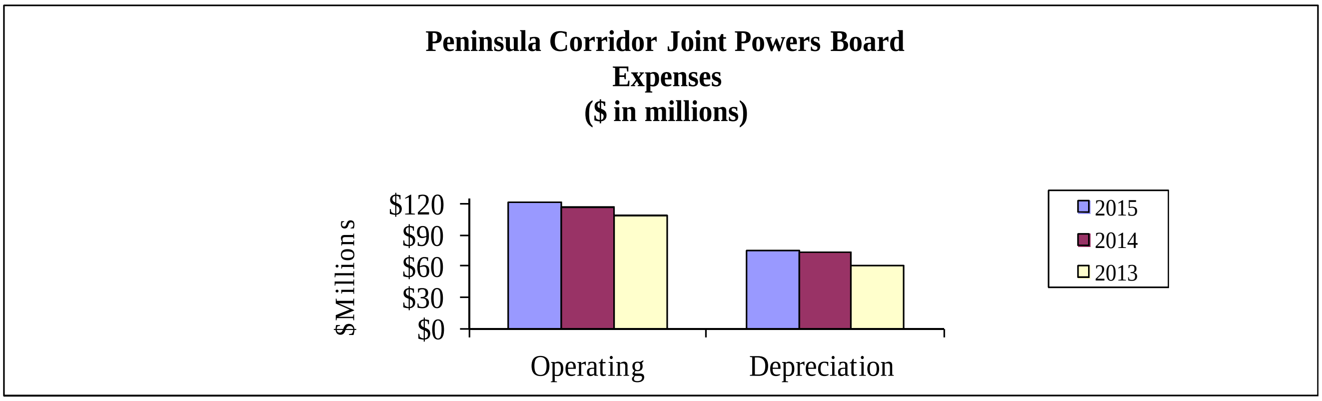
Non-operating revenues decreased $4.9 million or 13.8 percent to $30.6 million at June 30, 2015 compared to June 30, 2014 and decreased $7.7 million or 17.8 percent in fiscal year 2014 compared to fiscal year 2013.




**Expenses**

Total operating expenses of $120.1 million in fiscal year 2015 were $4.4 million or 3.8 percent higher than fiscal year 2014, and in fiscal year 2014 $8.7, million or 8.1 percent higher than fiscal year 2013. Total operating expenses in fiscal year 2015 consisted of $78.2 million or 65.1 percent for rail operator contract services, $12.1 million or 10.1 percent for fuel, and $29.8 million or 24.8 percent for other expenses combined. The largest component of fiscal year 2015 and fiscal year 2014 operating expenses was rail operator contract services at $78.2 million and $75.2 million which represent 65.1 percent and 65.0 percent of the total expenses respectively.

Depreciation and amortization for fiscal year 2015 was $75.3 million, a $1.8 million or 2.5 percent increase over fiscal year 2014. In fiscal year 2014, depreciation and amortization was $73.5 million, a $13.5 million or 22.5 percent increase over fiscal year 2013.



**PENINSULA CORRIDOR JOINT POWERS BOARD**
**CHANGES IN NET POSITION**
**(in thousands)**

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Operating revenues: | | | |
| Passenger fares | $ 83,351 | $ 74,846 | $ 68,767 |
| Parking, shuttle and pass revenues | 5,990 | 5,859 | 5,275 |
| Other | 1,421 | 1,440 | 1,504 |
| Total operating revenues | 90,762 | 82,145 | 75,546 |
| Operating expenses: | | | |
| Contract services | 78,240 | 75,238 | 65,485 |
| Insurance | 6,593 | 3,874 | 5,186 |
| Fuel | 12,118 | 14,797 | 15,350 |
| Parking, shuttle and pass revenues | 5,316 | 5,476 | 5,756 |
| Professional service | 1,255 | 1,322 | 1,098 |
| Wages and benefits | 11,501 | 10,668 | 9,322 |
| Utilities and supplies | 2,068 | 1,524 | 1,726 |
| Maintenance services | 1,039 | 1,007 | 1,011 |
| Temporary services, rent and other | 1,981 | 1,854 | 2,117 |
| Total Operating expenses | 120,110 | 115,760 | 107,051 |
| Operating loss before depreciation and amortization | (29,348) | (33,616) | (31,506) |
| Depreciation and amortization | (75,300) | (73,452) | (59,968) |
| Operating loss | (104,648) | (107,068) | (91,474) |
| Nonoperating revenues | | | |
| Federal, state and local operating assistance | 27,578 | 29,522 | 39,165 |
| Rental income | 1,764 | 1,728 | 1,783 |
| Investment income (loss) | 242 | 206 | 128 |
| Other income (expense) | 1,007 | 4,044 | 2,137 |
| Total Nonoperating revenues | 30,590 | 35,500 | 43,213 |
| Nonoperating expenses | (1,192) | (1,120) | (1,120) |
| Net loss before capital contributions | (75,250) | (72,688) | (49,383) |
| Capital contributions | 115,225 | 111,349 | 87,385 |
| Change in net position | 39,975 | 38,661 | 38,002 |
| Net position - beginning of year | 1,277,000 | 1,238,339 | 1,200,336 |
| Net position - end of year | $ 1,316,975 | $ 1,277,000 | $ 1,238,338 |

**Capital Projects**

The JPB incurred capital expenses of $122.7 million and recognized related revenue in the form of capital contributions of $115.2 million in fiscal year 2015, which is $3.9 million or 3.5 percent increase in capital contributions in fiscal year 2015 over fiscal year 2014. The fiscal year 2015 capital sources consist of federal grants ($25.9 million or 21.1 percent), state grants ($45.0 million or 36.7 percent), local assistance including the three member agencies ($44.3 million or 36.1 percent), and debt financing ($7.5 million or 6.1%). The JPB incurred capital expenses of $111.3 million and recognized related revenue in the form of capital contributions of $111.3 million in fiscal year 2014, which is $24.0 million or 27.4 percent increase in capital contributions in fiscal year 2014 over fiscal year 2013. The fiscal year 2014 capital sources consist of federal grants ($35.5 million or 31.9 percent), state grants ($30.4 million or 27.3 percent), and local assistance including the three member agencies ($45.4 million or 40.8 percent).

Following is a summary of the JPB's major capital expenditures for fiscal year 2015:
- Caltrain modernization program ($75.4 million)
- Bridge repairs and replacements ($17.8 million)
- Caltrain passenger cars, accessories and improvements and miscellaneous other ($13.3 million)
- Cost of grade crossing and separation along the Caltrain line ($6.8 million)
- System-wide track rehabilitation, signal, bridge and tunnel work ($3.9 million)
- Station improvements and repairs ($1.9 million)
- Safety related features at stations, grade crossings and along the tracks ($1.1 million)
- Communication equipment to improve the reliability, quality and speed of signal, data and voice transmissions ($.3 million)
- Other ($2.2 million)

*Additional information about the JPB’s capital activities appear in* Note #6 - Capital Assets in the Notes to the Financial Statements.

**Debt**

At the end of fiscal year 2015, the JPB had $34.1 million in outstanding farebox revenue bonds, an increase of $11.0 million or 47.6 percent from $23.1 million at end of fiscal year 2014. During fiscal year 2008, the JPB issued $23.1 million of farebox revenue bonds (2007 Series A Farebox Revenue Bonds) to finance the purchase of eight new passenger railcars and refinance the outstanding balance of the JPB’s 1999 Series A Farebox Revenue Bonds. Principal payments are not scheduled to begin on the 2007 Series A Farebox Revenue Bonds until October 1, 2018. On January 14, 2015, the JPB issued an additional series of farebox revenue bonds (2015 Series A Farebox Revenue Bonds) to finance a portion of the costs of the acquisition and rehabilitation of sixteen passenger rail cars and related capital improvements. Principal payments are not scheduled to begin on the 2015 Series A Farebox Revenue Bonds until October 1, 2019. More information regarding the JPB’s long-term debt activity can be found in Note #9 – *Farebox Revenue Bonds Payable* in the notes to the financial statements.

**Economic Factors and Next Year’s Budget**

The JPB Board approved the fiscal year 2016 Operating Budget on June 4, 2015. The budget represents a cautious optimism that the unprecedented ridership and revenue growth of recent years will continue at a pace that will generate badly needed funding.

The FY2016 Operating Budget consists of $139.2 million in revenues and expenditures. The major components of revenue include operating revenue at $93.1 million, mostly from farebox, and $46.0 million in contributed revenue which includes Assembly Bill 434 and San Mateo County Transportation Authority shuttle funding, State Transit Assistance formula funds, and JPB Member Agency contributions. Operating expenses are projected at $117.6 million with the Rail Operator Contract, Postitive Train Control(PTC)/other costs, security service costs, shuttle costs, and fuel costs making up a significant part of the budget. Administrative expenses are projected to be $20.3 million.

The FY2016 Capital Budget was also approved on June 4, 2015. The $200.8 million budget consists primarily of critical infrastructure and equipment state of good repair, legal mandates, operational improvements, and Caltrain Modernization projects. The FY2016 Capital Budget is to be funded by a mixture of Federal, State, and regional grants. It also includes anticipated contributions totaling $19.5 million from the three JPB member agencies.

Some of the highlights of the capital budget include:

- Award of contract and begin construction for South San Francisco station improvement
- Complete inspection and documentation of Caltrain’s 91 railroad bridges per Federal Railroad Administration mandate.
- Proposal review and negotiations, including preparation of award recommendation to the Board for the procurement of rolling stock for new electrified service.
- Award of the design/build contract for electrification of the right of way, begin design/construction activities.

### *Requests for Information*

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the JPB’s finances and to demonstrate accountability for the funds it manages. Please direct any questions about this report or requests for additional information about JPB finances to: Peninsula Corridor Joint Powers Board, attn: Chief Financial Officer, 1250 San Carlos Avenue, San Carlos, California, 94070-1306.

## PENINSULA CORRIDOR JOINT POWERS BOARD

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

| | 2015 | 2014 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents (Note 3) | $ 38,876,718 | $ 41,468,314 |
| Restricted cash (Note 3) | 23,893,272 | 22,798,100 |
| Total Cash and Cash Equivalents | 62,769,990 | 64,266,414 |
| Due from other governmental agencies | 34,044,608 | 39,635,518 |
| Receivables from member agencies (Note 14) | 16,259,013 | 5,732,396 |
| Accounts receivable - other, net of allowance | 5,858,793 | 4,618,561 |
| Inventory | 5,205,076 | 4,425,933 |
| Prepaid expenses | 4,873,466 | 382,811 |
| Restricted investment with fiscal agents (Note 3) | 5,720,640 | 275,720 |
| Total Current Assets | 134,731,586 | 119,337,353 |
| | | |
| Noncurrent Assets: | | |
| Capital Assets (Note 6) | | |
| Right-of-way improvements | 972,865,912 | 804,002,823 |
| Rail vehicles | 284,023,287 | 284,128,483 |
| Facilities and equipment | 128,583,525 | 127,653,080 |
| Office equipment | 1,083,825 | 868,868 |
| Capital Assets, Gross | 1,386,556,549 | 1,216,653,254 |
| Less accumulated depreciation | (610,024,115) | (535,744,273) |
| Construction in progress (Note 2L) | 305,977,071 | 354,255,973 |
| Right of Way | 226,972,189 | 226,892,731 |
| Intangible assets - trackage rights (Note 4) | 8,000,000 | 8,000,000 |
| Total Capital Assets, Net | 1,317,481,694 | 1,270,057,685 |
| Total Noncurrent Assets | 1,317,481,694 | 1,270,057,685 |
| Total Assets | 1,452,213,280 | 1,389,395,038 |



The accompanying notes are an integral part of the financial statements

## PENINSULA CORRIDOR JOINT POWERS BOARD

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

| | 2015 | 2014 |
|---|---|---|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | $ 45,534,579 | $ 35,807,954 |
| Interest payable | 320,544 | 275,719 |
| Self-insurance claims liabilities (Note 10) | 3,078,015 | 3,593,066 |
| Unearned member contributions (Note 14) | 20,701,681 | 17,946,437 |
| Unearned revenue | 25,597,608 | 28,190,264 |
| Other | 62,332 | 75,109 |
| Total Current Liabilities | 95,294,759 | 85,888,549 |
| Noncurrent Liabilities: | | |
| Farebox revenue bonds payable - long-term (Note 9) | 34,550,683 | 23,564,398 |
| Self-insurance claims liabilities - long-term (Note 10) | 5,392,770 | 2,941,525 |
| Total Noncurrent Liabilities | 39,943,453 | 26,505,923 |
| Total Liabilities | 135,238,212 | 112,394,472 |
| NET POSITION | | |
| Net investment in capital assets | 1,282,931,011 | 1,246,493,287 |
| Unrestricted | 34,044,057 | 30,507,279 |
| Total Net Position | $ 1,316,975,068 | $ 1,277,000,566 |



