MOTION ACCEPTING THE SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY'S AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Pursuant to the annual audit requirements in its fiscal policy, the San Francisco County Transportation Authority hereby accepts the audit report for the fiscal year ended June 30, 2013.

Attachment:

1. Audit Report for the Year Ended June 30, 2013

The foregoing Resolution was approved and adopted by the San Francisco County Transportation Authority at a regularly scheduled meeting thereof, this 17th day of December, 2013, by the following votes:

Ayes: Commissioners Avalos, Breed, Chiu, Cohen, Farrell, Mar, Tang, Wiener and Yee (9)

Nays: (0)

Absent: Commissioners Campos and Kim (2)

12/18/13

John Avalos — Date
Chair

ATTEST: 12/19/13

Tilly Chang — Date
Executive Director

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Annual Financial Report

For the Year Ended June 30, 2013

MGO Certified Public Accountants.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

For the Year Ended June 30, 2013

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MGO Certified Public Accountants.

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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Transportation Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the San Francisco County Transportation Authority as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transportation Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation 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 October 28, 2013 on our consideration of the Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transportation Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 28, 2013

The annual financial report of the San Francisco County Transportation Authority (Transportation Authority) presents a discussion and analysis of the Transportation Authority's financial performance during the year ended June 30, 2013. The Transportation Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The liabilities of the Transportation Authority's governmental activities exceeded its assets at the close of Fiscal Year (FY) 2012/13 by $61.2 million. Of the net position, $3 million was for net investment in capital assets, $300 thousand was restricted for debt service, $10.6 million was restricted for capital projects, and a negative balance of $75.1 million was unrestricted deficit. A major factor to consider in reviewing the statement of net position is that the Transportation Authority does not hold or retain title for the projects it constructs or for the vehicles and system improvements that it purchases with sales tax program funds, transportation funds for clean air program funds, and vehicle registration fee for transportation improvements program funds. The reporting of the commercial paper debt program, without a corresponding asset, can result in a deficit net position. Furthermore, debt financing has been used to enable the acceleration of projects for the benefit of San Francisco residents and taxpayers. Cash, deposits and investments decreased by $24.2 million as compared to the prior year. Other non-cash assets (assets other than cash, deposits, and investments) decreased by $23.4 million as compared to the prior year.

- The Transportation Authority's total net position decreased $17.3 million during the year ended June 30, 2013, as compared to a decrease of $30.6 million in the prior year. Sales tax revenues increased by $4.6 million from the prior year. Investment income decreased by $1.8 million, to $21 thousand, due to less unrealized gains in the Transportation Authority's investment in the City and County of San Francisco Treasury Pool and a lower return of 0.9% from prior year's average of 1.3%. Program and other revenues decreased $29.3 million. This year to year variance is largely due to the completion of Phase I construction activities for the Presidio Parkway project in April 2012. Transportation and capital projects expenses decreased by $38.7 million during the year ended June 30, 2013.

- The Transportation Authority had negative governmental fund balances of $67.9 million. Of this amount, $82 thousand is nonspendable, $300 thousand is restricted for debt service, $792 thousand is restricted for the capital projects in Transportation Fund for Clean Air Program Fund and $9.8 million for capital projects in the Vehicle Registration Fee for Transportation Improvements Program Fund, and $78.9 million is an unassigned negative fund balance. The Transportation Authority's governmental funds balances increased by $8.7 million in comparison with the prior year. The negative fund balance in the governmental funds balance sheet occurred in part because the Transportation Authority's capital projects are implemented over the course of several fiscal periods and are funded with short-term financing. The negative governmental fund balance reflects no more than the Transportation Authority's intent to fund a portion of the long-term capital project expenditures in future years.

- The Transportation Authority went from a cash ("pay-as-you-go") financing basis to a borrowing entity in March 2004. The Board of Commissioners authorized the issuance by the Transportation Authority of up to $200 million of commercial paper notes. The Transportation Authority issued $50 million of commercial paper on April 14, 2004, with a second tranche of $100 million issued on September 2, 2004. As of June 30, 2013, $150 million in commercial paper notes was outstanding.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Transportation Authority's basic financial statements. The Transportation Authority's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required supplementary information is included in addition to the basic financial statements. Table 1 shows the relationship of the government-wide financial statements to the governmental fund financial statements.

Table 1
Qualities of Government-wide Financial Statements as
Compared to Financial Statements Prepared Under Traditional Governmental Fund Accounting

Quality	Government-wide Financial Statements	Governmental Fund Accounting Financial Statements	Fiduciary Fund Financial Statements
Scope	Entire Transportation Authority	Activities of the Transportation Authority that are not proprietary or fiduciary	Instances in which the Transportation Authority administers resources on behalf of others
Required Statements	• Statement of Net Position • Statement of Activities (both government-wide)	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance (for each individual fund)	• Statement of Fiduciary Assets and Liabilities
Basis of Accounting and Measurement Focus	• Full accrual accounting • Economic resources focus	• Modified accrual accounting • Current financial resources focus	• Full accrual accounting

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Transportation Authority's finances, in a manner similar to a private-sector business.

The ***statement of net position*** presents information on all Transportation Authority assets and liabilities, with the difference between the two reported as net position. The statement of net position is designed to provide information about the financial position of the Transportation Authority as a whole, including all of its capital assets and long-term liabilities, on a full accrual basis of accounting similar to the accounting model used by private sector firms.

The ***statement of activities*** presents information showing how the Transportation Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to accrued, but uncollected taxes, and to expenses pertaining to earned but unused compensated absences.

Both of these government-wide financial statements distinguish functions of the Transportation Authority that are principally supported by receipt of sales taxes, vehicle registration fee, and other sources of government grants. The only governmental activity of the Transportation Authority is transportation and capital projects. The Transportation Authority does not have any business-type activities.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Transportation Authority, like other state and local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the Transportation Authority's basic services are reported in governmental funds. These statements, however, focus on: (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end, which are available for spending. Such information is useful in determining what financial resources are available in the near future to finance the Transportation Authority's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Transportation Authority maintains four governmental funds organized according to their source of funding. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the: (A) Sales Tax Program, (B) Congestion Management Agency Programs, (C) Transportation Fund for Clean Air Program; and (D) Vehicle Registration Fee for Transportation Improvements Program. Each of these funds is considered a major fund.

Fiduciary fund is used to account for resources held for the benefit of parties outside the Transportation Authority. The Transportation Authority is acting solely as a fiduciary administrator for the San Francisco Municipal Transportation Agency's (MUNI) Third Street Light Rail Project's Owner-Controlled Insurance Program (OCIP) escrow account, and has no responsibility for managing the OCIP claims management or settlement.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information (RSI) is presented concerning the Transportation Authority's budgetary comparison schedule for all the funds. The Transportation Authority adopts an annual appropriated budget. The budgetary comparison schedules have been provided to demonstrate compliance with the budget. The schedule of funding progress – postemployment healthcare benefits – is also presented as RSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Transportation Authority's statement of net position shows liabilities exceeded its assets by $61.2 million at June 30, 2013.

Table 2
Statement of Net Position (in thousands)

	June 30, 2013	June 30, 2012	$ Change	% Change
Assets:				
Cash, deposits, and investments	$ 67,080	$ 91,324	$ (24,244)	-26.5%
Other assets	38,364	61,624	(23,260)	-37.7%
Capital assets	3,008	3,149	(141)	-4.5%
Total assets	108,452	156,097	(47,645)	-30.5%
Liabilities:				
Current and other liabilities	169,602	199,902	(30,300)	-15.2%
Net Position:				
Net investment in capital assets	3,008	3,149	(141)	-4.5%
Restricted for debt service	300	311	(11)	-3.5%
Restricted for capital projects	10,624	6,394	4,230	66.2%
Unrestricted deficit	(75,082)	(53,659)	(21,423)	-39.9%
Total net position	$ (61,150)	$ (43,805)	$ (17,345)	-39.6%

Cash, deposits and investments decreased by $24.2 million overall due to timing of payments related to FY2011/12 expenses while transportation and capital project expenses for FY2012/13 decreased $38.7 million from the prior year. The other assets category decreased by $23.3 million as compared to the prior year mainly due to a lower receivables balance due to the Transportation Authority for reimbursements related to past construction activity for the Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Other assets also include $15.2 million in sales tax receivables, $11.9 million in outstanding program and other receivables (including amounts due from the City and County of San Francisco) and $10.3 million in intergovernmental loan made to the Treasure Island Development Authority (TIDA) for the Yerba Buena Island Interchange Improvement Project. The loan increased by $611 thousand as of June 30, 2013 and TIDA has drawn down $10.3 million of the loan, including accrued interest.

