MOTION ACCEPTING THE SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY'S AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015.

Attachment:

1. Audit Report for the Year Ended June 30, 2015

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

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For the Year Ended June 30, 2015

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

VALUE THE DIFFERENCE

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, 2015, 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.

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Opinion

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, 2015, 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 described in Note 15, the Transportation Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions* as of July 1, 2014. Adoption of which required a restatement of beginning net position. 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 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* 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 22, 2015 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 22, 2015

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, 2015. The Transportation Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The liabilities of the Transportation Authority's governmental activities exceeded its assets at the close of fiscal year (FY) 2014/15 by $21.0 million. Of the net position, $2.5 million was for net investment in capital assets, $13.5 million was restricted for capital projects, and a negative balance of $37.0 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 loan (Revolver Loan), 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 increased by $12.0 million as compared to the prior year. Other non-cash assets (assets other than cash, deposits, and investments) increased by $5.3 million as compared to the prior year.

- The Transportation Authority's total net position increased $16.2 million during the year ended June 30, 2015, as compared to an increase of $25.2 million in the prior year. The net position for the beginning of the year was restated by $1.4 million due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The new pension standards dramatically changed the accounting reporting requirements with respect to defined benefit pension plans and the presentation in the Transportation Authority's financial statements, effectively reducing an entity's overall net position. The pension obligations are not a new liability and the restatement is a one-time prior period adjustment. It is now reported on the face of the basic financial statements, and continues to be reported on the note disclosure and required supplementary information statements.

- Sales tax revenues increased by $6.3 million from the prior year. Investment income decreased by $175 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 $38.2 million during the year ended June 30, 2015 is largely due to the increase construction activities for the Interstate 80/Yerba Buena Island Interchange Improvement Project and Yerba Buena Bridge Structures (collectively known as the YBI Project) and Folsom and Fremont Street Off-Ramp Realignment Project (Folsom and Fremont Street Project).

- The Transportation Authority had positive governmental fund balances of $108.0 million. Of this amount, $137 thousand is nonspendable for prepaid costs and deposits, $99.5 million is restricted for the capital projects in the Sales Tax Program, $1.1 million for the capital projects in the Transportation Fund for Clean Air Program and $7.3 million for capital projects in the Vehicle Registration Fee for Transportation Improvements Program. The Transportation Authority's governmental funds balances increased by $152.4 million in comparison with the prior year.

- The Transportation Authority went from a cash ("pay-as-you-go") financing basis to a borrowing entity in March 2004. The Board of Commissioners authorized the issuance by the Transportation Authority of up to $200 million of commercial paper notes. In June 2015, the Transportation Authority substituted the commercial paper notes with a $140 million tax-exempt, three-year Revolver Loan agreement. As of June 30, 2015, $134.7 million of the Revolver Loan was outstanding at an interest rate of 0.43%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Table 1

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

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

Government-wide Financial Statements

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

The ***statement of net position*** presents information on all Transportation Authority assets and liabilities, with the difference between the two reported as net position. The statement of net position is designed to provide information about the financial position of the Transportation Authority as a whole, including all of its capital assets, 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.

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.

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 exceeded its assets by $21.0 million at June 30, 2015. Cash, deposits and investments increased by $12.0 million overall due to timing of payments related to FY 2014/15 expenditures while transportation and capital project expenses increased $38.2 million over the prior year. The other assets and deferred outflow category increased by $5.6 million as compared to the prior year mainly due to the $5.4 million repayment received for the intergovernmental loan, made to the Treasure Island Development Authority (TIDA) for the YBI Project and delay in receipt of sales tax revenues earned in April. Other assets include $28.5 million in sales tax receivables, $19.5 million in outstanding program and other receivables (including amounts due from the City and County of San Francisco) and $5.5 million in intergovernmental loan, which includes accrued interest.

Table 2

Statement of Net Position (in thousands)

	June 30, 2015	June 30, 2014	$ Change	% Change
Assets and deferred outflows:				
Cash, deposits, and investments	$ 83,008	$ 70,983	$ 12,025	16.9%
Other assets and deferred outflows	54,178	48,603	5,575	11.5%
Capital assets	2,519	2,805	(286)	-10.2%
Total assets and deferred outflows	139,705	122,391	17,314	14.1%
Liabilities and deferred inflows:				
Current, other liabilities, and deferred inflows	160,749	159,676	1,073	0.7%
Net Position:				
Net investment in capital assets	2,519	2,805	(286)	-10.2%
Restricted for debt service	-	342	(342)	-100.0%
Restricted for capital projects	13,486	12,153	1,333	11.0%
Unrestricted deficit	(37,049)	(52,585)	15,536	29.5%
Total net position, as restated	$ (21,044)	$ (37,285)	$ 16,241	43.6%

The Transportation Authority's unrestricted deficit of $37.0 million is due to the Revolver Loan, which will be eliminated with future revenues. The Transportation Authority's outstanding commitments are described in Note 14 of the basic financial statements. The $2.5 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 of the Transportation Authority.