The accompanying notes are an integral part of the financial statements

## PENINSULA CORRIDOR JOINT POWERS BOARD

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
## FOR THE YEAR ENDED JUNE 30, 2015
## (WITH COMPARATIVE TOTALS FOR 2014)

| | 2015 | 2014 |
|---|---|---|
| OPERATING REVENUES | | |
| Passenger fares | $ 83,351,480 | $ 74,846,067 |
| Parking, shuttle and pass revenues | 5,990,289 | 5,858,647 |
| Other | 1,421,407 | 1,440,098 |
| Total Operating Revenues | 90,763,176 | 82,144,812 |
| OPERATING EXPENSES: | | |
| Contract services (Note 12A) | 78,239,837 | 75,238,492 |
| Insurance | 6,593,219 | 3,873,985 |
| Fuel (Note 12B) | 12,117,619 | 14,796,612 |
| Parking, shuttle and pass expenses | 5,315,716 | 5,475,597 |
| Professional services | 1,254,807 | 1,322,407 |
| Wages and benefits | 11,501,015 | 10,668,320 |
| Utilities and supplies | 2,068,116 | 1,524,305 |
| Maintenance services | 1,038,900 | 1,007,144 |
| Temporary services, rent and other | 1,981,252 | 1,853,780 |
| Total Operating Expenses | 120,110,481 | 115,760,642 |
| Operating loss before depreciation and amortization | (29,347,305) | (33,615,830) |
| Depreciation and amortization | (75,300,031) | (73,451,520) |
| OPERATING LOSS | (104,647,336) | (107,067,350) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Federal, state and local operating assistance (Note 7) | 27,578,288 | 29,522,340 |
| Rental income | 1,763,815 | 1,728,248 |
| Investment income | 241,768 | 205,540 |
| Interest expense | (1,193,422) | (1,120,333) |
| Other income | 1,006,528 | 4,044,271 |
| Total Non-Operating Revenues, net | 29,396,977 | 34,380,066 |
| Net Loss Before Capital Contributions | (75,250,359) | (72,687,284) |
| Capital contributions (Note 11) | 115,224,861 | 111,349,160 |
| Change in Net Position | 39,974,502 | 38,661,876 |
| NET POSITION | | |
| Beginning of Year | 1,277,000,566 | 1,238,338,690 |
| End of year | $ 1,316,975,068 | $1,277,000,566 |



The accompanying notes are an integral part of the financial statements

## PENINSULA CORRIDOR JOINT POWERS BOARD

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30, 2015
## (WITH COMPARATIVE TOTALS FOR 2014)

| | 2015 | 2014 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from passenger fares, passes and other | $ 89,522,944 | $ 82,436,246 |
| Payments to vendors for services | (102,795,390) | (106,084,188) |
| Payments to employees | (11,513,792) | (10,667,452) |
| Payments for insurance claims and premiums | (4,657,025) | (5,263,912) |
| Net cash (used for) operating activities | (29,443,263) | (39,579,306) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Operating grants received | 19,806,915 | 24,187,342 |
| Rental and other income | 2,770,343 | 5,769,864 |
| Net cash provided by noncapital and financing activities | 22,577,258 | 29,957,206 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital contributions | 123,459,085 | 125,573,647 |
| Property additions | (122,724,040) | (111,311,779) |
| Proceeds from sale of bonds | 11,000,000 | - |
| Interest and fiscal charges paid | (1,162,312) | (1,102,875) |
| Net cash provided by capital and related financing activities | 10,572,733 | 13,158,993 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 6,621,891 | - |
| Purchase of investment | (12,066,811) | - |
| Interest received | 241,768 | 261,217 |
| Net cash provided by investing activities | (5,203,152) | 261,217 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (1,496,424) | 3,798,110 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 64,266,414 | 60,468,304 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 62,769,990 | $ 64,266,414 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED | | |
| Operating loss | $(104,647,336) | $(107,067,350) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | 75,300,031 | 73,451,520 |
| Effect of changes in: | | |
| Receivables | (1,240,232) | (101,266) |
| Inventory | (779,143) | (1,297,194) |
| Prepaid expenses | - | 114,349 |
| Accounts payable, accrued liabilities and claims liabilities | 1,923,417 | (5,072,065) |
| Unearned revenue | - | 392,700 |
| Net cash (used for) operating activities | $ (29,443,263) | $ (39,579,306) |
| NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Increase (decrease) in fair value of investments | $ 57,780 | $ 108,247 |



The accompanying notes are an integral part of the financial statements

## PENINSULA CORRIDOR JOINT POWERS BOARD

## NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2015

***INDEX TO THE NOTES*** **Pages**



Notes are essential to present fairly the information contained in the overview level of the basic financial statements. Narrative explanations are intended to communicate information that is not readily apparent or cannot be included in the statements and schedules themselves, and to provide additional disclosures as required by the Governmental Accounting Standards Board.

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

### NOTE 1 – ORGANIZATION

In 1987, representatives of the City and County of San Francisco (CCSF), the San Mateo County Transit District (District) and the Santa Clara Valley Transportation Authority (VTA) formed the Peninsula Corridor Joint Powers Board (JPB) to transfer administrative responsibility for the Caltrain rail service from the State of California to the local level. In October 1991, a Joint Powers Agreement (Agreement) signed by the three parties (Member Agencies) stipulated the JPB membership and powers, specified financial commitments for each member, and detailed other administrative procedures, including designating the District as the managing agency.

The JPB acquired the rail corridor right of way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific Transportation Company in December 1991, with contributions provided by the District, the San Mateo County Transportation Authority, VTA, and the California Transportation Commission. The JPB holds title to portions of the Mainline located in San Francisco and Santa Clara County. During FY 1992, the District provided the initial contribution in the amount of $8,294,000 and $34,652,000 on behalf of the CCSF and VTA, respectively, to facilitate completion of the acquisition of the right of way. As a result, the JPB and the District are tenants in common as to all right of way property located in San Mateo County.

On October 31, 2008, all three of the JPB member agencies signed an agreement with the District to fully resolve all outstanding financial issues related to the acquisition of the right of way. Both CCSF and VTA have agreed to reimburse the District through a combination of gasoline tax “spillover” funds and population based “spillover” funds to be paid directly to the District from the Metropolitan Transportation Commission and revenue based “spillover” funds to be paid to the District from the San Francisco Municipal Transportation Agency (SFMTA) and VTA. The parties have agreed to make best efforts to allocate the funds in full within two to four years and, in no event, later than 10 years. When all payments have been received by the District, the District will reconvey to the JPB all of its interests in the title to the right of way.

The JPB assumed an expanded role in July 1992 as the State of California Department of Transportation (Caltrans) and the District coordinated the transfer of Caltrain operations and administration to the JPB. The JPB selected the National Railroad Passenger Corporation (Amtrak) as the contract operator and operated the rail service from July 1, 1992 through May 25, 2012. TransitAmerica Services, Inc. (TASI), assumed operations and maintenance of the service on May 26, 2012. The JPB is governed by a nine-member Board representing the three Member Agencies. The Agreement establishing the JPB expired in 2001 but continues on a year-to-year basis, with withdrawal requiring one-year advance notice.

To ensure public involvement, the JPB established a Citizens Advisory Committee (CAC) comprised of three representatives from each of the JPB counties. The CAC’s principal function is to assist the JPB by articulating the interests and needs of transit users and potential customers.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***A. Reporting Entity***

The accompanying financial statements include the financial activities of the JPB only.

***B. Implementation of Governmental Accounting Standards Board Statements***

**GASB Statement No. 68 -** In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. This Statement had no material impact to the JPB's financial statements.

**GASB Statement No. 69 -** In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. This Statement had no material impact to the JPB's financial statements.

**GASB Statement No. 71 –** In 2014, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. This Statement had no material impact to the JPB's financial statements.

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The JPB has not determined its effect on the financial statements.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2017. The JPB has not determined its effect on the financial statements.

***B. Implementation of Governmental Accounting Standards Board Statements (continued)***

**GASB Statement No. 74** – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement No. 74 replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, statement 43, and statement No. 50, *Pension Disclosures*. The provisions in statement 74 are effective for fiscal years beginning after June 15, 2017. The JPB has not determined its effect on the financial statements.

**GASB Statement No. 75 -** In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2018. The JPB has not determined its effect on the financial statements.

**GASB Statement No. 76** – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for reporting periods beginning after June 15, 2016. The JPB has not determined its effect on the financial statements.

**GASB Statement No. 77** – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is effective for reporting periods beginning after December 15, 2017. The JPB has not determined its effect on the financial statements.

***C. Basis of Accounting***

The accrual basis of accounting is utilized by the JPB. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

***D. Cash Equivalents***

The JPB considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents (see Note 3).

**E. *Accounts Receivable – Other***

During the course of normal operations, the JPB carries various receivable balances for services and rent. At June 30, 2015 and 2014, the allowance for doubtful accounts included in Accounts receivable – other, are $414,344 and $414,345, respectively.

**F. *Inventory***

Inventory consists principally of spare parts that are recorded when purchased and expensed when used. Inventory is recorded at the lower of cost or market and is maintained by TransitAmerica Services, Inc. as part of their contractual agreement.

**G. *Investments***

Investment transactions are recorded on the trade date at fair value. Fair value is defined as the amount that the JPB could reasonably expect to receive for an investment in a current sale from a willing buyer and is based on current market prices.

**H. *Restricted Investments with Fiscal Agents***

Provisions of the JPB's trust agreements related to its farebox revenue bonds require that certain restricted investments accounts be established. These accounts are held by the fiscal agent and include funds for payment of principal and interest.

**I. *Restricted and Unrestricted Resources***

When both restricted and unrestricted resources are available for the same purpose (e.g. construction projects), the JPB's policy is to use all available restricted resources first before unrestricted resources are utilized.

**J. *Capital Assets***

Capital assets are recorded at cost or appraised value. The JPB defines capital assets as assets with a cost greater than $5,000 and an estimated useful life in excess of one year. Donated assets are recorded at estimated market value on the date donated. Major additions and replacements are capitalized. Maintenance repairs and additions of a minor nature are expensed as incurred.

**K. *Depreciation and Amortization***

Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

- Right of way improvements – 3 to 40 years
- Rail vehicles – 10 to 36 years
- Facilities and equipment – 4 to 35 years
- Office equipment – 3 to 5 year

***L. Construction in Progress***

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Caltrain Modernization Program | $ | 176,093,680 | $ | 102,600,386 |
| Bridge improvements | | 43,986,173 | | 26,303,583 |
| Rolling stock-purchase/ improvements | | 19,057,660 | | 6,465,088 |
| Grade crossing and separations | | 2,062,778 | | 149,972,634 |
| System-wide track improvements | | 24,475,960 | | 20,544,219 |
| Station improvements | | 8,031,565 | | 7,936,012 |
| Safety | | 8,286,884 | | 7,404,122 |
| Communications | | 23,982,371 | | 29,798,612 |
| Other | | - | | 3,231,317 |
| Total Construction in Progress | $ | 305,977,071 | $ | 354,255,973 |

***M. Bond Issuance Costs***

Bond issuance costs are expensed upon the issuance of related debt.

***N. Unearned Member Contributions***

Unearned member contributions are the result of advances from the Member Agencies. To the extent that these amounts exceed committed funds (see Note 14), they may be refunded to the Member Agencies or used to offset future required contributions.

***O. Unearned Revenue***

Unearned revenue represents fares, rents, and State assistance amounts received which have not yet been earned. Advance ticket sales are included as unearned revenue until earned.

***P. Member Agency Assistance***

Amounts received from Member Agencies for operations are recognized as revenues when operating and administrative expenses are incurred. Amounts received from Member Agencies for acquisition of assets or matching grants are recognized as capital contributions when capital expenditures are incurred.

***Q. Federal, State and Local Operating Assistance***

Federal, State and local operating assistance are recorded as revenue when operating expenses are incurred.

***R. Wages and Benefits***

Personnel costs of the JPB represent allocated costs of the District's employees serving in the capacity as managing agency. Participation in pension plans, compensated absences, and postretirement health care benefits for these employees is administered by the San Mateo County Transit District.

***S. Operating/Nonoperating Revenues and Expenses***

The JPB distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from directly providing services in connection with the JPB's principal operations of commuter rail service. These revenues are primarily passenger fares, parking, shuttle, and pass revenues. Operating expenses include the cost of sales and services, administrative expenses, contracted services, and depreciation on capital assets. All other revenues and expenses (including member contributions) not meeting this definition are reported as nonoperating revenues and expenses.

***T. Use of Estimates***

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

***U. Deferred Outflows and Deferred Inflows***

In addition to assets, the statement of net position or balance sheet will sometimes 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 net position or balance sheet will sometimes 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 an inflow of resources (revenue) until that time.

***V. Reclassification***

For the year ended June 30, 2015, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2015 presentation.

**NOTE 3 – CASH AND INVESTMENTS**

The JPB's investments are carried at fair value, as required by GAAP. The JPB adjusts the carrying value of its investments to reflect their fair value at each fiscal year end and includes the effects of these adjustments in income for that fiscal year.

The JPB is in compliance with the Board approved Investment Policy and California Government Code requirements.

