TRANSPORTATION AGENCY FOR MONTEREY COUNTY

FINANCIAL STATEMENTS
June 30, 2016

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
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Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Transportation Agency for Monterey County
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Transportation Agency for Monterey County (the Agency), as and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency'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 of material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Transportation Agency for Monterey County, as of June 30, 2016, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3-12, the budgetary comparison information on pages 37 and 38, the schedule of funding progress for the post employment benefits other than pensions on page 39, the schedule of proportionate share of net pension liability on page 40, and the schedule of pension contributions on page 41, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary, allocation, and claims schedules, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary, allocation, and claims schedules are the responsibility of management and were derived from and related 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 information section is fairly stated in all material respects in relating to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017, on our consideration of the Transportation Agency for Monterey County'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 Agency's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
January 9, 2017

Management's Discussion and Analysis

Overview of the Transportation Agency and Audited Finances
for Fiscal Year Ending June 30, 2016

General

The Transportation Agency for Monterey County (Agency) is a statutorily-designated association of local officials who have joined together to solve transportation problems throughout Monterey County. Officials from each of the twelve incorporated cities in Monterey County and all five County Supervisors represent the public on the Board of Directors. The Agency's goal is to make it safer and easier for travelers to get where they want to go, whether they are commuting to work or school, transporting goods to market, visiting local attractions, going shopping, or traveling to medical appointments. The Agency works to improve safety and reduce future traffic congestion, using a combination of solutions, such as roads, buses, trains, and trails. The Agency's mission is to "develop and maintain a multimodal transportation system that enhances mobility, safety, access, environment quality, and economic activities in Monterey County."

The Board of Directors sets policy and oversees a professional staff of 13 full-time employees and 1 part-time employee. About 87% of the Agency's funding comes from state and federal grants. Local funding is primarily from member agency contributions.

Work Program Highlights

During fiscal year (FY) 2015/2016, the Transportation Agency for Monterey County undertook a wide variety of programs focusing on regional transportation planning, acting as the designated Regional Transportation Planning Agency, the Local Transportation Commission, the Congestion Management Agency, and the Service Authority for Freeways and Expressways for the Monterey County area. The Agency's activities are described in detail in the annual Work Program, and highlighted below.

The Agency underwent a goal-setting session in early 2011 and set the following as its top priority projects for the next ten years: US 101 San Juan Road interchange, Highway 156 widening, US 101 South County Frontage Roads, local road/street improvements, Salinas Rail Extension, and Monterey Branch Line light rail. In late 2012, this list was updated to include bus replacements as another top priority. As of 2015, the first project on the list was constructed. Work is proceeding on the planning for the remaining projects.

The Transportation Agency continued to reach out to the public to improve safety and reduce traffic congestion on area roadways and bring rail to Monterey County through community meetings, city council appearances, press releases, newspaper editorials, and the distribution of the Agency Annual Report. Continuing this year are televised board meetings and a community outreach program for its construction projects – this includes sending out regular updates about road construction activities using traditional and social media, which is called "The TAMC Cone Zone".

This year, Agency staff implemented a public outreach plan to increase public awareness and understanding of Monterey County transportation needs and funding challenges to meet those needs. After months of public engagement and input from a group of more than 30 community leaders, the Agency adopted a "Transportation Safety & Investment Plan". The outcome of the community leaders' collaborative work resulted in a balanced, equitable plan to meet local road repair needs and improve transportation safety for all modes. The plan identifies transportation safety & mobility projects to be funded from a 3/8% sales tax measure proposed for voter approval on the November 2016 ballot. This Plan was unanimously adopted by the County and all twelve cities in Monterey County. It has also been endorsed by community members and organizations. If approved, this plan will be a key part of the financial element and project list in the update of the long-range Regional Transportation Plan.

The Agency has been working with Caltrans to ensure the progress of state highway projects in a timely manner. One of the Agency's high priority projects, the US 101 San Juan Road Interchange Project was completed in fiscal year 2015-16. Agency staff also conducted pre-construction outreach to bring awareness to the Holman Highway 68 Roundabout project, expected to begin construction in summer of 2016.

The Agency is actively investigating alternative funding sources, including a tolling option, to construct the Highway 156 West Corridor Project. The Agency Board directed Staff to conduct a Level 2 Traffic and Revenue Study to provide a more detailed analysis of the feasibility of tolling as a funding option. Concurrently, staff will work with Caltrans to initiate a Supplemental Environmental Impact Report to evaluate the impacts of instituting tolling to finance the Highway 156 West Corridor project. The lead role for the Transportation Agency on the Highway 156 West Corridor project includes participation on the project development team, identification and securing of project funding, coordination with local agencies and community members, and assistance or in some cases taking the lead on community outreach and information and media relations.

The Agency secured a Caltrans Sustainable Planning Grant to conduct a corridor study of Highway 68 between Salinas and Monterey, the SR 68 Scenic Highway Plan. The Agency brought on a consultant team to conduct the technical work of the study, and in the spring of 2016 began collecting travel data and wildlife crossing data, began development of a local travel demand model for the corridor, and initiated public outreach for the project with an interactive online forum and a public workshop held in April. Work on this study will continue through summer of 2017.

Throughout the period, Agency staff assisted the Monterey County Public Works Department on project development coordination for the Highway 1 Truck Climbing Lane project in Carmel and intersection projects on Monterey-Salinas Highway (Route 68). The County is reviewing the final design stage of the Corral De Tierra

Intersection improvements at Route 68 and the project is scheduled to start construction in 2017-18 or sooner. The Highway 1 Truck Climbing Lane project is scheduled to start construction in 2016-17, and the Agency is working with the County of Monterey to provide gap funding for the project if state funds are not available in a timely manner. Staff also assisted the City of Marina on project development coordination for improvements at the Highway 1/Imjin Road Interchange, and for preliminary design to widen Imjin Road between Imjin Parkway and Reservation Road.

Agency staff worked with AMBAG and other participating agencies on the development of the final draft of the US 101 Freight Study to improve goods movement throughout the US 101 corridor and highlight goods movement projects for state and federal funding.

Agency staff also initiated a coordinated work effort with the Fort Ord Reuse Authority to update that agency's community facilities district fees. The effort will reevaluate the project listed in the FORA Capital Improvement Program as compared to forecast roadway deficiencies in the latest Regional Travel Demand model, and potentially propose a revised distribution of fee revenues, after seeking input from the affected cities and the County of Monterey.

Agency staff continued work on the Salinas Rail Extension. The Agency continued coordination with the Capitol Corridor Joint Powers Agency and the State of California to implement a state-only funded "Kick-Start" project of service to Salinas with improvements at Salinas and Gilroy in the near term, deferring the stations at Pajaro/ Watsonville and Castroville until additional funding can be secured. The Agency continued the work on the acquisition station parcels in Salinas. The Agency also continued work on the final design of the Kick-Start project and coordinated meetings with partner agencies.

The Agency provided a grant to help Monterey-Salinas Transit fund a study proposing a busway that would run on the Highway 1 shoulders or along the Monterey Branch Line (adjacent to the railroad tracks) between Marina and Monterey to provide transit service along the corridor as a precursor to the planned light-rail service. The project is in the feasibility stage and Monterey-Salinas Transit is pursuing Federal Transit Administration Small Starts funding.