Table 3

Statement of Activities (in thousands)

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014	$ Change	% Change
Revenues:				
General:				
Sales tax	$ 100,279	$ 93,930	$ 6,349	6.8%
Vehicle registration fee	4,862	4,882	(20)	-0.4%
Investment income	463	638	(175)	-27.4%
Other	315	304	11	3.6%
Program operating grants and contributions	42,080	17,588	24,492	139.3%
Total revenues	147,999	117,342	30,657	26.1%
Expenses:				
Transportation and capital projects	130,290	92,123	38,167	41.4%
Interest	1,468	1,354	114	8.4%
Total expenses	131,758	93,477	38,281	41.0%
Change in net position	16,241	23,865	(7,624)	-31.9%
Net position, beginning of year, as restated	(37,285)	(61,150)	23,865	39.0%
Net position, ending of year, as restated	$ (21,044)	$ (37,285)	$ 16,241	43.6%

The Transportation Authority's net position increased $16.2 million for the year ended June 30, 2015. During the period, sales tax revenues increased by $6.3 million or 6.8% as compared to the prior year. There is $4.9 million of vehicle registration fee revenues, approved by San Francisco voters through Proposition AA (Prop AA) in November 2010. Investment income decreased by $175 thousand due to the lower average balance in the City and County of San Francisco Treasury Pool. Program revenues increased by $24.5 million and transportation and capital projects expenses by $38.2 million due to increased construction activities for the federal, state and regional-funded, YBI Project and new construction for regional-funded, Folsom and Fremont Street Project.

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, 2015								
	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	Total	June 30, 2014	$ Change	% Change
Assets:									
Cash, deposits, and investments	$ 69,870	$ -	$ 1,722	$ 11,416	$ -	$ 83,008	$ 70,983	$ 12,025	16.9%
Other assets	44,188	15,787	388	833	989	62,185	52,966	9,219	17.4%
Total assets	$ 114,058	$ 15,787	$ 2,110	$ 12,249	$ 989	$ 145,193	$ 123,949	$ 21,244	17.1%
Liabilities:									
Current and other liabilities	$ 12,552	$ 11,623	$ 615	$ 4,937	$ 473	$ 30,200	$ 159,864	$ (129,664)	-81.1%
Deferred inflows of resources:									
Unavailable program revenue	1,914	4,164	388	-	516	6,982	8,477	(1,495)	-17.6%
Fund balances (deficits):									
Nonspendable	137	-	-	-	-	137	249	(112)	-45.0%
Restricted for:									
Debt service	-	-	-	-	-	-	343	(343)	-100.0%
Capital projects	99,455	-	1,107	7,312	-	107,874	11,782	96,092	815.6%
Unassigned	-	-	-	-	-	-	(56,766)	56,766	-100.0%
Total fund balances (deficits)	99,592	-	1,107	7,312	-	108,011	(44,392)	152,403	343.3%
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 114,058	$ 15,787	$ 2,110	$ 12,249	$ 989	$ 145,193	$ 123,949	$ 21,244	17.1%

At June 30, 2015, the Transportation Authority's governmental funds reported combined ending fund balances of $108.0 million, an increase of $152.4 million as compared to the prior year. The total fund balances are composed of a balance of $137 thousand nonspendable for prepaid costs and deposits and a balance of $107.9 million restricted for the capital projects.

Table 5

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

	For the Year Ended June 30, 2015								
	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	Total	Year Ended June 30, 2014	$ Change	% Change
Revenues:									
Sales tax	$ 100,279	$ -	$ -	$ -	$ -	$ 100,279	$ 93,930	$ 6,349	6.8%
Vehicle registration fee	-	-	-	4,862	-	4,862	4,882	(20)	-0.4%
Investment income	457	-	2	4	-	463	638	(175)	-27.4%
Program revenues	-	42,362	742	-	473	43,577	15,470	28,107	181.7%
Other	179	-	-	-	-	179	169	10	5.9%
Total revenues	100,915	42,362	744	4,866	473	149,360	115,089	34,271	29.8%
Expenditures:									
Transportation and capital projects	79,155	41,307	393	8,580	718	130,153	90,240	39,913	44.2%
Interest	1,468	-	-	-	-	1,468	1,354	114	8.4%
Total expenditures	80,623	41,307	393	8,580	718	131,621	91,594	40,027	43.7%
Excess (deficiency) of revenues over (under) expenditures	20,292	1,055	351	(3,714)	(245)	17,739	23,495	(5,756)	-24.5%
Other financing sources (uses):									
Transfers in	1,055	-	-	-	245	1,300	8,849	(7,549)	-85.3%
Transfers out	(245)	(1,055)	-	-	-	(1,300)	(8,849)	7,549	85.3%
Proceeds from revolver credit loan	134,664	-	-	-	-	134,664	-	134,664	-
Total other financing sources (uses)	135,474	(1,055)	-	-	245	134,664	-	134,664	-
Net change in fund balances	155,766	-	351	(3,714)	-	152,403	23,495	128,908	548.7%
Fund balances (deficit), beginning of year	(56,174)	-	756	11,026	-	(44,392)	(67,887)	23,495	-34.6%
Fund balances (deficit), end of year	$ 99,592	$ -	$ 1,107	$ 7,312	$ -	$ 108,011	$ (44,392)	$ 152,403	-343.3%

Total revenues for the Transportation Authority's activities totaled $149.4 million in FY 2014/15, an increase of $34.3 million from FY 2013/14. As compared to the prior year, sales tax revenues increased by $6.3 million, investment income decreased by $175 thousand, and program revenues increased by $28.1 million. Expenditures for the Transportation Authority's activities totaled $131.6 million and increased by $40.0 million from FY 2013/14. At June 30, 2015, revenues for governmental funds exceeded expenditures by $17.7 million. Other aspects of the individual program activities are discussed in the government-wide analysis above.