The JPB's cash and investments as of June 30 are classified in the statement of net position as follows:

| | 2015 | 2014 |
|---|---|---|
| Cash and cash equivalents | $ 38,876,718 | $ 41,468,314 |
| Restricted cash | 23,893,272 | 22,798,100 |
| Restricted Investments with fiscal agents | 5,720,640 | 275,720 |
| Total Cash and Investments | $ 68,490,630 | $ 64,542,134 |

The JPB's cash and investments consist of the following at June 30:

| | 2015 | 2014 |
|---|---|---|
| Cash on hand | $ 977,780 | $ 1,068,927 |
| Deposits with financial institutions | 39,767,964 | 26,025,695 |
| Investments | 27,744,886 | 37,447,512 |
| Total Cash and Investments | $ 68,490,630 | $ 64,542,134 |

***Investments Authorized by the California Government Code and the JPB's Investment Policy***

The table below identifies the investment types that are authorized for the JPB by the California Government Code or the JPB's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the JPB's investment policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the JPB, rather than the general provisions of the JPB's investment policy.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| U.S. Treasury Obligations | 11 years | None | None |
| U.S. Agency Securities or Government Sponsored Enterprises | 11 years | None | None |
| Banker's Acceptances | 180 days | 15% | 10% |
| Collateralized Time Deposits | 1 year | 30% | 10% |
| Commercial Paper | 270 days | 15% | 10% |
| Negotiable Certificates of Deposit | 5 years | 10% | 5% |
| Repurchase Agreements | 1 year | None | 50% |
| Reverse Repurchase Agreements & Security Lending | 92 days | 20% of base value | 20% |
| Medium-term Notes | 5 years | 30% | 10% |
| Mutual Funds | N/A | 10% | 5% |
| Money Market Mutual Funds | N/A | 20% | 5% |
| Mortgage Backed Pass-Through Securities | 5 years | 20% | 5% |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| San Mateo County Investment Pool | N/A | None | None |

Additional 10% "for a total of 25%" or the Maximum Percentage of Portfolio if the dollar weighted average maturity of the entire amount does not exceed 31 days.

***Investments Authorized by Debt Agreements***

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California government code or the JPB's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

***Disclosure Relating to Interest Rate Risk***

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

- No investment shall be made in securities with a remaining useful life exceeding 11 years.
- No more than 25 percent of the portfolio shall be invested in securities with a remaining life of 5 to 11 years.
- The weighted average maturity of the portfolio shall not exceed five years.

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

| Investment Type | Amount | Weighted Average Maturity (in years) |
|---|---|---|
| Local Agency Investment Fund (LAIF) | $ 11,230,564 | 0.65 |
| San Mateo County Investment Pool | 10,793,682 | 1.63 |
| Held by bond trustee: | | |
| Money Market Mutual Fund | 5,720,640 | 0.00 |
| Total investment portfolio | $ 27,744,886 | |
| Portfolio Weighted Average Maturity | | 0.90 |

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

| Investment Type | Amount | Weighted Average Maturity (in years) |
|---|---|---|
| Local Agency Investment Fund (LAIF) | $ 26,532,309 | 0.64 |
| San Mateo County Investment Pool | 10,639,483 | 1.71 |
| Held by bond trustee: | | |
| Money Market Mutual Fund | 275,720 | 0.00 |
| Total investment portfolio | $ 37,447,512 | |
| Portfolio Weighted Average Maturity | | 0.94 |

***Disclosures relating to Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the JPB's investment policy, or debt agreements, and the actual rating as of fiscal years ended June 30, 2015 and 2014 for each investment type:

| Investment Type | Amount | Rating as of June 30, 2015 S & P Rating AAA | Rating as of June 30, 2015 Not Rated |
|---|---|---|---|
| Local Agency Investment Fund (LAIF) | $ 11,230,564 | $ - | $ 11,230,564 |
| San Mateo County Pool | 10,793,682 | - | 10,793,682 |
| Held by bond trustee: | | | |
| Money Market Mutual Funds | 5,720,640 | 5,720,640 | - |
| Total | $ 27,744,886 | $ 5,720,640 | $ 22,024,246 |

| Investment Type | Amount | Rating as of June 30, 2014 S & P Rating AAA | Rating as of June 30, 2014 Not Rated |
|---|---|---|---|
| Local Agency Investment Fund (LAIF) | $ 26,532,309 | $ - | $ 26,532,309 |
| San Mateo County Pool | 10,639,483 | - | 10,639,483 |
| Held by bond trustee: | | | |
| Money Market Mutual Funds | 275,720 | - | 275,720 |
| Total | $ 37,447,512 | $ - | $ 37,447,512 |

***Concentration of Credit Risk***

The investment policy of the JPB contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The JPB does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent five percent or more of the JPB's total investments at June 30, 2015 or June 30, 2014.

***Custodial Credit Risk***

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the JPB will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investment is the risk that in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the JPB will not be able to recover the value of its investment or collateral securities that are in possession of another party. California government code and the JPB's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the JPB's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2015 and 2014, the JPB had $43,195,044 and $26,025,695, respectively, of deposits with financial institutions recorded on the financial statements. Additionally, the JPB is required to hold certain capital fund amounts in interest bearing accounts. These balances are in excess of the $250,000 FDIC limit, however due to California State Law, the excess balances are collateralized with pledged securities by the financial institutions holding the JPB's deposits.

***Investment in San Mateo County Investment Pool***

The JPB had funds invested in the San Mateo County Treasurer's Investment Pool (County Pool) at June 30, 2015 and 2014 in the amount of $10,793,682 and $10,639,483, respectively.

The County Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. It is not registered with the Securities and Exchange Commission. The fair value of JPB's investment in this pool is reported in the accompanying financial statements at amounts based upon JPB's pro-rata share of the fair value provided by the County Pool for the entire portfolio (in relation to the amortized cost of that portfolio).

On September 15, 2008, Lehman Brothers Holdings filed for Chapter 11 bankruptcy protection. The San Mateo County Pool portfolio included $155 million of Lehman Brothers Holdings investments at that time in both commercial paper and floating rate securities. The County Pool wrote off these investments as of September 30, 2008 consequently showing a loss of $155 million out of the total portfolio of approximately $2.6 billion. The JPB had approximately $22 million invested through the County Pool as of September 30, 2008 and therefore incurred its percentage share of this loss on October 1, 2008. The loss the JPB incurred was approximately $1.3 million. In April 2012, the bankruptcy court approved a settlement plan for creditors. The first of an anticipated four to five payment was made on April 17, 2012 in the amount of $79,100. As of June 30, 2015, the JPB has received a total distribution of $600,814, or just under $0.46 on the dollar recovery.

***Investment in State Investment Pool***

The JPB is a voluntary participant in LAIF which is regulated by the California government code under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the JPB's investment in this pool is reported in the accompanying financial statements at amounts based upon the JPB's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2015 and June 30, 2014, the JPB had a contractual withdrawal value of $11,226,343 and $26,736,756, respectively, that is recorded at $11,230,564 and $26,532,309 on the statement of net position after the adjustment for unrealized gains/losses for fiscal year 2015 and 2014, respectively. The total value invested by all public agencies in LAIF at June 30, 2015 and 2014 was $69,641,162,417 and $64,896,335,761, respectively as of June 30, 2015 and June 30, 2014.

## NOTE 4 – GILROY EXTENSION

The JPB acquired the Gilroy Extension trackage rights through contributions from the California Transportation Commission and VTA. The perpetual trackage rights to the Gilroy Extension are recorded at cost in the amount of $8,000,000 as an intangible asset.

## NOTE 5 – CONTRIBUTED ASSETS FROM CALTRANS

In order to facilitate the purchase of the Mainline and the Gilroy Extension on a timely basis, and to provide for an orderly transition to local administration in a manner that would assure no service interruption, Caltrans and the JPB executed an agreement memorializing various commitments. Caltrans granted the JPB the right to use and control various real and personal property. These properties included: stations, locomotives, and passenger cars ("rolling stock"), inventories and other property associated with Caltrain service. The agreement required that Caltrans transfer all of its rights, titles and interests in these properties to the JPB, in accordance with Public Utilities Code Section 99234.7.

On April 4, 1996, the JPB's Board approved a resolution accepting transfer of rolling stock and station sites subject to certain terms and conditions outlined in the resolution. The transfer of rolling stock to the JPB was completed in December 1996, and the transfer of station sites was completed in May 1997. The rolling stock and station sites transferred were recorded at their appraised value as contributed capital in the amount of $106,710,000 and $60,432,365, respectively. Station sites consist principally of land and were capitalized as right-of-way.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

| | Balance at June 30, 2014 | Additions and Transfers | Deletions and Transfers | Balance at June 30, 2015 |
|---|---|---|---|---|
| Depreciable and amortized capital assets: | | | | |
| Right of way improvements | $ 804,002,823 | $ 168,863,088 | $ - | $ 972,865,911 |
| Rail vehicles | 284,128,483 | 622,273 | (727,470) | 284,023,286 |
| Facilities and equipment | 127,653,080 | 1,223,165 | (292,719) | 128,583,526 |
| Office equipment | 868,868 | 214,958 | - | 1,083,826 |
| Total depreciable and amortized capital assets | 1,216,653,254 | 170,923,484 | (1,020,189) | 1,386,556,549 |
| Accumulated depreciation for: | | | | |
| Right of way improvements | (341,423,802) | (57,855,761) | - | (399,279,563) |
| Rail vehicles | (149,882,015) | (12,339,380) | 727,470 | (161,493,925) |
| Facilities and equipment | (43,789,937) | (4,899,017) | 292,719 | (48,396,235) |
| Office equipment | (648,519) | (205,873) | - | (854,392) |
| Total accumulated description | (535,744,273) | (75,300,031) | 1,020,189 | (610,024,115) |
| Capital assets nondepreciable: | | | | |
| Right of way | 226,892,731 | 79,458 | - | 226,972,189 |
| Construction in progress | 354,255,973 | 122,724,040 | (171,002,942) | 305,977,071 |
| Intangible Asset - Trackage Rights | 8,000,000 | - | - | 8,000,000 |
| Total nondepreciable capital assets | 589,148,704 | 122,803,498 | (171,002,942) | 540,949,260 |
| Capital assets, net | $ 1,270,057,685 | $ 218,426,951 | $ (171,002,942) | $ 1,317,481,694 |

Capital asset activity for the year ended June 30, 2014, was as follows:

| | Balance at June 30, 2013 | Additions and Transfers | Deletions and Transfers | Balance at June 30, 2014 |
|---|---|---|---|---|
| Depreciable and amortized capital assets: | | | | |
| Right of way improvements | $ 739,383,231 | $ 72,197,812 | $ (7,578,220) | $ 804,002,823 |
| Rail vehicles | 285,040,033 | - | (911,550) | 284,128,483 |
| Facilities and equipment | 127,567,603 | 816,634 | (731,157) | 127,653,080 |
| Office equipment | 859,777 | 242,080 | (232,989) | 868,868 |
| Total depreciable capital assets | 1,152,850,644 | 73,256,526 | (9,453,916) | 1,216,653,254 |
| Accumulated depreciation for: | | | | |
| Right of way improvements | (293,985,172) | (55,016,850) | 7,578,220 | (341,423,802) |
| Rail vehicles | (137,308,784) | (13,484,781) | 911,550 | (149,882,015) |
| Facilities and equipment | (39,743,253) | (4,777,841) | 731,157 | (43,789,937) |
| Office equipment | (671,689) | (209,819) | 232,989 | (648,519) |
| Total accumulated amortization | (471,708,898) | (73,489,291) | 9,453,916 | (535,744,273) |
| Capital assets nondepreciable: | | | | |
| Right of way | 226,892,731 | - | - | 226,892,731 |
| Construction in progress | 316,125,438 | 111,387,061 | (73,256,526) | 354,255,973 |
| Intangible Assets - Tranckage Rights | 8,000,000 | - | - | 8,000,000 |
| Total nondepreciable capital assets | 551,018,169 | 111,387,061 | (73,256,526) | 589,148,704 |
| Capital assets, net | $ 1,232,159,915 | $ 111,154,296 | $ (73,256,526) | $ 1,270,057,685 |

### NOTE 7 – OPERATING ASSISTANCE

Member Agencies provide funding to the JPB. Net operating and administrative costs are apportioned on the basis of mutually agreed contribution rates, updated on an annual basis. Funding allocations for the years ended June 30, were:

| | **2015** | **2014** |
|---|---|---|
| District - Operating | 31.57% | 31.57% |
| VTA - Operating | 42.31% | 42.31% |
| CCSF - Operating | 26.12% | 26.12% |

Federal, state, and local operating assistance revenue amounts included in the statements of revenues, expenses, and changes in net position for the years ended June 30, were:

| | 2015 | 2014 |
|---|---|---|
| Member Agency local funds | $ 19,922,954 | $ 17,235,661 |
| Assembly Bill 434 operating assistance | 1,000,000 | 992,965 |
| State Transit Assitance | 6,558,608 | 6,287,914 |
| Other | 96,726 | 5,005,800 |
| Total | $ 27,578,288 | $ 29,522,340 |

## NOTE 8 – CAPITAL ASSISTANCE

Capital expenditures are primarily funded by federal and State grants, contributions from Member Agencies, and proceeds from Farebox Revenue Bonds (See Note 9 – Farebox Revenue Bonds Payable). Costs of capital replacement and enhancement projects that are not covered by outside funding sources are allocated to the Member Agencies based upon the terms of the Agreement.

### *A. Member Agencies*

On an annual basis, the Board determines the amount to be contributed to a Capital Contingency Fund (“CCF”) to cover unanticipated necessary capital improvements. Member Agency contributions were $990,000 for the years ended June 30, 2015 and 2014. The District and the Valley Transportation Authority share equally in the contribution to the CCF. The San Francisco County Transportation Authority’s contributions are directly allocated to specific capital projects.