Staff also continued ongoing discussions with California American Water on locating a water pipeline in the Branch Line right-of-way. The City of Sand City and the Agency have ongoing discussions on the possibility of an easement for California Avenue, and shared parking near Contra Costa Street. Agency staff has also worked with the City of Marina to insure modifications to the intersection of Del Monte Blvd. and Beach Road do not reduce the viability of future transit service within the Monterey Branch Line right-of-way. The Agency and State Parks have had ongoing discussions for proposed easements at the Monterey Branch Line Balloon Spur Right of way at Fort Ord Dunes State Park. The Agency continued to perform routine maintenance and manage leases on the Monterey Branch Line right-of-way.

The Agency continued to work with state and federal legislators on transportation planning and funding issues, in coordination with the Agency's state legislative advocate. The Agency is pursuing a bill this legislative session to return any income from the sale of property originally acquired for the Prunedale Bypass project to the Transportation Agency to fund highway improvements in the US 101 corridor. Agency staff monitored legislation, updated and promoted the state and federal legislative programs, prepared and updated the state legislative bill list, and wrote letters of support and opposition as appropriate.

The Transportation Agency oversaw the Freeway Service Patrol tow truck assistance program in Monterey County, in coordination with state and local representatives from California Highway Patrol and Caltrans, operated by local contractors. The Agency updated the data collection system to an iPad based app system in fiscal year 2014-15, greatly improving the reliability of the data collection system. Partnering with the local Highway Patrol office, the Agency continued to hold localized quarterly training for tow truck operators.

The Agency continued to administer the Monterey County call box motorist assistance program, including renewal, management and monitoring the contract with and performance of the call center. The agency also managed a call box maintenance contract, which includes site improvements for call box accessibility.

The Agency began the preliminary ground work to implement the Monterey Bay Area 511 Traveler Information program as well as the Monterey County Rideshare Program. The Agency also updated the "Emergency Ride Home" Program for commuters in Monterey County.

The Agency continued planning efforts to improve the safety of bicyclists and pedestrians in Monterey County. These activities included: initiation of a countywide Active Transportation Plan, which is an update of the 2011 Bicycle and Pedestrian Master Plan; initiation of a League of American Cyclists-based bicycle safety education program aimed at increasing the pool of educated, local bike advocates; the publication of a new Monterey County bike map, and the distribution of and responses to Bicycle Facilities Service Request Forms. The Agency dedicated Transportation Development Act funds for an annual Bike Month education and promotional effort over a three-year funding cycle, to be conducted in coordination with the Bicycle and Pedestrian Advisory Committee. 2016 Bike Month activities included the Salinas Criterium, Monterey free helmet giveaway day, Salinas Community Ride, Bike Safety training, and Bike to School week events at several elementary schools. The Transportation Agency also contracted with Ecology Action to conduct bicycle safety training. TAMC funding was used to leverage additional funding from the Monterey Peninsula Foundation and the Community Foundation of Monterey County so that Ecology Action was able to conduct training at 19 schools in Monterey County, reaching 429 students.

The Transportation Agency continued work on the Caltrans-funded State Route 68 Corridor in Pacific Grove to identify safety improvements for motorists, bicyclists and pedestrians. The effort involved substantial community outreach and coordination between the City of Pacific Grove, Caltrans and TAMC. A draft report is expected to be released in the late summer of 2016.

The Agency worked closely with Caltrans to develop Transportation Concept Reports (TCR's) for several regional corridors in the Monterey County including SR 68, SR 183, SR 198, and SR 218. In 2016-2017 staff will work with Caltrans and other agencies on the development of the TCR for SR 1.

The Agency also assisted local jurisdictions in funding bicycle and pedestrian projects, including the Castroville crossing project, the Moss Landing Sanctuary Scenic Trail project, the Rio Road bike lanes, the bike lanes along Imjin Road and street design improvements within the Salinas Downtown Vibrancy plan. The Agency also conducted a new cycle of its Bicycle Secure Program, which provides free bicycle racks and lockers (expanded to include repair stations, and skateboard racks) to local businesses, non-profits, and government agencies.

TAMC is the implementing agency for the Via Salinas Valley Active Transportation Program. This project will provide bicycle and pedestrian improvements in five Salinas Valley cities. Staff has assisted the cities in meeting state and federal requirements for the improvements and the projects are expected to start construction in late 2016 and early 2017.

The Agency continued screening incoming environmental documents and traffic impact assessments to determine consistency with Transportation Agency plans, programs, and policies, and to address impacts of proposed developments on regional transportation infrastructure. Major projects reviewed included the Greenfield South End Annexation and the Davis Road Bridge Replacement and Road Widening.

The Transportation Agency continued the Regional Traffic Counts Program, collecting traffic counts across the county. This data was made available to AMBAG to support the regional travel demand model.

The Agency continued participating with the Monterey Bay Electric Vehicle Alliance, a public-private partnership to plan and facilitate the adoption of electric vehicles in the tri-county region. In a prior year, the Agency partnered with the International Brotherhood of Electrical Workers Local 234 to receive an Air District grant for the purchase and installation of seven charging stations. With three stations previously installed, this year the Agency installed three of the remaining four stations, and is currently working to install the final station.

The Agency began strategic planning and stakeholder outreach for development of the 2018 Regional Transportation Plan, which will be an update to the 2014 Regional Transportation Plan and Metropolitan Transportation Plan. The effort, called *Keep Monterey County Moving*, will result in substantial revisions to the Agency's priority project list and financial element. Outreach was conducted via the development of the

Transportation Safety and Investment plan (discussed above) and after the election this information will feed into the RTP as appropriate. A draft of the plan will be presented for review throughout the county to obtain input from a wide variety of, including environmental justice areas. Additionally, the Agency continued coordination with AMBAG staff regarding the 2040 MTP/SCS/RTP update, including participation in regular team meetings, and began updating the project lists and financial assumptions. Staff participated in a workshop on the proposed updates to the California Transportation Plan and Regional Transportation Plan guidelines. Staff also participated in the finalization of a website database for the RTP project list, and received Board approval of Amendment #1 to the 2014 RTP.

The Agency adopted the Marina-Salinas Multimodal Corridor Conceptual Plan in June 2015. The Plan includes conceptual roadway designs to accommodate high-quality transit service and regional bicycle travel in addition to improve driving, and pedestrian safety. The plan is a culmination of input from many partner agencies, stakeholders and members of the community. Staff is developing a memorandum of understanding for all the land use agencies to sign to confirm the plans and alignment of the corridor for future uses.

The Agency continued to administer Transportation Development Act funds in accordance with state law, coordinating with the Monterey-Salinas Transit Mobility Advisory Committee, which serves as the designated Social Services Transportation Advisory Council, holding public hearings regarding unmet transit needs, and compiling a list of unmet transit needs. While all funding is being allocated to transit, the unmet transit needs process serves as a public input tool for MST's short and long-term transit service planning and improvements.

In addition, the Agency administered and monitored delivery of projects funded by the Transportation Development Act Article 3 bicycle/pedestrian (TDA 2% program) account. Staff prepared agendas for and held meetings of the Bicycle and Pedestrian Facilities Advisory Committee to discuss transportation issues and solicit input for programming future TDA funds to projects over the next three years.

Financial Highlights

Net position of the Agency increased from $20,199,153 on June 30, 2015, to $20,677,913 on June 30, 2016. The Agency has unassigned reserves of $5,135,845 as of June 30, 2016. The Agency requires the maintenance of unassigned reserves equal to six months of operating expenditures. Of the $5,135,845 in unassigned reserves, $1,308,369 is reserved for six months of cash flow for the operating budget for FY 2016/2017.