BUDGETARY ANALYSIS AND HIGHLIGHTS AND ECONOMIC FACTORS

The Transportation Authority's final Sales Tax Fund (general fund) budgetary fund balances increased from the original budget by $187.5 million. The majority of the variance is due to substitution of the $135 million of outstanding commercial paper notes with a $134.7 million tax-exempt, three-year Revolver Loan and timing of the receipt of various program revenues, project refunds, and other revenues. In addition, actual resources were more than the final budgetary estimates by $99.6 million for general fund, not including the carryover budgetary fund balance.

BUDGETARY ANALYSIS AND HIGHLIGHTS AND ECONOMIC FACTORS, (Continued)

Actual charges to appropriations were less than budgetary estimates by $58.1 million. This amount includes a positive favorable variance of $56.8 million in capital project costs. This lower capital spending is principally from sponsors funded by the sales tax program and vehicle registration fee for transportation improvements program whose major capital project costs were less than anticipated for FY 2014/15, 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 49 through 53 of this report.

CAPITAL ASSETS

The Transportation Authority's investment in capital assets as of June 30, 2015, amounted to $2.5 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 LOAN 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, Revolver Loan. In the same month, Moody's Investors Services raised the Transportation Authority's rating to "Aa1" from "Aa2," and Standard & Poor's Financial Services and Fitch Ratings reaffirmed issuer ratings for the Transportation Authority with "AA" and "AA+," respectively. The loan will be repaid from sales tax revenues. As of June 30, 2015, the Transportation Authority has $134.7 million of the Revolver Loan outstanding. Additional information on the Transportation Authority's Revolver Loan 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, 22nd Floor, San Francisco, California, 94103.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2015

ASSETS		
Cash in bank	$	38,927,598
Deposits and investments with City Treasurer		44,080,786
Sales tax receivable		28,508,912
Vehicle registration fee receivable		832,737
Interest receivable from City and County of San Francisco		64,936
Program receivables		16,954,265
Receivable from the City and County of San Francisco		1,617,262
Other receivables		3,182
Intergovernmental loan receivable		5,503,588
Prepaid costs and deposits		136,760
Capital assets, net of accumulated depreciation		2,518,580
Total Assets		139,148,606
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activities		556,250
LIABILITIES		
Accounts payable		15,276,506
Accounts payable to the City and County of San Francisco		6,190,655
Accrued salaries and taxes		170,882
Unearned rent abatement		768,734
Unearned leasehold incentive		1,356,292
Accrued compensated absences		501,732
Revolving credit loan		134,664,165
Net pension liability		1,299,087
Total Liabilities		160,228,053
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activities		521,077
NET POSITION		
Net investment in capital assets		2,518,580
Restricted by enabling legislation for capital projects		13,486,451
Unrestricted deficit		(37,049,305)
Total Net Position	$	(21,044,274)

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, 2015

	Total	Transportation and Capital Projects	Interest
EXPENSES	$ 131,758,440	$ 130,290,251	$ 1,468,189
PROGRAM REVENUES			
Operating grants and contributions	42,080,284	42,080,284	-
Net program expense	(89,678,156)	$ (88,209,967)	$ (1,468,189)
GENERAL REVENUES			
Sales tax	100,278,511		
Vehicle registration fee	4,862,063		
Investment income	462,845		
Other	315,222		
Total general revenues	105,918,641		
CHANGE IN NET POSITION	16,240,485		
Net position, beginning of year, as restated	(37,284,759)		
Net position, end of year	$ (21,044,274)		

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Governmental Funds Balance Sheet

June 30, 2015

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program
ASSETS			
Cash in bank	$ 25,789,475	$ -	$ 1,722,257
Deposits and investments with City Treasurer	44,080,786	-	-
Sales tax receivable	28,508,912	-	-
Vehicle registration fee receivable	-	-	-
Interest receivable from City and County of San Francisco	64,936	-	-
Program receivables			
Federal	-	12,579,814	-
State	-	1,666,453	-
Regional and other	1,408,129	223,046	387,987
Receivable from the City and County of San Francisco	-	1,317,262	-
Other receivables	3,182	-	-
Intergovernmental loan receivable	5,503,588	-	-
Due from other funds	8,561,771	-	-
Prepaid costs and deposits	136,760	-	-
Total Assets	$ 114,057,539	$ 15,786,575	$ 2,110,244
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	$ 9,352,329	$ 3,986,961	$ 2,885
Accounts payable to the City and County of San Francisco	3,028,796	154,081	155,956
Accrued salaries and taxes	170,882	-	-
Due to other funds	-	7,482,173	455,912
Total liabilities	12,552,007	11,623,215	614,753
Deferred Inflows of Resources			
Unavailable program revenues	1,913,380	4,163,360	387,987
Fund Balances			
Nonspendable	136,760	-	-
Restricted for capital projects	99,455,392	-	1,107,504
Total Fund Balances	99,592,152	-	1,107,504
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 114,057,539	$ 15,786,575	$ 2,110,244