The Transportation Authority's current and other liabilities were $30.3 million less than prior year due mainly to the completion of Phase I construction activities for Presidio Parkway in April 2012. The Transportation Authority's restricted for capital projects of $10.6 million represents resources subject to funding source constraints. The negative unrestricted net position amount of $75.1 million represents a deficit due to commercial paper financing, which will be eliminated with future revenues. The Transportation Authority's outstanding commitments are described in Note 14 of the basic financial statements. A portion of the Transportation Authority's net position of $300 thousand reflects the debt service reserves required to support the Transportation Authority commercial paper debt program. The $3.0 million in investment in capital assets (net of accumulated depreciation) is comprised mostly of Board-approved investments in the Transportation Authority's new workspace such as leasehold improvements and furniture and equipment. The Transportation Authority currently uses these capital assets to provide services; consequently, these assets are not available for future spending. The Transportation Authority issues debt to finance sales tax sponsors' projects and programs, and these transportation facilities are owned and maintained by the sponsors. As a result, the facilities are recorded as an asset of the receiving agency. However, the related debt issued to finance these projects remains as a liability of the Transportation Authority.

Table 3

Statement of Activities (in thousands)

	For the Year Ended June 30, 2013	For the Year Ended June 30, 2012	$ Change	% Change
Revenues:				
General:				
Sales tax	$ 85,753	$ 81,165	$ 4,588	5.65%
Vehicle registration fee	4,724	4,862	(138)	-2.84%
Investment income	21	1,824	(1,803)	-98.85%
Other	678	725	(47)	-6.48%
Program operating grants and contributions	12,703	42,020	(29,317)	-69.77%
Total revenues	103,879	130,596	(26,717)	-20.46%
Expenses:				
Transportation and capital projects	119,741	158,485	(38,744)	-24.45%
Interest	1,483	2,685	(1,202)	-44.77%
Total expenses	121,224	161,170	(39,946)	-24.79%
Change in net position	(17,345)	(30,574)	13,229	-43.27%
Net position, beginning	(43,805)	(13,231)	(30,574)	231.08%
Net position, ending	$ (61,150)	$ (43,805)	$ (17,345)	-39.60%

The Transportation Authority's net position decreased $17.3 million for the year ended June 30, 2013. During the period, sales tax revenues increased by $4.6 million or 5.7% as compared to the prior year. There is $4.7 million of vehicle registration fee revenues, approved by San Francisco voters through Proposition AA (Prop AA) in November 2010. Investment income decreased by $1.8 million, to $21 thousand, due to less unrealized gains in the Transportation Authority's investment in the City and County of San Francisco Treasury Pool and a lower return of 0.9% from prior year's average of 1.3%. Program revenues decreased by $29.3 million due to the completion of regional grants related to the Phase I construction phase of the Presidio Parkway Project.

For the year ended June 30, 2013, transportation and capital projects expenses were $38.7 million less than prior year and mainly due to completion of the Phase I construction activities for the Presidio Parkway in April 2012.

FINANCIAL ANALYSIS OF THE TRANSPORTATION AUTHORITY'S FUNDS

As noted earlier, the Transportation Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Transportation Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Transportation Authority's financing requirements.

Table 4

Balance Sheet (in thousands)

	June 30, 2013						
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee For Transportation Improvements Program	Total	June 30, 2012	$ Change
Assets:							
Cash, deposits, and investments	$ 56,268	$ -	$ 1,685	$ 9,127	$ 67,080	$ 91,324	$ (24,244)
Other assets	34,575	4,760	362	843	40,540	62,712	(22,172)
Total assets	$ 90,843	$ 4,760	$ 2,047	$ 9,970	$ 107,620	$ 154,036	$ (46,416)
Liabilities and fund balances (deficits)							
Current and other liabilities	$ 169,354	$ 4,760	$ 1,255	$ 139	$ 175,508	$ 230,600	$ (55,092)
Fund balances (deficits):							
Nonspendable	82	-	-	-	82	912	(830)
Restricted for:							
Debt service	300	-	-	-	300	311	(11)
Capital projects	-	-	792	9,831	10,623	6,393	4,230
Unassigned	(78,893)	-	-	-	(78,893)	(84,180)	5,287
Total fund balances (deficits)	(78,511)	-	792	9,831	(67,888)	(76,564)	8,676
Total liabilities and fund balances (deficits)	$ 90,843	$ 4,760	$ 2,047	$ 9,970	$ 107,620	$ 154,036	$ (46,416)

At June 30, 2013, the Transportation Authority's governmental funds reported combined ending negative fund balances of $67.9 million, an increase of $8.7 million as compared with the prior year. The total fund balances are composed of a balance of $82 thousand nonspendable for prepaid costs and deposits, $300 thousand restricted for debt service, a balance of $10.6 million restricted for the capital projects, and a negative unassigned fund balance of $78.9 million.

Table 5

Statement of Revenues, Expenditures, and Changes in Fund Balances (in thousands)

	For the Year Ended June 30, 2013						
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee For Transporation Improvements Program	Total	Fiscal Year Ended June 30, 2012	$ Change
Revenues:							
Sales tax	$ 85,754	$ -	$ -	$ -	$ 85,754	$ 81,165	$ 4,589
Vehicle registration fee	-	-	-	4,725	4,725	4,862	(137)
Investment income	14	-	4	2	20	1,823	(1,803)
Program revenues	28,964	6,852	719	-	36,535	30,020	6,515
Lease incentive	1,763	-	-	-	1,763	-	1,763
Other	542	-	-	-	542	726	(184)
Total revenues	117,037	6,852	723	4,727	129,339	118,596	10,743
Expenditures:							
Transportation and capital projects	108,367	9,593	1,120	100	119,180	158,355	(39,175)
Interest	1,483	-	-	-	1,483	2,685	(1,202)
Total expenditures	109,850	9,593	1,120	100	120,663	161,040	(40,377)
Excess (deficiency) of revenues (under) expenditures	7,187	(2,741)	(397)	4,627	8,676	(42,444)	51,120
Other financing sources (uses):							
Transfers in	-	2,741	-	-	2,741	3,094	(353)
Transfers out	(2,741)	-	-	-	(2,741)	(3,094)	353
Net change in fund balances	4,446	-	(397)	4,627	8,676	(42,444)	51,120
Fund balances (deficit), beginning	(82,957)	-	1,189	5,204	(76,564)	(34,120)	(42,444)
Fund balances (deficit), end of year	$ (78,511)	$ -	$ 792	$ 9,831	$ (67,888)	$ (76,564)	$ 8,676

Total revenues for the Transportation Authority's activities totaled $129.3 million in FY 2012/13, an increase of $10.7 million from FY 2011/12. As compared to the prior year, sales tax revenues increased by $4.6 million, investment income decreased by $1.8 million, and program revenues increased by $6.5 million. On July 1, 2012, the Transportation Authority's moved into its new office located at 1455 Market Street. Under the lease agreement, the landlord provided a leasehold allowance credit in the amount of $1.8 million which was available in FY2012/13. Expenditures for the Transportation Authority's activities totaled $120.7 million and decreased by $40.4 million from FY 2011/12. At June 30, 2013, revenues for governmental funds exceeded expenditures by $8.7 million.

BUDGETARY ANALYSIS AND HIGHLIGHTS AND ECONOMIC FACTORS

The Transportation Authority's final budgetary fund balance at year ended June 30, 2013 decreased from the original budgetary fund balance by $96.1 million. The majority of the variance is due to postponement of a budgeted issuance of additional debt, which was not deemed necessary during the year. In addition revenue and expenditure figures related to several capital projects were revised, including increased Presidio Parkway revenue and expenditures.

During the year, actual resources were less than the final budgetary estimates by $6.3 million for all the Transportation Authority's programs, not including the carryover budgetary fund balance. The majority of the variance is due to the combination of a decrease of investment income and lower program revenues from capital projects in the Sales Tax Program and Congestion Management Agency Programs.

Actual charges to appropriations were less than budgetary estimates by $71.4 million. This amount includes a favorable variance of $70.0 million in capital project costs. This lower capital spending is principally from sponsors funded by the sales tax program and vehicle registration fee for transportation improvements program whose major capital project costs were less than anticipated for FY 2012/13. Additional information on the Transportation Authority's budgetary comparison schedules for all programs can be found on pages 38 and 39 of this report.

CAPITAL ASSETS

The Transportation Authority's investment in capital assets as of June 30, 2013, amounted to $3.0 million (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, and equipment. Additional information on the Transportation Authority's capital assets can be found in Note 5 on page 28 of this report.