In fiscal years 2015 and 2014, the JPB received capital reimbursements and capital advances from the member agencies totaling $27,297,092 and $20,270,379, respectively. The unexpended amounts at June 30, 2015 and 2014 are shown as Unearned Member Contributions. (See Note 14 – Related Parties).

### *B. Federal and State Grants*

At June 30, 2015, the JPB has 23 federal, 15 state and 31 local grants/allocations that provide funding for Caltrain capital projects. Capital additions for the years ended June 30, 2015 and 2014, applicable to these projects are $115,222,998 and $111,349,160, respectively. The related federal participation was $25,921,360.

The JPB has receivables of $7,280,703 and $11,338,142 at June 30, 2015 and 2014, respectively, for qualifying capital project expenditures under FTA grant contracts in excess of reimbursements, which is reported as due from other governmental agencies. In addition, the JPB has receivables of $19,326,373 and $17,008,819 at June 30, 2015 and 2014, respectively, for qualifying capital project expenditures under various state grants, which also is reported as due from other governmental agencies.

Under the terms of the grants, contributions for equipment sold or retired during its useful life are refundable to the federal government in proportion to the related capital grant funds received, unless the net book value or proceeds from sale is under grant-prescribed limits.

**NOTE 9 – FAREBOX REVENUE BONDS PAYABLE**

***A. 1999 Series A Bonds***

During October 1999, the JPB issued farebox revenue bonds in the amount of $3,820,000 to finance the acquisition of electrical power units for locomotives utilized for its Caltrain commuter rail service. These bonds, with interest rates ranging from 4.0 to 5.375 percent, were limited obligations of the JPB, payable from and secured by a pledge of its farebox revenues. For pledge purposes, the term "farebox revenues" means the amounts generated and collected in connection with the operation of Caltrain, including passenger fares, parking, shuttle and pass revenues, and other revenues from operations. The term excludes grants from the state or the federal government or any Member Agency. Interest payments were due on April 1 and October 1 of each year. The bonds were scheduled to mature on October 1 of each year through October 1, 2015. In December 2007, a portion of the 2007 Series A Bond proceeds was used to fully pay and legally defease the 1999 Series A Bonds.

***B. 2007 Series A Bonds***

During October 2007, the JPB issued $23,140,000 in 2007 Series A Farebox Revenue Bonds with $2,117,000 used to fully pay and legally defease the 1999 Series A Bonds and the balance, net of cost of issuance, was used to finance the acquisition of eight new rail cars. The 2007 Series A Bonds carry a coupon rate ranging from 4.0 to 5.0 percent and are payable from and secured by a pledge of farebox revenues. For pledge purposes, the term "farebox revenues" means the amounts generated and collected in connection with the operation of Caltrain, including passenger fares, parking, shuttle and pass revenues, and other revenues from operations. The term excludes grants from the state or the federal government or any Member Agency. Interest payments are due on April 1 and October 1 of each year through October 1, 2037. Annual principal payments commence October 1, 2018 and continue through the maturity date of October 1, 2037. The refinancing of the 1999 Series A Bonds extended the length of the existing debt service obligations by 14 years, from 2016 to 2028.

***C. 2015 Series A Bonds***

On January 14, 2015, the JPB issued $11,000,000 in 2015 Series A Farebox Revenue Bonds to finance a portion of the costs of the acquisition and rehabilitation of sixteen passenger railcars from the Southern California Regional Rail Authority (SCRRA). The 2015 Series A Farebox Revenue Bonds are payable from and secured by a pledge of farebox revenues which also secures the 2007 Series A Farebox Revenue Bonds. For pledge purposes, the term "farebox revenues" means the amounts generated and collected in connection with the operation of Caltrain, including passenger fares, parking, shuttle and pass revenues, and other revenues from operations. Farebox revenues does not include grants from the state or the federal government or any JPB member agency. The 2015 Series A Farebox Revenue Bonds were issued in a bank term rate which is subject to adjustment from time to time as provided in the trust agreement (Trust Agreement) pursuant to which the Series 2015 Series A Farebox Revenue Bonds were issued and are subject to mandatory purchase on January 14, 2019 and on such other dates as are specified in the Trust Agreement. While bearing interest in a bank term rate, interest payments are due on April 1 and October 1 of each year. Annual principal payments commence October 1, 2019 and continue through the maturity date of October 1, 2033 (19 years repayment).

Activity for the year ended June 30, 2015 is as follows:

| | Balance at July 1, 2014 | Additions | Retirements | Balance June 30, 2015 | Current Portion |
|---|---|---|---|---|---|
| 2007 Series A | | | | | |
| Revenue Bonds | $ 23,140,000 | $ - | $ - | $ 23,140,000 | $ - |
| 2015 Series A | | | | | |
| Revenue Bonds | - | 11,000,000 | - | 11,000,000 | - |
| Add: Unamortized premium, net | 424,398 | - | 13,715 | 410,683 | - |
| Total long-term debt | $ 23,564,398 | $ 11,000,000 | $ 13,715 | $ 34,550,683 | $ - |

Activity for the year ended June 30, 2014 was as follows:

| | Balance at June 30, 2013 | Additions | Retirements | Balance June 30, 2014 | Current Portion |
|---|---|---|---|---|---|
| 2007 Series A | | | | | |
| Revenue Bonds | $ 23,140,000 | $ - | $ - | $ 23,140,000 | $ - |
| Add: Unamortized premium, net | 428,765 | | 4,367 | 424,398 | - |
| Total long-term debt | $ 23,568,765 | $ - | $ 4,367 | $ 23,564,398 | $ - |

Annual principal and interest payments are as follows:

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ - | $ 1,600,075 | $ 1,600,075 |
| 2017 | - | 1,600,075 | 1,600,075 |
| 2018 | - | 1,600,075 | 1,600,075 |
| 2019 | 180,000 | 1,596,475 | 1,776,475 |
| 2020 | 315,000 | 1,586,575 | 1,901,575 |
| 2021-2025 | 3,880,000 | 7,558,872 | 11,438,872 |
| 2026-2030 | 5,840,000 | 6,445,953 | 12,285,953 |
| 2031-2035 | 18,465,000 | 3,951,025 | 22,416,025 |
| 2036-2038 | 5,460,000 | 418,500 | 5,878,500 |
| Total | $ 34,140,000 | $ 26,357,625 | $ 60,497,625 |

**NOTE 10 – SELF-INSURANCE**

The JPB is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The JPB is self-insured for a portion of its public liability and damage to property. As of June 30, 2015, coverage provided by self-insurance and excess coverage is generally as follows:

| Type of Coverage | Self-insurance (in aggregate) | Excess Coverage (in aggregate) |
|---|---|---|
| Public Liability & Property Damage | Up to $1,500,000 per occurrence | Up to $300,000,000 per occurrence |
| Public Officials Liability | $50,000 per claim | $10,000,000 |
| Environmental Site Liability | $50,000 per claim | $10,000,000 |

All property is insured at full replacement value. The unpaid claims liabilities are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Annual expense is charged using various allocation methods that include actual costs, trends in claims experience and number of participants. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims. It is the JPB's practice to obtain full actuarial studies annually.

Changes in the balances of self-insured claims liabilities for public liability and property damage for the years ended June 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Self-insured claims liabilities, beginning of year | $ 6,534,591 | $ 7,924,516 |
| Incurred claims and changes in estimates | 2,211,325 | 203,449 |
| Claim payments and related costs | (275,132) | (1,593,374) |
| Total self-insured claims liabilities | 8,470,785 | 6,534,591 |
| Less current portion | (3,078,015) | (3,593,066) |
| Noncurrent portion | $ 5,392,770 | $ 2,941,525 |

### NOTE 11 – CAPITAL CONTRIBUTIONS

The JPB receives capital grants and contributions from the federal, state, and local governments for the acquisition and improvement of capital assets. Capital grants and contributions used for capital purposes are recorded as capital contributions and the cost of the related assets is included in capital assets.

Depreciation on assets acquired with capital contributions is included in the Statement of Revenues, Expenses, and Changes in Net Position. Capital contributions earned for the years ended June 30, are as follows:

| | 2015 | 2014 |
|---|---|---|
| Contributions from Federal government | $ 25,923,223 | $ 35,542,286 |
| Contributions from the State | 44,998,172 | 30,400,500 |
| Contributions from local governments | 44,303,466 | 45,406,374 |
| | $ 115,224,861 | $ 111,349,160 |

**NOTE 12 – COMMITMENT AND CONTINGENCIES**

***A. Operating Contract***

The JPB Board of Directors awarded a contract to Transit America Services, Inc. (TASI) of St. Joseph, MO, at the September 1, 2011 board meeting. TASI provides Rail Operations, Maintenance and Support services for a base term of five years plus five months of mobilization, with five, one-year option terms. Mobilization efforts began on October 1, 2011 and TASI began its service on May 26, 2012. Amtrak continued to provide services through the mobilization efforts.

This is a Cost Plus Performance Fee based contract. All direct costs are reimbursable and the firm will have the opportunity to earn up to $4.5 million per year as a performance fee. The first year budget plus mobilization costs were negotiated prior to contract award. A performance fee program and quantifiable metrics have been agreed upon between the parties in key areas such as safety and on-time performance. These metrics will be measured quarterly with the exception of adherence to the budget which will be measured annually. TASI's reported results will also be independently verified and validated by a third party consultant.

The expenses billed to the JPB by TASI for providing rail operation services for the years ended June 30, 2015 and 2014 are recorded as Contract Services in the Statement of Revenues, Expenses, and Changes in Net Position.

***B. Diesel Fuel Contract***

In 2010, the JPB terminated the existing contract with Golden Gate Petroleum, for convenience, and entered into a new two-year base contract, with up to three, one-year option terms, with Pinnacle Petroleum for an estimated base contract amount of $17.4 million.

In January 2012, the JPB exercised the first of three, Board-authorized, one-year option terms; and in February 2012 it negotiated a change to the Compensation Methodology used to calculate the Price per Gallon that Pinnacle Petroleum charges the JPB for fuel. It also negotiated fuel transportation and delivery hourly charges for these services. These actions increased the contract amount by $8.8 million.

In January 2013, the JPB exercised the second of three, Board-authorized, one-year options terms which increased the contract amount by $8.7 million.

In January 2014, the JPB exercised the third of three, Board-authorized, one-year option terms which increased the contract amount by $8.7 million.

In January 2015, the JPB Board approved a month-to-month basis up to nine months which increase the contract amount by $7.9 million.

JPB fuel costs incurred for the fiscal years ended June 30, 2015 and June 30, 2014 were $11,820,335 and $14,781,706, respectively.

### *C. Litigation*

As of June 30, 2015 and 2014, the JPB had accrued amounts that management believes are adequate to provide for claims and litigation which arose during the normal course of business. Other claims and litigations are outstanding for which the JPB cannot determine the ultimate and resulting liability, if any. However, the JPB's management believes the ultimate outcome of these claims and lawsuits will not significantly impact the JPB's financial position.

### *D. Leases*

In November 2000, September 2001 and February 2002, with the consent of the Federal Transit Administration, the JPB entered into separate leveraged lease-leaseback transactions (the “2000 Lease Transaction”, the “2001 Lease Transaction” and the “2002 Lease Transaction,” as the case may be, and, collectively, the “Lease Transactions”) over a total of 23 General Motors locomotives and 93 Nippon Sharyo railcars (collectively, the “Equipment”). Each Lease Transaction was structured as a (a) head lease of specific items of Equipment to a special purpose trust created on behalf of an equity investor and (b) sublease of such Equipment back from such trust. The JPB may exercise an option to purchase the items of Equipment, following the scheduled sublease expiration dates, in 2025 in the case of the 2000 Lease Transaction and in 2026 in the case of the 2001 and 2002 Lease Transactions. During the terms of the subleases, the JPB maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

The JPB received an aggregate amount of $316.88 million in full prepayment of the head leases. In the case of the 2000 and 2001 Lease Transactions, a portion of the head lease payments was deposited under an agreement with a debt payment undertaker whose repayment obligations are guaranteed by American International Group, Inc. (“AIG”); another portion was deposited under an agreement with an equity payment undertaker whose repayment obligations are guaranteed by AIG and collateralized with U.S. Treasury or Agency obligations. In the case of the 2002 Lease Transaction, a portion of the head lease payments was deposited under agreements with two debt payment undertakers whose repayment obligations are guaranteed, as the case may be, by Assured Guaranty Municipal Corporation (“AGM”) as successor to Financial Security Assurance (“FSA”) or Swiss Reinsurance Corporation (“Swiss Re”); another portion was deposited under an agreement with an equity payment undertaker whose repayment obligations are guaranteed by AGM as successor to FSA. The repayment obligations of AIG, AGM and Swiss Re under their respective debt undertaking agreements are due in amounts and at times that correspond to the JPB’s scheduled payments under the subleases. The repayment obligations of AIG and AGM under their respective equity payment agreements are due in amounts and at times that correspond to the JPB’s purchase option dates under each Lease Transaction.

The obligations of the JPB under each of the subleases are further guaranteed under financial guaranty insurance policies issued by AGM in its role as surety provider. At the time of each Lease Transaction, AIG, FSA and Swiss Re were rated “Aaa/AAA” by Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services (“S&P”). Although the debt and equity payment undertaking arrangements do not represent a legal defeasance of the JPB’s obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that the JPB will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the JPB as of June 30, 2015.