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

Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency	Total Governmental Funds
$ 11,415,866	$ -	$ 38,927,598
-	-	44,080,786
-	-	28,508,912
832,737	-	832,737
-	-	64,936
-	688,836	13,268,650
-	-	1,666,453
-	-	2,019,162
-	300,000	1,617,262
-	-	3,182
-	-	5,503,588
-	-	8,561,771
-	-	136,760
$ 12,248,603	$ 988,836	$ 145,191,797
$ 1,788,836	$ 145,495	$ 15,276,506
2,851,822	-	6,190,655
-	-	170,882
296,554	327,132	8,561,771
4,937,212	472,627	30,199,814
-	516,209	6,980,936
-	-	136,760
7,311,391	-	107,874,287
7,311,391	-	108,011,047
$ 12,248,603	$ 988,836	$ 145,191,797

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Reconciliation of the Governmental Funds
Balance Sheet to the
Statement of Net Position
June 30, 2015

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:	$	108,011,047
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		2,518,580
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds:		
Program receivables		6,980,936
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Revolving credit loan		(134,664,165)
Unearned leasehold incentive		(1,356,292)
Unearned rent abatement		(768,734)
Accrued compensated absences		(501,732)
Net pension liability and deferred inflows or outflows related to pension		(1,263,914)
Net position of governmental activities	$	(21,044,274)

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

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Governmental Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2015

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program
REVENUES			
Sales tax	$ 100,278,511	$ -	$ -
Vehicle registration fee	-	-	-
Investment income	456,413	-	2,166
Program revenues			
Federal	-	34,331,503	-
State	-	3,798,590	-
Regional and other	-	4,232,041	741,642
Project refunds and other	179,593	-	-
Total Revenues	100,914,517	42,362,134	743,808
EXPENDITURES			
Current - transportation and capital projects			
Personnel expenditures	3,604,051	1,588,692	33,349
Non-personnel expenditures	2,041,789	113,865	3,637
Capital project costs	73,456,244	39,604,648	355,800
Capital outlay	52,965	-	-
Debt service			
Interest and fiscal charges	1,468,189	-	-
Total Expenditures	80,623,238	41,307,205	392,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,291,279	1,054,929	351,022
OTHER FINANCING SOURCES (USES)			
Transfers in	1,054,929	-	-
Transfers out	(244,664)	(1,054,929)	-
Proceeds from revolver credit loan	134,664,165	-	-
Total Other Financing Sources (Uses)	135,474,430	(1,054,929)	-
NET CHANGE IN FUND BALANCES	155,765,709	-	351,022
Fund Balances (Deficit) - Beginning	(56,173,557)	-	756,482
Fund Balances (Deficit) - Ending	$ 99,592,152	$ -	$ 1,107,504

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

Vehicle Registration Fee for Transportation Improvements Program		Treasure Island Mobility Management Agency		Total Governmental Funds	
$	-	$	-	$	100,278,511
	4,862,063		-		4,862,063
	4,266		-		462,845
	-		472,627		34,804,130
	-		-		3,798,590
	-		-		4,973,683
	-		-		179,593
	4,866,329		472,627		149,359,415
	90,125		371,665		5,687,882
	123,637		26,043		2,308,971
	8,366,725		319,583		122,103,000
	-		-		52,965
	-		-		1,468,189
	8,580,487		717,291		131,621,007
	(3,714,158)		(244,664)		17,738,408
	-		244,664		1,299,593
	-		-		(1,299,593)
	-		-		134,664,165
	-		244,664		134,664,165
	(3,714,158)		-		152,402,573
	11,025,549		-		(44,391,526)
$	7,311,391	$	-	$	108,011,047

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, 2015

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 change in fund balances:	$	152,402,573
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year:		
Capital outlay		52,965
Depreciation expense		(338,908)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Amortization in leasehold incentive		135,629
Change in deferred inflow of resources		(1,496,119)
Substitution of the commercial paper with the revolver credit loan is recorded as revenue on the governmental funds statements. However on the statement of net position, the amounts increase long-term debt and does not impact the statement of activities.		(134,664,165)
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		(57,734)
Pension expenses		87,070
Compensated absences		119,174
Change in net position of governmental activities	$	16,240,485

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, 2015

ASSETS		
Deposits with escrow agent	$	693,720
LIABILITIES		
Due to City and County of San Francisco	$	693,720

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

NOTE 1 - REPORTING ENTITY AND BACKGROUND

The San Francisco County Transportation Authority (Transportation Authority) was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (the Plan), which was approved as part of Proposition B. The 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 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 reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements 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.