Transportation Agency for Monterey County Revenues and Expenditures

The Agency revenues during FY 2015/2016 were $5,417,872, consisting primarily of $4,290,932 in state funds. Other revenues included $395,262 in federal funds, and $731,678 in local funds.

The Agency budget separates expenditures into two types: operating and direct program. Operating expenditures include the staff's salaries and benefits, materials and services, and equipment purchases. Direct program expenditures include outside consultants, contracts, expenditures that apply to a specific work program task, such as the rail program, highway projects and bicycle and pedestrian program. The Agency expenditures for the same period included $ 2,636,918 in operating expenditures, and $2,955,057 in direct program costs.

Direct program activities are described above in the Work Program Highlights section. The major portion of the direct program costs were $179,133 for Freeway Service Patrol, $91,149 for Call Boxes (SAFE), $212,829 for Public Outreach, $112,227 for SR 156 West Project Management, $85,396 for Complete Streets Project Management,$112,400 for RTIP/EIR update, $104,681 for Highway 68 Pacific Grove Corridor Study, $123,586 for Highway 68 Salinas to Monterey Study and $1,476,576 in rail program expenditures for Salinas Rail Extension activities.

The Agency operating expenses of $2,636,918 included 86.0% for personnel costs and the remainder for materials, services, and equipment purchases. The operating expenses in FY 2015/2016 were 35.0% more than the previous fiscal year. This was primarily due to the payment of $550,842 towards the unfunded pension liability. However, for reimbursement purposes, Caltrans requires the Agency to book the expense of the unfunded liability over a 5 year period ($110,168/year).

Overall Financial Position

The overall financial position of the Agency decreased during FY 2015/2016, with the total fund balance decreasing from $ 9,975,690 to $9,801,587. Federal Planning funds increased from $ 110,805 to $395,262 and Planning, Programming and Monitoring funds decreased from $ 328,452 to $213,000. The funding sources for the Agency's operating program include Federal Planning Funds, State Rural Planning Assistance, Planning, Programming & Monitoring funds, Local Transportation Funds, State support for the tow truck program and the call boxes, local contributions to congestion management activities and Federal, State and Local grants. State and Federal grants for the direct programs such as rail, highway, and bicycle/pedestrian projects vary from fiscal year to year, depending on the project activities.

Highlights of the Transportation Agency for Monterey County funds

In FY 2015/2016, the Transportation Agency for Monterey County continued to follow the requirements of Governmental Accounting Standards Board (GASB) Statement No 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for government funds. Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a government fund.

For the fiscal year ended June 30, 2015, the Agency implemented Governmental Accounting Standard Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions. This statement is effective fo~~r periods beginning after June 15, 2014.~~ The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This statement replaces the requirements of GASB Statement No 27, Accounting for Pensions by State and Local Governmental Employers as well as the requirements of GASB Statement 50, Pension Disclosures. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. GASB 68 requires that governments who provide defined benefit pension plans to their employees are required to record and reflect the net long-term liabilities (the difference between plan assets and actuarial plan liabilities) associated with such plans. In many cases, this results in a significant reduction of fund net assets (or equity). At June 30, 2016, the Agency reported a liability of $608,384 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015.

For the fiscal year ended June 30, 2015, the Agency also implemented Governmental Accounting Standard Board (GASB) Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. This statement was effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68.

Over the 12-month period from July 1, 2015, to June 30, 2016 the reserves for the call box program increased, from $ 1,396,082 to $1,561,382. The reserves for the tow truck program increased from $484,923 to $553,818. Assignment for capital replacement remained unchanged at $114,586. The unassigned fund balance decreased from $5,713,418 $5,135,845.

The Agency trust fund balances decreased by a total of $152,819 during FY 2015/2016, as the local member agencies claims for previously-obligated funds exceeded the revenue received. This resulted in the following net position as of June 30, 2016:

♦ Local Transportation Fund	$ 3,583,676
♦ State Transit Assistance Fund	$ 169
♦ Regional Surface Transportation Program	$ 10,005,028
TOTAL TRUST FUNDS	$ 13,588,873

Budget Variances

The Agency's actual operating expenditures for FY 2015/2016 were above the budgeted expenditures by $135,817, due to the payment of the unfunded pension liability. Direct program expenditures were $13,905,178 less than budgeted due to less than anticipated activity on certain projects, primarily for the Salinas Rail Extension project.

Long-term debt of the Transportation Agency consists of a reserve for compensated absences of employees, Other Post-Employment Benefits, pension liability and a reimbursement agreement with Caltrans which had a balance on June 30, 2016 of $1,691,733.

Current Financial Issues and Concerns

The biggest risk to the agency continues to be a reduction in federal and state planning funds for an extended period of time or activities being ruled as ineligible. The Association of Monterey Bay Area Governments reduced the amount of Federal Highway Planning Funds provided to the Agency from approximately $280,000 in past years to $100,000 in FY 2013/2014, $65,000 in FY 2014/2015 and $0 in FY 2015/16 and FY16/17. There also has been a significant reduction in STIP Planning, Programming and Monitoring funding for operations as the amount of programmed projects in the STIP continues to be reduced; in fact, the California Transportation Commission deleted $9.6 million in funding for projects in Monterey County in March, 2016. The Agency is working to reduce discretionary expenses should these decreases in operations and planning funding be permanent, and has an adequate reserve to cover a temporary decrease.

Despite the funding uncertainties, the Agency continues to control expenditures to stay within its budget, and maintain a prudent cash reserve. Cash flow is enhanced by the implementation of an electronic fund transfer system that results in the timely transfers of state and federal grants to the Agency. Payments to consultants and contractors are closely coordinated with claims to state and federal funding sources to assure prompt reimbursement to the Agency. The Agency pays claims submitted by its local jurisdictions in a timely manner, so that local agencies have prompt access to their funds held in trust by the Transportation Agency for Monterey County. The Agency continues to receive state/federal planning and project grants (most recently for the Monterey to Salinas Highway 68 Corridor Study and the Pacific Grove Highway 68 study) to meet its operational goals and objectives.

Continuing to secure new revenue sources to meet existing and increasing transportation needs remains an activity which the Agency actively engages in. The Transportation Agency for Monterey County continues to work with the California Transportation Commission, Caltrans, the State Legislature and the U.S. Congress to secure sufficient funding to construct its top six priority projects: Highway 156 widening/improvements, US 101 South County Frontage Roads, Local Street and Road Maintenance, Salinas Rail Extension future phases, the Monterey Branch Line light rail and bus replacements.

The countywide traffic impact fee will provide additional funding for future regional roadway projects. However, additional federal stimulus funds, earmarks or state bond funds are likely to be unavailable for future projects, leaving the county dependent on regional and local fees, state and federal gasoline taxes and related funding. As noted above, new funding initiatives include: placement of a 3/8%, $600 million sales tax measure for voter consideration on the November, 2016 ballot; exploration of tolling and public-private financing as a funding option in the Highway 156 corridor; and, introduction of AB 2730 (Alejo), which would return the proceeds from the sale of the former US 101 Prunedale Bypass right-of-way to the Agency for improvements along the US 101 corridor.

