



MOTION ACCEPTING THE SAN FRANCISCO COUNTY TRANSPORTATION  
AUTHORITY'S AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016.

Attachment:

1. Audit Report for the Year Ended June 30, 2016



The foregoing Motion was approved and adopted by the San Francisco County Transportation Authority at a regularly scheduled meeting thereof, this 29th day of November, 2016, by the following votes:

**Ayes:** Commissioners Avalos, Breed, Cohen, Mar, Tang, Wiener and Yee (7)

**Nays:** (0)

**Absent:** Commissioners Campos, Farrell, Kim and Peskin (4)

*Scott Wiener*

11/30/16

Scott Wiener  
Chair

Date

ATTEST:

*Tilly Chang*

11/30/16

Tilly Chang  
Executive Director

Date

**SAN FRANCISCO COUNTY  
TRANSPORTATION AUTHORITY**

**ANNUAL FINANCIAL REPORT**

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

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Table of Contents

For the Year Ended June 30, 2016

### FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds - Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances to the Statement of Activities	18
Owner-Controlled Insurance Program Fund - Statement of Fiduciary Net Position	19
Notes to Financial Statements	20

### REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress and Employer Contributions - Other Postemployment Benefits	47
Budgetary Comparison Schedules	
Sales Tax Program General Fund	48
Congestion Management Agency Programs Fund	49
Transportation Fund for Clean Air Program	50
Vehicle Registration Fee for Transportation Improvements Program Fund	51
Treasure Island Mobility Management Agency Fund	52
Agency-wide	53
Schedule of the Proportionate Share of the Net Pension Liability	54
Schedule of Pension Contributions	55
Notes to Required Supplementary Information	56

### SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	58
Notes to Supplementary Information	59

### INDEPENDENT AUDITOR'S REPORTS

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 <i>Government Auditing Standards</i>	62
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance	64

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	67
Financial Statement Findings	68
Federal Awards Findings and Questioned Costs	69
Summary Schedule of Prior Audit Findings	70



## 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, 2016, 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 from material misstatement.

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

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

### *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 Transportation Authority, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Transportation Authority adopted the following new accounting pronouncements: GASB Statement No. 72, Fair Value Measurement and Application; GASB Statement No. 76, *The hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No.73*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and employer contributions for other postemployment benefits, budgetary comparison schedules, schedule of the proportionate share of the net pension liability and schedule of pension contributions 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 20, 2016 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 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.

Vavrinck, Trinc, Day & Co. LLP

Palo Alto, California  
October 20, 2016

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2016

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, 2016. 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 and deferred inflows of the Transportation Authority's governmental activities exceeded its assets and deferred outflows at the close of fiscal year 2015-16 by \$62.7 million. Of the net position, \$2.2 million was for net investment in capital assets, \$15.7 million was restricted for capital projects, and a negative balance of \$80.6 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, congestion management agency programs funds, transportation funds for clean air program funds, vehicle registration fee for transportation improvements program funds, and Treasure Island Mobility Management Agency. The reporting of the Revolving Credit Agreement, without a corresponding asset, results in the net deficit. 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 \$45.8 million as compared to the prior year due to an increase in transportation and capital project expenses as compared to the prior year. Other non-cash assets (assets other than cash, deposits, and investments) decreased by \$2.5 million as compared to the prior year.
- The Transportation Authority's total net position decreased \$41.6 million during the year ended June 30, 2016, as compared to an increase of \$16.2 million in the prior year.
- Sales tax revenues increased by \$1.9 million from the prior year. Investment income decreased by \$80 thousand, mainly due to the lower average balance in the City and County of San Francisco Treasury Pool. Transportation and capital projects expenses increased by \$115.9 million during the year ended June 30, 2016 largely due to a one-time milestone payment of \$95.4 million at substantial completion of construction activities for the Presidio Parkway project. The remaining balance is due to a combination of increased activities for the Transbay Transit Center and San Francisco Municipal Railway's Motor Coach Replacement Projects, and decreased construction activities for the Interstate 80/Yerba Buena Island Interchange Improvement Project and Yerba Buena Bridge Structures (collectively known as the YBI Project) as compared to prior year.
- The Transportation Authority had positive governmental fund balances of \$40.4 million. Of this amount, \$82 thousand is nonspendable for prepaid costs and deposits, \$32.9 million is restricted for the capital projects in the Sales Tax Program, \$395 thousand for the capital projects in the Transportation Fund for Clean Air Program and \$7.0 million for capital projects in the Vehicle Registration Fee for Transportation Improvements Program. The Transportation Authority's governmental funds balances decreased by \$67.6 million in comparison with the prior year.
- In June 2015, the Transportation Authority substituted its commercial paper notes with a \$140 million tax-exempt, three-year Revolving Credit Agreement. As of June 30, 2016, \$114.7 million of the Revolving Credit balance was outstanding at an interest rate of 0.620%.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Management’s Discussion and Analysis

For the Year Ended June 30, 2016

**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	<ul style="list-style-type: none"> <li>● Statement of Net Position</li> <li>● Statement of Activities (both government -wide)</li> </ul>	<ul style="list-style-type: none"> <li>● Balance Sheet</li> <li>● Statement of Revenues, Expenditures, and Changes in Fund Balances (for each individual fund)</li> </ul>	<ul style="list-style-type: none"> <li>● Statement of Fiduciary Assets and Liabilities</li> </ul>
Basis of Accounting and Measurement Focus	<ul style="list-style-type: none"> <li>● Full accrual accounting</li> <li>● Economic resources focus</li> </ul>	<ul style="list-style-type: none"> <li>● Modified accrual accounting</li> <li>● Current financial resources focus</li> </ul>	<ul style="list-style-type: none"> <li>● Full accrual accounting</li> </ul>

**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 deferred outflows and liabilities and deferred inflows, 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, deferred outflows/inflows of resources, 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.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2016

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 five 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, (D) Vehicle Registration Fee for Transportation Improvements Program, and (E) Treasure Island Mobility Management Agency. 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.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Management's Discussion and Analysis

For the Year Ended June 30, 2016

**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 schedules of funding progress and employer contributions – postemployment healthcare benefits, net pension liability and employer contribution schedules are also presented as RSI.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Transportation Authority's statement of net position shows liabilities and deferred inflows exceeded its assets and deferred outflows by \$62.7 million at June 30, 2016. Cash, deposits and investments decreased by \$45.8 million overall due to transportation and capital project expenses increased \$115.9 million over the prior year. The other assets and deferred outflow category decreased by \$2.2 million as compared to the prior year. Other assets mainly include \$18.7 million in sales tax receivables, \$25.0 million in outstanding program and other receivables (including amounts due from the City and County of San Francisco) and \$2.9 million in intergovernmental loan, which includes accrued interest.

Table 2  
Statement of Net Position (in thousands)

	June 30, 2016	June 30, 2015	\$ Change	% Change
Assets and deferred outflows:				
Cash, deposits, and investments	\$ 37,190	\$ 83,008	\$ (45,818)	-55.2%
Other assets and deferred outflows	51,957	54,178	(2,221)	-4.1%
Capital assets	2,224	2,519	(295)	-11.7%
Total assets and deferred outflows	<u>91,371</u>	<u>139,705</u>	<u>(48,334)</u>	-34.6%
Liabilities and deferred inflows:				
Current, other liabilities, and deferred inflows	<u>154,051</u>	<u>160,749</u>	<u>(6,698)</u>	-4.2%
Net Position:				
Net investment in capital assets	2,224	2,519	(295)	-11.7%
Restricted for capital projects	15,657	13,486	2,171	16.1%
Unrestricted deficit	<u>(80,561)</u>	<u>(37,049)</u>	<u>(43,512)</u>	-117.4%
Total net position	<u>\$ (62,680)</u>	<u>\$ (21,044)</u>	<u>\$ (41,636)</u>	-197.9%

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2016

The Transportation Authority's unrestricted deficit of \$80.6 million is due to the Revolving Credit Agreement, which will be eliminated with future sales tax revenues. The Transportation Authority's outstanding commitments are described in Note 14 of the basic financial statements. The \$2.2 million in investment in capital assets (net of accumulated depreciation) is comprised mostly of Board-approved investments in the Transportation Authority's 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 (e.g. Revolving Credit Agreement) of the Transportation Authority.