COMMERCIAL PAPER NOTES

In March 2004, the Transportation Authority authorized $200 million of commercial paper notes to finance the costs of acquiring, constructing and implementing certain transportation improvements included in the Transportation Authority's Proposition K Expenditure Plan. These notes will be repaid from sales tax revenues. During the prior year, Moody's Investors Service, Inc. assigned a rating of "Aa3" and Standards & Poor's reaffirmed a rating of "AA" over the Commercial Paper Notes (Limited Tax Bonds), Series 2004A and Series 2004B. As of June 30, 2013, the Transportation Authority has $150 million of commercial paper notes outstanding.

On July 10, 2012, the Transportation Authority entered into a new three-year credit facility with Wells Fargo Bank, National Association, in an amount equal to $217,753,425. The credit facility will expire on July 10, 2015 and has a fee of 45 basis points of the annual maximum debt service amount.

Additional information on the Transportation Authority's commercial paper notes can be found in Note 7 on page 31 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Transportation Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the San Francisco County Transportation Authority, Attention: Deputy Director for Finance and Administration, 1455 Market Street, 22nd Floor, San Francisco, California, 94103.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Governmental Activities
June 30, 2013

Assets:	
Cash in bank	$ 12,497,245
Deposits and investments with City Treasurer	54,282,061
Restricted investments with fiscal agents	300,214
Sales tax receivable	15,191,214
Vehicle registration fee receivable	843,144
Interest receivable from City and County of San Francisco	20,619
Program receivables	11,032,041
Receivable from the City and County of San Francisco	837,416
Other receivables	22,282
Intergovernmental loan receivable	10,336,210
Prepaid cost and deposits	81,580
Capital assets - depreciable, net	3,007,890
Total assets	108,451,916
Liabilities:	
Accounts payable	9,490,738
Accounts payable to the City and County of San Francisco	7,165,988
Accrued salaries and taxes	268,168
Interest payable	41,499
Commercial paper notes payable	150,006,000
Unearned rent abatement	392,212
Unearned leasehold incentive	1,627,551
Accrued compensated absences	609,821
Total liabilities	169,601,977
Net position:	
Net investment in capital assets	3,007,890
Restricted for debt service	300,214
Restricted by enabling legislation for capital projects	10,623,833
Unrestricted deficit	(75,081,998)
Total net position	$ (61,150,061)

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
Governmental Activities
For the Year Ended June 30, 2013

	Total	Transportation and Capital Projects	Interest
Expenses	$ 121,224,156	$ 119,740,927	$ 1,483,229
Program revenues:			
Operating grants and contributions	12,703,163	12,703,163	-
Net program expense	(108,520,993)	$(107,037,764)	$ (1,483,229)
General revenues:			
Sales tax	85,753,558		
Vehicle registration fee	4,724,408		
Investment income	20,730		
Other	677,510		
Total general revenues	91,176,206		
Change in net position	(17,344,787)		
Net position, beginning of year	(43,805,274)		
Net position, end of year	$ (61,150,061)		

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2013

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Total
Assets:					
Cash in bank	$ 1,685,394	$ -	$ 1,684,694	$ 9,127,157	$ 12,497,245
Deposits and investments with City Treasurer	54,282,061	-	-	-	54,282,061
Restricted investments with fiscal agent	300,214	-	-	-	300,214
Sales tax receivable	15,191,214	-	-	-	15,191,214
Vehicle registration fee receivable	-	-	-	843,144	843,144
Interest receivable from					
City and County of San Francisco	20,619	-	-	-	20,619
Program receivables:					
Federal	-	3,614,615	-	-	3,614,615
State	-	241,594	-	-	241,594
Other	6,700,931	112,821	362,080	-	7,175,832
Receivable from the					
City and County of San Francisco	46,168	791,248	-	-	837,416
Other receivables	22,282	-	-	-	22,282
Intergovernmental loan receivable	10,336,210	-	-	-	10,336,210
Due from other funds	2,176,046	-	-	-	2,176,046
Prepaid costs and deposits	81,580	-	-	-	81,580
Total assets	$ 90,842,719	$ 4,760,278	$ 2,046,774	$ 9,970,301	$ 107,620,072
Liabilities and Fund Balances (Deficits):					
Liabilities:					
Accounts payable	$ 6,443,596	$ 2,385,397	$ 661,745	$ -	$ 9,490,738
Accounts payable to the					
City and County of San Francisco	6,920,934	97,079	147,332	643	7,165,988
Accrued salaries and taxes	268,168	-	-	-	268,168
Interest payable	41,499	-	-	-	41,499
Due to other funds	-	1,592,524	445,335	138,187	2,176,046
Commercial paper notes payable	150,006,000	-	-	-	150,006,000
Deferred revenue	5,673,509	685,278	-	-	6,358,787
Total liabilities	169,353,706	4,760,278	1,254,412	138,830	175,507,226
Fund Balances (Deficit):					
Nonspendable	81,580	-	-	-	81,580
Restricted for:					
Debt service	300,214	-	-	-	300,214
Capital projects	-	-	792,362	9,831,471	10,623,833
Unassigned	(78,892,781)	-	-	-	(78,892,781)
Total fund balances (deficit)	(78,510,987)	-	792,362	9,831,471	(67,887,154)
Total liabilities and fund balances (deficit)	$ 90,842,719	$ 4,760,278	$ 2,046,774	$ 9,970,301	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	3,007,890
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	
Program receivables	6,358,787
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Unearned leasehold incentive	(1,627,551)
Unearned rent abatement	(392,212)
Accrued compensated absences	(609,821)
Net position of governmental activities	$ (61,150,061)

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Total
Revenues:					
Sales tax	$ 85,753,558	$ -	$ -	$ -	$ 85,753,558
Vehicle registration fee	-	-	-	4,724,408	4,724,408
Investment income	14,652	-	3,767	2,311	20,730
Program revenues:					
Federal	-	5,378,372	-	-	5,378,372
State	71,147	688,724	-	-	759,871
Regional and other	28,892,967	784,922	719,096	-	30,396,985
Leasehold incentive	1,763,180	-	-	-	1,763,180
Project refunds and other	541,881	-	-	-	541,881
Total revenues	117,037,385	6,852,018	722,863	4,726,719	129,338,985
Expenditures:					
Current - transportation and capital projects:					
Personnel expenditures	3,378,282	1,616,527	35,409	76,356	5,106,574
Non-personnel expenditures	1,692,021	124,031	-	22,686	1,838,738
Capital project costs	103,128,545	7,852,877	1,084,085	643	112,066,150
Capital outlay	167,647	-	-	-	167,647
Debt service					
Interest and fiscal charges	1,483,229	-	-	-	1,483,229
Total expenditures	109,849,724	9,593,435	1,119,494	99,685	120,662,338
Excess (deficiency) of revenues over (under) expenditures	7,187,661	(2,741,417)	(396,631)	4,627,034	8,676,647
Other financing sources (uses):					
Transfers in	-	2,741,417	-	-	2,741,417
Transfers out	(2,741,417)	-	-	-	(2,741,417)
Total other financing sources (uses)	(2,741,417)	2,741,417	-	-	-
Net change in fund balances	4,446,244	-	(396,631)	4,627,034	8,676,647
Fund balances (deficit), beginning of year	(82,957,231)	-	1,188,993	5,204,437	
Fund balances (deficit), end of year	$ (78,510,987)	$ -	$ 792,362	$ 9,831,471	

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.	
Capital outlay	167,647
Depreciation expense	(309,190)
Tenant improvement allowances are deferred and amortized over the life of the lease in the statement of activities. As a result, fund balance increases by the amount of the financial resources received, whereas net position decreases by the amount of amortization of the allowance earned for the year.	
Leasehold incentive received during the year	(1,763,180)
Amortization of leasehold incentive	135,629
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue	6,358,787
Deferred revenues in the governmental funds were recognized in the current year as resources are available. These revenues were recognized when earned in the statement of activities.	(30,190,852)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Rent expense	(392,212)
Compensated absences	(28,063)
Change in net position of governmental activities	$ (17,344,787)

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

SAN FRANCISCO COUNTY TRANSPORTATION AGENCY

Statement of Fiduciary Assets and Liabilities

Owner-Controlled Insurance Program Agency Fund

June 30, 2013

Assets:	
Deposits with escrow agent	$ 2,385,459
Liabilities:	
Due to City and County of San Francisco	$ 2,385,459

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

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NOTE 1 - REPORTING ENTITY AND BACKGROUND

The San Francisco County Transportation Authority (Transportation Authority) was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (the Plan), which was approved as part of Proposition B. The Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990.

The Transportation Authority has its own governing board consisting of the eleven members of the Board of Supervisors of the City and County of San Francisco (the City) acting as the Board of Commissioners of the Transportation Authority (the Board). Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements of the Transportation Authority are included in the City's basic financial statements. Nonetheless, the Transportation Authority is governed by an administrative code separate from that of the City's, and the agency operates as a special purpose government agency under State law, separate and distinct from the City. The City's Mayor does not have oversight control over the Transportation Authority. The ordinance that created the Transportation Authority empowers it to independently issue debt in order to finance transportation projects in the Plan. The Transportation Authority's borrowing capacity is separate and distinct from that of the City.