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).

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.

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 65% complete as of June 30, 2015.

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. The introduction of the VA Alternative will require additional engineering and environmental analysis to be performed. All work necessary to prepare the required technical analysis will be performed in accordance with current Caltrans and Federal Highway Administration policies and procedures.

Folsom and Fremont Street Off-Ramp Realignment Project – The San Francisco Office of Investment and Infrastructure (OCII), Successor Agency to the Redevelopment Agency, requested that the Transportation Authority, as the CMA for San Francisco, be the lead agency in the implementation of the Folsom and Fremont Street Off-Ramp Realignment Project. This project is a major component of the Streetscape and Open Space Plan for the Transbay Redevelopment Project Area. The Folsom Street off-ramp provides a San Francisco exit from the Bay Bridge, currently touching down at Folsom and Fremont Streets. The OCII has an agreement with Caltrans to realign the ramp to provide for a more functional intersection consistent with the area’s redevelopment plan. The reconfigured ramp will be parallel to the Fremont Street exit while remaining within the existing right-of-way. The Transportation Authority awarded a construction contract to O.C. Jones & Sons, Inc. in June 2014. Construction activities started in September 2014 and are approximately 95% complete as of June 30, 2015.

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.

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

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.

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

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

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

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

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

Treasure Island Mobility Management Authority (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. In fiscal year 2013/14, TIMMA was reported with the Congestion Management Agency Programs. The fiscal year 2014/15 Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

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 Program; Transportation Fund for Clean Air Program; Vehicle Registration Fee for Transportation Improvements Program; and TIMMA* as major funds.

The Transportation Authority uses the following funds:

Sales Tax Program General Fund – The Sales Tax Program 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 Transportation Expenditure Plan. The major source of revenue for this fund is Proposition K 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 Program** – 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 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.

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

Vehicle Registration Fee for Transportation Improvements Program Fund - The 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 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 fund accounts for revenues and expenditures in support of the TIMMA.

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 a trust 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 Fiduciary Fund reporting focuses on net position and changes in net position.

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 accrued when their receipt occurs within 90 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.

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

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.

Sales Tax Revenue and Receivables

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

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

Vehicle Registration Fees and Receivables

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

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

Capital Assets

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

The estimated useful lives are as follows:

Leasehold improvements	13 years
Furniture	5 years
Computer equipment	3 years

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

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

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 (the 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, 2015, the Transportation Authority recognized a compensated absences liability in the amount of $501,732 and during the year ended June 30, 2015, the Transportation Authority expended $510,094 in compensated absences.

Change in Accounting Principles

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer that arise from other types of events. The Transportation Authority implemented this pronouncement effective July 1, 2014.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The Transportation Authority implemented this pronouncement effective July 1, 2014.

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

New Accounting Pronouncements

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 2015-16 fiscal year. The Transportation Authority has not determined the effect of the statement.

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 Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. 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 2016-2017 fiscal year. The Transportation Authority has not determined the effect of the statement.

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 2017-2018 fiscal year. The Transportation Authority has not determined the effect of the statement.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Transportation Authority has not determined the effect of the statement.

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 2016-2017 fiscal year. The Transportation Authority has not determined the effect of that statement.

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

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."

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Transportation Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2015, 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.

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

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.

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, 2015, the carrying amount of the Transportation Authority's deposits was $38,927,598 and the bank balance was $39,711,898. The difference between the bank balance and the carrying amount represents outstanding checks. Of the bank balance, $750,000 was covered by federal depository insurance and $38,961,898 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Government Code, a financial institution is required to secure deposits in excess of Federal Deposit Insurance Corporation limits made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the public agency's name.

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, 2015, the Transportation Authority's investments are not exposed to custodial credit risk.

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, 2015, the Transportation Authority's deposits and investments in the Pool are approximately $44.1 million, and the total amount invested by all public agencies in the Pool is approximately $7 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, 2015 consisted of Pooled cash with the City and County of San Francisco having weighted average maturity of 1.5 years. At June 30, 2015, 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, CA 94102.

NOTE 4 - INTERFUND TRANSACTIONS

Due to/Due from

The composition of interfund balances as of June 30, 2015, is as follows:

	Payable to:				
Receivable from:	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency	Total
Sales Tax Program	$ 7,482,173	$ 455,912	$ 296,554	$ 327,132	$ 8,561,771

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 Sales Tax Program funds received a transfer of $1,054,929 in Congestion Management Agency Programs to reimburse for payments made during the fiscal year. The Treasure Island Mobility Management Agency received a subsidy transfer of $244,664 in Sales Tax Program funds. This subsidy was authorized through the Board-approved Proposition K Strategic Plan and the annual budget approval process.