Table 3  
Statement of Activities (in thousands)

	For the Year Ended		\$ Change	% Change
	June 30, 2016	June 30, 2015		
Revenues:				
General:				
Sales tax	\$ 102,137	\$ 100,279	\$ 1,858	1.9%
Vehicle registration fee	5,362	4,862	500	10.3%
Investment income	383	463	(80)	-17.3%
Other	221	315	(94)	-29.8%
Program operating grants and contributions	97,263	42,080	55,183	131.1%
Total revenues	205,366	147,999	57,367	38.8%
Expenses:				
Transportation and capital projects	246,208	130,290	115,918	89.0%
Interest	794	1,468	(674)	-45.9%
Total expenses	247,002	131,758	115,244	87.5%
Change in net position	(41,636)	16,241	(57,877)	-356.4%
Net position, beginning of year	(21,044)	(37,285)	16,241	43.6%
Net position, end of year	\$ (62,680)	\$ (21,044)	\$ (41,636)	-197.9%

The Transportation Authority's net position decreased \$41.6 million for the year ended June 30, 2016. During the period, sales tax revenues increased by \$1.9 million or 1.9% as compared to the prior year. Investment income decreased by \$80 thousand due to the lower average balance in the City and County of San Francisco Treasury Pool. Program revenues increased by \$55.2 million due the one-time revenue receipt of \$75 million for the substantial completion of construction activities for the Presidio Parkway project from the Golden Gate Bridge, Highway and Transportation District and a decrease of federal and state reimbursements for the YBI Project. Transportation and capital projects expenses increased by \$115.9 million largely due to the one-time milestone payment in the amount of \$95.4 million for Presidio Parkway project to the California Department of Transportation. The remaining balance is due to a combination of increased activities for the Transbay Transit Center and the San Francisco Municipal Railway's Motor Coach Replacement Projects and decreased construction activities for the YBI Project.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**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, 2016					Total	June 30, 2015	\$ Change	% Change
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund For Clean Air Program	Vehicle Registration Fee For Transportation Improvements Program	Treasure Island Mobility Management Agency				
<b>Assets:</b>									
Cash, deposits, & investments	\$ 24,449	\$ -	\$ 942	\$ 11,799	\$ -	\$ 37,190	\$ 83,008	\$ (45,818)	-55.20%
Other assets	39,488	21,709	772	914	1,055	63,938	62,185	1,753	2.82%
<b>Total assets</b>	<b>\$ 63,937</b>	<b>\$ 21,709</b>	<b>\$ 1,714</b>	<b>\$ 12,713</b>	<b>\$ 1,055</b>	<b>\$ 101,128</b>	<b>\$ 145,193</b>	<b>\$ (44,065)</b>	<b>-30.35%</b>
<b>Liabilities:</b>									
Current and other liabilities	\$ 26,450	\$ 14,157	\$ 915	\$ 5,736	\$ 727	\$ 47,985	\$ 30,200	\$ 17,785	58.89%
<b>Deferred inflows of resources:</b>									
Unavailable program revenue	4,476	7,552	404	-	328	12,760	6,982	5,778	82.76%
<b>Fund balances (deficits):</b>									
Nonspendable	82	-	-	-	-	82	137	(55)	-40.15%
Restricted									
Capital projects	32,929	-	395	6,977	-	40,301	107,874	(67,573)	-62.64%
<b>Total fund balances</b>	<b>33,011</b>	<b>-</b>	<b>395</b>	<b>6,977</b>	<b>-</b>	<b>40,383</b>	<b>108,011</b>	<b>(67,628)</b>	<b>-62.61%</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>									
	<b>\$ 63,937</b>	<b>\$ 21,709</b>	<b>\$ 1,714</b>	<b>\$ 12,713</b>	<b>\$ 1,055</b>	<b>\$ 101,128</b>	<b>\$ 145,193</b>	<b>\$ (44,065)</b>	<b>-30.35%</b>

At June 30, 2016, the Transportation Authority's governmental funds reported combined ending fund balances of \$40.4 million, a decrease of \$67.6 million as compared to the prior year. The total fund balances are composed of a balance of \$82 thousand nonspendable for prepaid costs and deposits and a balance of \$40.3 million restricted for the capital projects.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

Table 5  
Statement of Revenues, Expenditures, and Changes in Fund Balances (in thousands)

	For the Year Ended June 30, 2016						Total	Year Ended June 30, 2015	\$ Change	% Change
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund For Clean Air Program	Vehicle Registration Fee For Transportation Improvements Program	Treasure Island Mobility Agency					
<b>Revenues:</b>										
Sales tax	\$ 99,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,528	\$ 100,279	\$ (751)	-0.7%
Vehicle registration fee	-	-	-	5,362	-	-	5,362	4,862	500	10.3%
Investment income	377	-	2	4	-	-	383	463	(80)	-17.3%
Program revenues	75,072	17,233	750	-	1,037	-	94,092	43,577	50,515	115.9%
Other	34	51	-	-	-	-	85	179	(94)	-52.5%
<b>Total revenues</b>	<b>175,011</b>	<b>17,284</b>	<b>752</b>	<b>5,366</b>	<b>1,037</b>	<b>-</b>	<b>199,450</b>	<b>149,360</b>	<b>50,090</b>	<b>33.5%</b>
<b>Expenditures:</b>										
Transportation and capital projects	215,775	22,543	1,465	5,700	801	-	246,284	130,153	116,131	89.2%
Debt service	20,794	-	-	-	-	-	20,794	1,468	19,326	1316.5%
<b>Total expenditures</b>	<b>236,569</b>	<b>22,543</b>	<b>1,465</b>	<b>5,700</b>	<b>801</b>	<b>-</b>	<b>267,078</b>	<b>131,621</b>	<b>135,457</b>	<b>102.9%</b>
Excess (deficiency) of revenues over (under) expenditures	(61,558)	(5,259)	(713)	(334)	236	-	(67,628)	17,739	(85,367)	-481.2%
<b>Other financing sources (uses):</b>										
Transfers in	236	5,259	-	-	-	-	5,495	1,300	4,195	322.7%
Transfers out	(5,259)	-	-	-	(236)	-	(5,495)	(1,300)	(4,195)	322.7%
Proceeds from revolving credit agreement	-	-	-	-	-	-	-	134,664	(134,664)	-100.0%
<b>Total other financing sources (uses)</b>	<b>(5,023)</b>	<b>5,259</b>	<b>-</b>	<b>-</b>	<b>(236)</b>	<b>-</b>	<b>-</b>	<b>134,664</b>	<b>(134,664)</b>	<b>-100.0%</b>
Net change in fund balances	(66,581)	-	(713)	(334)	-	-	(67,628)	152,403	(220,031)	-144.4%
Fund balances, beginning of year	99,592	-	1,108	7,311	-	-	108,011	(44,392)	152,403	-343.3%
Fund balances, end of year	\$ 33,011	\$ -	\$ 395	\$ 6,977	\$ -	\$ -	\$ 40,383	\$ 108,011	\$ (67,628)	-62.6%

Total revenues for the Transportation Authority's activities totaled \$199.5 million in fiscal year 2015-16, an increase of \$50.1 million from fiscal year 2014-15. As compared to the prior year, sales tax revenues decreased by \$751 thousand primarily due to a change in the revenue recognition period from 90 days to 60 days after fiscal year end. There is no issue with the availability of these revenues, only the fiscal year of when these revenues are accounted for. Investment income decreased by \$80 thousand due to the lower average balance in the City and County of San Francisco Treasury Pool. Program revenues increased by \$50.5 million due to a combination of the one-time milestone revenue received from the Golden Gate Bridge, Highway and Transportation District for the Presidio Parkway project and a decrease of federal and state reimbursements for the YBI Project. Expenditures for the Transportation Authority's activities totaled \$267.1 million, an increase of \$135.5 million from fiscal year 2014-15. For the year ended June 30, 2016, expenditures for governmental funds exceeded revenues by \$67.6 million. Other aspects of the individual program activities are discussed in the government-wide analysis above.

# **SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

## **Management's Discussion and Analysis**

**For the Year Ended June 30, 2016**

### **BUDGETARY ANALYSIS AND HIGHLIGHTS AND ECONOMIC FACTORS**

The Transportation Authority's final budgetary fund balances decreased from the original budget by \$27.0 million. The majority of the variance is due to anticipated increase in transportation and capital projects expenditures for San Francisco Municipal Railway's Motor Coach Replacement Projects.

In addition, actual revenues and transfers in were less than the final budgetary estimates by \$15.1 million mainly due to lower program revenues from the YBI project and change in the revenue recognition period from 90 days to 60 days after fiscal year end. There is no issue with the availability of these revenues, only the fiscal year of when these revenues are accounted for, and it does not affect the viability of the projects or grants. Actual expenditures and transfers out were less than budgetary estimates by \$32.7 million. This amount includes a positive favorable variance of \$27.3 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 fiscal year 2015-16, their practice of billing other sources (e.g. bonds, federal funds) first, and project delays often associated with the coordination with other agencies. Additional information on the Transportation Authority's budgetary comparison schedules for all programs can be found on pages 48 through 53 of this report.

### **CAPITAL ASSETS**

The Transportation Authority's investment in capital assets as of June 30, 2016, amounted to \$2.2 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 33 of this report.