There remains uncertainty related to unresolved contractor claims associated with the construction of the Salinas Road Interchange. Caltrans is working with the construction contractor, DeSilva Gates, to resolve outstanding claims, but resolution has not yet occurred. The complaint, which is currently in the arbitration process, is for $851,648.81. Any required repayment would most likely come from the State Transportation Improvement Program (STIP) or from the Regional Surface Transportation Program (RSTP).

During the period, the Agency made its first payment to the State of California towards the audit-related liability of $821,858.90. This liability will be paid back with no interest over a ten-year period out of unassigned reserve funds, as approved by the Board of Directors. In early 2016, the Agency completed its *Audit Action Plan*, and finalized all of the remaining documents in that plan. To assure compliance with changing state and federal requirements, the Agency conducts ongoing training of staff on procurement and other policies.

More Information

Anyone seeking clarification, having questions, or desiring more information about the topics discussed in this Management's Discussion and Analysis is requested to contact the Transportation Agency for Monterey County office at: info@tamcmonterey.org or by calling 831-775-0903. You may also access the Agency website at www.tamcmonterey.org to view copies of the fiscal and performance audits and budgets.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Cash and investments	$ 9,092,073
Receivables	941,477
Deposit	460,925
Capital assets:	
Nondepreciable	11,399,039
Depreciable - net	639,563
Total assets	22,533,077
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	688,073
Total deferred outflows of resources	688,073
LIABILITIES	
Accounts payable	577,295
Accrued expenses	89,779
Unearned revenue	25,814
Reimbursement agreement - due in one year	82,186
Noncurrent liabilities	
Due in more than one year	1,609,547
Total liabilities	2,384,621
DEFERRED INFLOWS OF RESOURCES	
Pensions	158,616
Total deferred inflows of resources	158,616
NET POSITION	
Net investment in capital assets	12,038,602
Restricted:	
SAFE	1,561,382
Freeway Service Patrol	553,818
Unrestricted	6,524,111
Total net position	$ 20,677,913

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
Transportation	$ 4,939,112	$ -	$ 5,005,156	$ -
Total governmental activities	$ 4,939,112	$ -	$ 5,005,156	$ -
General Revenues				
Investment income				
Lease revenue				
Total general revenues				
Change in net position				
Net position, beginning of fiscal year				
Net position, end of fiscal year				

The notes to basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position
$ 66,044
66,044
75,909
336,807
412,716
478,760
20,199,153
$ 20,677,913

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2016

	General Fund
Assets	
Cash and investments	$ 9,092,073
Accounts receivable	941,477
Deposit	460,925
Total assets	$ 10,494,475
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	$ 577,295
Accrued expenditures	89,779
Unearned revenue	25,814
Total liabilities	692,888
Fund Balance	
Restricted:	
SAFE	1,561,382
Freeway Service Patrol	553,818
Committed:	
OPEB	85,219
CalTrans reimbursement agreement	739,673
Assigned:	
Commuter rail leases	137,702
Railroad leases	1,416,390
OPEB	56,972
Capital replacement	114,586
Unassigned	5,135,845
Total fund balance	9,801,587
Total liabilities and fund balance	$ 10,494,475

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balance - Governmental Fund			$	9,801,587
Amounts reported for governmental activities in the statement of net position are different because:				
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.				
Capital assets at historical cost	$	12,381,559		
Accumulated depreciation		(342,957)		
Net				12,038,602
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:				
Compensated absences	$	201,485		
Reimbursement agreement		739,673		
OPEB obligation		142,191		
Net pension liability		608,384		
				(1,691,733)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.				
Deferred inflows of resources relating to pensions	$	(158,616)		
Deferred outflows of resources relating to pensions		688,073		
				529,457
Total Net Position - Governmental Activities			$	20,677,913

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016

	General Fund
Revenues:	
Federal Revenues:	
SR 156 Project Management	$ 157,732
INVEST Grant 101	4,689
Hiway 68 Corridor Study - Salinas Grant	122,211
Hiway 68 Corridor Study - PG Grant	110,630
	395,262
State Revenues:	
TCRP	1,163,449
Freeway Service Patrol	230,127
SAFE	370,196
Rural Planning Assistance	435,473
Planning, Programming and Monitoring	213,000
RSTPI & RSTPP	323,067
Local Transportation Fund	926,328
Prop 116 Rail Bond	570,506
San Juan Road Outreach	11,801
PTA Coast Daylight	46,985
	4,290,932
Local Revenues:	
CMP	243,075
Interest	75,909
Lease revenue - MBL Row and Commuter Rail	336,807
RDIF	10,000
Miscellaneous	3,880
Roundabout Public Outreach	5,202
FOR A - Fee Update	56,805
	731,678
Total revenues	5,417,872
Expenditures:	
Salaries and wages	1,271,193
Fringe benefits	1,000,134
Total personnel	2,271,327
Services and supplies	365,591
Total operating expenditures	2,636,918
Direct programs	2,955,057
Total expenditures	5,591,975
Excess (deficiency) of revenues over expenditures	(174,103)
Fund balance, beginning of fiscal year	9,975,690
Fund balance, end of fiscal year	$ 9,801,587

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Net change in fund balance - governmental fund	$	(174,103)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the depreciation expense of $44,632 is more than the additions to capital assets of $0 in the period.		(44,632)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned was more than the amount used by $26,378.		(26,378)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contribution was:		(33,864)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.		82,186
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		675,551
Change in net position - governmental activities	$	478,760

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	State Highway Account Fund	Totals
ASSETS				
Cash and investments	$ 3,359,047	$ 169	$ 11,923,380	$ 15,282,596
Accounts receivable	2,678,000			2,678,000
Total assets	6,037,047	169	11,923,380	17,960,596
LIABILITIES				
Liabilities:				
Due to other agencies	2,453,371		1,918,352	4,371,723
Total liabilities	2,453,371		1,918,352	4,371,723
NET POSITION				
Unrestricted	3,583,676	169	10,005,028	13,588,873
Total net position	$ 3,583,676	$ 169	$ 10,005,028	$ 13,588,873

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	State Highway Account Fund	Totals
Additions:				
Sales tax	$ 16,303,283	$ 917,670	$ -	$ 17,220,953
State Highway Account funds			4,489,386	4,489,386
Interest and loss recovery	20,289	260	70,631	91,180
Total additions	16,323,572	917,930	4,560,017	21,801,519
Deductions:				
Claims paid to:				
Carmel			128,102	128,102
Greenfield	18,777			18,777
King City			170,277	170,277
Marina			672,456	672,456
Monterey			194,009	194,009
Salinas			1,206,938	1,206,938
Seaside	122,523		95,965	218,488
County of Monterey	382,266		794,037	1,176,303
TAMC	926,328		631,514	1,557,842
Monterey - Salinas Transit	15,040,252	1,534,742	36,152	16,611,146
Total deductions	16,490,146	1,534,742	3,929,450	21,954,338
Change in net position	(166,574)	(616,812)	630,567	(152,819)
Net position - beginning of fiscal year	3,750,250	616,981	9,374,461	13,741,692
Net position - end of fiscal year	$ 3,583,676	$ 169	$ 10,005,028	$ 13,588,873

The notes to basic financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The transportation planning process for Monterey County is performed by staff of the Transportation Agency for Monterey County (TAMC). The Agency operates in cooperation with the Association of Monterey Bay Area Governments to support the regional transportation planning process.

California Assembly Bill 1886, authorized changes in the Monterey County Transportation Agency membership as of January 1, 1993. The Agency was reorganized at that time as the Transportation Agency for Monterey County (TAMC), and now encompasses the Congestion Management Agency, the Local Transportation Agency, the Regional Transportation Planning Agency, and the Service Authority for Freeways and Expressways.