(a) Sales Tax Program

The Transportation Authority was originally formed by voter approval of Proposition B on November 7, 1989, which allowed the Transportation Authority to levy a county-wide one-half of one percent sales tax (the Sales Tax), that would sunset in 2010, for transportation projects and programs geared toward improving traffic congestion in the City. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MUNI Metro Network; B) construction of the MUNI Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). After 20 years of the effective date of the adoption of the Proposition K Expenditure Plan, the Transportation Authority may modify the Expenditure Plan with voter approval. Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan anytime after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax.

NOTE 1 - REPORTING ENTITY AND BACKGROUND (Continued)

(b) Congestion Management Agency Programs

On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission (MTC) to program those funds to San Francisco projects.

One of the Transportation Authority's responsibilities as the CMA is to develop a long-range countywide transportation plan (the San Francisco Transportation Plan, formerly known as the Countywide Transportation Plan) to guide transportation system development and investment over the next 30 years. The plan is consistent with the broader policy framework of the City's General Plan and particularly its Transportation Element. The San Francisco Transportation Plan further develops and implements the City's General Plan principles, by identifying needed transportation system improvements based on technical review of system performance; extensive public and agency input on key issues and needs; and analysis of policies, financial opportunities and constraints. In December 2013, the Transportation Authority Board is anticipated to adopt the first update to the plan.

Major programs and projects under the CMA include:

Surface Transportation Program (STP) – In September 1992, the MTC began programming Federal STP funds to CMAs in the Bay Area. In turn, the Transportation Authority is responsible for certain planning and programming activities, work tasks and products, that support MTC's overall work program.

Program, Planning and Monitoring (PPM) Program – The California Transportation Commission allocated State Highway funds for project planning, programming and monitoring activities related to the development and monitoring of project implementation of the Regional Transportation Improvement Program and State Transportation Improvement Program (STIP). These activities include the development, oversight and coordination of project study reports, long range planning for future STIP needs, project programming, amendment review, project oversight and expediting STIP project delivery.

I-80/Yerba Buena Island Interchange Improvement Project and Yerba Buena Bridge Structures (collectively known as YBI Interchange Improvement Project) – The Treasure Island Development Authority (TIDA) has requested that the Transportation Authority, in its capacity as the CMA, be the lead agency for the YBI Interchange Improvement Project. Since 2009, the Transportation Authority has been working jointly with TIDA, the Mayor's Office of Economic and Workforce Development (OEWD) and the California Department of Transportation (Caltrans) in securing the approval of an Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for the project. Caltrans issued the Federal Record of Decision in November 2011. The Final EIR/EIS was certified by the Transportation Authority Board in December 2011. The Transportation Authority completed preparation of the Final Plans, Specifications, and Estimate documents for the project in March 2013. To minimize the construction cost and complexity of delivering the project, the Project Development Team (PDT) consisting of members from Caltrans, the Federal Highway Administration (FHWA), U.S. Coast Guard, TIDA and the

NOTE 1 - REPORTING ENTITY AND BACKGROUND (Continued)

Transportation Authority will coordinate construction of the YBI Interchange Improvement Project with the construction and project schedule of the new Eastern Span of the San Francisco Bay Bridge. Construction of the YBI Interchange Improvement Project is scheduled to start in January 2014 with completion anticipated by spring of 2016.

(c) Transportation Fund for Clean Air (TFCA) Program

On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District (BAAQMD) come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

(d) Proposition AA (Prop AA) Administrator of County Vehicle Registration Fee

On November 2, 2010, San Francisco voters approved Prop AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011.

Prop AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis following the category name.

- Street Repair and Reconstruction (50%) – giving priority to streets with bicycle and transit networks and to projects that include complete streets elements such as curb ramps, bicycle infrastructure, pedestrian improvements, and other measures to slow or reduce traffic.
- Pedestrian Safety (25%) - including crosswalk improvements, sidewalk repair or upgrade, and pedestrian countdown signals and lighting.
- Transit Reliability and Mobility Improvements (25%) – including transit stop improvements, consolidation and relocation; transit signal priority; traffic signal upgrades; travel information improvements; and parking management projects.

In December 2012, the Transportation Authority Board approved the first Prop AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012/13 to 2016/17). The Prop AA program is a pay-as-you-go program. The Transportation Authority can use up to 5% of the funds for administrative costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements – The statement of net position and statement of activities display information about the Transportation Authority. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are normally supported by taxes, grants, and other revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Transportation Authority's funds. The Transportation Authority reports activities of each of its four programs – *Sales Tax Program*; *Congestion Management Agency Programs, Transportation Fund for Clean Air Program* and *Vehicle Registration Fee for Transportation Improvements Program* – as major funds. In addition, the Transportation Authority reports an agency fund to account for assets held as an agent for the San Francisco Municipal Railway's (MUNI) Owner-Controlled Insurance Program (OCIP) for the Third Street Light Rail Project.

(b) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide and the agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Transportation Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales taxes, vehicle registration fees and grants. On an accrual basis, revenues from sales taxes and vehicle registration fees are recognized in the fiscal year for which the underlying exchange transactions occur. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, vehicle registration fees, interest, and grants are accrued when their receipt occurs within 120 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Under the terms of grant agreements, the Transportation Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Transportation Authority's policy to first apply restricted cost-reimbursement grant resources to such programs and then unrestricted general revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments

The Transportation Authority records investment transactions on the trade date. Investments are reported at fair value. Fair value is defined as the amount that the Transportation Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller, and is generally measured by quoted market prices.

(d) Restricted Investments

Restricted investments are maintained with the trustee of the commercial paper notes for debt service.

(e) Sales Tax Revenue and Receivables

The Transportation Authority recognizes taxpayer-assessed revenues, net of estimated refunds, in the accounting period in which they become susceptible to accrual, which means when the revenues become both measurable and available to finance expenditures of the current fiscal period.

Sales tax receivables represent sales tax receipts in the three months subsequent to the Transportation Authority's fiscal year-end relating to the prior year's sales activity. The Transportation Authority has contracted with the California State Board of Equalization for collection and distribution of the sales tax. The Board of Equalization receives an administrative fee for providing this service. The Transportation Authority records sales tax revenues net of such fees.

(f) Vehicle Registration Fees and Receivables

The Transportation Authority recognizes vehicle registration fees in the accounting period in which they become susceptible to accrual, which means when the revenues become both measurable and available to finance expenditures of the current fiscal period.

Vehicle registration fees receivables represent vehicle registration fee receipts in the three months subsequent to the Transportation Authority's fiscal year-end relating to the prior year's registration activity. The Transportation Authority has contracted with the California Department of Motor Vehicles for collection and distribution of the vehicle registration fees. The Department of Motor Vehicles receives an administrative fee for providing this service. The Transportation Authority records vehicle registration fee revenues net of such fees.

(g) Capital Assets

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. The Transportation Authority capitalizes assets with a purchase price of $5,000 and above. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

The estimated useful lives are as follows:

Leasehold improvements	13 years
Furniture	5 years
Computer equipment	3 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life is not capitalized. For the government-wide statements, improvements are capitalized and, depreciated over the remaining useful lives of the related capital assets.

(h) Compensated Absences

The Transportation Authority reports compensated absences for accrued vacation, compensatory time-off and floating holidays. Transportation Authority employees have a vested interest in accrued compensated absences and the time will eventually either be used or paid by the Transportation Authority. Generally, employees earn and use their current compensated absence hours with a small portion being accrued and unused each year. As this occurs, the Transportation Authority incurs an obligation to pay for these unused hours. This liability is recorded in the government-wide statement of net position to reflect the Transportation Authority's obligation to fund such costs from future operations. A liability is recorded in the governmental funds balance sheet when it is due and payable. Sick leave benefits do not vest and no liability is recorded. At June 30, 2013, the Transportation Authority recognized a compensated absences liability in the amount of $609,821 and during the year ended June 30, 2013, the Transportation Authority expended $415,572 in compensated absences.

(i) Effects of New Pronouncements

During the year ended June 30, 2013, the Transportation Authority implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the certain pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

As of July 1, 2012, the Transportation Authority adopted these statements which did not have a significant impact to its financial statements.

The Transportation Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Application of this statement is effective for the Transportation Authority's fiscal year ending June 30, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement removes the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This Statement also modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this Statement are effective for the Transportation Authority's fiscal year ending June 30, 2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27* to improve the guidance for accounting for and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

Application of GASB Statement No. 68 is effective for the Transportation Authority's fiscal year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the Transportation Authority's year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is intended to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. Application of this statement is effective for the Transportation Authority's year ending June 30, 2014.