### **REVOLVING CREDIT AGREEMENT**

On June 11, 2015, the Transportation Authority substituted its \$200,000,000 commercial paper notes (Limited Tax Bonds), Series A and B with a three-year \$140,000,000, tax-exempt, Revolving Credit Agreement. In the month of December 2015, Fitch Ratings reaffirmed issuer ratings for the Transportation Authority with "AA+." The Revolving Credit Agreement will be repaid from sales tax revenues. As of June 30, 2016, the Transportation Authority has \$114.7 million of the Revolving Credit balance outstanding. Additional information on the Transportation Authority's Revolving Credit Agreement can be found in Note 7 on page 36 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, 22<sup>nd</sup> Floor, San Francisco, California, 94103.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Statement of Net Position

June 30, 2016

### ASSETS

Cash in bank	\$ 15,122,611
Deposits and investments with City Treasurer	22,067,164
Sales tax receivable	18,693,084
Vehicle registration fee receivable	913,617
Interest receivable from City and County of San Francisco	56,705
Program receivables	24,554,615
Receivable from the City and County of San Francisco	423,710
Other receivables	3,471,689
Intergovernmental loan receivable	2,894,083
Prepaid costs and deposits	81,580
Net OPEB asset	5,813
Capital assets, net of accumulated depreciation	2,224,413
<b>Total Assets</b>	<u>90,509,084</u>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from pension activities	<u>861,256</u>
---	----------------

### LIABILITIES

Accounts payable	15,226,017
Accounts payable to the City and County of San Francisco	19,741,058
Accrued salaries and taxes	167,564
Revolving credit agreement	114,664,165
Unearned rent abatement	801,994
Unearned leasehold incentive	1,220,663
Accrued compensated absences	492,106
Net pension liability	1,288,393
<b>Total Liabilities</b>	<u>153,601,960</u>

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows from pension activities	<u>448,612</u>
--	----------------

### NET POSITION

Net investment in capital assets	2,224,413
Restricted by enabling legislation for capital projects	15,656,533
Unrestricted deficit	(80,561,178)
<b>Total Net Position</b>	<u>\$ (62,680,232)</u>

The accompanying notes are an integral part of these financial statements.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Statement of Activities

For the Year Ended June 30, 2016

	<u>Total</u>	<u>Transportation and Capital Projects</u>	<u>Interest</u>
<b>EXPENSES</b>	\$ 247,001,904	\$ 246,207,732	\$ 794,172
<b>PROGRAM REVENUES</b>			
Operating grants and contributions	97,263,152	97,263,152	-
Net program expense	<u>(149,738,752)</u>	<u>\$ (148,944,580)</u>	<u>\$ (794,172)</u>
<b>GENERAL REVENUES</b>			
Sales tax	102,136,600		
Vehicle registration fee	5,362,050		
Investment income	383,456		
Other	<u>220,688</u>		
Total general revenues	<u>108,102,794</u>		
<b>CHANGE IN NET POSITION</b>	(41,635,958)		
Net position, beginning of year	<u>(21,044,274)</u>		
Net position, end of year	<u>\$ (62,680,232)</u>		

The accompanying notes are an integral part of these financial statements.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Governmental Funds Balance Sheet

June 30, 2016

	<b>Sales Tax Program</b>	<b>Congestion Management Agency Programs</b>	<b>Transportation Fund for Clean Air Program</b>
<b>ASSETS</b>			
Cash in bank	\$ 2,381,592	\$ -	\$ 941,747
Deposits and investments with the City			
Treasurer	22,067,164	-	-
Sales tax receivable	18,693,084	-	-
Vehicle registration fee receivable	-	-	-
Interest receivable from the City & County of San Francisco	56,705	-	-
Program receivables			
Federal	-	19,065,829	-
State	-	2,085,188	-
Regional and other	1,441,649	261,698	772,398
Receivables from the City & County of San Francisco	-	296,452	-
Other receivables	3,471,689	-	-
Intergovernmental loan receivable	2,894,083	-	-
Due from other funds	12,849,860	-	-
Prepaid costs and deposits	81,580	-	-
<b>Total Assets</b>	<b>\$ 63,937,406</b>	<b>\$ 21,709,167</b>	<b>\$ 1,714,145</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 12,206,490	\$ 2,526,535	\$ -
Accounts payable to the City & County of San Francisco	14,075,666	73,454	494,904
Accrued salaries and taxes	167,564	-	-
Due to other funds	-	11,557,034	420,543
<b>Total liabilities</b>	<b>26,449,720</b>	<b>14,157,023</b>	<b>915,447</b>
<b>Deferred Inflows of Resources</b>			
Unavailable program revenues	4,476,439	7,552,144	404,332
<b>Total deferred inflows of resources</b>	<b>4,476,439</b>	<b>7,552,144</b>	<b>404,332</b>
<b>Fund Balances</b>			
Nonspendable	81,580	-	-
Restricted for capital projects	32,929,667	-	394,366
<b>Total Fund Balances</b>	<b>33,011,247</b>	<b>-</b>	<b>394,366</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 63,937,406</b>	<b>\$ 21,709,167</b>	<b>\$ 1,714,145</b>

The accompanying notes are an integral part of these financial statements.

<b>Vehicle Registration Fee for Transportation Improvements Program</b>	<b>Treasure Island Mobility Management Agency</b>	<b>Total Governmental Funds</b>
\$ 11,799,272	\$ -	\$ 15,122,611
-	-	22,067,164
-	-	18,693,084
913,617	-	913,617
-	-	56,705
-	305,111	19,370,940
-	-	2,085,188
-	622,742	3,098,487
-	127,258	423,710
-	-	3,471,689
-	-	2,894,083
-	-	12,849,860
-	-	81,580
<b>\$ 12,712,889</b>	<b>\$ 1,055,111</b>	<b>\$ 101,128,718</b>

\$ 371,099	\$ 121,893	\$ 15,226,017
5,097,034	-	19,741,058
-	-	167,564
267,434	604,849	12,849,860
<b>5,735,567</b>	<b>726,742</b>	<b>47,984,499</b>
-	328,369	12,761,284
-	328,369	12,761,284
-	-	81,580
6,977,322	-	40,301,355
<b>6,977,322</b>	<b>-</b>	<b>40,382,935</b>
<b>\$ 12,712,889</b>	<b>\$ 1,055,111</b>	<b>\$ 101,128,718</b>

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Reconciliation of the Governmental Funds

### Balance Sheet to the Statement of Net Position June 30, 2016

**Amounts reported for governmental activities in the statement of net position are different because of the following items:**

Total fund balances on the governmental funds balance sheet:	\$	40,382,935
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		2,224,413
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds:		
Program receivables		10,152,800
Sales tax receivable		2,608,484
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Revolving credit agreement		(114,664,165)
Unearned leasehold incentive		(1,220,663)
Unearned rent abatement		(801,994)
Accrued compensated absences		(492,106)
Net OPEB asset		5,813
Net pension liability and deferred inflows or outflows related to pension		(875,749)
<b>Net position of governmental activities</b>	<u>\$</u>	<u>(62,680,232)</u>

The accompanying notes are an integral part of these financial statements.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Governmental Funds

Statement of Revenues, Expenditures, and

Changes in Fund Balances

For the Year Ended June 30, 2016

	<b>Sales Tax Program</b>	<b>Congestion Management Agency Programs</b>	<b>Transportation Fund for Clean Air Program</b>
<b>REVENUES</b>			
Sales tax	\$ 99,528,116	\$ -	\$ -
Vehicle registration fee	-	-	-
Investment income	377,025	-	2,379
Program revenues			
Federal	-	14,161,616	-
State	-	1,508,642	-
Regional and other	75,071,666	1,562,770	749,885
Other revenues	33,940	51,119	-
<b>Total Revenues</b>	<b>175,010,747</b>	<b>17,284,147</b>	<b>752,264</b>
<b>EXPENDITURES</b>			
Current - transportation and capital projects			
Personnel expenditures	2,908,112	1,892,350	40,131
Non-personnel expenditures	2,098,988	55,247	-
Capital project costs	210,715,336	20,595,629	1,425,271
Capital outlay	51,852	-	-
Debt service			
Principal	20,000,000	-	-
Interest and fiscal charges	794,172	-	-
<b>Total Expenditures</b>	<b>236,568,460</b>	<b>22,543,226</b>	<b>1,465,402</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(61,557,713)</b>	<b>(5,259,079)</b>	<b>(713,138)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	235,887	5,259,079	-
Transfers out	(5,259,079)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(5,023,192)</b>	<b>5,259,079</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(66,580,905)</b>	<b>-</b>	<b>(713,138)</b>
<b>Fund Balances - Beginning</b>	<b>99,592,152</b>	<b>-</b>	<b>1,107,504</b>
<b>Fund Balances - Ending</b>	<b>\$ 33,011,247</b>	<b>\$ -</b>	<b>\$ 394,366</b>

The accompanying notes are an integral part of these financial statements.