NOTE 5 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Retirement	Balance June 30, 2015
Capital assets, being depreciated:				
Leasehold improvements	$ 3,023,624	$ -	$ -	$ 3,023,624
Furniture and equipment	909,024	52,965	-	961,989
Total capital assets, being depreciated	3,932,648	52,965	-	3,985,613
Less accumulated depreciation for:				
Leasehold improvements	461,727	232,899	-	694,626
Furniture and equipment	666,398	106,009	-	772,407
Total accumulated depreciation	1,128,125	338,908	-	1,467,033
Total capital assets, net	$ 2,804,523	$ (285,943)	$ -	$ 2,518,580

Depreciation expense for the current year amounted to $338,908, and was allocated to the transportation and capital projects expense on the statement of activities.

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, 2015:

Receivables from the following City Department/Agency	Purpose	Total
Municipal Transportation Agency	19th Avenue M-Ocean View	$ 381,356
Municipal Railway	Eastern Neighborhoods Transportation Implementation Planning Study	32,510
	Fillmore/16th St. Busway TIGER Application Modeling	4,564
	Travel Demand Modeling Assistance	100,000
	Van Ness Avenue Bus Rapid Transit, Phase 1A & 1B	471,762
	Waterfront Transportation Assessment	137,280
		1,127,472
Office of Economic and Workforce Development	Late Night Transportation	40,000
Planning Department	Transportation Sustainability Project and Travel Demand Modeling Assistance	5,157
Public Utilities Commission:		
Wastewater Enterprise	19th Avenue City-Combined Project	19,713
Water Enterprise	19th Avenue City-Combined Project	78,852
Treasure Island Development Authority	Treasure Island Transportation Implementation Plan	300,000
	Yerba Buena Island Ramps Improvement Project	46,068
		489,790
Total receivables from the City and County of San Francisco		$ 1,617,262

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, 2015:

Payables to the following City Department/Agency	Purpose		Total
Department of Environment	Clean Air Programs		$ 46,816
Department of Public Works	Street Resurfacing		1,925,445
Department of Technology	Board Meeting Broadcast		22,989
Planning Department	Geary Bus Rapid Transit		41,032
Municipal Transportation Agency:			
Department of Parking & Traffic	Advanced Technology and Information Systems	$ 259,052	
	Alternative Fuel Taxi Incentive Program	72,444	
	Bicycle Circulation/Safety	171,812	
	Folsom Fremont Off-Ramp Realignment	33,707	
	New Signals and Signs	71,335	
	Pedestrian Circulation/Safety	211,599	
	Pedestrian Safety	298,897	
	Rapid Bus Network including Real Time Transit Transit Information	4,828	
	Short-Term Bicycle Parking	80,360	
	Signal Control Modification	287,276	
	Signals and Signs	175,200	
	Street Repair and Reconstruction	176,945	
	Traffic Calming	387,787	
	Transportation Demand Management	149,188	
	Transportation/Land Use Coordination	93,920	
		2,474,350	
Municipal Railway	Central Subway (Third Street Light Rail Phase 2)	1,069,394	
	Guideways	148,157	
	Other Transit Enhancements	22,800	
	Pedestrian Safety	22,195	
	Rapid Bus Network including Real Time Transit Information	163,434	
	Rehabilitation, Upgrade and Replacement of Existing Facilities	15,868	
	Transit Reliability	42,000	
	Transit Vehicle Replacement and Renovation	35,017	
	Transportation/Land Use Coordination	109	
	Visitacion Valley Watershed Area	7,537	
		1,526,511	
			4,000,861
Mayor's Office of Housing	Hunter View Transit Connection		130,903
Office of Economic and Workforce Development	Presidio Parkway		22,609
Total payable to the City and County of San Francisco			$ 6,190,655

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, 2015:

Expenditures incurred by the following City Department/Agency	Total
Department of Environment	$ 125,498
Department of Public Works	8,707,842
Department of Technology	26,338
Mayor's Office of Housing	634,213
Municipal Transportation Agency	
Department of Parking & Traffic	7,381,234
Municipal Railway	33,087,533
Office of Economic & Workforce Development	128,203
Planning Department	41,031
Total expenditures incurred by the City and County of San Francisco	$ 50,131,892

During fiscal year 2014/15, the Transportation Authority incurred capital expenditures of $50.1 million, which were paid to departments within the City, of which $40.5 million was expended on SFMTA projects. SFMTA projects include $24.9 million on the Central Subway, Paratransit, Computer-Aided Dispatch Replacement projects, New Hybrid Coaches Replacement and the Central Control and Communications Projects and $15.6 million on various transit and street maintenance improvements and pedestrian and bicycle projects.

NOTE 7 – REVOLVING CREDIT LOAN

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 loan agreement (Revolver Loan). The commercial paper notes provided a source of financing for the Transportation Authority’s voter-approved Proposition K Expenditure Plan. The Revolver Loan 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 June 8, 2018. The Revolver Loan is secured by a first lien gross pledge of the Transportation Authority’s sales tax. As of June 30, 2015, $134,664,165 of the Revolver Loan was outstanding, with an interest rate of 0.432%.

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 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.

NOTE 8 – PENSION PLANS, (Continued)

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.

The Plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
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
Required employee contribution rates	0.07	0.0625
Required employer contribution rates	0.1215	0.0625

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.