(j) Fund Equity/Net Position

In government-wide statements equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Transportation Authority currently does not have any outstanding notes or other borrowings that are attributable to capital assets.

Restricted net position – consists of restricted assets reduced by liabilities relating to those assets.

Unrestricted net position – all other net position that do not meet the definition of "restricted" or "Net investment in capital assets."

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Transportation Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balances for governmental funds are classified as follow:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Transportation Authority's highest level of decision-making authority, the Transportation Authority's Board. Commitments may be changed or lifted only by the Transportation Authority taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – includes amounts intended to be used by the Transportation Authority for specific purposes that are neither restricted nor committed. Intent is expressed by the Board of Commissioners or official to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – is the residual classification for the Sales Tax Program (general operating fund) and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

The sales tax program fund had a negative fund balance of $78,510,987 as of June 30, 2013. This condition, as well as the negative net position, exists because the Transportation Authority uses debt financing to accelerate the delivery – for earlier benefits to the traveling public – of sales tax funded projects that are owned and operated by other agencies. The negative fund balance will be covered as future sales tax revenues are realized.

(k) Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

(a) Custodial Credit Risk

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Transportation Authority's deposits may not be returned to it. The Transportation Authority does not have a policy for custodial credit risk on deposits. As of June 30, 2013, the carrying amount of the Transportation Authority's deposits was $12,497,245 and the bank balance was $14,020,797. The difference between the bank balance and the carrying amount represents outstanding checks. Of the bank balance, $750,000 was covered by federal depository insurance and $13,270,797 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Government Code, a financial institution is required to secure deposits in excess of Federal Deposit Insurance Corporation limits made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the public agency's name.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments - For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Transportation Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Transportation Authority does not have a policy regarding custodial credit risk on investments. As of June 30, 2013, the Transportation Authority's investments are not exposed to custodial credit risk.

(b) Investments Authorized by the Transportation Authority's Investment Policy

The table below identifies the investment types that are authorized for the Transportation Authority by the California Government Code 53601 or the Transportation Authority's Investment Policy, where the policy is more restrictive. The Transportation Authority's Investment Policy is more restrictive than the California Government Code in the area of reverse repurchase agreements, which are not allowed, and certificates of deposits, which must be in financial institutions located in California and may not exceed 10% of the Transportation Authority's portfolio.

The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Transportation Authority, rather than the general provisions of the California Government Code or the Transportation Authority's Investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer
U.S. Treasury Notes, Bonds, or Bills	5 Years	None	None
Federal Agency or U.S. Government Sponsored Enterprise Obligations	5 Years	None	None
Repurchase Agreements	1 Year	None	None
State of California Obligations or any local agency within the State	5 Years	None	None
Notes or Bonds of Other U.S. States	5 Years	None	None
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Medium-Term Notes	5 Years	30%	None
FDIC Insured and Fully Collateralized Certificates of Deposit**	1 Year	10%	None
Negotiable Certificates of Deposits	5 Years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program	N/A	None	None
Insured Savings and Money Market Accounts	N/A	None	None
City and County of San Francisco Treasury Pool	N/A	None	None
Shares of Beneficial Interest (Money Market Funds)	N/A	20%	10%

* Excludes amounts held by fiscal agents that are not subject to California Government Code restrictions.

** More restrictive than the California Government Code.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the Indenture Agreement

Authorized Investment Type
U.S. Treasury Notes, Bonds, or Bills
U.S. Treasury Obligations
Federal Agency or U.S. Government Sponsored Enterprise Obligations
Housing Authority Bonds
State Obligations
Corporate Bonds, Notes, and Other Debentures
Demand or Time Deposits
Taxable and Tax Exempt Commercial Paper
Certificates of Deposit
Negotiable Certificates of Deposits
Variable Rate Obligations
Repurchase Agreements
Investment Agreements
Shares of Beneficial Interest (Money Market Funds)
City and County of San Francisco Treasury Pool

Investments with fiscal agent are composed of debt service reserves for principal and interest debt service payments that have not yet occurred as of the financial statement date, and associated interest earnings held by the fiscal agent. Under the Transportation Authority's commercial paper note program, the sales tax revenues distributed by the California State Board of Equalization flow directly to the fiscal agent for repayment of the principal and interest on the notes before going to the Transportation Authority for operations.

The following is a summary of the Transportation Authority's investments at June 30, 2013:

	Fair Value	Investment (Maturities in Years) Less than 1	1-5	Credit Ratings (Standard & Poor's)
Deposits and investments with City Treasury Pool	$ 54,282,061	$ -	$ 54,282,061	Not rated
Money Market Mutual Fund	300,214	300,214	-	AAAm
Total investments	$ 54,582,275	$ 300,214	$ 54,282,061	

The Transportation Authority maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2013, the Transportation Authority's deposits and investments in the Pool is approximately $54.3 million and the total amount invested by all public agencies in the Pool is approximately $6.1 billion. The Transportation Authority's investment in the Pool has a weighted average maturity of 2.4 years. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Transportation Authority's shares in the Pool, which may be withdrawn, is based on the book value of the Transportation Authority's percentage participation, which is different than the fair value of the Transportation Authority's percentage participation in the Pool. At June 30, 2013, the Pool consists of U.S. government and agency securities, commercial paper, negotiable certificates of deposit and public time deposits as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks) may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

NOTE 4 - INTERFUND TRANSACTIONS

Due to/Due from

The composition of interfund balances as of June 30, 2013, is as follows:

	Receivable from:			
Payables to:	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Total
Sales Tax Program	$ 1,592,524	$ 445,335	$ 138,187	$ 2,176,046

The outstanding payables to the Sales Tax Program result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In addition, at June 30, 2013 the Congestion Management Agency is due $21,511 from the Transportation Fund for Clean Air Program related to the Travel Demand Management Program.

Transfers

During the fiscal year, the Congestion Management Agency Programs received a subsidy transfer of $2,741,417 in Sales Tax Program funds for the local match requirements from various federal, state, or regional grant programs. This subsidy was authorized through the Board-approved Proposition K Strategic Plan and the annual budget approval process.

NOTE 5 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012	Additions	Retirement	Balance June 30, 2013
Capital assets, being depreciated:				
Leasehold improvements	$ 2,933,570	$ 58,834	$ -	$ 2,992,404
Furniture and equipment	703,027	108,813	(41,263)	770,577
Total capital assets, being depreciated	3,636,597	167,647	(41,263)	3,762,981
Less accumulated depreciation for:				
Leasehold improvements	-	230,185	-	230,185
Furniture and equipment	487,164	79,005	(41,263)	524,906
Total accumulated depreciation	487,164	309,190	(41,263)	755,091
Total capital assets, net	$ 3,149,433	$ (141,543)	$ -	$ 3,007,890

Depreciation expense for the current year amounted to $309,190.

NOTE 6 – RECEIVABLES FROM/PAYABLES TO THE CITY AND COUNTY OF SAN FRANCISCO

Receivables from the City and County of San Francisco consist of the following at June 30, 2013:

Receivables from the following City Department/Agency	Purpose	Total
Department of Public Works	Better Market Street Environmental Studies	$ 395,000
	Great Highway Emergency Toe Stabilization	46,168
		441,168
Municipal Transportation Agency	Travel Demand Modeling	32,765
Office of Community Investment and Infrastructure	Folsom Street Off-Ramp Realignment Project	143,945
Treasure Island Development Authority	Treasure Island Transportation Implementation Plan	150,000
	Yerba Buena Island Ramps Right of Way Phase	69,538
		219,538
Total receivables from the City and County of San Francisco		$ 837,416

NOTE 6 – RECEIVABLES FROM/PAYABLES TO THE CITY AND COUNTY OF SAN FRANCISCO (Continued)

Payables to the City and County of San Francisco consist of the following at June 30, 2013:

Payables from the following City Department	Purpose		Total
Department of Environment	Clean Air Programs		$ 204,971
Department of Planning	Transportation Studies		4,620
Department of Public Works	Street Resurfacing		643
Municipal Transportation Agency:			
Department of Parking & Traffic	Advanced Technology and Information System	$ 1,968	
	Bicycle Circulation/Safety	129,204	
	Clean Air Programs	6,378	
	New Signals and Signs	99,757	
	Pedestrian and Bicycle Facility Maintenance	7,374	
	Pedestrian Circulation/Safety	1,967	
	Traffic Calming	53,211	
		299,859	
Municipal Railway	Central Subway	215,800	
	Guideways	51,914	
	Incremental Operations and Maintenance	103,812	
	Pedestrian Circulation/Safety	5,605	
	Rapid Bus Network	46,497	
	Transit Vehicle Replacement and Renovation	4,975,334	
	Transportation Studies	92,460	
	Upgrade and Replacement of Existing Facilities	670,840	
		6,162,262	
			6,462,121
Office of Economic and Workforce Development	Presidio Parkway		58,633
Port of San Francisco	Ferry Terminal Phase II		435,000
Total payable to the City and County of San Francisco			$ 7,165,988

During Fiscal Year 2012/13, the Transportation Authority incurred capital expenditures of $87.9 million paid to departments within the City, of which $75.9 million was expended on SFMTA projects including Central Subway and Computer-Aided Dispatch Replacement, Central Control and Communications Program and $4.4 million was expended on various transit and street maintenance improvements and pedestrian and bicycle projects.