<b>Vehicle Registration Fee for Transportation Improvements Program</b>	<b>Treasure Island Mobility Management Agency</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 99,528,116
5,362,050	-	5,362,050
4,052	-	383,456
-	114,072	14,275,688
-	-	1,508,642
-	922,637	78,306,958
-	-	85,059
<b>5,366,102</b>	<b>1,036,709</b>	<b>199,449,969</b>
184,559	296,034	5,321,186
82	21,502	2,175,819
5,515,530	483,286	238,735,052
-	-	51,852
-	-	20,000,000
-	-	794,172
<b>5,700,171</b>	<b>800,822</b>	<b>267,078,081</b>
<b>(334,069)</b>	<b>235,887</b>	<b>(67,628,112)</b>
-	-	5,494,966
-	(235,887)	(5,494,966)
-	(235,887)	-
(334,069)	-	(67,628,112)
7,311,391	-	108,011,047
<b>\$ 6,977,322</b>	<b>\$ -</b>	<b>\$ 40,382,935</b>

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances to the Statement of Activities For the Year Ended June 30, 2016

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

Net change in fund balances on the governmental funds statement of revenues, expenditures and changes in fund balances:	\$ (67,628,112)
---	-----------------

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, net position increases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year:

Capital asset additions	51,852
Depreciation expense	(346,019)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds statements:

Amortization in leasehold incentive	135,629
Change in deferred inflows related to unavailable revenues	5,780,348

Payments of the revolving credit agreement are not an expense on the statement of activities but are an expenditure in the governmental funds:	20,000,000
--	------------

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	(33,260)
Pension expenses	388,165
Compensated absences	9,626
Other post employment benefits	5,813

<b>Change in net position of governmental activities</b>	<b><u>\$ (41,635,958)</u></b>
--	-------------------------------

The accompanying notes are an integral part of these financial statements.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
Owner-Controlled Insurance Program Fund  
Statement of Fiduciary Net Position  
June 30, 2016

**ASSETS**

Deposits with escrow agent	\$ 356,148
----------------------------	------------

**LIABILITIES**

Due to City and County of San Francisco	\$ 356,148
---	------------

The accompanying notes are an integral part of these financial statements.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### 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, which was approved as part of Proposition B. The Transportation 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) standards, 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 San Francisco County Transportation Expenditure Plan. The Transportation Authority's borrowing capacity is separate and distinct from that of the City.

Component units are legally separate organizations for which the Transportation Authority is financially accountable. Component units may include organizations that are fiscally dependent on the Transportation Authority in that the Transportation Authority approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the Transportation Authority is not financially accountable but the nature and significance of the organization's relationship with the Transportation Authority is such that exclusion would cause the Transportation Authority's financial statements to be misleading or incomplete. For financial reporting purposes, the Treasure Island Mobility Management Authority (TIMMA) has a financial and operational relationship which meets the criteria set forth in accounting principles generally accepted in the United States of America for inclusion in the financial statements as a component unit, using the blended presentation method, as if it were part of the Transportation Authority's operations, because the governing board of the component unit is the same as the governing board of the Transportation Authority, and management has operational responsibility for the entity.

#### 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 the City's transportation system. On November 4, 2003, 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).

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

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). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time 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.

#### *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 adopted the first update to the plan.

Major programs and projects under the CMA include:

**Interstate-80/Yerba Buena Island Interchange Improvement Project and Yerba Buena Bridge Structures (collectively known as the YBI 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 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. The scope of the YBI Project includes two major components: 1) the YBI Ramps Improvement Project (Ramps Project), which includes constructing new westbound on and off ramps (on the east side of YBI) to the new Eastern Span of the San Francisco-Oakland Bay Bridge (SFOBB); and 2) seismic retrofit of the existing YBI West Side Bridges Project on the west side of the island, a critical component of island traffic circulation leading to and from the SFOBB.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

**YBI Ramps 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 and awarded a construction contract to Golden State Bridge Inc. in December 2013. Construction activities started in January 2014 and are approximately 87% complete as of June 30, 2016.

**YBI West Side Bridges Project:** These bridge structures are a vital component of the YBI traffic circulation system and also serve as an important part of the on and off-ramp system to I-80 and the SFOBB. Seismic Strategy Reports for all eight-bridge structures were approved by the Caltrans Structures Department in December 2011. The approved reports indicated that five of the bridge structures should be retrofitted in place while three of the bridge structures were recommended for replacement. Separate environmental documents, Categorical Exclusions per the National Environmental Policy Act and Categorical Exemptions per the California Environmental Quality Act for each of the eight bridges were approved in December 2012. As part of continued preliminary engineering and design efforts and as required by federal funding, the Transportation Authority prepared a Value Engineering Analysis (VA) Report, which was approved by Caltrans in November 2014. The VA Report made various recommendations to reduce overall project risk and cost. The recommended VA Report Alternative estimated at \$66 million will save approximately \$9 million compared to the environmentally approved alternative estimated at \$75 million and will also improve seismic performance, simplify construction efforts, minimize maintenance cost. Additional preliminary engineering and environmental analysis is continuing; preliminary design efforts are approximately 30% complete. All work necessary to prepare the required technical analysis is being performed in accordance with current Caltrans and Federal Highway Administration policies and procedures.

**eFleet Carsharing Electrified:** As part of its Climate Innovation Grants Program, the MTC awarded the Transportation Authority federal congestion mitigation and air quality grant funds for eFleet: Car Sharing Electrified Project, under which City CarShare, a Bay Area non-profit organization, will deploy a fleet of electric vehicles within the City and County of San Francisco and the City of Berkeley, with supportive infrastructure and operations. Through this project, City CarShare will make electric vehicles accessible to a large number of Bay Area residents and businesses, achieve confidence in the technology, and test and confirm the efficacy in highly utilized car sharing and municipal fleet environments. The Transportation Authority serves as a fiscal agent to support City CarShare in meeting the requirements and obligations associated with the use of federal funds and provide administrative support.

#### ***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.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

#### *Proposition AA Administrator of County Vehicle Registration Fee*

On November 2, 2010, San Francisco voters approved Proposition 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 San Francisco County Transportation Expenditure Plan. Revenue collection began in May 2011.

Proposition 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 Proposition 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 Proposition AA program is a pay-as-you-go program.

#### *Treasure Island Mobility Management Agency (TIMMA) Component Unit*

The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the Treasure Island Mobility Management Agency (TIMMA) to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *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.

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 five programs; *Sales Tax Program*; *Congestion Management Agency Programs*; *Transportation Fund for Clean Air Program*; *Vehicle Registration Fee for Transportation Improvements Program*; and *Treasure Island Mobility Management Agency* as major funds.

The Transportation Authority uses the following funds:

**Sales Tax Program General Fund** – The Sales Tax Program General Fund accounts for the one-half of one percent sales tax revenues required by the November 2003 Proposition K. These revenues are for restricted expenditures in support of the Expenditure Plan, which includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety; 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives. This fund also accounts for the general administration of the Transportation Authority functions in support of the Proposition K Expenditure Plan. The major source of revenue for this fund is the Sales Tax.

**Special Revenue Funds** – Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Congestion Management Agency Programs** – The Congestion Management Agency Fund accounts for resources accumulated and payments made for developing a congestion management program and construction of major capital improvements in accordance with the San Francisco County Transportation Expenditure Plan. Major sources of revenue are federal, state and regional grants.

**Transportation Fund for Clean Air Program** – San Francisco has a \$4 per vehicle registration fee to support projects of the BAAQMD. Of the total collections, BAAQMD passes 40% of the proceeds to the Transportation Authority. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions. The Transportation Fund for Clean Air accounts for this activity. The major source of revenue for this fund is \$4 vehicle registration fees on automobiles registered in the Bay Area.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

**Vehicle Registration Fee for Transportation Improvements Program Fund** – This fund accounts for the November 2010, Proposition AA Vehicle Registration Fee (VRF) for Transportation Improvements Program. Collection of the \$10 per year, per vehicle registration fee started in the first week of May 2011. The VRF proceeds are used to fund transportation projects identified in the Proposition AA Expenditure Plan. The major source of revenue for this fund is vehicle registration fees.

**Treasure Island Mobility Management Agency Fund** – The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The major sources of revenue are federal, state, and regional grants.

**Fiduciary Fund** – Fiduciary or agency funds are trust funds used to account for the assets held by the Transportation Authority under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Transportation Authority's programs. The Transportation Authority's fiduciary fund is an agency fund which accounts 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.

The Transportation Authority does not retain ownership of the assets produced in relation to capital improvements to which it provides funding. Capital improvements are recorded on the financial statements of the managing agency during construction and upon completion.

#### ***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 recognized as revenues when their receipt occurs within 60 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. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

During the year ended June 30, 2016, the Transportation Authority adopted a new revenue recognition policy, and changed the availability period from 90 days to 60 days. The new policy more closely reflects the use of current resources to pay liabilities of the current period. The change in application of accounting principles resulted in a reduction in revenues by \$2.9 million in the Congestion Management Agency Programs Fund, for the year ended June 30, 2016. These revenues will be recognized in the year ended June 30, 2017.

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 positions available to finance the program. It is the Transportation Authority's policy to first exhaust the most restricted cost-reimbursement grant resources to such programs.

#### ***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.

#### ***Investment Valuations***

The Transportation Authority recognizes the fair value measurement of its investments on a recurring basis, based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Transportation Authority's investments in the City and County of San Francisco Investment Pool are uncategorized because deposits to and from the pool are made on the basis of \$1 and not at fair value.