A. The Reporting Entity

The Agency is comprised of five members of the Monterey County Board of Supervisors and one member appointed from each incorporated city within Monterey County. Accordingly, these financial statements present only the activities of the Transportation Agency for Monterey County and are not intended to present fairly the financial position and results of operations of the County of Monterey in conformity with accounting principles generally accepted in the United States of America.

The Cities and County of Monterey approve annual allocations under the Transportation Development Act (TDA), Section 99400 (a) to support the planning process. The Agency also receives TDA funds for administration under Section 99233.1. In addition, the Cities and County contribute funds to support the Congestion Management Program. The Agency also receives funding from various other governmental agencies to support the transportation planning process.

The reporting entity is the Transportation Agency for Monterey County. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statements No. 39 and No. 61.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Agency, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

Fund Financial Statements:

Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, "available" means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the Agency receives value without directly giving equal value in return, include property taxes, and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. **Basis of Accounting (Continued)**

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first then unrestricted resources as they are needed.

E. **Fund Accounting**

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operating of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures/expenses. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are being spent and the means by which spending activities are controlled. The Agency's accounts are organized into major and fiduciary funds, as follows:

Major Governmental Fund:

General Fund – The operating fund of the Agency. It is used to account for all financial resources except those required to be account for in another fund.

Fiduciary Funds:

Trust funds are used to separately account for assets held by the Transportation Agency for Monterey County in a trustee capacity. Trust funds are mandated by legislature or by contract terms. TAMC exercises oversight responsibility for the following trust funds.

Local Transportation Fund (LTF)
State Transit Assistance Fund (STA)
State Highway Account Fund (SHA)

F. **Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the major funds. All annual appropriations lapse at fiscal year end.

G. **Cash and Investments**

The Agency holds its cash in the County of Monterey Treasury. The County maintains a cash and investment pool, and allocates interest to the various funds based upon the average monthly cash balances. Investments are stated at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Agency as assets with an initial, individual cost of more than $5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and the capital assets, net of accumulated depreciation, is reported on the statement of net position. The estimated useful lives are as follows:

Equipment	3 to 7 years
Buildings and improvements	10 to 20 years

I. Unearned Revenue

Cash is received for federal and state special projects and programs and recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

J. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the Agency recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The Agency has one item which qualifies for reporting in this category; refer to Note 6 for a detailed listing of the deferred outflows of resources the Agency has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Agency that is applicable to a future reporting period. The Agency has one item which qualifies for reporting in this category; refer to Note 6 for a detailed listing of the deferred inflows of resources the Agency has reported.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

L. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the Agency. The Agency's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

O. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Agency's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Agency intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Agency.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

<u>Minimum Fund Balance</u>
The Agency holds a six month fund balance reserve for general operations within the unassigned fund balance in the general fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 74	"Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

NOTE 2 - CASH AND INVESTMENTS

The Agency maintains all of its cash in the County of Monterey Treasury. The County Treasurer pools and invests the Agency's cash with other funds under her control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

On June 30, 2016 the Agency had the following cash and investments on hand:

Cash and investments with County Treasurer	$ 24,227,777
Petty cash	200
Cash in bank	146,692
Total cash and investments	$ 24,374,669

Cash and investments listed above are presented on the accompanying basic financial statements as

Cash and investments, statement of net position	$ 9,092,073
Cash and investments, statement of fiduciary net position	15,282,596
Total cash and investments	$ 24,374,669

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the Monterey County Investment Pool, however, this external pool is not measured under Level 1, 2 or 3.

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy only authorizes investment in the local government investment pool administered by the County of Monterey. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will 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 Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer 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.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
County of Monterey Treasury Pool	$ 24,227,777	$ 24,227,777	$ -	$ -	$ -
Total	$ 24,227,777	$ 24,227,777	$ -	$ -	$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code and the Agency's investment policy, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	AAA	AA	Not Rated
County of Monterey Treasury Pool	$ 24,227,777	N/A	$ -	$ -	$ -	$ 24,227,777
Total	$ 24,227,777		$ -	$ -	$ -	$ 24,227,777

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency's investments.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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 California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2016, none of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as County of Monterey Treasury Investment Pool).

Investment in County of Monterey Treasury Investment Pool

The Agency is a participant in the County of Monterey Treasury Investment Pool that is regulated by the California Government Code. The fair value of the Agency's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the Agency's pro-rata share of the fair value provided by the County of Monterey Treasury Investment Pool for the entire County of Monterey Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County of Monterey Treasury Investment Pool, which are recorded on an amortized cost basis.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated				
Right of Way	$ 11,399,039	$ -	$ -	$ 11,399,039
Total capital assets, not being depreciated	$ 11,399,039	$ -	$ -	$ 11,399,039
Capital assets, being depreciated				
Building	$ 712,414	$ -	$ -	$ 712,414
Leasehold improvements	24,293			24,293
Equipment	245,813			245,813
Total capital assets, being depreciated	982,520			982,520
Less accumulated depreciation	298,325	44,632		342,957
Total capital assets, being depreciated, net	$ 684,195	$ (44,632)	$ -	$ 639,563
Governmental activities, capital assets, net	$ 12,083,234	$ (44,632)	$ -	$ 12,038,602

NOTE 4 – LONG-TERM DEBT

Changes in long-term liabilities

The following is a summary of long-term liability activity for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Due within One Year
Compensated absences	$ 175,107	$ 113,886	$ 87,508	$ 201,485	$ -
Reimbursement agreement	821,859		82,186	739,673	82,186
OPEB	108,327	39,783	5,919	142,191	
Net pension liability	633,533	208,413	233,562	608,384	
Total	$ 1,738,826	$ 362,082	$ 409,175	$ 1,691,733	$ 82,186

NOTE 5 – CALTRANS REIMBURSEMENT AGREEMENT

Effective June 30, 2015, TAMC entered into a reimbursement agreement with Caltrans as a settlement agreement to reimburse Caltrans for a total of $821,859 as a result of a Caltrans audit of amendments to contracts for the Rail to Salinas Extension project work. TAMC shall pay, without interest, 10 equal payments by November 30 annually beginning November 30, 2015. As of June 30, 2016, the remaining balance of the agreement is $739,673.

NOTE 6 – PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

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

Benefits Provided

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

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

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.250%
Required employer contribution rates	10.553%	6.500%

NOTE 6 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Authority were $680,125 for the fiscal year ended June 30, 2016 which included a $550,842 payment of the entire District owed unfunded liability estimated as of June 30, 2014.

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

At June 30, 2016, the Agency reported a liability of $608,384 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2015, the Authority's proportion was 0.00886%, which decreased by 0.00132% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency recognized pension expense of $37,717. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,948	$ -
Changes in assumptions		75,198
Net difference between projected and actual earnings on retirement plan investments		37,697
Changes in proportion and differences between District contributions and proportionate share of contributions		40,884
Differences in acutal contributions and proportionate share of contributions		4,837
District contributions subsequent to the measurement date	680,125	
	$ 688,073	$ 158,616

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

$680,125 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as the pension expense as follows:

Fiscal Year Ending June 30,	Amount
2017	$ (73,498)
2018	(70,966)
2019	(54,391)
2020	48,187
	$ (150,668)

NOTE 6 – PENSION PLAN (Continued)

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

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds (1)

(1) The mortality table used was developed based on CalPERs' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

Changes of Assumptions

GASB No. 68, paragraph 68 states that the long term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of June 30, 2015, to correct the adjustment which previously reduced the discount rate for administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

NOTE 6 – PENSION PLAN (Continued)

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

Discount Rate (Continued)

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following represents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65 percent) or 1- percentage point higher (8.65 percent) than the current rate:

	1% Decrease 6.65%.	Discount Rate 7.65%	1% Increase 8.65%
District's proportionate share of the net pension plan liability	$ 1,020,303	$ 608,384	$ 268,297

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to Pension Plan

At June 30, 2016, the Agency had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2016.

NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Agency provides post-retirement medical benefits, in accordance with State statutes, to all employees retiring from the Agency and enrolled in an insurance program under the California Public Employees' Medical and Hospital Care Act (PEMHCA). The CalPERS PEMHCA Plan is a defined contribution, multiple employer, healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the California Public Employees Retirement Agency. Copies of the CalPERS annual financial report may be obtained from the Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

As required by the GASB Statement No. 45, an actuary will determine the Agency's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

The GASB Statement No. 45, does not require pre-funding of OPEB benefits. Therefore, the Agency's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The Agency has elected not to establish an irrevocable trust at this time.

As a PEMHCA employer, TAMC has selected the equal contribution method, where it contributes exactly the same amount for retirees as contributed toward active employee medical plan coverage. TAMC currently pays the minimum employer contribution (MEC), $125 in 2016, for both active and retired employees. TAMC continues to pay this portion of the premium for eligible survivors of retired employees. During fiscal year 2015-2016, expenditures of $5,919 were recognized for post-retirement health insurance contributions on a pay as you go basis.

The Agency is required to record the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No.45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 2.0 percent of annual covered payroll.

Annual OPEB Cost

For fiscal year 2015-2016, the Agency's annual OPEB cost (expense) of $39,784 was equal to the ARC plus additional interest and adjustments. The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is, as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 24,098	$ 4,212	17.5%	$ 87,093
June 30, 2015	$ 25,572	$ 4,338	17.0%	$ 108,327
June 30, 2016	$ 39,783	$ 5,919	14.9%	$ 142,191

NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost (continued)

The following table shows the components of the Agency's annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation for the post-employment healthcare benefits:

Annual required contributions	$	41,715
Interest on Net OPEB Obligation/(Asset)		4,333
Adjustment to the ARC		(6,265)
Annual OPEB cost (expense)		39,783
Contributions made		5,919
Increase/(decrease) in net OPEB obligation		33,864
Net OPEB obligation, beginning of fiscal year		108,327
Net OPEB obligation, end of fiscal year	$	142,191

Funded Status and Funding Progress

The Funded status of the plan as of July 1, 2015, is as follows:

Actuarial accrued liability (AAL)	$	278,385
Actuarial value of plan assets		
Unfunded actuarial accrued liability (UAAL)		278,385
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)		1,112,701
UAAL as a percentage of covered payroll		25.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the level percentage of payroll method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4.5 percent. The actuarial value of plan assets was not calculated in this, the first actuarial valuation, as there are no assets to value. The Plan unfunded actuarial accrued liability is being amortized over a 30-year amortization period.

The Agency did not pre-fund retiree healthcare costs nor did the Agency establish an irrevocable trust for retiree healthcare costs. The Agency did establish a committed fund balance in the amount of $85,219 and an assigned fund balance of $56,972. However, because the assets are not in an irrevocable trust, the $142,191 cannot be used to reduce the actuarial accrued liability shown above. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

NOTE 8 – NET POSITION

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. *Restricted net position* is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. *Unrestricted net position* consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 9 – CONTENGENCIES

According to Agency's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Federal Revenues:				
SR 156 Project Management	$ 625,000	$ 625,000	$ 157,732	$ (467,268)
INVEST Grant 101	20,000	20,000	4,689	(15,311)
Hiway 68 Corridor Study-Salinas	125,000	125,000	122,211	(2,789)
Hiway 68 Corridor Study-PG	81,133	81,133	110,630	29,497
	851,133	851,133	395,262	(455,871)
State Revenues:				
TCRP	13,000,000	13,000,000	1,163,449	(11,836,551)
Freeway Service Patrol	228,607	228,607	230,127	1,520
SAFE	340,000	340,000	370,196	30,196
Rural Planning Assistance	422,000	501,802	435,473	(66,329)
Planning, Programming and Monitoring	213,000	213,000	213,000	
RSTPI & RSTPP	557,200	557,200	323,067	(234,133)
Local Transportation Fund	935,985	935,985	926,328	(9,657)
Prop 116 Rail Bond	1,780,000	1,780,000	570,506	(1,209,494)
Hiway 68 Corridor-PG	12,600	12,600		(12,600)
San Juan Road Outreach and FSP			11,801	11,801
PTA Coast Daylight			46,985	46,985
	17,489,392	17,569,194	4,290,932	(13,278,262)
Local Revenues:				
CMP	243,076	243,076	243,075	(1)
Interest			75,909	75,909
Lease revenue - MBL Row and Commuter Rail	92,000	92,000	336,807	244,807
RDIF	135,000	135,000	10,000	(125,000)
Air MBUAPCD	57,460	57,460		(57,460)
Miscellaneous			3,880	3,880
Roundabout Public Outreach	11,225	11,225	5,202	(6,023)
FOR A - Fee Update	105,000	105,000	56,805	(48,195)
	643,761	643,761	731,678	87,917
Total revenues	18,984,286	19,064,088	5,417,872	(13,646,216)

continued

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Expenditures:				
Salaries and wages	$ 1,380,560	$ 1,459,362	$ 1,271,193	$ 188,169
Fringe benefits	547,640	547,640	1,000,134	(452,494)
Total personnel	1,928,200	2,007,002	2,271,327	(264,325)
Services and supplies	494,099	494,099	365,591	128,508
Total operating expenditures	2,422,299	2,501,101	2,636,918	(135,817)
Direct Programs:				
Unallowable	82,186	82,186	82,186	
Legislative Advocacy	35,000	35,000	35,915	(915)
Public Involvement	70,000	70,000	212,829	(142,829)
511 Travel Plan	80,000	80,000		80,000
Freeway Service Patrol (FSP)	192,000	192,000	179,133	12,867
Call Boxes (SAFE)	142,401	142,401	91,149	51,252
Rideshare			415	(415)
Data Collection	25,000	25,000	23,210	1,790
Tri-County Bike Week	27,500	27,500	17,844	9,656
Bike Map	10,000	10,000	8,640	1,360
RTIP & EIR Update	230,000	235,000	112,400	122,600
RDIF Agency	10,000	10,000		10,000
FOR A - Fee Update	75,000	75,000	40,491	34,509
Roundabouts Outreach	11,225	11,225	5,657	5,568
SR 156 West Project Management	525,000	525,000	112,227	412,773
Complete Streets-Project Management	360,000	360,000	85,396	274,604
Hiway 68 Corridor Study _PG	66,923	87,923	104,681	(16,758)
Hiway 68 Salinas to Monterey	100,000	125,000	123,586	1,414
Commuter Rail	14,725,000	14,725,000	1,476,576	13,248,424
Branch Line Maintenance	25,000	25,000	4,648	20,352
Rail and FORA property	17,000	17,000	9,167	7,833
Commuter Rail Leases			12,768	(12,768)
Coast Daylight			216,139	(216,139)
Total Direct Programs	16,809,235	16,860,235	2,955,057	13,905,178
Total expenditures	19,231,534	19,361,336	5,591,975	13,769,361
Excess (deficiency) of revenues over expenditures	(2,248)	(52,248)	(174,103)	(121,855)
Fund balance, beginning of fiscal year	9,975,690	9,975,690	9,975,690	
Fund balance, end of fiscal year	$ 9,973,442	$ 9,923,442	$ 9,801,587	$ (121,855)

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following table provides required supplementary information regarding the Agency's post employment healthcare benefits.