NOTE 7 - COMMERCIAL PAPER NOTES

In April 2004, the Transportation Authority issued an initial tranche of $50,000,000 and in September 2004 the Transportation Authority issued the second tranche of $100,000,000 of a programmed $200,000,000 aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. Under this program, the Transportation Authority is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the commercial paper notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable line of credit (LOC) issued by Landesbank Baden-Württemberg, New York Branch (Landesbank) in the amount up to $217,753,425 at a fee of 90 basis points based on the Transportation Authority's AA credit rating. On July 10, 2012, the Transportation Authority entered into a new three-year credit facility with Wells Fargo Bank, National Association, in an amount equal to $217,753,425 to replace the LOC issued by Landesbank. The credit facility will expire on July 10, 2015 and has a fee of 45 basis points of the annual maximum debt service amount. The commercial paper notes are secured by a first lien gross pledge of the Transportation Authority's sales tax. The principal and interest on the commercial paper notes is payable at each maturity.

As of June 30, 2013, $150,006,000 in commercial paper notes was outstanding and maturing 40 to 56 days after year-end, with interest rates at 0.17%. For the year ended June 30, 2013, the Transportation Authority paid $969,003 to Wells Fargo Bank and $43,551 to Landesbank in LOC fees.

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT PLAN

Plan Description

All full-time and certain other qualifying employees of the Transportation Authority are eligible to participate in the Public Employees' Retirement Fund (the Fund) of the State of California's Public Employees' Retirement System (CALPERS). CALPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Effective with the June 30, 2003 valuation, CALPERS converted the Transportation Authority's defined benefit retirement plan from an agent-multiple employer to a cost sharing multiple-employer plan. The Transportation Authority's retirement plan is under the CALPERS Miscellaneous 2% at 55 Risk Pool. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by Transportation Authority resolution. CALPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CALPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

Funding Policy

Active plan members have an obligation to contribute a percentage of their annual covered salary to the Fund. For classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the CALPERS system), the Transportation Authority contributes the 7% employee portion on behalf of its employees. For new members (employees hired after January 1, 2013 and are new entrants to the CALPERS system), employees pay the 6.25% employee contribution. The Transportation Authority is required to contribute the actuarially determined remaining amounts necessary to fund the 2% at age 55 retirement plan benefits for its classic members and 2% at age 60 retirement plan benefits for its new members under the California Employees' Pension Reform Act (PEPRA) provisions. The actuarial methods and assumptions used are those adopted by the CalPERS

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT PLAN

Board of Administration. The required employer contribution rate for the year ended June 30, 2013 was 11.38% and 6.25%, for classic and new members, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CALPERS. The Transportation Authority's contributions to CALPERS for the years ended June 30, 2013, 2012, and 2011 were $351,952; $349,720; and $301,915, respectively, equal to the required contributions for each year.

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements, or being converted to disability status, and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees.

The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CALPERS for the provision of healthcare insurance programs for both active and retired employees. The Transportation Authority participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CALPERS. The financial statements for CERBT may be obtained by writing the California Public Employees' Retirement System, Constituent Relations Office, CERBT (OPEB), P.O. Box 242709, Sacramento, California 94229-2709 or by calling 888-225-7377.

Funding Policy

The contribution requirements of plan members and the Transportation Authority are established and may be amended by the Board. For the year ended June 30, 2013, the Transportation Authority contributed $163,000, or 100%, of the annual required contribution (ARC) to the CERBT.

The Transportation Authority is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 4.9% of annual covered payroll and was based on the June 30, 2011 actuarial valuation.

Annual OPEB Cost

For the year ended June 30, 2013, the Transportation Authority's annual other postemployment benefit (OPEB) expense of $163,000 was equal to the ARC. The following table represents annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Fiscal Year Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 113,000	100%	$ -
6/30/2012	158,000	100%	-
6/30/2013	163,000	100%	-

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$ 671,000
Actuarial value of plan assets	405,000
Unfunded actuarial accrued liability (UAAL)	$ 266,000
Funded ratio (actuarial value of plan assests/AAL)	60.4%
Covered payroll (active plan members)	$ 3,251,000
UAAL as a percentage of covered payroll	8.2%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of certain 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age of hire) and assumed exit (maximum retirement age). The actuarial assumptions included a 7.25% investment rate of return and an annual healthcare cost trend rate of 9.0% to 9.4% initially, reduced by decrements to an ultimate rate of 5.0% in the year 2021 and beyond. The actuarial assumptions also include a 3.0% general inflation assumption and a 3.25% aggregate payroll increase. The actuarial value of CERBT assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. CERBT's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 was twenty-one years.

NOTE 10 - OPERATING LEASE

The Transportation Authority leases its office space under an operating lease agreement. On December 9, 2011, the Transportation Authority executed a 13-year workspace lease for its new office located at 1455 Market Street, with a 5-year extension option. The term of the lease commenced on July 1, 2012 and expires on June 30, 2025. Under the lease agreement, the landlord granted the Transportation Authority a rent abatement totaling $522,112 for the period July 1, 2012 through November 30, 2012 and from July 1, 2013 through October 31, 2013 and provided a leasehold allowance credit in the amount of $1,763,180. During the year ended June 30, 2013, total office lease expenditures were $399,742.

The Transportation Authority also leases its copier equipment under an operating lease agreement. The Transportation Authority entered into a 5-year lease agreement with monthly payments of $515, plus applicable taxes, commencing on June 28, 2012. During the year ended June 30, 2013, total copier expenditures were $7,280.

The following is a schedule of future minimum lease obligations as of June 30, 2013:

Year ending June 30:	Office Lease	Copier Lease	Total
2014	$ 473,164	$ 6,180	$ 479,344
2015	734,220	6,180	740,400
2016	758,694	6,180	764,874
2017	783,168	6,180	789,348
2018	807,642	-	807,642
2019 - 2023	4,405,320	-	4,405,320
2024 - 2025	1,933,446	-	1,933,446
Total future minimum lease obligations	$ 9,895,654	$ 24,720	$ 9,920,374

NOTE 11 - ADMINISTRAIVE EXPENSE LIMITATIONS

In accordance with California Public Utilities Code, Section 131107, not more than one percent of the Transportation Authority's annual net amount of revenues raised by the sales tax may be used to fund the salaries and benefits of the staff of the Transportation Authority in administering the Plan. For the year ended June 30, 2013, revenues, staff salaries and fringe benefits for administering the Plan for the Sales Tax Program were as follows:

Revenue	$ 85,753,558
Expenditures:	
Salaries	331,515
Fringe benefits	108,199
Total	$ 439,714
Percentage of revenue	0.51%

Personnel expenditures of $3,378,282 were reported in the Sales Tax Program Fund, of which $439,714 was related to general administration of the Plan and $2,938,568 was related to planning and programming, which includes monitoring and oversight of Prop K funded projects.

NOTE 12 - RISK MANAGEMENT

The Transportation Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Transportation Authority manages and finances these risks by purchasing commercial insurance. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Transportation Authority's commercial insurance coverage in any of the past three years.

NOTE 13 – OWNER-CONTROLLED INSURANCE PROGRAM

In February 2002, the Transportation Authority entered into a trust agreement with Chartis Insurance (formerly American Insurance Group) and J.P. Morgan Chase Bank, N.A. on behalf of MUNI to act as the fiduciary administrator for the aggregate deductible loss pool supporting MUNI's Third Street Light Rail Project's Owner-Controlled Insurance Program (OCIP). The Third Street Light Rail Project OCIP is an umbrella insurance program that provides commercial general liability, excess liability, workers' compensation, pollution liability and railroad liability coverage for those Third Street Light Rail Project construction contracts included in the program. The escrow account for the aggregate deductible loss pool was established for $4,621,400 at the inception of the OCIP, and is used to pay claims as determined by the City's Office of the City Attorney, MUNI and Chartis Insurance. The Transportation Authority is acting solely as a fiduciary administrator for the escrow account, and has no responsibility for managing the OCIP claims management or settlement. As of June 30, 2013, the Transportation Authority has $2,385,459 in escrow accounts to fund claims related to MUNI's Third Street Light Rail Project.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Transportation Authority's outstanding commitments totaled $246,787,759 at June 30, 2013. This amount is comprised of $218,021,172 in remaining capital project appropriations. Sponsors receive appropriations for the entire project (awards) but cannot be reimbursed faster than the amount allocated annually. At June 30, 2013, the Transportation Authority has $21,294,472 and $7,472,115 encumbered in the Sales Tax Program and the Congestion Management Agency Program, respectively, on various Transportation Authority contracts held with private consulting companies and cooperative agreements with governmental entities.