#### ***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 on the fund level financial statements.

Sales tax receivables on the fund level financial statements represent sales tax receipts in the 60 days subsequent to the Transportation Authority's fiscal year-end relating to the prior year's sales activity. Additional amounts are accrued for on the entity-wide financial statements representing fourth quarter adjustments from the Board of Equalization. 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.

#### ***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.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Vehicle registration fees receivables represent vehicle registration fee receipts in the 60 days 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.

#### *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

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.

#### *Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Transportation Authority's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### *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 or 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, 2016, the Transportation Authority recognized a compensated absences liability in the amount of \$492,106 and during the year ended June 30, 2016, the Transportation Authority paid \$370,173, and accrued \$360,547 in compensated absences.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### New Accounting Principles

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the fiscal year 2015-16. The Transportation Authority has implemented the provisions of this statement as of June 30, 2016.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The requirements of the Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, or fiscal year 2016-17. The Transportation Authority has not determined the effect of the statement.

**GASB Statement No. 74** – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the fiscal year 2016-17. The pronouncement is applicable to OPEB plans.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the fiscal year 2017-18. The Transportation Authority has not determined the effect of the statement.

**GASB Statement No. 76** – In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Transportation Authority has implemented the provisions of this Statement as of June 30, 2016.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 2 - SUMMARY OF SIGIFICANT ACCOUNTING POLICIES, (Continued)

**GASB Statement No. 77** – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the fiscal year 2016-17. The Transportation Authority has not determined the effect of the statement.

**GASB Statement No. 78** – In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address certain pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for the Transportation Authority for fiscal year ending June 30, 2016. This statement did not have an impact on the Transportation Authority's financial statements.

**GASB Statement No. 79** – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measurement of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015, or the fiscal year 2016-17, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. The Transportation Authority has not determined the effect of the statement.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the fiscal year 2016-17. The Transportation Authority has not determined the effect of the statement.

**GASB Statement No. 81** – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the fiscal year 2017-18. The Transportation Authority has not determined the effect of the statement.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

**GASB Statement No. 82** – In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Transportation Authority elected early implementation of the provisions of this Statement as of June 30, 2016, and there was no impact to its financial statements.

#### *Fund Equity/Net Position*

In the 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 net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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, 2016, 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.

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.

#### *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.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 3 - CASH AND INVESTMENTS

#### *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, 2016, the carrying amount of the Transportation Authority's deposits was \$15,122,611 and the bank balance was \$14,944,445. The difference between the bank balance and the carrying amount represents outstanding checks and deposits. Of the bank balance, \$750,000 was covered by federal depository insurance and \$14,194,445 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.

**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, 2016, the Transportation Authority's investments are not exposed to custodial credit risk. The notes to the basic financial statements of the City provide more detailed information concerning deposit and investment risks associated with the City's pool of cash and investments at June 30, 2016.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 3 - CASH AND INVESTMENTS, (Continued)

#### *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.

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
U.S. Treasury Obligations	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%

\*\* More restrictive than California Government Code.

The Transportation Authority maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2016, the Transportation Authority's deposits and investments in the Pool are approximately \$22.1 million, and the total amount invested by all public agencies in the Pool is approximately \$7.8 billion. 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.

The Transportation Authority's investments at June 30, 2016 consisted of Pooled cash with the City and County of San Francisco having weighted average maturity of 1.02 years. At June 30, 2016, the Pool consists of U.S. government and agency securities, state and local government agency obligations, negotiable certificates of deposit, medium term notes, 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, California 94102.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 4 - INTERFUND TRANSACTIONS

*Due to/Due from*

The composition of interfund balances as of June 30, 2016, is as follows:

	Payable to:				
Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency		Total
<u>Receivable from:</u>					
Sales Tax Program	\$ 11,557,034	\$ 420,543	\$ 267,434	\$ 604,849	\$ 12,849,860

The outstanding receivables from 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.

*Transfers*

During the fiscal year, the CMA Programs received a transfer of \$5,259,079 from Sales Tax Program to subsidize payments made during the fiscal year. The Sales Tax Program also received \$235,887 from TIMMA which is a reimbursement for unpaid subsidies.

### NOTE 5 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Retirement	Balance June 30, 2016
Capital assets, being depreciated:				
Leasehold improvements	\$ 3,023,624	\$ -	\$ -	\$ 3,023,624
Furniture and equipment	961,989	51,852	(123,088)	890,753
Total capital assets, being depreciated	3,985,613	51,852	(123,088)	3,914,377
Less accumulated depreciation for:				
Leasehold improvements	694,626	232,899	-	927,525
Furniture and equipment	772,407	113,120	(123,088)	762,439
Total accumulated depreciation	1,467,033	346,019	(123,088)	1,689,964
Total capital assets, net	\$ 2,518,580	\$ (294,167)	\$ -	\$ 2,224,413

Depreciation expense for the current year amounted to \$346,019, and was allocated to the transportation and capital projects expense on the statement of activities.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Notes to Financial Statements

June 30, 2016

**NOTE 6 - TRANSACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO**

Receivables from the City and County of San Francisco consist of the following at June 30, 2016:

Receivables from the following City Department/Agency	Purpose	Total
Department of Public Works	Better Market Street Environmental Impact Report Travel Demand	\$ 41,634
Municipal Transportation Agency: Municipal Railway	19th Avenue M-Ocean View	3,244
Office of Community Investment & Infrastructure	Folsom Street Off-Ramp Realignment Project	106,886
Office of Economic & Workforce Development	Late Night Transportation	16,787
Planning Department	San Francisco Long-Range Transportation Planning Program	25,512
Public Utilities Commission: Wastewater Enterprise	19th Avenue City-Combined Project	1,835
Water Enterprise	19th Avenue City-Combined Project	7,349
Treasure Island Development Authority	Treasure Island Transportation Implementation Plan	127,258
	Yerba Buena Island Ramps Improvement Project	93,205
Total receivables from the City and County of San Francisco		<u>\$ 423,710</u>

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE 6 - TRANSACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO, (Continued)**

Payables to the City and County of San Francisco consist of the following at June 30, 2016:

Payables to the following City Department	Purpose	Total
Department of Environment	Clean Air Programs	\$ 28,431
Department of Public Health	Clean Air Programs	2,288
Department of Public Works	Street Resurfacing	2,182,042
Department of Technology	Board Meeting Boardcast	8,136
Mayor's Office of Housing	Hunters View Transit Connection	460,284
Municipal Transportation Agency:		
Department of Parking & Traffic		
	Bicycle Circulation/Safety	\$ 355,531
	Clean Air Programs	482,378
	New Signals and Signs	326,092
	Pedestrian and Bicycle Facility Maintenance	766
	Pedestrian Circulation/Safety	144,585
	Pedestrian Safety	520,300
	Rapid Bus Network including Real Time Transit Information	4,827
	Signals and Signs	968,687
	Street Repair and Reconstruction	1,650,152
	Traffic Calming	93,569
	Transportation/Land Use Coordination	579,835
	Upgrades to Major Arterials (including 19th Avenue)	43,601
		<u>5,170,323</u>
Municipal Railway		
	Balboa Park BART/MUNI Station Access Improvements	143,417
	Central Subway (Third Street Light Rail Phase 2)	417,549
	Facilities	1,195,310
	Guideways	888,499
	Other Transit Enhancements	186,145
	Rapid Bus Network including Real Time Transit Information	1,427,314
	Signals and Signs	12,497
	Transit Reliability and Mobility Improvements	508,501
	Transportation/Land Use Coordination	225,028
	Vehicles	6,792,073
	Visitacion Valley Watershed Area Projects	6,000
		<u>\$ 11,802,333</u>
	Total Municipal Transportation Agency	16,972,656
Office of Economic & Workforce Development	Workforce Development for Presidio Parkway	17,839
Office of the City Attorney	Legal Services	22,266
Planning Department	19th Avenue Bulbouts	47,116
		<u>19,741,058</u>
Total payable to the City and County of San Francisco		<u>\$ 19,741,058</u>

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 6 - TRANSACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO, (Continued)

The Transportation Authority reimbursed the City and County of San Francisco for the following transportation and capital program expenditures made on its behalf during the year ended June 30, 2016:

<u>Expenditures incurred by the following City Department/Agency</u>	<u>Total</u>
Department of Environment	\$ 70,170
Department of Public Health	2,288
Department of Public Works	7,317,298
Department of Technology	23,952
Health Service System	39,581
Mayor's Office of Housing	725,096
Municipal Transportation Agency-DPT	14,169,412
Municipal Transportation Agency-MUNI	67,904,016
Office of Economic & Workforce Development	31,060
Office of the City Attorney	22,266
Planning Department	47,116
	<u>\$ 90,352,255</u>

During fiscal year 2015-16, the Transportation Authority incurred capital expenditures of \$73.5 million, which were paid to departments within the City, of which \$66.2 million was expended on San Francisco Municipal Transportation Agency projects. San Francisco Municipal Transportation Agency projects include \$60.2 million on Central Subway, Paratransit, Signals and Signs, Rapid Bus Network, Third Street Light Rail, New Hybrid Coaches Replacement and the Central Control and Communication Projects and \$6.0 million on various transit and street maintenance improvements and pedestrian and bicycle projects.