For the year ended June 30, 2015, contributions recognized as part of pension expense were as follows:

Miscellaneous Classic Plan - $342,292 for employer contributions.
Miscellaneous PEPRA Plan - $23,110 for employer contributions.

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

As of June 30, 2015, the Transportation Authority's reported net pension liability for its proportionate shares of the net pension liability of each plan is as follows:

Proportionate Share of Net Pension Liability		
Miscellaneous, Classic	$	1,297,056
Miscellaneous, PEPRA		2,031
Total Net Pension Liability	$	1,299,087

NOTE 8 – PENSION PLANS, (Continued)

The Transportation Authority's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liability is measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

	Miscellaneous Classic	Miscellaneous PEPRA	Total
Proportion - June 30, 2013	$ 1,713,610	$ 2,776	$ 1,716,386
Proportion - June 30, 2014	1,297,056	2,031	1,299,087
Change - Increase (Decrease)	$ (416,554)	$ (745)	$ (417,299)

For the year ended June 30, 2015, the Transportation Authority recognized pension expense of $307,510 for the Miscellaneous Classic plan, and pension expense of $5,357 for Miscellaneous PEPRA plan. On June 30, 2015, the Transportation Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 399,937	$ -
Contributions in excess of proportionate share	156,313	-
Changes in assumptions	-	-
Adjustment due to differences in proportions	-	(131,157)
Net differences between projected and actual earnings on plan investments	-	(389,920)
Total	$ 556,250	$ (521,077)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is $399,937, which will be recognized as a component of pension expense in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2016	$ (88,560)
2017	(88,560)
2018	(90,163)
2019	(97,481)
	$ (364,764)

NOTE 8 – PENSION PLANS, (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions for the Miscellaneous Classic and Miscellaneous PEPRA plans:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Varies by Entry-Age and Service.
(2) Net of pension plan investment expenses, including inflation.
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report available from CalPERS.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plan run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

NOTE 8 – PENSION PLANS, (Continued)

The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Stretegic Allocation	Real Return Years 1 -	Real Return Years 11+(b)
Global Equity	47%	5%	6%
Global Fixed Income	19%	1%	2%
Inflation Sensitive	6%	0%	3%
Private Equity	12%	7%	7%
Real Estate	11%	5%	5%
Infrastructure and Forestland	3%	5%	5%
Liquidity	2%	-1%	-1%
Total	100%		

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

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

The following presents the 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
	6.50%	7.50%	8.50%
Net Pension Liability - Miscellaneous Classic	$ 2,220,886	$ 1,297,056	$ 530,365
Net Pension Liability - Miscellaneous PEPRA	$ 3,620	$ 2,031	$ 713

Pension Plan Fiduciary Net Position

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

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, 2015, the Transportation Authority contributed $138,400, or 100%, of the annual required contribution (ARC) to the CERBT.

The Transportation Authority is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 4.25% of annual covered payroll and was based on the June 30, 2013 actuarial valuation.

Annual OPEB Cost

As of June 30, 2015, the Transportation Authority's annual other postemployment benefit (OPEB) expense of $138,400 was equal to the ARC. The following table represents annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Fiscal Year Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$ 163,000	100%	$ -
6/30/2014	138,400	100%	-
6/30/2015	138,400	100%	-

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial value of plan assets	$	759,600
Actuarial accrued liability (AAL)		1,124,100
Unfunded actuarial accrued liability (UAAL)	$	364,500
Funded ratio (actuarial value of plan assets/AAL)		67.6%
Covered payroll (active plan members)	$	3,253,400
UAAL as a percentage of covered payroll		11.2%

Actuarial Methods and Assumptions

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

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

In the June 30, 2013 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 7.25% representing the long-term rate of investment return on investments with CERBT of 7.61%, net a 0.36% margin for adverse deviations. The assumed annual healthcare trend rates for non-Medicare benefits started at 19.25%, then grades down to 7.50% in plan year starting July 1, 2014 to an ultimate rate of 4.50% by plan year beginning July 1, 2026. The assumed annual healthcare trend rates for Medicare benefits were 4.75% in each of the first two years, then 4.50% per year 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 2013/14.

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 new office located at 1455 Market Street, with a 5-year extension option. The term of the lease commenced on July 1, 2012 and expires on June 30, 2025. Under the lease agreement, the landlord granted the Transportation Authority a rent abatement totaling $522,112 for the period July 1, 2012 through November 30, 2012 and from July 1, 2013 through October 31, 2013 and provided a leasehold allowance credit in the amount of $1,763,180. During the year ended June 30, 2015, the Transportation Authority expended $734,220 towards its office lease and recorded an office lease expense of $756,318 and an amortization expense of $135,629 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, 2015, total copier expenses were $17,812.