The terms of the Lease Transactions require the JPB to replace AIG, AGM and Swiss Re within certain timeframes if their ratings are downgraded below certain rating minimums.

In the case of the 2000 and 2001 Lease Transactions, the JPB is required to replace: (a) AIG as guarantor of the debt payment undertaker within 30 days of demand by the equity investor if AIG's ratings are downgraded below "Baa1" by Moody's or "BBB+" by S&P; (b) AIG as guarantor of the equity payment undertaker within 60 days of the earlier of notice of a downgrade or demand from the equity investor if AIG's ratings are downgraded below "A2" by Moody's or "A" by S&P; and (c) AGM as surety provider within 30 days of demand by the equity investor if AGM's ratings are downgraded below "Aa3" by Moody's or "AA-" by S&P.

With current ratings of "Baa1/A-" from Moody's and S&P, AIG satisfies the minimum ratings required as guarantor of the debt payment undertaker. Those ratings have been below the required minimum as guarantor of the equity payment undertaker since S&P's downgrade of AIG to "A-" on September 10, 2008. With Moody's downgrade of AGM to "A2" on January 17, 2013, AGM's current ratings of "A2/AA" do not satisfy the requirement for surety provider.

In the case of the 2002 Lease Transaction, the JPB is required to replace (a) AGM as guarantor of the debt payment undertaker within 30 days of demand by the equity investor if AGM's ratings are downgraded below "Baa1" by Moody's or "BBB+" by S&P; (b) AGM as guarantor of the equity payment undertaker within 45 days of the earlier of notice of a downgrade or demand from the equity investor if AGM's ratings are downgraded below "Aa1" by Moody's or "AA+" by S&P; (c) Swiss Re as guarantor of the debt payment undertaker within 45 days of the earlier of notice of a downgrade or demand from the equity investor if Swiss Re's ratings are downgraded below "Aa3" by Moody's or "AA-" by S&P; and (d) AGM as surety provider within 30 days of demand by the equity investor if its ratings are downgraded below "Aa3" by Moody's or "AA-" by S&P.

AGM's current ratings of "A2/AA" satisfy the minimum required as guarantor of the debt payment undertaker but are below the required minimum as guarantor of the equity payment undertaker. Swiss Re current ratings of "Aa3/AA-" comply with the current requirement for guarantor of the debt payment undertaker. AGM's current ratings of "A2/AA" no longer satisfy the requirement for surety provider.

Failure of the JPB to replace AIG, AGM or Swiss Re, as the case may be, following a downgrade by either Moody's or S&P to below the applicable rating threshold within a specified timeframes could allow the equity investor to issue a default notice to the JPB. Because replacement of AIG, AGM or Swiss Re may not be practicable, the JPB could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2015, less the accreted value under the equity payment agreements, would approximate $60.0 million in the aggregate. As of June 30, 2015, no investor has demanded that the JPB replace AIG or AGM.

***E. Fuel Hedge Program***

In June 2015, the JPB entered into a diesel fuel price cap agreement with Barclays Bank to hedge the cost of fuel for fiscal year 2016 which capped the price of fuel hedged by the JPB at $2.00 per gallon. The JPB's fiscal year 2016 adopted budget for fuel expenses is $18.5 million which is an increase of about $840,000 from the fiscal year 2015 budget. The JPB purchases fuel based on the average weekly spot price for Oil Price Information Service (OPIS) index. This method leaves the JPB open to fluctuation in the market for diesel fuel. The primary goal of the fuel hedging program is to reduce volatility and uncertainty in the fuel budget.

The JPB hedged 2.3 million gallons, which represents approximately 50 percent of estimated fuel consumption for fiscal year 2016. In order to maximize the hedging program's potential for economic efficiency, the JPB partnered with the District, which hedged 1.2 million gallons. The agreement documents require the JPB's fuel hedge counterparty to collateralize its exposure to the JPB in connection with the diesel fuel price cap in the event that the rating assigned to the fuel hedge counterparty by any nationally assigned statistical rating agency falls to or below "A-." Implementing this fuel hedging program allowed the JPB to reduce uncertainty in the fuel budget for fiscal year 2016 and to take advantage of the relatively low market prices on the closing date of the transaction. Staff will return to the Board with results of the fiscal year 2016 fuel hedging program and a recommendation on whether to continue the program in fiscal year 2017.

The fuel hedge program was inaugurated in fiscal year 2010 and had been consistently implemented for fiscal years 2010 through 2016.

### *F. PTMISEA Grants*

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

The following table shows the changes in activity related to the PTMISEA grant funds during the fiscal year as well as the remaining commitment as of June 30, 2015 (in thousands):

| | PTMISEA South Terminal Project (Fund 3605) | PTMISEA Community Based Overlay Signal System (Fund 3607) | PTMISEA Rolling Stock State of Good Repair (Fund 3623) |
|---|---|---|---|
| Total Allocations as of June 30, 2014 | $ 3,529,209 | $ 795,587 | $ 3,378,847 |
| Net Change in Accrual for FY15 | (8,162) | - | (500,000) |
| Net Expenditures and Commitments | (118,421) | (55,589) | (248,462) |
| Commitment at June 30, 2015 | $ 3,402,626 | $ 739,998 | $ 2,630,385 |

| | PTMISEA Rolling Stock State of Good Repair (Fund 3634) | PTMISEA Electrification Improvements (Fund 3638) | PTMISEA Interest Earned (Fund 3636) |
|---|---|---|---|
| Total Allocations as of June 30, 2014 | $ 12,100,000 | $ - | $ 56,490 |
| Total Allocations received FY15 | - | 7,900,000 | - |
| Interest Income | - | - | 41,677 |
| Net Change in Accrual for FY15 | (395,702) | (2,775,040) | - |
| Net Expenditures and Commitments | (4,697,301) | (2,373,575) | - |
| Commitment at June 30, 2015 | $ 7,006,997 | $ 2,751,385 | $ 98,167 |

**NOTE 13 – LEASING TRANSACTIONS**

***A. Fiscal Year 2001 Sale - Leaseback***

In November 2000, the JPB entered into a leasing transaction with respect to 14 Nippon Sharyo coach cars, six Nippon Sharyo cab cars, and three GM F40PH-2 locomotives (collectively, the "Equipment"). The JPB leased the Equipment to a statutory trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The JPB received net proceeds in the amount of $6,243,784, representing the difference between the appraised value of the Equipment and certain required deposits and expenses. Title to the Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds were recorded as Lease Leaseback income. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2025. Note 12D provides correlative information to this leasing transaction.

***B. Fiscal Year 2002 Sale - Leaseback***

In September 2001, the JPB entered into a leasing transaction with respect to 21 Nippon Sharyo passenger trailer cars and seven GM-EMD locomotives (the "Equipment"). The JPB leased the Equipment to a statutory trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The leasing transaction terminated and restructured a portion of a 1996 leasing transaction (the "1996 Transaction"). The JPB received net proceeds in the amount of $670,000 which represents the difference between the appraised value of the Equipment and termination costs associated with the 1996 Transaction, certain required deposits and expenses. The JPB had received net proceeds of $3,983,106 from the 1996 Transaction. Title to the Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds have been recorded as Lease-Leaseback income for the year ended June 30, 2002. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2026. Note 12D provides correlative information to this leasing transaction.

***C. Fiscal Year 2002 Sale - Leaseback***

In February 2002, the JPB entered into a leasing transaction with respect to 38 Nippon Sharyo trailer cars, 14 Nippon Sharyo cab cars, and 13 GM F40PH-2 locomotives (collectively, the "Equipment"). The JPB leased the Equipment to a statutory trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The leasing transaction terminated and restructured a portion of the "1996 transaction" that had not been previously terminated. The JPB received net proceeds in the amount of $2,392,510 which represents the difference between the appraised value of the Equipment and termination costs associated with the remaining portion of the 1996 Transaction, certain required deposits and expenses. Title to the Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds have been recorded as Lease-Leaseback income for the year ended June 30, 2002. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2026. Note 12D provides correlative information to this leasing transaction.

***D. Tax Contingency***

On May 17, 2006, the Tax Increase Prevention and Reconciliation Act of 2005, was signed into law. Pursuant to this Act, Code Section 4965 imposes a federal excise tax (the "New Excise Tax") on the net income or proceeds of certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions such as the JPB. The JPB's leasing transactions are described in Note 13 items A through D. The U.S. Treasury Department and the Internal Revenue Service (the "IRS") have put forth some clarification as to which transactions are subject to the New Excise Tax. Some of the key points in the clarification documents affecting the JPB are as follows:

- Disclosure of these transactions to the IRS is not required if the transactions took place before May 16, 2006.
- Only net proceeds received after August 15, 2006 are subject to tax.
- In relation to equity defeasance, no loan payments are subject to tax.

All of the JPB's transactions took place before May 16, 2006. All proceeds from transactions were received prior to August 15, 2006. The JPB's loan payments related to equity defeasance are not subject to tax. The JPB feels that this New Excise Tax will not have a material impact on its financial statements.

## NOTE 14 – RELATED PARTIES

### *A. Operating Expenses Paid to District*

The District serves as the managing agency of the JPB, providing administrative personnel and facilities (see Note 1). The District is compensated based on actual costs incurred and administrative overhead. Amounts due to the District as managing agency at June 30, 2015 and 2014 total $4,632,005 and $4,207,055, respectively, and are included in accrued liabilities.

Total expenses billed to the JPB by the District which are included as operating expenses in the accompanying statements of revenues, expenses, and changes in net position are as follows:

| | 2015 | 2014 |
|---|---|---|
| Wages and benefits | $ 11,501,015 | $ 10,668,320 |
| Overhead | 2,068,116 | 1,524,305 |
| Total | $ 13,569,131 | $ 12,192,625 |

### *B. Receivables from Member Agencies*

The JPB is owed amounts from Member Agencies for grants and prior obligations. The balances at June 30 are as follows:

| | 2015 | 2014 |
|---|---|---|
| District | $ 3,301,203 | $ 75,518 |
| VTA | 4,673,972 | 1,105,445 |
| CCSF | 8,283,838 | 4,551,434 |
| Total | $ 16,259,013 | $ 5,732,397 |

### *C. Unearned Member Contributions*

The JPB recognizes Member Agencies' advances as operating assistance or contributed capital when expenses are incurred or assets are purchased. Accordingly, some Member Agencies' payments are classified as Unearned Member Contributions. The balances at June 30, are as follows:

| | 2015 | 20104 |
|---|---|---|
| District | $ 9,910,736 | $ 8,537,574 |
| VTA | 9,718,589 | 8,289,415 |
| CCSF | 1,072,356 | 1,119,448 |
| Total | $ 20,701,681 | $ 17,946,437 |
| Committed for: | | |
| Centralized traffic control system | $ 840 | $ 840 |
| Farebox capital | 919 | 919 |
| Capital contingency fund | 3,023,845 | 2,170,806 |
| Capital contribution Member's local match | 17,476,339 | 15,574,134 |
| Total Committed | 20,501,943 | 17,746,699 |
| Uncommitted funds: | | |
| District | 100,000 | 100,000 |
| VTA | (17,350) | (17,350) |
| CCSF | 117,088 | 117,088 |
| Total Uncommitted | 199,738 | 199,738 |
| Total | $ 20,701,681 | $ 17,946,437 |

## NOTE 15 – SUBSEQUENT EVENT

### *A. Diesel Fuel Contract*

In November 2015, the JPB Board approved extension of the existing contract with Pinnacle Petroleum on a month-to-month basis for up to nine months under the same terms, conditions, and prices of the existing contract, which are consistent with current industry standards. The contract extension term covers a period from January 4, 2015 up through October 3, 2015, unless terminated sooner, and increases the contract amount by up $10.4 million. It is the JPB's intent to re-solicit for these services during this period.