(b) Loan Agreement with Treasure Island Development Authority

In July 2008, and amended in May 2009, the Transportation Authority entered into a loan agreement with the Treasure Island Development Authority (TIDA) in the amount of $8,800,000 for the repayment of project management oversight, engineering and environmental costs for the Yerba Buena Island (YBI) Ramps Replacement Project, now known as the YBI Interchange Improvement Project. In November 2011, the Transportation Authority approved increasing the authorized amount of the loan agreement with TIDA to a total loan obligation amount not to exceed $10,287,000, to complete preliminary engineering and design for the YBI Interchange Improvement Project. In January 2011, the Transportation Authority received additional project authorization from the California Department of Transportation (Caltrans) for Federal Highway Bridge Program funding for the preliminary and final design phases of the project. The loan agreement with TIDA will leverage the federal grant award to fulfill the local match requirement and reimburse the Transportation Authority for administrative costs.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

Under the terms of the agreement, TIDA will repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed $18,830,000. The repayment to the Transportation Authority may be paid by TIDA in four annual installment payments on the earlier of 30 days after the first close of escrow for transfer of the Naval Station Treasure Island from TIDA to Treasure Island Community Development, LLC or December 31, 2013. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the Transportation Authority for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the Transportation Authority's borrowing rate, whichever is applicable, beginning on the date of the Transportation Authority's reimbursement claim to Caltrans until the Transportation Authority costs and all accrued interest has been repaid.

This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing San Francisco Public Utilities Commission (SFPUC) utility obligation under the Memorandum of Understanding between TIDA and SFPUC. As of June 30, 2013, TIDA has drawn down $9,950,741 on the loan and accrued $385,469 in interest costs.

NOTE 15 – SUBSEQUENT EVENT

Memorandum of Agreements with Treasure Island Development Authority

On July 23, 2013, through Resolution 14-01, the Transportation Authority Board approved increasing the non-federal portion of the loan agreement with TIDA from a total amount not to exceed $10,287,000 to a total amount not to exceed $11,037,000, to complete preliminary engineering and design for the YBI Ramps Improvement Project and the YBI Bridge Structures (collectively known as the YBI Interchange Improvement Project) and executing agreements with TIDA for right of way and construction phases of the YBI Ramps Improvement Project, in amounts not to exceed $4,200,000 and $46,700,000, respectively. The increase of $750,000 to the non-federal portion of the loan agreement for the preliminary engineering and design phase will fulfill local match requirements for additional federal grant funds received for preliminary engineering activities for the YBI Bridge Structures; reimburse the Transportation Authority for administrative staff costs and to cover any and all costs not covered by federal or state funds. The total not to exceed amount remains unchanged at $18,830,000. Construction of the YBI Ramps Improvement Project is scheduled to start in January 2014 with completion anticipated by spring of 2016.

Postemployment Healthcare Benefits

The Schedule of Funding Progress presented below provides a consolidated snapshot of the Transportation Authority's ability to meet current and future liabilities with the plan assets. The most recent actuarial valuation was performed as of June 30, 2011. The Transportation Authority's next valuation is scheduled to be performed in Fiscal Year 2013/14.

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) - Entry Age	(C) Unfunded AAL (UAAL) (Excess Assets) [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C) / (E)]
1/1/2008	$ -	$ 182,000	$ 182,000	0.0%	$ 1,978,000	9.2%
1/1/2010	173,000	374,000	201,000	46.3%	2,858,000	7.0%
6/30/2011	405,000	671,000	266,000	60.4%	3,251,000	8.2%

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules
For the Year Ended June 30, 2013

	Sales Tax Program				Congestion Management Agency Programs			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances,								
beginning of year	$ 69,207,038	$ 69,207,038	$ 69,207,038	$ -	$ -	$ -	$ -	$ -
Resources (inflows):								
Sales tax	77,464,320	84,492,262	85,753,558	1,261,296	-	-	-	-
Vehicle registration fee	-	-	-	-	-	-	-	-
Investment income	976,289	976,289	14,652	(961,637)	-	-	-	-
Program revenues:								
Federal	-	-	-	-	7,389,026	7,870,596	5,378,372	(2,492,224)
State	101,844	101,844	71,147	(30,697)	553,695	566,195	688,724	122,529
Regional and other		34,134,838	28,892,967	(5,241,871)	691,835	762,025	784,922	22,897
Proceeds from commercial paper notes	116,955,333	-	-	-	-	-	-	-
Lease incentive	-	-	1,763,180	1,763,180	-	-	-	-
Project refunds and other revenue	-	-	541,881	541,881	-	-	-	-
Transfers in from other funds	-	-	-	-	4,392,893	3,927,355	2,741,417	(1,185,938)
Total resources	195,497,786	119,705,233	117,037,385	(2,667,848)	13,027,449	13,126,171	9,593,435	(3,532,736)
Amount available for appropriation	264,704,824	188,912,271	186,244,423	(2,667,848)	13,027,449	13,126,171	9,593,435	(3,532,736)
Charges to appropriations (outflows):								
Current - transportation and capital projects:								
Personnel expenditures	2,862,642	2,818,693	3,378,282	(559,589)	2,331,112	2,375,061	1,616,527	758,534
Non-personal expenditures	1,857,459	1,857,459	1,692,021	165,438	140,000	140,000	124,031	15,969
Capital project costs	142,662,220	165,941,315	103,640,148	62,301,167	10,556,337	10,611,110	7,852,877	2,758,233
Capital outlay	-	-	167,647	(167,647)	-	-	-	-
Transfers out to other funds	4,392,893	3,927,355	2,741,417	1,185,938	-	-	-	-
Debt service:								
Interest and fiscal charges	2,530,124	1,337,633	1,483,229	(145,596)	-	-	-	-
Total charges to appropriations	154,305,338	175,882,455	113,102,744	62,779,711	13,027,449	13,126,171	9,593,435	3,532,736
Budgetary fund balances, end of year	$ 110,399,486	$ 13,029,816	$ 73,141,679	$ 60,111,863	$ -	$ -	$ -	$ -

The note to required supplementary information is an integral part of these schedules.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules
For the Year Ended June 30, 2013

Transportation Fund for Clean Air Program				Vehicle Registration Fee for Transportation Improvements Program				Total Programs			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ 1,188,993	$ 1,188,993	$ 1,188,993	$ -	$ 5,204,437	$ 5,204,437	$ 5,204,437	$ -	$ 75,600,468	$ 75,600,468	$ 75,600,468	$ -
-	-	-	-	-	-	-	-	77,464,320	84,492,262	85,753,558	1,261,296
-	-	-	-	4,811,520	4,811,520	4,724,408	(87,112)	4,811,520	4,811,520	4,724,408	(87,112)
2,895	2,895	3,767	872	32,858	32,858	2,311	(30,547)	1,012,042	1,012,042	20,730	(991,312)
-	-	-	-	-	-	-	-	7,389,026	7,870,596	5,378,372	(2,492,224)
-	-	-	-	-	-	-	-	655,539	668,039	759,871	91,832
716,201	716,201	719,096	2,895	-	-	-	-	1,408,036	35,613,064	30,396,985	(5,216,079)
-	-	-	-	-	-	-	-	116,955,333	-	-	-
-	-	-	-	-	-	-	-	-	-	1,763,180	1,763,180
-	-	-	-	-	-	-	-	-	-	541,881	541,881
-	-	-	-	-	-	-	-	4,392,893	3,927,355	2,741,417	(1,185,938)
719,096	719,096	722,863	3,767	4,844,378	4,844,378	4,726,719	(117,659)	214,088,709	138,394,878	132,080,402	(6,314,476)
1,908,089	1,908,089	1,911,856	3,767	10,048,815	10,048,815	9,931,156	(117,659)	289,689,177	213,995,346	207,680,870	(6,314,476)
35,810	35,810	35,409	401	214,842	214,842	76,356	138,486	5,444,406	5,444,406	5,106,574	337,832
-	-	-	-	20,000	20,000	22,686	(2,686)	2,017,459	2,017,459	1,838,738	178,721
994,895	994,895	1,084,085	(89,190)	6,348,683	5,052,047	643	5,051,404	160,562,135	182,599,367	112,577,753	70,021,614
-	-	-	-	-	-	-	-	-	-	167,647	(167,647)
-	-	-	-	-	-	-	-	4,392,893	3,927,355	2,741,417	1,185,938
-	-	-	-	-	-	-	-	2,530,124	1,337,633	1,483,229	(145,596)
1,030,705	1,030,705	1,119,494	(88,789)	6,583,525	5,286,889	99,685	5,187,204	174,947,017	195,326,220	123,915,358	71,410,862
$ 877,384	$ 877,384	$ 792,362	$ (85,022)	$ 3,465,290	$ 4,761,926	$ 9,831,471	$ 5,069,545	$ 114,742,160	$ 18,669,126	$ 83,765,512	$ 65,096,386