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2009	$ -	$ 120,494	$ 120,494	0.0%	$ 1,139,000	10.6%
July 1, 2012	$ -	$ 202,958	$ 202,958	0.0%	$ 1,164,628	17.4%
July 1, 2015	$ -	$ 278,385	$ 278,385	0.0%	$ 1,112,701	25.0%

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2016

The following table provides required supplementary information regarding the Agency's Pension Plan.

		2016		**2015**
Proportion of the net pension liability		0.00886%		0.01018%
Proportionate share of the net pension liability	$	608,384	$	633,533
Covered-employee payroll	$	1,112,701	$	1,109,838
Proportionate share of the net pension liability as percentage of covered-employee payroll		54.68%		57.08%
Plan's total pension liability	$	31,771,217,402	$	30,829,966,631
Plan's fiduciary net position	$	24,907,305,871	$	24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability		78.40%		79.82%

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

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*
As of June 30, 2016

The following table provides required supplementary information regarding the Agency's Pension Plan.

	2016	2015
Contractually required contribution (actuarially determined)	$ 129,283	$ 122,283
Contribution in relation to the actuarially determined contributions	129,283	(122,283)
Contribution deficiency (excess)	$ -	$ -
Covered- employee payroll	$ 1,271,193	$ 1,112,701
Contributions as a percentage of covered-employee payroll	-10.17%	10.99%

Notes to Schedule

Valuation Date:	6/30/2014
Methods and assumptions used to determine contribution rates:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERs' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

Valuation Date:	6/30/2015
Discount Rate	7.65%

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

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COMPLIANCE SECTION

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON TRANSPORTATION DEVELOPMENT ACT COMPLIANCE

Board of Directors
Transportation Agency for Monterey County
Salinas, California

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Transportation Agency of Monterey County' (the Agency) compliance with the types of compliance requirements described in the *Transportation Development Act Guidebook,* published by the State of California Department of Transportation applicable for the fiscal year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Agency's compliance based on our audit of the compliance with applicable statutes, rules and regulations of the Transportation Development Act (TDA), Sections 99233.1 and 99234, the California Code of Regulations (CCR), and the allocation instructions and resolutions of Transportation Agency of Monterey County as required by Section 6662 and 6666 of the CCR. 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 the *Transportation Development Act Guidebook.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the Fund occurred. An audit includes examining, on a test basis, evidence about the Fund's 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. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Compliance with the Transportation Development Act

In our opinion, the funds allocated to and received by Transportation Agency of Monterey County pursuant to the TDA, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of the Transportation Development Act and the allocation instructions and resolutions of Transportation Agency of Monterey County for the fiscal year ended June 30, 2016.

This report is intended solely for the information and use of the Board of Directors, management of the Transportation Agency of Monterey County, and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim LLP

Santa Maria, California
January 9, 2017

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SUPPLEMENTARY INFORMATION SECTION

TRANSPORTATION AGENCY FOR MONTEREY COUNTY

SCHEDULE OF SERVICE AUTHORITY FOR FREEWAYS AND EXPRESSWAYS (SAFE) FUNDS

REVENUES AND EXPENDITURES

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2016

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
SAFE	$ 340,000	$ 370,196	$ 30,196
Total revenues	340,000	370,196	30,196
Expenditures:			
Salaries/Fringe/Materials and services	25,000	41,417	(16,417)
Direct programs	142,401	91,149	51,252
FSP match	57,152	57,532	(380)
511 support	25,000	8,235	16,765
Electric vehicle chargers		730	(730)
Rideshare	10,000	6,546	3,454
FSP other		(713)	713
Total expenditures	259,553	204,896	54,657
Excess (deficit) of revenues over expenditures	$ 80,447	165,300	$ 84,853
SAFE carryover, beginning of fiscal year		1,396,082	
SAFE carryover, end of fiscal year		$ 1,561,382	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF STATE AND REGIONAL PLANNING ASSISTANCE FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

		Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Rural planning assistance		$ 501,802	$ 435,473	$ (66,329)
Total revenues		501,802	435,473	(66,329)
Expenditures:				
1010	Work program administration	55,000	55,000	
1120	Planning coordination	140,000	131,507	8,493
4110	Document review	25,000	10,938	14,062
6140	Bicycle/Pedestrian planning	55,000	55,000	
6220	Regional transportation plan	37,000	37,000	
6410	Regional trans imp plan (RTIP)	55,000	55,000	
6710	Corridor studies	40,000	33,790	6,210
6724	Hiway 68 corridor study_pg	21,000	12,332	8,668
6724	Hiway 68 Monterey to Salinas	73,802	44,906	28,896
Total expenditures		501,802	435,473	66,329
Excess (deficit) of revenues over expenditures		$ -		$ -
State and regional planning assistance carryover, beginning of fiscal year				
State and regional planning assistance carryover, end of fiscal year			$ -	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF PLANNING, PROGRAMMING AND MONITORING FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

		Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Planning, Programming and Monitoring		$ 213,000	$ 213,000	$ -
Total revenues		213,000	213,000	
Expenditures:				
1130	Public involvement program	30,000	75,316	(45,316)
2310	Data collection		15,857	(15,857)
2510	Regional travel model planning		882	(882)
6140	Bicycle/Pedestrian planning	1,000		1,000
6500	Project development	132,000	90,395	41,605
6800	Rail planning		30,550	(30,550)
6803	Commuter rail	50,000		50,000
Total expenditures		213,000	213,000	-
Excess (deficit) of revenues over expenditures		$ -		$ -
Planning, Programming and Monitoring carryover, beginning of fiscal year			-	
Planning, Programming and Monitoring carryover, end of fiscal year			$ -	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF FREEWAY SERVICE PATROL
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Freeway service patrol	$ 228,607	$ 230,127	$ 1,520
Local match (SAFE)	57,152	57,532 *	380
Additional SAFE		(713)	(713)
Total revenues	285,759	286,946	1,187
Expenditures:			
Salaries/Fringe/Materials & Supplies	25,000	38,918	(13,918)
Direct programs	192,000	179,133	12,867
Total expenditures	217,000	218,051	(1,051)
Excess (deficit) of revenues over expenditures	$ 68,759	68,895	$ 136
Freeway service patrol carryover, beginning of fiscal year		484,923	
Freeway service patrol carryover, end of fiscal year		$ 553,818	