### NOTE 7 - REVOLVING CREDIT AGREEMENT

On June 11, 2015, the Transportation Authority substituted its \$200,000,000 commercial paper notes (Limited Tax Bonds), Series A and B with a \$140,000,000 tax-exempt revolving credit agreement (Revolving Credit Agreement). The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. The Revolving Credit Agreement expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of 1-month LIBOR plus 0.30%. The interest payments are due the first business day of each month and the outstanding principal payment is required to be paid at the end of the agreement on June 8, 2018. The Revolving Credit Agreement is secured by a first lien gross pledge of the Transportation Authority's sales tax. The Transportation Authority paid \$20,000,000 of the outstanding balance of \$134,664,165 as of July 1, 2015. As of June 30, 2016, \$114,664,165 of the Revolving Credit Agreement balance was outstanding, with an interest rate of 0.620%.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 8 - PENSION PLANS

#### General Information about the Pension Plan

##### *Plan Description*

All qualified permanent and probationary employees are eligible to participate in the Transportation Authority's Employee Pension Plan, (the Plan) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Transportation Authority resolution. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial reports may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

##### *Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statute and may be amended by the Transportation Authority's contract with the employees.

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

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a percent of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.51%	6.24%

##### *Contributions*

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

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 8 - PENSION PLANS, (Continued)

For the year ended June 30, 2016, the contributions were \$280,199.

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

As of June 30, 2016, the Transportation Authority's reported net pension liability for its proportionate shares of the collective net pension liability is \$1,288,393.

The Transportation Authority's net pension liability is measured as the proportionate share of the collective Plan's net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Transportation Authority's proportion of the net pension liability was based on the Transportation Authority's share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Transportation Authority's proportionate share of the net pension liability as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.04834%
Proportion - June 30, 2016	0.01877%
Change	(0.02957)%

For the year ended June 30, 2016, the Transportation Authority recognized a pension credit of \$107,966. On June 30, 2016, the Transportation Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 280,199	\$ -
Contributions in excess of proportionate share	229,602	-
Changes in assumptions	-	(242,652)
Difference in expected and actual experience	25,648	-
Adjustment due to differences in proportions	325,807	(84,315)
Net differences between projected and actual earnings on plan investments	-	(121,645)
Total	\$ 861,256	\$ (448,612)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$280,199, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 1,577
2018	(220)
2019	(24,403)
2020	155,491
	\$ 132,445

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 8 - PENSION PLANS, (Continued)

#### *Actuarial Assumptions*

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions for the collective miscellaneous plans:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	7.50% (1)
Mortality	(2)

- (1) Net of pension plan investment and administrative expenses, includes inflation.
- (2) The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2011.

All other actuarial assumptions used in the June 30, 2014, valuation were based on the results of a 2010, actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

#### *Change of Assumptions*

There was a change in the discount rate assumption from the June 30, 2014 measurement date. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 8 - PENSION PLANS, (Continued)

In determining the long-term expected rate of return, CalPERS' staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	(1) Real Return Years 1 - 10	(2) Real Return Years 11+
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	<u>100.0%</u>		

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

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

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

The following presents the Transportation Authority's proportionate share of the net pension liability, as well as what the Transportation Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.65%	7.65%	8.65%
Net Pension Liability	\$ 2,348,553	\$ 1,288,393	\$ 413,108

#### ***Pension Plan Fiduciary Net Position***

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### 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. As of June 30, 2016, the Transportation Authority contributed \$206,513, or 103%, of the annual required contribution (ARC) to the CERBT.

The Transportation Authority is required to contribute the ARC, per the board's approved policy, 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.

#### *Annual OPEB Cost*

The Transportation Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 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 following table shows the components of the Transportation Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation to CERBT.

Annual required contribution	\$ 200,500
Interest on net OPEB obligation	2,600
Adjustment to annual required contribution	(2,400)
Annual OPEB cost (expense)	200,700
Contributions made	(206,513)
Increase (Decrease) in net OPEB obligation	(5,813)
Net OPEB obligation (asset) - beginning of year	-
Net OPEB obligation (asset) - end of year	\$ (5,813)

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Notes to Financial Statements

June 30, 2016

**NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)**

The Transportation Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2014	\$ 138,400	100%	\$ -
6/30/2015	138,400	100%	-
6/30/2016	200,700	103%	(5,813)

***Funded Status and Funding Progress***

As of June 30, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial value of plan assets	\$ 1,170,500
Actuarial accrued liability (AAL)	2,042,300
Unfunded actuarial accrued liability (UAAL)	<u>\$ 871,800</u>
Funded ratio (actuarial value of plan assets/AAL)	57.3%
Covered payroll (active plan members)	\$ 3,929,800
UAAL as a percentage of covered payroll	22.2%

***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.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

In the June 30, 2015, 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 assume an investment rate of 7.00% representing the long-term rate of investment return on investments with CERBT of 7.28%, net a 0.28% margin for adverse deviations. The assumed annual healthcare trend rates for non-Medicare benefits started at 8.00%, then grades down to 7.00% in plan year starting July 1, 2016 to an ultimate rate of 4.00% by plan year beginning July 1, 2029. The assumed annual healthcare trend rates for Medicare benefits were 6.25% in the first year, then 4.50% per the next year, 4.25% the following two years and 4.00% the years thereafter. All discount and trend rates included an assumed 3.0% general inflation assumption. 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 five-year period. CERBT's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis using an assumed aggregate payroll increase of 3.25% per year and a static 20-year period beginning fiscal year 2015-16.

### NOTE 10 - OPERATING LEASES

The Transportation Authority leases its office space under an operating lease agreement. In December 2011, the Transportation Authority executed a 13-year workspace lease for its 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, 2016, the Transportation Authority expended \$758,694 towards its office lease and recorded an office lease expense of \$791,954 and an amortization expense of \$33,260 on the statement of activities.

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. In April 2014, the Transportation Authority entered into an additional 3-year lease agreement with monthly payments of \$974, plus applicable taxes. During the year ended June 30, 2016, total copier expenses were \$17,812.

The following is a schedule of future minimum lease obligations as of June 30, 2016:

Year Ending June 30,	Office Lease	Copier Leases	Total
2017	\$ 783,168	\$ 15,920	\$ 799,088
2018	807,642	-	807,642
2019	832,116	-	832,116
2020	856,590	-	856,590
2021	881,064	-	881,064
2022-25	3,768,996	-	3,768,996
Total future minimum lease obligations	<u>\$ 7,929,576</u>	<u>\$ 15,920</u>	<u>\$ 7,945,496</u>

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 11 - ADMINISTRATIVE 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 Proposition K Expenditure Plan. For the year ended June 30, 2016, revenues, staff salaries and fringe benefits for administering the Proposition K Expenditure Plan for the Sales Tax Program were as follows:

Revenues	\$ 99,528,116
Expenditures:	
Salaries	617,191
Fringe benefits	21,719
Total	<u>\$ 638,910</u>
Percentage of revenue	0.64%

Personnel expenditures of \$2,908,112 were reported in the Sales Tax Program Fund, of which \$638,910 was related to general administration of the Proposition K Expenditure Plan, and \$2,269,202 was related to planning and programming, which includes monitoring and oversight of Proposition 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, 2016, the Transportation Authority has \$356,148 in escrow accounts to fund claims related to MUNI's Third Street Light Rail Project.

# SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

## Notes to Financial Statements

June 30, 2016

### NOTE 14 - COMMITMENTS AND CONTINGENCIES

#### *Commitments*

The Transportation Authority's outstanding commitments totaled \$455,036,152 at June 30, 2016. This amount is comprised of \$426,690,287 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, 2016, the Transportation Authority has \$13,489,049, \$14,587,488 and \$269,328 encumbered in the Sales Tax Program, the Congestion Management Agency Programs and the Treasure Island Mobility Management Agency Program, respectively, on various Transportation Authority contracts held with private consulting and construction companies and cooperative agreements with governmental entities.

#### *Loan Agreement with Treasure Island Development Authority*

In July 2008, the Transportation Authority entered into a loan agreement with the Treasure Island Development Authority (TIDA) for the repayment of project management oversight, engineering and environmental costs for the YBI Ramps Improvement Project. In July 2013, the Transportation Authority Board approved increasing the non-federal portion of the loan agreement with TIDA to a total amount not to exceed \$11,037,000, to complete preliminary engineering and design for the YBI Ramps Project. The total non-federal and federal loan obligation amount shall not to exceed \$18,830,000. Since August 2010, the Transportation Authority has received Federal Highway Bridge Program funding from the California Department of Transportation (Caltrans) 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.

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. The repayment to the Transportation Authority may be paid by TIDA in three annual installment payments on the later of 30 days after the first close of escrow for transfer of the Naval Station Treasure Island from the Navy to TIDA or December 31, 2014. 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, 2016, the outstanding balance due to the Transportation Authority is \$2,396,111 for the loan and \$497,972 for accrued interest costs.