In November 2015, the JPB Board also approved increasing the contract amount by an estimated $26.1 million for past and current estimated costs under the contract which primarily were affected upward by higher than anticipated increases in fuel and related fuel transportation and delivery costs. The Board authorized a total contract increase of $36.5 million (including the $7.9 million for the nine month extension), which increased the total contract amount to $79.9 million from $43.4 million.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES – COMPARISON OF BUDGET TO ACTUAL (BUDGETARY BASIS) YEAR ENDED JUNE 30, 2015

| | Budget (Unaudited) | Actual | Variance Positive/ (Negative) |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Passenger fares | $ 80,043,692 | $ 83,351,480 | $ 3,307,788 |
| Parking, shuttle and pass revenues | 6,053,080 | 5,990,289 | (62,791) |
| Other | 1,347,540 | 1,421,407 | 73,867 |
| Total operating revenues | 87,444,312 | 90,763,176 | 3,318,864 |
| OPERATING EXPENSES: | | | |
| Contract services | 78,293,723 | 78,239,837 | 53,886 |
| Insurance | 5,713,750 | 6,593,219 | (879,469) |
| Fuel | 17,431,200 | 12,117,619 | 5,313,581 |
| Parking, shuttle and pass expenses | 6,051,820 | 5,315,716 | 736,104 |
| Professional services | 1,142,100 | 1,254,807 | (112,707) |
| Wages and benefits | 11,804,893 | 11,501,015 | 303,878 |
| Utilities and supplies | 2,319,165 | 2,068,116 | 251,049 |
| Maintenance services | 1,198,900 | 1,038,900 | 160,000 |
| Temporary services, rent and other | 2,454,851 | 1,981,252 | 473,599 |
| Total operating expenses | 126,410,401 | 120,110,481 | 6,299,920 |
| Operating loss | (38,966,089) | (29,347,305) | 9,618,784 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| State and local operating assistance | 27,482,374 | 27,578,288 | 95,914 |
| Rental income | 1,737,720 | 1,763,815 | 26,095 |
| Interest income | 113,980 | 165,599 | 51,619 |
| Interest expense | (1,108,625) | (1,188,749) | (80,124) |
| Other income | 1,199,640 | 618,631 | (581,009) |
| Total nonoperating revenues | 29,425,089 | 28,937,585 | (487,504) |
| Net Income (loss) | (9,541,000) | (409,720) | 9,131,280 |
| CAPITAL OUTLAY: | | | |
| Capital assistance | 43,554,725 | 115,224,861 | 71,670,136 |
| Capital debt financing | - | 7,501,042 | 7,501,042 |
| Capital expenditures | (43,554,725) | (122,724,040) | (79,169,315) |
| Net capital outlay | - | 1,863 | 1,863 |
| EXCESS (DEFICIENCY) OF REVENUES AND NONOPERATING INCOME OVER EXPENSES, CAPITAL OUTLAY AND DEBT PRINCIPAL PAYMENT | $ (9,541,000) | $ (407,857) | $ 9,133,143 |

## PENINSULA CORRIDOR JOINT POWERS BOARD

## NOTES TO SUPPLEMENTARY SCHEDULE
## YEAR ENDED JUNE 30, 2015

### NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The JPB prepares its budget on a basis of accounting that differs from generally accepted accounting principles ("GAAP"). The actual results of operations are presented in the Supplemental Schedule on the budgetary basis to provide a meaningful comparison of actual results with budget. In addition, certain budget amounts have been reclassified to conform to the presentation of actual amounts in the Supplemental Schedule. Budgeted amounts presented are the original adopted budget. The primary difference between the budgetary basis of accounting and GAAP concerns capital assets. Depreciation and amortization expense and unrealized gains and losses under GASB Statement No. 31 are not budgeted per GAAP and capital expenditures are not recorded as expenses per GAAP.

### NOTE 2 – RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

| | | |
|---|---|---|
| Excess of expenses and capital outlay over operating revenues and nonoperating revenues | | $ (407,857) |
| Reconciling Items | | |
| Capital expenditures | $ 122,724,040 | |
| Depreciation and amortization | (75,300,031) | |
| Capital debt financing | (7,501,042) | |
| Recollectible Expense | 387,897 | |
| GASB 31 Unrealized gain/loss | 57,780 | |
| Bond Amortization Expense | (4,674) | |
| Bond Premium Amortization - Interest Income | 18,389 | |
| Sub-Total Reconciling Items | | 40,382,359 |
| Change in net position, GAAP basis | | $ 39,974,502 |

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# *Section III*

## STATISTICAL

Financial Trends

- Net Position and Changes in Net Position

Revenue Capacity

- Revenue Base and Revenue Rate
- Principal Revenue Payers

Debt Capacity

- Ratio of Outstanding Debt
- Bonded Debt 2015
- Direct and Overlapping Debt
- Debt Limitations
- Pledged Revenue Coverage

Demographics and Economic Information

- Population and Income
- Unemployment Rates
- Principal Employers

Operating Information

- Farebox Recovery and Miles
- Employees (Full – Time Equivalents)
- Capital Assets

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# STATISTICAL SECTION

The Statistical Section of JPB's CAFR represents detailed information as a context for understanding the information in the financial statements, notes disclosure and supplementary information for assessing the JPB's economic condition.

**Financial Trends**

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

**Revenue Capacity**

These schedules contain information to assist readers in understanding and assessing the factors affecting the JPB's ability to generate passenger fares.

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

## PENINSULA CORRIDOR JOINT POWERS BOARD

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

| | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Passenger fares | $ 83,351 | $ 74,846 | $ 68,767 | $ 59,891 |
| Parking, shuttle and pass revenues | 5,990 | 5,859 | 5,275 | 4,411 |
| Other | 1,421 | 1,440 | 1,504 | 382 |
| Total operating revenues | 90,762 | 82,145 | 75,546 | 64,684 |
| OPERATING EXPENSES: | | | | |
| Contract services | 78,240 | 75,238 | 65,485 | 65,882 |
| Insurance | 6,593 | 3,874 | 5,186 | 4,783 |
| Fuel | 12,118 | 14,797 | 15,350 | 15,288 |
| Parking, shuttle and pass expenses | 5,316 | 5,476 | 5,756 | 4,183 |
| Professional services | 1,255 | 1,322 | 1,098 | 885 |
| Wages and benefits | 11,501 | 10,668 | 9,322 | 5,731 |
| Utilities and supplies | 2,068 | 1,524 | 1,726 | 1,519 |
| Maintenance services | 1,039 | 1,007 | 1,011 | 1,070 |
| Temporary services, rent and other | 1,981 | 1,854 | 2,117 | 1,833 |
| Total operating expenses | 120,111 | 115,760 | 107,051 | 101,174 |
| OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION | (29,349) | (33,615) | (31,505) | (36,490) |
| DEPRECIATION AND AMORTIZATION | (75,300) | (73,452) | (59,968) | (62,724) |
| OPERATING LOSS | (104,649) | (107,067) | (91,473) | (99,214) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Federal, state and local operating assistance | 27,578 | 29,522 | 39,165 | 35,282 |
| Rental income | 1,764 | 1,728 | 1,783 | 1,759 |
| Interest income | 242 | 206 | 128 | 193 |
| Interest expense | (1,192) | (1,120) | (1,120) | (1,123) |
| Other income (expenses) | 1,007 | 4,044 | 2,137 | 2,554 |
| Total nonoperating revenues, net | 29,399 | 34,380 | 42,093 | 38,665 |
| Net loss before capital contributions | (75,250) | (72,687) | (49,380) | (60,548) |
| Capital contributions | 115,225 | 111,349 | 87,385 | 81,375 |
| CHANGES IN NET POSITION | 39,975 | 38,662 | 38,003 | 20,828 |
| Net Position Components | | | | |
| Invested in capital assets, net of related debt | 1,282,931 | 1,246,218 | 1,208,591 | 1,181,995 |
| Restricted | - | - | - | 12,860 |
| Unrestricted | 34,043 | 30,783 | 29,748 | 6,157 |
| Net Position, end of year | $ 1,316,974 | $ 1,277,001 | $ 1,238,339 | $ 1,201,012 |

This table presents revenues and expenses, contributions, depreciation and amortization and net position components.

Source: Current and prior years' CAFRs.

# PENINSULA CORRIDOR JOINT POWERS BOARD

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

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| $ 49,026 | $ 42,732 | $ 43,272 | $ 38,399 | $ 33,058 | $ 28,845 |
| 3,576 | 3,452 | 3,112 | 4,972 | 4,667 | 4,164 |
| 694 | 278 | 335 | 389 | 236 | 114 |
| 53,296 | 46,462 | 46,719 | 43,760 | 37,961 | 33,123 |
| | | | | | |
| 60,637 | 59,404 | 61,172 | 55,341 | 50,799 | 48,662 |
| 7,310 | 5,035 | 4,537 | 3,641 | 4,172 | 3,098 |
| 12,937 | 10,309 | 10,742 | 14,377 | 10,876 | 10,350 |
| 3,912 | 3,850 | 3,941 | 3,904 | 3,579 | 3,332 |
| 1,046 | 826 | 916 | 780 | 583 | 544 |
| 6,026 | 5,928 | 5,384 | 5,708 | 4,719 | 4,081 |
| 1,599 | 1,268 | 1,462 | 1,295 | 1,009 | 790 |
| 382 | 268 | 252 | 308 | 457 | 314 |
| 1,779 | 1,721 | 1,861 | 1,604 | 1,337 | 1,406 |
| 95,628 | 88,609 | 90,267 | 86,958 | 77,531 | 72,577 |
| | | | | | |
| (42,332) | (42,147) | (43,548) | (43,198) | (39,570) | (39,454) |
| (62,119) | (57,374) | (53,183) | (46,290) | (36,985) | (30,743) |
| (104,451) | (99,521) | (96,731) | (89,488) | (76,555) | (70,197) |
| | | | | | |
| 43,142 | 41,556 | 39,826 | 39,661 | 41,538 | 41,125 |
| 1,733 | 1,729 | 1,661 | 1,577 | 1,485 | 1,310 |
| 143 | 291 | (486) | 1,260 | 1,631 | 1,411 |
| (1,122) | (1,140) | (767) | (111) | (121) | (199) |
| 1,907 | 2,099 | 1,173 | 832 | 602 | (378) |
| 45,803 | 44,535 | 41,407 | 43,219 | 45,135 | 43,269 |
| (58,649) | (54,986) | (55,324) | (46,269) | (31,420) | (26,928) |
| 91,834 | 71,579 | 71,241 | 82,552 | 91,222 | 122,520 |
| 33,185 | 16,593 | 15,917 | 36,283 | 59,802 | 95,592 |
| | | | | | |
| 1,163,379 | 1,133,772 | 1,119,056 | 1,099,455 | 1,062,907 | 1,008,343 |
| 11,664 | - | 375 | 529 | 296 | 173 |
| 5,141 | 13,227 | 10,974 | 11,350 | 11,848 | 6,733 |
| $ 1,180,184 | $ 1,146,999 | $ 1,130,405 | $ 1,111,334 | $ 1,075,051 | $ 1,015,249 |

## PENINSULA CORRIDOR JOINT POWERS BOARD

## REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
## FISCAL YEARS 2006 THROUGH 2015

| | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Passenger fares (in thousands) | $ 83,351 | $ 74,846 | $ 68,767 | $ 59,891 |
| Revenue Base | | | | |
| Number of passengers (in thousands) | 18,567 | 17,029 | 15,596 | 14,134 |
| Source: National Transit Database (NTD) | | | | |
| Four-zone fare structure | | | | |
| Full adult fare: | | | | |
| One-way | $ 9.25 | $ 9.25 | $ 8.75 | $ 8.75 |
| Day Pass | 18.50 | 18.50 | 17.50 | 17.50 |
| 8-ride | 64.75 | 64.75 | 59.50 | 59.50 |
| 10-ride | - | - | - | - |
| Monthly Pass | 232.00 | 232.00 | 232.00 | 232.00 |
| Eligible discount fare: | | | | |
| One-way | $ 4.50 | $ 4.50 | $ 4.25 | $ 4.25 |
| Day Pass | 9.25 | 9.25 | 8.75 | 8.75 |
| 8-ride[1] | 32.25 | 32.25 | 29.75 | 29.75 |
| 10-ride[2] | - | - | - | - |
| Monthly Pass | 116.00 | 116.00 | 116.00 | 116.00 |

[1] 8-ride tickets replaced 10-ride tickets effective on March 2, 2009.
[2] 10-ride fare increase effected on January 1, 2009.

Source: Current and prior years' CAFRs and National Transit Database.

This table presents passenger fares, number of passengers and four-zone revenue fare structure.

**PENINSULA CORRIDOR JOINT POWERS BOARD**

**REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE**
**FISCAL YEARS 2006 THROUGH 2015**

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| $ 49,026 | $ 42,732 | $ 43,272 | $ 38,399 | $ 33,058 | $ 28,845 |
| 12,673 | 10,611 | 11,359 | 10,915 | 10,264 | 9,005 |
| $ 8.75 | $ 7.75 | $ 7.75 | $ 7.50 | $ 7.50 | $ 6.75 |
| 17.50 | 15.50 | 15.50 | 15.00 | 15.00 | 13.50 |
| 59.50 | 52.75 | 52.75 | - | - | - |
| - | - | 66.00 | 63.75 | 63.75 | 57.50 |
| 232.00 | 205.50 | 205.50 | 198.75 | 198.75 | 179.00 |
| $ 4.25 | $ 3.75 | $ 3.75 | $ 3.75 | $ 3.75 | $ 3.25 |
| 8.75 | 7.75 | 7.75 | 7.50 | 7.50 | 6.75 |
| 29.75 | 26.25 | 26.25 | - | - | - |
| - | - | 33.00 | 31.75 | 31.75 | 28.75 |
| 116.00 | 102.75 | 102.75 | 99.25 | 99.25 | 89.50 |

## REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
## FISCAL YEAR ENDED JUNE 30, 2015

The JPB does not have major revenue payers as most of the operating revenues are derived from passenger fares.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## DEBT CAPACITY - RATIO OF OUTSTANDING DEBT
## FISCAL YEARS 2006 THROUGH 2015 (in thousands)

| Fiscal Year | Farebox Revenue Bonds for JPB (in thousands)[1] | Personal Income for San Mateo County [2] | As a Percent of Personal Income |
|---|---|---|---|
| 2015 | $ 34,551 | $ 63,346,079 | 0.055% |
| 2014 | 23,564 | 61,501,048 | 0.038% |
| 2013 | 23,569 | 59,709,755 | 0.039% |
| 2012 | 23,140 | 58,665,994 | 0.039% |
| 2011 | 23,140 | 51,745,573 | 0.045% |
| 2010 | 23,140 | 47,469,961 | 0.049% |
| 2009 | 23,140 | 46,381,026 | 0.050% |
| 2008 | 23,140 | 48,856,877 | 0.047% |
| 2007 | 2,355 | 49,894,436 | 0.005% |
| 2006 | 2,590 | 47,184,337 | 0.005% |

[1] Current and prior years' CAFRs
[2] County of San Mateo, California, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2015 and is based on an estimated three percent annual increase over 2013.