* The Agency is required to provide a local match of 20% of eligible costs and 25% of total grant received. The Agency has met this requirement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF EXPENDITURES BY WORK ELEMENT
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Work Element:		Budget	Actual	Variance Favorable (Unfavorable)
1010	Work program administration operating	$ 62,788	$ 64,963	$ (2,175)
1020	LTF administration operating	79,643	50,139	29,504
1120	Planning coordination & Interagency liaison operating	146,861	127,543	19,318
1122	Legislative advocacy operating	56,310	62,499	(6,189)
1122	Legislative advocacy direct	35,000	35,915	(915)
1130	Public involvement program operating	138,726	231,940	(93,214)
1130	Public involvement program direct	70,000	212,829	(142,829)
1750	Traveler info system feasibility plan operating	66,773	8,235	58,538
1750	Traveler info system feasibility plan direct	80,000		80,000
1770	Freeway Service Patrol operating	33,674	38,918	(5,244)
1770	Freeway Service Patrol direct	192,000	179,133	12,867
1780	SAFE operating	29,466	41,417	(11,951)
1780	SAFE direct	142,401	91,149	51,252
1790	Rideshare operating	14,794	6,131	8,663
1790	Ridesharing direct		415	(415)
2310	Data collection operating	29,365	16,814	12,551
2310	Data collection direct	25,000	23,210	1,790
2510	Regional transportation model operating	14,872	1,496	13,376
4110	Document review operating	27,097	10,412	16,685
4150	Electric vehicle charger operating		730	(730)
6140	Bicycle/Pedestrian planning operating	96,886	75,998	20,888
6145	Bicycle/Pedestrian Plan operating	50,000	10,306	39,694
6148	Tri-County bike week operating	33,453	23,445	10,008
6148	Tri-County bike week direct	27,500	17,844	9,656
6149	Bicycle Facilities Map operating	7,540	23,771	(16,231)
6149	Bicycle Facilities Map direct	10,000	8,640	1,360
6220	Regional transportation plan operating	127,566	214,086	(86,520)
6220	Regional transportation plan direct	235,000	112,400	122,600
6262	RDIF Agency operating	28,506	26,296	2,210
6262	RDIF Agency direct	10,000		10,000
6264	FORA Fee Update-operating	52,110	15,640	36,470
6264	FORA Fee Update-direct	75,000	40,491	34,509
6410	Regional trans imp plan (RTIP) operating	61,343	97,858	(36,515)
6500	Project development operating	187,920	188,598	(678)
6501	Roundabout Outreach-operating	57,460	109,051	(51,591)
6501	Roundabout Outreach-direct	11,225	5,657	5,568
6502	SR 156 West Project Mgmt operating	270,000	45,130	224,870
6502	SR 156 West Project Mgmt-direct	525,000	112,227	412,773
6550	Complete St Project Implemenation operating	167,987	100,885	67,102
6550	Complete St Project Implemenation-Direct	360,000	85,396	274,604
6710	Corridor studies operating	56,755	32,740	24,015
6720	San Juan Road Outreach operating		13,783	(13,783)
6723	INVEST-101 operating	22,571	9,557	13,014
6724	Hiway 68 Corridor Study_PG-Oper	29,589	33,359	(3,770)
6724	Hiway 68 Corridor Study_PG-Direct	87,923	104,681	(16,758)
6725	Hiway 68 Monterey to Salinas-operating	111,795	44,353	67,442
6725	Hiway 68 Monterey to Salinas-direct	125,000	123,586	1,414
6800	Railroad operating	52,982	66,614	(13,632)
6803	Commuter rail operating	298,470	148,679	149,791
6803	Commuter rail direct	14,725,000	1,476,576	13,248,424
6804	Railroad leases operating	40,104	69,579	(29,475)
6804	Railroad leases direct	25,000	4,648	20,352
6805	Railroad Fort Ord property operating	9,896	18,036	(8,140)
6805	Railroad Fort Ord property direct	17,000	9,167	7,833
6806	Mtry Branch line alternative analysis operating	2,922	929	1,993
6807	Commuter rails lease operating	17,342	4,087	13,255
6807	Commuter rails lease direct		12,768	(12,768)
6808	Coast Daylight operating	17,534	28,892	(11,358)
6808	Coast Daylight direct		216,139	(216,139)
0000	Unallowable-operating		25,807	(25,807)
0000	Unallowable-Direct	82,186	82,186	
911	Admin overhead operating		548,202	(548,202)
	Total expenditures by work element	$ 19,361,335	$ 5,591,975	$ 13,769,360

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
LOCAL TRANSPORTATION FUND
SCHEDULE OF CLAIMS BY PURPOSE
Fiscal Year Ended June 30, 2016

	Pedestrian and Bicycle Sec. 99234	Public Transportation Other Sec. 99260 (a)	Special Transportation Sects. 99260.7, 99400 (c)	Streets and Roads Sec. 99400 (a)
Administration	$ 17,844	$ -	$ -	$ -
Monterey County and Unincorporated Area	382,266	3,961,388		
Cities:				
Carmel		132,401		
Del Rey Oaks		58,667		
Gonzales		295,526		
Greenfield		596,467		18,777
King City		473,659		
Marina		735,814		
Monterey		996,234		
Pacific Grove		544,068		
Salinas		5,470,798		
Sand		12,753		
Seaside	122,523	1,189,822		
Soledad		572,655		
Claims	$ 522,633	$ 15,040,252	$ -	$ 18,777

References are to Code Sections of the Public Utilities Code, Chapter 4, Transportation Development Act.

Regional Transportation Planning Sec. 99231.1	Total Allocations
$ 908,485	$ 908,485
	3,929,482
	120,726
	54,005
	271,908
	584,779
	428,508
	657,406
	920,557
	500,515
	5,034,180
	11,125
	1,087,698
	526,626
$ 908,485	$ 15,036,000

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
LOCAL TRANSPORTATION FUND
SCHEDULE OF CLAIMS BY PURPOSE
Fiscal Year Ended June 30, 2016

	Pedestrian and Bicycle Sec. 99234	Public Transportation Other Sec. 99260 (a)	Special Transportation Sects. 99260.7, 99400 (c)	Streets and Roads Sec. 99400 (a)
Administration	$ 17,844	$ -	$ -	$ -
Monterey County and Unincorporated Area	382,266	3,961,388		
Cities:				
Carmel		132,401		
Del Rey Oaks		58,667		
Gonzales		295,526		
Greenfield		596,467		18,777
King City		473,659		
Marina		735,814		
Monterey		996,234		
Pacific Grove		544,068		
Salinas		5,470,798		
Sand		12,753		
Seaside	122,523	1,189,822		
Soledad		572,655		
Claims	$ 522,633	$ 15,040,252	$ -	$ 18,777

References are to Code Sections of the Public Utilities Code, Chapter 4, Transportation Development Act.

Regional Transportation Planning Sec. 99233.1	Total Claims Paid
$ 908,484	$ 926,328
	4,343,654
	132,401
	58,667
	295,526
	615,244
	473,659
	735,814
	996,234
	544,068
	5,470,798
	12,753
	1,312,345
	572,655
$ 908,484	$ 16,490,146

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF AMOUNTS ALLOCATED AND DISBURSED BY PURPOSE
Fiscal Year Ended June 30, 2016

	Monterey-Salinas Transit Sects. 6730(b) 6730(a) 6731(c) Operating, Capital	City of Greenfield Sects. 6730(a) 6730(b) Capital	City of Gonzales Sec. 6730(b) Capital	City of Soledad Sec. 6730(b) Capital	City of King Sec. 6730(b) Capital	Total
Allocations	$ 2,219,751	$ -	$ -	$ -	$ -	$ 2,219,751
Disbursements:						
2015-16 Claims	$ 1,534,742	$ -	$ -	$ -	$ -	$ 1,534,742
Total disbursements	$ 1,534,742	$ -	$ -	$ -	$ -	1,534,742