Explanation of Differences between Budgetary fund balances and GAAP fund balances

The proceeds from the issuance of commercial paper notes are inflows of budgetary resources but are not revenues for financial reporting purposes.	(150,000,000)
Prior year deobligations from transportation project and programs and other budgetary adjustments are inflows.	(11,603,407)
Prior year payments on the Yerba Buena Island Ramps Project/TIDA loan are outflows of budgetary resources but are not expenditures for financial reporting purposes.	9,439,138
Current year payments on the Yerba Buena Island Ramps Project/TIDA loan are outflows of budgetary resources but are not expenditures for financial reporting purposes.	511,603
	$ (67,887,154)

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Budgets and Budgetary Data

Comparisons with financial results for the current fiscal period for all the funds are presented as required supplementary information and include, in addition to actual expenditures, amounts that have been appropriated for projects and programs. Unexpended capital budget appropriations are carried forward to subsequent years. The budget represents a process through which policy decisions are made, implemented and controlled. Appropriations may be adjusted during the year with the approval of the Transportation Authority. Accordingly, the legal level of budgetary control by the Transportation Authority is the program (fund) level. The Transportation Authority utilizes an encumbrance system as a management control technique to assist in controlling expenditures.

The budgetary process is based upon accounting for certain transactions on a basis other than accounting principles generally accepted in the United States (GAAP). The results of operations are presented in the budget-to-actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main differences between Budgetary Basis "actual" and GAAP basis are the recognition of the following: (1) commercial paper note proceeds as a source of revenue while for GAAP purposes the commercial paper notes were recognized as a liability in the Sales Tax Program Fund, and (2) the payments and repayments on the loans are outflows and inflows of budgetary resources but are assets and not revenues for financial reporting purposes.

Excess of Expenditures over Appropriations

The Transportation Fund for Clean Air Program had expenditures in excess of the final budget in the amount of $88,789 due to the acceleration of the completion of the SFMTA's Short-Term Bicycle Parking Project during the fiscal year. This Program funded the installation of bicycle racks and the project is one year ahead of schedule.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Transportation Authority's basic financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Walnut Creek, California
October 28, 2013

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LA/Century City

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited the San Francisco County Transportation Authority's (Transportation Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Transportation Authority's major federal programs for the year ended June 30, 2013. The Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Transportation Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Transportation Authority'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 for each major federal program. However, our audit does not provide a legal determination of the Transportation Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Macias Gini & O'Connell LLP

Walnut Creek, California
October 28, 2013

SAN FRANCISCO COUNTY
TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Program Description	Catalog of Federal Domestic Assistance	Grant No.	Grant Approval Date	Approved Federal Award	Federal Expenditures: Cumulative Expenditures Prior to July 1, 2012	Federal Expenditures: July 1, 2012 through June 30, 2013	Federal Expenditures: Cumulative Expenditures Through June 30, 2013	Available Balance	Amount Provided to Subrecipients
U.S. Department of Transportation, Federal Highway Administration:									
Highway Planning and Construction									
Direct Program:									
Using Dynamic Traffic Assignment to Analyze Transit and Pricing Alternatives in a Dense, Urban Network	20.205	DTFH61-11-C-00024	02/03/11	$ 174,829	$ 128,388	$ 46,441	$ 174,829	$ -	$ -
Passed through - Metropolitan Transportation Commission									
Surface Transportation Plan (STP): Planning and Programming, and Transportation - Land Use	20.205	C002683	07/01/12	2,795,000	-	667,000	667,000	2,128,000	-
STP: Market Street Station Area Plan	20.205	N/A	02/29/12	300,000	229,400	70,600	300,000	-	-
STP: Treasure Island Mobility Management	20.205	N/A	01/01/13	500,000	-	8,000	8,000	492,000	-
Passed through - State California Department of Transportation									
eFleet: Carsharing Electrified (2)	20.205	CML-6272(033)	12/28/11	1,700,000	45,604	143,064	188,668	1,511,332	139,348
Integrated Public Private Partnership Travel Demand Management Program (TDM)	20.205	CML-6272(034)	04/25/11	750,000	187,143	158,805	345,948	404,052	74,577
San Francisco Value Pricing and Regulation Study	20.205	VPPL-6272(037)	08/17/12	480,000	-	14,661	14,661	465,339	-
Yerba Buena Island - Reconstruct Existing Westbound On and Off Ramps on East Side of Yerba Buena Island	20.205	BRLS-6272(023)	08/20/10	8,299,687	4,960,092	1,732,043	6,692,135	1,607,552	-
Yerba Buena Island Viaduct Structure #1 (1)	20.205	STPLZ-6272(024)	09/10/10	218,967	165,736	18,848	184,584	34,383	-
Yerba Buena Island Viaduct Structure #2 (1)	20.205	STPLZ-6272(026)	09/10/10	4,268,535	521,371	1,206,308	1,727,679	2,540,856	-
Yerba Buena Island Viaduct Structure #3 (1)	20.205	STPLZ-6272(027)	09/10/10	2,115,897	372,063	606,967	979,030	1,136,867	-
Yerba Buena Island Viaduct Structure #4 (1)	20.205	STPLZ-6272(028)	09/10/10	539,435	234,991	65,799	300,790	238,645	-
Yerba Buena Island Viaduct Structure #6 (1)	20.205	STPLZ-6272(029)	09/10/10	527,874	195,990	147,066	343,056	184,818	-
Yerba Buena Island Viaduct Structure #7A (1)	20.205	STPLZ-6272(030)	09/10/10	150,321	111,377	20,820	132,197	18,124	-
Yerba Buena Island Viaduct Structure #7B (1)	20.205	STPLZ-6272(031)	09/10/10	191,163	121,248	22,029	143,277	47,886	-
Yerba Buena Island Viaduct Structure #8 (1)	20.205	STPLZ-6272(032)	09/10/10	242,887	194,538	14,111	208,649	34,238	-
Total Highway Planning and Construction				23,254,595	7,467,941	4,942,562	12,410,503	10,844,092	213,925
State Planning and Research									
Passed through - State California Department of Transportation									
19th Avenue Investment Study	20.515	74A0626	02/01/12	297,600	7,827	247,256	255,083	42,517	7,500
Balboa Park Circulation Study	20.515	74A0627	02/01/12	262,400	11,650	115,181	126,831	135,569	14,244
Geneva-Harney Way Bus Rapid Transit Feasibility Study	20.515	74A0716	03/01/13	300,000	-	6,034	6,034	293,966	-
Total Public Transportation Research				860,000	19,477	368,471	387,948	472,052	21,744
Total U.S. Department of Transportation, Federal Transit Administration				24,114,595	7,487,418	5,311,033	12,798,451	11,316,144	235,669
Total Expenditures of Federal Awards				$ 24,114,595	$ 7,487,418	$ 5,311,033	$ 12,798,451	$ 11,316,144	$ 235,669

Note: (1) During fiscal year 2012/13, the California Department of Transportation increased the award amount from $5,508,341 to $8,255,079.

(2) During fiscal year 2012/13, the California Department of Transportation increased the award amount from $1,546,000 to $1,700,000.

See accompanying notes to the schedule of expenditures of federal awards.

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NOTE 1 - GENERAL

The schedule of expenditures of federal awards (Schedule) presents the activity of all federal award programs of the San Francisco County Transportation Authority (Transportation Authority), a component unit of the City and County of San Francisco, California. Federal awards passed through from other governmental agencies are included in the Schedule.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
♦ Material weakness(es) identified?	No
♦ Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
♦ Material weakness(es) identified?	No
♦ Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

Federal Catalog Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
20.515	State Planning and Research

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as a low-risk auditee?	Yes

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Summary Schedule of Prior Audit Findings and Questioned Costs
For the Year Ended June 30, 2013

There were no audit findings nor questioned costs for the year ended June 30, 2012.