This table presents the capacity of the JPB to issue farebox revenue bonds based on the total personal income for San Mateo County.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## DEBT CAPACITY - BONDED DEBT
## FISCAL YEARS 2006 THROUGH 2015 (in thousands)

| Fiscal Year | Farebox Revenue Bonds | Member Agency Operating Contributions | As a Percent of Member Agency Contributions |
|---|---|---|---|
| 2015 | $ 34,551 | $ 19,829 | 174.2% |
| 2014 | 23,564 | 17,236 | 136.7% |
| 2013 | 23,140 | 33,500 | 69.1% |
| 2012 | 23,140 | 25,030 | 92.4% |
| 2011 | 23,140 | 35,093 | 65.9% |
| 2010 | 23,140 | 39,424 | 58.7% |
| 2009 | 23,140 | 38,688 | 59.8% |
| 2008 | 23,140 | 38,284 | 60.4% |
| 2007 | 2,355 | 37,154 | 6.3% |
| 2006 | 2,590 | 36,072 | 7.2% |

This table presents the capacity of the JPB to issue farebox revenue bonds based on the total member contributions from the District, VTA and CCSF.

Source: Current and prior years' CAFRs

## PENINSULA CORRIDOR JOINT POWERS BOARD

## DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT
## FISCAL YEAR ENDED JUNE 30, 2015

The JPB does not have overlapping debt with other governmental agencies.

# PENINSULA CORRIDOR JOINT POWERS BOARD

## DEBT CAPACITY – DEBT LIMITATIONS
## FISCAL YEAR ENDED JUNE 30, 2015

The JPB does not have a legal debt limit.

## PENINSULA CORRIDOR JOINT POWERS BOARD

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

| | | Debt Service | | | |
|---|---|---|---|---|---|
| **Year** | **Pledged Revenue** | **Principal** | **Interest** | **Total** | **Debt Coverage** |
| 2015 | $ 90,763 | $ - | $ 1,148 | $ 1,148 | 79 |
| 2014 | 82,145 | - | 1,103 | 1,103 | 74 |
| 2013 | 75,546 | - | 1,103 | 1,103 | 68 |
| 2012 | 64,684 | - | 1,103 | 1,103 | 59 |
| 2011 | 53,296 | - | 1,103 | 1,103 | 48 |
| 2010 | 46,461 | - | 1,103 | 1,103 | 42 |
| 2009 | 46,719 | - | 1,103 | 1,103 | 42 |
| 2008 | 43,760 | 250 | 521 | 771 | 57 |
| 2007 | 37,961 | 235 | 123 | 358 | 106 |
| 2006 | 33,123 | 225 | 133 | 358 | 93 |

Note: Refer to Note 9 in the Financial Section for specifics of the JPB’s debt and pledged farebox revenues.

Source: Current and prior years’ CAFRs

This table presents the relationship between total farebox revenue and total principal and interest payments, as well as the JPB's ability to meet it debt obligations.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## DEMOGRAPHICS AND ECONOMIC INFORMATION–POPULATION, INCOME AND UNEMPLOYMENT RATES – SAN MATEO COUNTY
## FISCAL YEARS 2006 THROUGH 2015

| Year | Population [1] | Total Personal Income (in thousands) [2] | Per Capita Personal Income [2] | Average Unemployment Rates [3] |
|---|---|---|---|---|
| 2015 | 753,123 | $ 63,346,079 * | $ 84,758 * | 3.3% |
| 2014 | 745,635 | 61,501,048 * | 82,290 * | 4.2% |
| 2013 | 736,647 | 59,709,755 | 79,893 | 5.7% |
| 2012 | 727,795 | 58,665,994 | 79,420 | 7.0% |
| 2011 | 722,372 | 51,745,573 | 71,051 | 8.3% |
| 2010 | 718,614 | 47,469,961 | 65,953 | 8.9% |
| 2009 | 713,818 | 46,381,026 | 64,994 | 8.9% |
| 2008 | 707,820 | 48,856,877 | 69,416 | 4.8% |
| 2007 | 701,838 | 49,894,436 | 71,910 | 4.0% |
| 2006 | 699,347 | 47,184,337 | 68,366 | 3.8% |

[1] Data include retroactive revisions by the State of California Department of Finance, Demographic Research Unit.
[2] Data include retroactive revisions by the U.S Department of Commerce Bureau of Economic Analysis.
[3] Data include retroactive revisions by the State of California Employment Development Department. Unemployment rates are non-seasonally adjusted for June.

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

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

# PENINSULA CORRIDOR JOINT POWERS BOARD

## DEMOGRAPHICS AND ECONOMIC INFORMATION–POPULATION, INCOME, AND UNEMPLOYMENT RATES – CITY AND COUNTY OF SAN FRANCISCO
## FISCAL YEARS 2006 THROUGH 2015

| Year | Population [1] | Total Personal Income (in thousands) [1] | Per Capita Personal Income [1] | Average Unemployment Rates [1] |
|---|---|---|---|---|
| 2015 | 864,421 * | $ 65,635,719 * | $ 75,930 * | 3.9% |
| 2014 | 852,469 * | 63,775,311 * | 74,812 * | 5.2% |
| 2013 | 841,138 | 63,777,061 | 75,822 | 6.5% |
| 2012 | 825,863 | 60,059,972 | 72,724 | 8.1% |
| 2011 | 812,826 | 58,619,926 | 72,119 | 9.2% |
| 2010 | 805,235 | 56,665,228 | 70,371 | 9.7% |
| 2009 | 815,358 | 56,037,063 | 68,727 | 7.4% |
| 2008 | 808,001 | 58,199,006 | 72,028 | 4.6% |
| 2007 | 799,185 | 56,306,703 | 70,455 | 4.1% |
| 2006 | 786,149 | 53,902,906 | 68,566 | 4.6% |

[1] City and County of San Francisco, California, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2014.

*The 2014 Population data is updated from last year's CAFR with newly available data. The 2015 Population data is based on estimates provided by the 6/30/15 City and County of San Francisco CAFR. Personal Income, & Per Capita Personal Income data for 2014 and 2015 is based on estimates provided by the 6/30/15 City and County of San Francisco CAFR.

This table highlights City and County of San Francisco total population, total personal and per capita income, and percentage of unemployed residents.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## DEMOGRAPHICS AND ECONOMIC INFORMATION–POPULATION, INCOME, AND UNEMPLOYMENT RATES – COUNTY OF SANTA CLARA
## FISCAL YEARS 2006 THROUGH 2015

| Year | Population [1] | Total Personal Income (in thousands) [1] | Per Capita Personal Income [1] | Average Unemployment Rates [1] |
|---|---|---|---|---|
| 2015 | 1,889,638 | * | * | 4.6% |
| 2014 | 1,868,558 | * | * | 6.1% |
| 2013 | 1,842,254 | $ 130,624,491 | $ 70,151 | 7.6% |
| 2012 | 1,816,486 | 122,259,021 | 66,535 | 9.0% |
| 2011 | 1,797,375 | 111,880,131 | 61,833 | 10.5% |
| 2010 | 1,880,876 | 103,636,350 | 58,018 | 11.6% |
| 2009 | 1,857,621 | 99,549,995 | 55,781 | 8.7% |
| 2008 | 1,837,075 | 103,992,999 | 59,227 | 5.1% |
| 2007 | 1,808,056 | 104,102,421 | 60,107 | 4.4% |
| 2006 | 1,773,258 | 95,911,624 | 55,735 | 5.0% |

[1] County of Santa Clara, California, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2014.

*Personal Income & Per Capita Personal Income data for 2014 and 2015 is "Not Available" as of publication of this CAFR.

This table highlights County of Santa Clara total population, total personal and per capita income, and percentage of unemployed residents.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## DEMOGRAPHICS AND ECONOMIC INFORMATION–PRINCIPAL EMPLOYERS FISCAL YEARS 2013 AND 2005

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

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

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

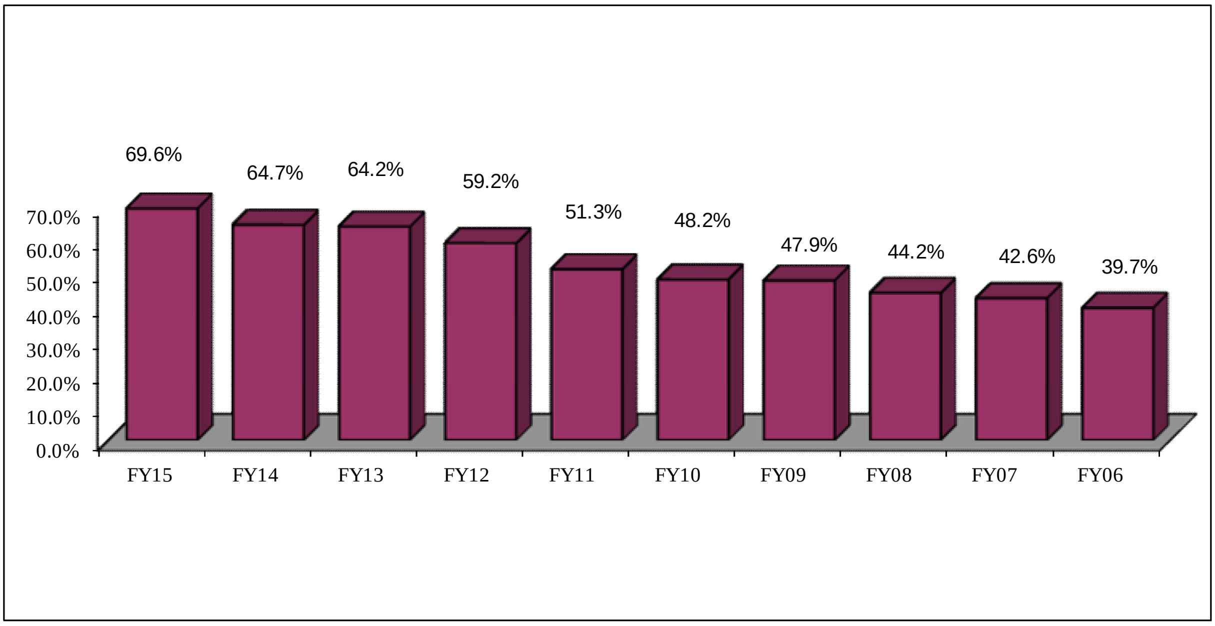
This table presents the top 10 principal employers in San Mateo County for years specified.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## OPERATING INFORMATION – FAREBOX RECOVERY AND PASSENGER MILES FISCAL YEARS 2006 THROUGH 2015

**FAREBOX RECOVERY**

Farebox recovery table shows the relationship between total passenger fares and operating expenses. The Board adopted a farebox recovery rate goal range of 45 percent to 65 percent effective FY2015.

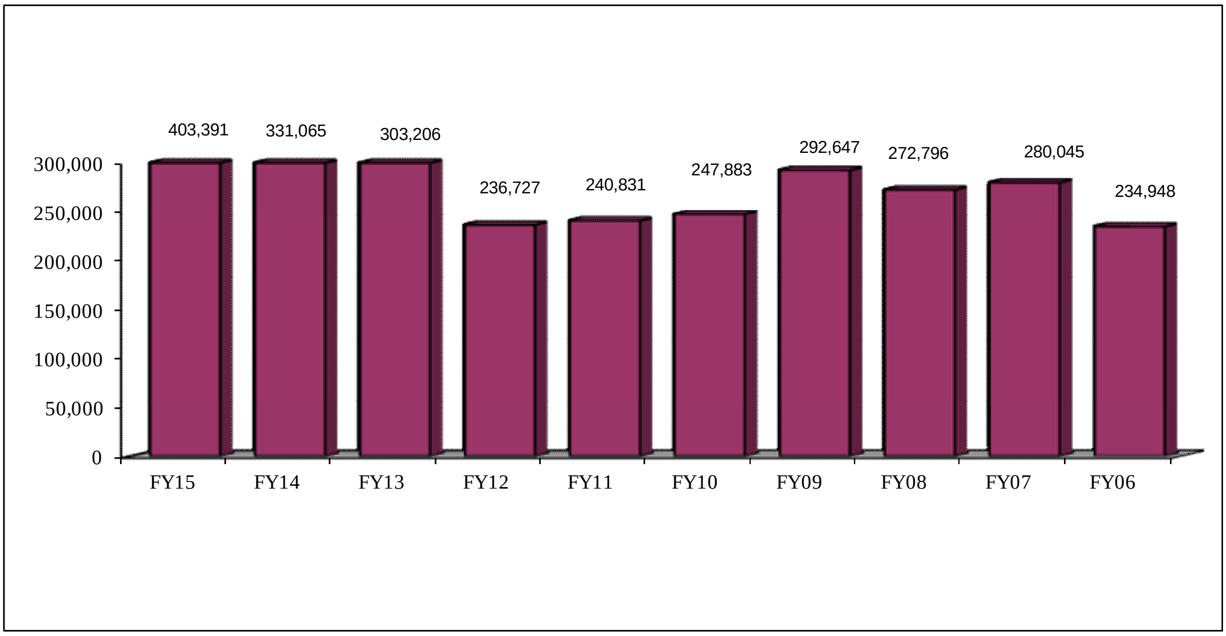



**PASSENGER MILES**

*(In Thousands)*

Weekday passenger miles

The number of weekday trains was increased from 86 to 92 on October 1, 2012.