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
**Schedules of Funding Progress and Employer Contributions**  
**For the Year Ended June 30, 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, 2015.

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)]
June 30, 2011	\$ 405,000	\$ 671,000	\$ 266,000	60.4%	\$ 3,251,000	8.2%
June 30, 2013	759,600	1,124,100	364,500	67.6%	3,253,400	11.2%
June 30, 2015	1,170,500	2,042,300	871,800	57.3%	3,929,800	22.2%

***Schedule of Employer Contributions***

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2014	\$ 138,000	\$ 138,000	100.0%
June 30, 2015	138,000	138,000	100.0%
June 30, 2016	200,700	206,513	102.9%

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Budgetary Comparison Schedules  
For the Year Ended June 30, 2016

	<b>Sales Tax Program General Fund</b>			<b>Positive (Negative) Variance Final to Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues and Transfers In</b>				
Sales tax	\$ 101,293,575	\$ 101,293,575	\$ 99,528,116	\$ (1,765,459)
Vehicle registration fee	-	-	-	-
Investment income	328,196	328,196	377,025	48,829
Program revenues				
Federal	-	-	-	-
State	-	-	-	-
Regional and other	75,000,000	75,000,000	75,071,666	71,666
Other revenues	2,909,880	47,384	33,940	(13,444)
Transfers in from other funds	-	-	235,887	235,887
<b>Total Revenues and Transfers In</b>	<b>179,531,651</b>	<b>176,669,155</b>	<b>175,246,634</b>	<b>(1,422,521)</b>
<b>Expenditures and Transfers Out</b>				
Administrative operating costs	7,143,980	6,600,863	5,007,100	1,593,763
Transportation and capital projects	201,816,864	222,428,866	210,767,188	11,661,678
Debt service				
Principal	20,000,000	20,000,000	20,000,000	-
Interest	1,760,000	960,000	794,172	165,828
Transfers out to other funds	2,061,889	8,890,453	5,259,079	3,631,374
<b>Total Expenditures and Transfers Out</b>	<b>232,782,733</b>	<b>258,880,182</b>	<b>241,827,539</b>	<b>17,052,643</b>
<b>Change in Fund Balance</b>	<b>(53,251,082)</b>	<b>(82,211,027)</b>	<b>(66,580,905)</b>	<b>15,630,122</b>
<b>Fund Balance - Beginning</b>	<b>99,592,152</b>	<b>99,592,152</b>	<b>99,592,152</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 46,341,070</b>	<b>\$ 17,381,125</b>	<b>\$ 33,011,247</b>	<b>\$ 15,630,122</b>

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Budgetary Comparison Schedules

For the Year Ended June 30, 2016

	<b>Congestion Management Agency Programs</b>			
	<b>Budgeted Amounts</b>			<b>Positive (Negative) Variance Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues and Transfers In</b>				
Sales tax	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee	-	-	-	-
Investment income	-	-	-	-
Program revenues				
Federal	25,778,310	24,554,867	14,161,616	(10,393,251)
State	3,009,707	2,704,665	1,508,642	(1,196,023)
Regional and other	253,199	931,744	1,562,770	631,026
Other revenues	6,210	1,873	51,119	49,246
Transfers in from other funds	1,961,889	8,686,151	5,259,079	(3,427,072)
<b>Total Revenues and Transfers In</b>	<b>31,009,315</b>	<b>36,879,300</b>	<b>22,543,226</b>	<b>(14,336,074)</b>
<b>Expenditures and Transfers Out</b>				
Administrative operating costs	2,065,647	2,207,457	1,947,597	259,860
Transportation and capital projects	28,943,668	34,671,843	20,595,629	14,076,214
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Transfers out to other funds	-	-	-	-
<b>Total Expenditures and Transfers Out</b>	<b>31,009,315</b>	<b>36,879,300</b>	<b>22,543,226</b>	<b>14,336,074</b>
<b>Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance - Beginning</b>	-	-	-	-
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Budgetary Comparison Schedules

For the Year Ended June 30, 2016

	<b>Transportation Fund for Clean Air Program</b>			
	<b>Budgeted Amounts</b>			<b>Positive (Negative) Variance Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues and Transfers In</b>				
Sales tax	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee	-	-	-	-
Investment income	2,140	2,140	2,379	239
Program revenues				
Federal	-	-	-	-
State	-	-	-	-
Regional and other	772,398	772,398	749,885	(22,513)
Other revenues	-	-	-	-
Transfers in from other funds	-	-	-	-
<b>Total Revenues and Transfers In</b>	<b>774,538</b>	<b>774,538</b>	<b>752,264</b>	<b>(22,274)</b>
<b>Expenditures and Transfers Out</b>				
Administrative operating costs	37,486	38,515	40,131	(1,616)
Transportation and capital projects	1,225,593	1,225,593	1,425,271	(199,678)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Transfers out to other funds	-	-	-	-
<b>Total Expenditures and Transfers Out</b>	<b>1,263,079</b>	<b>1,264,108</b>	<b>1,465,402</b>	<b>(201,294)</b>
<b>Change in Fund Balance</b>	<b>(488,541)</b>	<b>(489,570)</b>	<b>(713,138)</b>	<b>(223,568)</b>
<b>Fund Balance - Beginning</b>	<b>1,107,504</b>	<b>1,107,504</b>	<b>1,107,504</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 618,963</b>	<b>\$ 617,934</b>	<b>\$ 394,366</b>	<b>\$ (223,568)</b>

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Budgetary Comparison Schedules

For the Year Ended June 30, 2016

	<b>Vehicle Registration Fee for Transportation Improvements Program</b>			<b>Positive (Negative) Variance Final to Actual</b>
	<b>Budget Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues and Transfers In</b>				
Sales tax	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee	4,776,540	4,776,540	5,362,050	585,510
Investment income	4,370	4,370	4,052	(318)
Program revenues				
Federal	-	-	-	-
State	-	-	-	-
Regional and other	-	-	-	-
Other revenues	-	-	-	-
Transfers in from other funds	-	-	-	-
<b>Total Revenues and Transfers In</b>	<b>4,780,910</b>	<b>4,780,910</b>	<b>5,366,102</b>	<b>585,192</b>
<b>Expenditures and Transfers Out</b>				
Administrative operating costs	228,830	228,830	184,641	44,189
Transportation and capital projects	9,108,958	7,112,584	5,515,530	1,597,054
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Transfers out to other funds	-	-	-	-
<b>Total Expenditures and Transfers Out</b>	<b>9,337,788</b>	<b>7,341,414</b>	<b>5,700,171</b>	<b>1,641,243</b>
<b>Change in Fund Balance</b>	<b>(4,556,878)</b>	<b>(2,560,504)</b>	<b>(334,069)</b>	<b>2,226,435</b>
<b>Fund Balance - Beginning</b>	<b>7,311,391</b>	<b>7,311,391</b>	<b>7,311,391</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,754,513</b>	<b>\$ 4,750,887</b>	<b>\$ 6,977,322</b>	<b>\$ 2,226,435</b>

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Budgetary Comparison Schedules

For the Year Ended June 30, 2016

	<b>Treasure Island Mobility Management Agency</b>			<b>Positive (Negative) Variance Final to Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues and Transfers In</b>				
Sales tax	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee	-	-	-	-
Investment income	-	-	-	-
Program revenues				
Federal	-	-	114,072	114,072
State	-	-	-	-
Regional and other	650,000	750,000	922,637	172,637
Other revenues	-	-	-	-
Transfers in from other funds	100,000	204,302	-	(204,302)
<b>Total Revenues and Transfers In</b>	<b>750,000</b>	<b>954,302</b>	<b>1,036,709</b>	<b>82,407</b>
<b>Expenditures and Transfers Out</b>				
Administrative operating costs	475,600	357,022	317,536	39,486
Transportation and capital projects	274,400	597,280	483,286	113,994
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Transfers out to other funds	-	-	235,887	(235,887)
<b>Total Expenditures and Transfers Out</b>	<b>750,000</b>	<b>954,302</b>	<b>1,036,709</b>	<b>(82,407)</b>
<b>Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Budgetary Comparison Schedules