Source: JPB's National Transportation Database.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## OPERATING INFORMATION – EMPLOYEES (FULL-TIME EQUIVALENTS) FISCAL YEARS 2006 THROUGH 2015

| | FULL-TIME EQUIVALENTS (FTEs) | | | | |
|---|---|---|---|---|---|
| **DIVISION** | **2015** | **2014** | **2013** | **2012** | **2011** |
| **EXECUTIVE** | 0.76 | 0.85 | 0.87 | 0.91 | 0.85 |
| **PUBLIC AFFAIRS** | 4.80 | 4.80 | 4.00 | 4.46 | 2.80 |
| **OPERATIONS, ENGINEERING AND CONSTRUCTION** | 49.64 | 47.81 | 43.35 | 46.75 | 45.52 |
| **PLANNING AND DEVELOPMENT** | 5.95 | 6.40 | 3.04 | 5.09 | 5.21 |
| **FINANCE AND ADMINISTRATION** | 29.40 | 31.00 | 33.71 | 33.10 | 32.17 |
| **CALTRAIN MODERNIZATION PROGRAM** | 5.95 | 4.95 | 3.50 | - | - |
| **PENINSULA RAIL PROGRAM** | - | - | - | - | 2.00 |
| **CUSTOMER SERVICE AND MARKETING** | 11.1 | 14.6 | 12.6 | 11.4 | 10.9 |
| **TOTAL FTEs** | **107.64** | **110.42** | **101.03** | **101.71** | **99.43** |

| **DIVISION** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| **EXECUTIVE** | 0.80 | 0.65 | 0.60 | 0.60 | - |
| **ADMINISTRATION** | - | 12.35 | 12.50 | 13.20 | 14.05 |
| **COMMUNICATIONS** | - | 14.77 | 15.03 | 20.25 | 19.28 |
| **CUSTOMER SERVICE AND MARKETING** | 18.05 | - | - | - | - |
| **DEVELOPMENT** | - | 45.75 | 49.75 | 45.10 | 38.03 |
| **FINANCE** | | 9.80 | 9.80 | 10.65 | 9.60 |
| **FINANCE AND ADMINISTRATION** | 33.37 | - | - | - | - |
| **PLANNING AND DEVELOPMENT** | 6.20 | - | - | - | - |
| **PENINSULA RAIL PROGRAM** | 1.00 | - | - | - | - |
| **PUBLIC AFFAIRS** | 3.80 | - | - | - | - |
| **OPERATIONS** | - | 17.50 | 14.85 | 15.10 | 23.42 |
| **OPERATIONS, ENGINEERING AND CONSTRUCTION** | 46.54 | - | - | - | - |
| **TOTAL FTEs** | **109.76** | **100.82** | **102.53** | **104.90** | **104.38** |

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

Source: JPB's annual capital and operating budget.

This table presents the total full-time equivalents (FTEs) by division.

## PENINSULA CORRIDOR JOINT POWERS BOARD

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

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Depreciable and amortized capital assets | | | |
| Right of way improvements | $ 972,866 | $ 804,003 | $739,383 |
| Rail vehicles | 284,023 | 284,128 | 285,040 |
| Facilities and equipment | 128,584 | 127,653 | 127,568 |
| Office equipment | 1,084 | 869 | 860 |
| Total depreciable and amortized capital assets | 1,386,557 | 1,216,653 | 1,152,851 |
| Accumulated depreciation and amortization | | | |
| Right of way improvements | (399,280) | (341,424) | (293,985) |
| Rail vehicles | (161,494) | (149,882) | (137,309) |
| Facilities and equipment | (48,396) | (43,790) | (39,743) |
| Office equipment | (854) | (648) | (672) |
| Intangible Asset - Trackage Right* | - | - | - |
| Total accumulated depreciation and amortization | (610,024) | (535,744) | - |
| Nondepreciable capital assets | | | |
| Right of way | 226,972 | 226,893 | 226,893 |
| Construction in progress | 305,977 | 354,256 | 316,125 |
| Intangible Asset - Trackage Right* | 8,000 | 8,000 | 8,000 |
| Total nondepreciable capital assets | 540,949 | 589,149 | 551,018 |
| Capital assets, net | $ 1,317,482 | $ 1,270,058 | $ 1,703,869 |

*Per GASB 51 effective as of FY2009 Trackage Rights are a non-depreciable capital asset. The activity for FY2009 has been restated to reflect the change.

Source: Current and prior years' CAFRs

This table presents the total nondepreciable capital assets, total depreciable capital assets and total accumulated depreciation and amortization.

## PENINSULA CORRIDOR JOINT POWERS BOARD

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

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| $719,324 | $677,797 | $652,968 | $596,170 | $582,783 | $496,553 | $375,566 |
| 285,125 | 284,203 | 280,201 | 275,326 | 254,537 | 254,201 | 253,033 |
| 128,428 | 127,048 | 121,037 | 118,197 | 117,507 | 23,549 | 22,743 |
| 875 | 855 | 693 | 726 | 815 | 717 | 685 |
| 1,133,752 | 1,089,903 | 1,054,899 | 990,419 | 955,642 | 775,020 | 652,027 |
| | | | | | | |
| (264,091) | (222,481) | (186,213) | (150,369) | (131,156) | (100,573) | (75,766) |
| (126,011) | (113,553) | (101,159) | (88,499) | (76,232) | (65,495) | (55,343) |
| (34,820) | (29,337) | (23,626) | (18,401) | (14,966) | (10,426) | (8,689) |
| (751) | (702) | (626) | (656) | (621) | (474) | (378) |
| - | - | - | - | (2,963) | (2,770) | (2,578) |
| (425,673) | (366,073) | (311,624) | (257,925) | (225,938) | (179,738) | (142,754) |
| | | | | | | |
| 226,893 | 226,893 | 226,893 | 226,893 | 226,893 | 210,962 | 210,962 |
| 261,771 | 227,381 | 177,959 | 173,488 | 151,197 | 250,919 | 282,583 |
| 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| 496,664 | 462,274 | 412,852 | 408,381 | 386,090 | 469,881 | 501,545 |
| | | | | | | |
| $ 1,204,743 | $ 1,186,104 | $ 1,156,127 | $ 1,140,875 | $ 1,115,794 | $ 1,065,163 | $ 1,010,818 |

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# Section IV

## SINGLE AUDIT

# *INDEPENDENT AUDITOR'S REPORTS*

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants



# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND CALIFORNIA GOVERNMENT CODE SECTION 8879.50

To the Board of Directors of the
Peninsula Corridor Joint Powers Board
San Carlos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Peninsula Corridor Joint Powers Board (JPB) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the JPB's basic financial statements, and have issued our report thereon dated January 15 2016.

**Internal Control over Financial Reporting**

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

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

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



260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the JPB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including the applicable provisions of California Governmental Code Section 8879.50, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the California Government Code 8879.50 et seq.

**Purpose of This Report**

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
January 15, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of the
Peninsula Corridor Joint Powers Board
San Carlos, California

**Report on Compliance for Each Major Federal Program**

We have audited the Peninsula Corridor Joint Powers Board's (JPB) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the JPB's major Federal program for the year ended June 30, 2015. The major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the JPB's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the JPB's compliance.



260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com

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***Opinion on the Major Federal Program***

In our opinion, the JPB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of the JPB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the JPB 's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the JPB's internal controls over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
January 15, 2016

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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## PENINSULA CORRIDOR JOINT POWERS BOARD

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## YEAR ENDED JUNE 30, 2015

### SUMMARY OF AUDITOR'S RESULTS

| | |
|---|---|
| FINANCIAL STATEMENTS | |
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiency identified not considered to be material weaknesses? | None Reported |
| Noncompliance material to financial statements noted? | No |
| FEDERAL AWARDS | |
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiency identified not considered to be material weaknesses? | None Reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | No |
| Identification of major programs: | |

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 20.500, 20.507, 20.525 | Federal Transit Cluster |
| 20.205 | Highway Planning and Construction |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 780,543 |
| Auditee qualified as low-risk auditee? | Yes |

# PENINSULA CORRIDOR JOINT POWERS BOARD

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## YEAR ENDED JUNE 30, 2015

### FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 16, 2015, which is an integral part of our audits and should be read in conjunction with this report.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

### STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

***Financial Statement Prior Year Findings***

There were no prior year Financial Statement Findings reported.

***Federal Award Prior Year Findings and Questioned Costs***

There were no prior year Federal Award Findings and Questioned Costs reported.

## PENINSULA CORRIDOR JOINT POWERS BOARD

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2015

| Federal Grantor/Program Title | Federal CFDA Number | Grant Identification Number | Federal Expenditures |
|---|---|---|---|
| **U.S. DEPARTMENT OF TRANSPORTATION** | | | |
| Federal Transit Cluster: | | | |
| Direct Grant | | | |
| Federal Transit Capital Investment Grants | 20.500 | CA-05-0209 | $ 199,952 |
| Federal Transit Capital Investment Grants | 20.500 | CA-05-0218 | 866 |
| Federal Transit Capital Investment Grants | 20.500 | CA-05-0238 | 4,678 |
| Federal Transit Capital Investment Grants | 20.500 | CA-05-0242 | 257,927 |
| Federal Transit Capital Investment Grants | 20.500 | CA-05-0251 | 733,850 |
| Federal Transit Capital Investment Grants | 20.500 | CA-05-0262 | 1,595,733 |
| Federal Transit Formula Grants | 20.500 | CA-05-0276 | 9,826,869 |
| Total Federal Transit Capital Investment Grants | | | 12,619,875 |
| Federal Transit Formula Grants | | | |
| Federal Transit Formula Grants | 20.507 | CA-90-Y-246 | 338,466 |
| Federal Transit Formula Grants | 20.507 | CA-90-Y-312 | 14,725 |
| Federal Transit Formula Grants | 20.507 | CA-90-Y-696 | (80,734) |
| Federal Transit Formula Grants | 20.507 | CA-90-Y-788 | (270) |
| Federal Transit Formula Grants | 20.507 | CA-90-Y-895 | 912,830 |
| Federal Transit Formula Grants | 20.507 | CA-95-X-074 | 3,178,614 |
| Federal Transit Formula Grants | 20.507 | CA-90-Y-944 | 184,851 |
| Federal Transit Formula Grants | 20.507 | CA-90-Z-042 | 3,854,591 |
| Federal Transit Formula Grants | 20.507 | CA-90-Z-159 | 41,051 |
| Federal Transit Formula Grants | 20.507 | CA-95-X-299 | 86,767 |
| Total Federal Transit Formula Grants | | | 8,530,891 |
| State of Good Repair Grants | | | |
| State of Good Repair Grants | 20.525 | CA-54-0004 | 1,202,192 |
| State of Good Repair Grants | 20.525 | CA-54-0020 | 76,510 |
| State of Good Repair Grants | 20.525 | CA-54-0034 | 734,072 |
| Total State of Good Repair Grants | | | 2,012,774 |
| Total Federal Transit Cluster | | | 23,163,540 |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | | | |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | 20.505 | 74A0778 | 22,318 |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | 20.505 | | 32,576 |
| Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | | | 54,894 |

# PENINSULA CORRIDOR JOINT POWERS BOARD

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2015

| | | | |
|---|---|---|---|
| Public Transportation Research, Technical Assistance, and Training | | | |
| Public Transportation Research, Technical Assistance, and Training | 20.514 | CA-26-0056 | 15,714 |
| Public Transportation Research, Technical Assistance, and Training | 20.514 | N/A | 10,007 |
| Total Public Transportation Research, Technical Assistance, and Training | | | 25,721 |
| | | | |
| Passed Through California Departmnet of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BRLO-6170 (023) | 725,611 |
| Highway Planning and Construction | 20.205 | BRLO-6170 (021) | 1,470,642 |
| Highway Planning and Construction | 20.205 | BRLO-6170 (022) | 577,677 |
| Total Highway Planning and Construction | | | 2,773,930 |
| **Total U.S. Department of Transportation** | | | 26,018,085 |
| | | | |
| **U.S. DEPARTMENT OF HOMELAND SECURITY** | | | |
| Rail and Transit Security Grant | | | |
| Passthrough CA Governor's Office of Homeland Security | 97.075 | 07TSGP0001 | 1,553,746 |
| Passthrough CA Governor's Office of Homeland Security | 97.075 | 08TSGP0001 | 1,256,836 |
| | | | |
| Direct Grant | 97.075 | 09TSGP0001 | 2,997,529 |
| Direct Grant | 97.075 | 10TSGP0001 | 1,152,347 |
| **Total U.S. Department of Homeland Security** | | | 6,960,458 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 26,018,085 |

## PENINSULA CORRIDOR JOINT POWERS BOARD

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2015

### NOTE 1 - REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Peninsula Corridor Joint Powers Board, San Carlos, California as disclosed in the notes to the Basic Financial Statements.

### NOTE 2 - BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

### NOTE 3 - DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the JPB by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Board. The Schedule includes both of these types of Federal award programs when they occur.