For the Year Ended June 30, 2016

	Agency-wide			Positive (Negative) Variance Final to Actual
	Budget Amounts		Actual	
	Original	Final		
<b>Revenues and Transfers In</b>				
Sales tax	\$ 101,293,575	\$ 101,293,575	\$ 99,528,116	\$ (1,765,459)
Vehicle registration fee	4,776,540	4,776,540	5,362,050	585,510
Investment income	334,706	334,706	383,456	48,750
Program revenues				
Federal	25,778,310	24,554,867	14,275,688	(10,279,179)
State	3,009,707	2,704,665	1,508,642	(1,196,023)
Regional and other	76,675,597	77,454,142	78,306,958	852,816
Other revenues	2,916,090	49,257	85,059	35,802
Transfers in from other funds	2,061,889	8,890,453	5,494,966	(3,395,487)
<b>Total Revenues and Transfers In</b>	<b>216,846,414</b>	<b>220,058,205</b>	<b>204,944,935</b>	<b>(15,113,270)</b>
<b>Expenditures and Transfers Out</b>				
Administrative operating costs	9,951,543	9,432,687	7,497,005	1,935,682
Transportation and capital projects	241,369,483	266,036,166	238,786,904	27,249,262
Debt service				
Principal	20,000,000	20,000,000	20,000,000	-
Interest	1,760,000	960,000	794,172	165,828
Transfers out to other funds	2,061,889	8,890,453	5,494,966	3,395,487
<b>Total Expenditures and Transfers Out</b>	<b>275,142,915</b>	<b>305,319,306</b>	<b>272,573,047</b>	<b>32,746,259</b>
<b>Change in Fund Balance</b>	<b>(58,296,501)</b>	<b>(85,261,101)</b>	<b>(67,628,112)</b>	<b>17,632,989</b>
<b>Fund Balance - Beginning</b>	<b>108,011,047</b>	<b>108,011,047</b>	<b>108,011,047</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 49,714,546</b>	<b>\$ 22,749,946</b>	<b>\$ 40,382,935</b>	<b>\$ 17,632,989</b>

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
Schedule of the Proportionate Share of the Net  
Pension Liability  
For the Year Ended June 30, 2016

	<u>2015</u> <sup>(1)</sup>	<u>2016</u> <sup>(1)</sup>
Proportion of the net pension liability	0.04834%	0.01877%
Proportionate share of the net pension liability	\$ 1,299,087	\$ 1,288,393
Covered payroll	\$ 3,263,808	\$ 3,684,025
Proportionate share of the net pension liability as a percentage of covered payroll	39.80%	34.97%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	79.82%	78.40%

(1) Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable.

**Notes to schedule:**

Changes in assumptions: The discount rate was changed from 7.5% to 7.65%.

The notes to required supplementary information are an integral part of these schedules.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Pension Contributions**  
**For the Year Ended June 30, 2016**

	<b>2014 <sup>(1)</sup></b>	<b>2015 <sup>(1)</sup></b>	<b>2016 <sup>(1)</sup></b>
Actuarially determined contributions	\$ 365,402	\$ 399,937	\$ 280,199
Contributions in relation to the actuarially determined contributions	(365,402)	(399,937)	(280,199)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,263,808	\$ 3,684,025	\$ 3,643,778
Contributions as a percentage of covered-employee payroll	11.20%	10.86%	7.69%

(1) Historical information is available only for measurement periods for which GASB Statement No. 68 is applicable.

The notes to required supplementary information are an integral part of these schedules.

# **SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

## **Notes to Required Supplementary Information**

**For the Year Ended June 30, 2016**

### **NOTE 1 - 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.

### **NOTE 2 - SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS**

A cost-sharing employer is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. The schedules present information to illustrate changes in the Transportation Authority's proportionate share of the net pension liability and employer contributions over a ten-year period when the information is available.

---

---

***SUPPLEMENTARY INFORMATION***

---

---

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Program Description	Catalog of Federal Domestic Assistance	Grant No.	Grant Approval Date	Approved Federal Award	Federal Expenditures			Available Balance	Amount Provided to Subrecipients
					Cumulative Expenditures Prior to July 1, 2015	Expenditures July 1, 2015 through June 30, 2016	Cumulative Expenditures Through June 30, 2016		
<b>U.S. Department of Transportation</b>									
<b>Federal Highway Administration:</b>									
Highway Research and Development Program									
<i>Passed through - Metropolitan Transportation Commission</i>									
Strategic Highway Research Plan	20.200	SHRP2L-6084(192)	11/12/14	\$ 310,000	\$ 53,349	\$ 80,701	\$ 134,050	\$ 175,950	\$ -
Travel Model Research	20.200	ATF5512L-6084(184)	08/09/13	90,000	4,830	3,327	8,157	81,843	-
Total Highway Research and Development Program				400,000	58,179	84,028	142,207	257,793	-
Highway Planning and Construction									
<i>Passed through - Metropolitan Transportation Commission</i>									
Surface Transportation Plan (STP): Transportation Planning and Programming	20.205	C002683	07/01/12	3,568,000	1,714,767	774,453	2,489,220	1,078,780	-
STP: Treasure Island Mobility Management	20.205	N/A	01/01/13	500,000	416,209	79,174	495,383	4,617	-
<i>Passed through - San Francisco Municipal Transportation Agency</i>									
19th Avenue/M-Ocean View Project Pre-Environmental Study Phase	20.205	SFMTA-2014-44	05/16/14	492,000	-	274,302	274,302	217,698	-

See accompanying notes to supplementary information.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

Program Description	Catalog of Federal Domestic Assistance	Grant No.	Grant Approval Date	Approved Federal Award	Federal Expenditures			Available Balance	Amount Provided to Subrecipients
					Cumulative Expenditures Prior to July 1, 2015	Expenditures July 1, 2015 through June 30, 2016	Cumulative Expenditures Through June 30, 2016		
<i>Passed through - State of California Department of Transportation</i>									
Bart Travel Smart Rewards	20.205	VPPL-6272(043)	09/10/15	508,000	-	266,573	266,573	241,427	160,853
eFleet: Carsharing Electrified	20.205	CML-6272(033)	12/28/11	1,700,000	956,978	375,348	1,332,326	367,674	365,176
Integrated Public Private Partnership Travel Demand Management Program (TDM)	20.205	CML-6272(034)	04/25/11	750,000	708,787	13,160	721,947	28,053	-
San Francisco Value Pricing and Regulation Study	20.205	VPPL-6272(037)	08/17/12	480,000	298,426	160,984	459,410	20,590	-
Treasure Island Mobility Management	20.205	VPPL-6272(041)	08/15/13	480,000	447,204	19,801	467,005	12,995	-
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	73,919,055	46,088,616	14,191,951	60,280,567	13,638,488	-
Yerba Buena Island Viaduct Structure #1	20.205	STPLZ-6272(024)	09/10/10	307,490	197,609	4,929	202,538	104,952	-
Yerba Buena Island Viaduct Structure #2	20.205	STPLZ-6272(026)	09/10/10	9,580,185	3,264,663	1,470,979	4,735,642	4,844,543	-
Yerba Buena Island Viaduct Structure #4	20.205	STPLZ-6272(028)	09/10/10	703,068	541,305	3,922	545,227	157,841	-
Yerba Buena Island Viaduct Structure #7A	20.205	STPLZ-6272(030)	09/10/10	155,745	152,498	-	152,498	3,247	-
Yerba Buena Island Viaduct Structure #7B	20.205	STPLZ-6272(031)	09/10/10	214,476	189,981	3,992	193,973	20,503	-
Yerba Buena Island Viaduct Structure #8	20.205	STPLZ-6272(032)	09/10/10	269,407	244,375	-	244,375	25,032	-
Total Highway Planning and Construction Cluster				93,627,426	55,221,418	17,639,568	72,860,986	20,766,440	526,029
Total Federal Highway Administration				94,027,426	55,279,597	17,723,596	73,003,193	21,024,233	526,029
<b>Federal Transit Administration:</b>									
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research									
<i>Passed through - State of California Department of Transportation</i>									
San Francisco Freeway Performance Initiative Study	20.505	74A0843	04/15/15	300,000	21,952	200,848	222,800	77,200	-
Total Federal Transit Administration				300,000	21,952	200,848	222,800	77,200	-
Total Expenditures of Federal Awards				\$ 94,327,426	\$ 55,301,549	\$ 17,924,444	\$ 73,225,993	\$ 21,101,433	\$ 526,029

See accompanying notes to supplementary information.

# **SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

## **Notes to Supplementary Information**

**June 30, 2016**

### **NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the San Francisco County Transportation Authority, a component unit of the City and County of San Francisco California, under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Transportation Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Transportation Authority.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Transportation Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

---

---

***INDEPENDENT AUDITOR'S REPORTS***

---

---



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2016, and the related notes to the financial statements, which collectively comprise Transportation Authority's basic financial statements, and have issued our report thereon dated October 20, 2016. Our report contains an emphasis of matter regarding adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No.73*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Transportation Authority's financial statements are free from 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 internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transportation Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
October 20, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on the Transportation Authority's major federal program for the year ended June 30, 2016. The Transportation Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of Transportation Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 the major federal program. However, our audit does not provide a legal determination of the Transportation Authority's compliance.

### ***Opinion on the 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 its major federal program for the year ended June 30, 2016.

### **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 its 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Vavrinek, Trin, Day & Co. LLP*

Palo Alto, California  
October 20, 2016

---

---

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

---

---

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

Summary of Auditor's Results  
For the Year Ended June 30, 2016

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>None</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>None</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>None</u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
Financial Statement Findings  
For the Year Ended June 30, 2016

None reported.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
Federal Awards Findings and Questioned Costs  
For the Year Ended June 30, 2016

None reported.

**SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016

None reported.