The following is a schedule of future minimum lease obligations as of June 30, 2015:

Year ending June 30:	Office Lease	Copier Leases	Total
2016	$ 758,694	$ 17,868	$ 776,562
2017	783,168	15,920	799,088
2018	807,642	-	807,642
2019	832,116	-	832,116
2020	856,590	-	856,590
2021-2025	4,650,060	-	4,650,060
Total future minimum lease obligations	$ 8,688,270	$ 33,788	$ 8,722,058

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, 2015, revenues, staff salaries and fringe benefits for administering the Proposition K Expenditure Plan for the Sales Tax Program were as follows:

Revenue	$ 100,278,511
Expenditures:	
Salaries	524,302
Fringe benefits	29,350
Total	$ 553,652
Percentage of revenue	0.55%

Personnel expenditures of $3,604,051 were reported in the Sales Tax Program Fund, of which $553,652 was related to general administration of the Plan and $3,050,399 was related to planning and programming, which includes monitoring and oversight of Prop K funded projects.

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 – OWNER-CONTROLLED INSURANCE PROGRAM

In February 2002, the Transportation Authority entered into a trust agreement with Chartis Insurance (formerly American Insurance Group) and J.P. Morgan Chase Bank, N.A. on behalf of MUNI to act as the fiduciary administrator for the aggregate deductible loss pool supporting MUNI's Third Street Light Rail Project's Owner-Controlled Insurance Program (OCIP). The Third Street Light Rail Project OCIP is an umbrella insurance program that provides commercial general liability, excess liability, workers' compensation, pollution liability and railroad liability coverage for those Third Street Light Rail Project construction contracts included in the program. The escrow account for the aggregate deductible loss pool was established for $4,621,400 at the inception of the OCIP, and is used to pay claims as determined by the City's Office of the City Attorney, MUNI and Chartis Insurance. The Transportation Authority is acting solely as a fiduciary administrator for the escrow account, and has no responsibility for managing the OCIP claims management or settlement. As of June 30, 2015, the Transportation Authority has $693,720 in escrow accounts to fund claims related to MUNI's Third Street Light Rail Project.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Commitments

The Transportation Authority's outstanding commitments totaled $534,769,605 at June 30, 2015. This amount is comprised of $495,944,721 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, 2015, the Transportation Authority has $14,596,736, $24,043,205 and $184,943 encumbered in the Sales Tax Program, the Congestion Management Agency Programs and the Treasure Island Mobility Management Agency, 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 Yerba Buena Island (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 Improvement Project and the YBI West Side Bridge project (collectively known as the YBI Interchange Improvement 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.

NOTE 14 - COMMITMENTS AND CONTINGENCIES, (Continued)

Under the terms of the agreement, TIDA will repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed $18,830,000. The repayment to the Transportation Authority may be paid by TIDA in 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. On June 29, 2015, TIDA repaid the Transportation Authority in the amount of $5,419,446, following 30 days after the close of escrow for initial transfer of property from the Navy to TIDA which occurred on May 29, 2015. As of June 30, 2015, the outstanding balance due to the Transportation Authority is $4,998,336 for the loan and $505,252 for accrued interest costs.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

As discussed under Note 1, the Transportation Authority implemented GASB 68 effective July 1, 2014. Refer to Note 8 for further disclosures related to the plan and related balances. As a result of the implementation, the Transportation Authority restated beginning net position for governmental activities as noted below:

	Government-Wide Governmental Activities
Beginning of year, net position as previously reported	$ (35,933,775)
Contributions after the measurement date - deferred outflows of resources	365,402
Net pension liability as of the measurement date of June 30, 2013	(1,716,386)
Beginning of year, net position as restated	$ (37,284,759)

NOTE 15 – PRIOR PERIOD ADJUSTMENTS, (Continued)

Following is the pro forma effect of the retroactive application:

	June 30, 2014 Previously Presented	Restatement	June 30, 2014 Restated
Deferred outflows of resources	$ -	$ 365,402	$ 365,402
Net pension liability	-	(1,716,386)	(1,716,386)
Total restatement of net position	$ -	$ (1,350,984)	$ (1,350,984)

In accordance with GASB Statement No. 68, the restatement of all deferred outflows and inflows was not practical and therefore not included in the statement of beginning balances.

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Schedules of Funding Progress and Employer Contributions

For the Year Ended June 30, 2015

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, 2013.

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age	(C) Unfunded AAL (UAAL) (Excess Assets) [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C) / (E)]
1/1/2010	$ 173,000	$ 374,000	$ 201,000	46.3%	$ 2,858,000	7.0%
6/30/2011	405,000	671,000	266,000	60.4%	3,251,000	8.2%
6/30/2013	759,600	1,124,100	364,500	67.6%	3,253,400	11.2%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2010	$ 110,000	$ 110,000	100.0%
June 30, 2011	113,000	113,000	100.0%
June 30, 2012	158,000	158,000	100.0%
June 30, 2013	163,000	163,000	100.0%
June 30, 2014	138,000	138,000	100.0%
June 30, 2015	138,000	138,000	100.0%

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedules

For the Year Ended June 30, 2015

	Sales Tax Program General Fund			
	Budget Amounts			Positive (Negative) Variance Final
	Original	Final	Actual	to Actual
Revenues and Transfers In				
Sales tax	$ 91,826,191	$ 98,823,000	$ 100,278,511	$ 1,455,511
Investment income	386,049	340,233	456,413	116,180
Program revenues:				
Federal	-	10,609	-	(10,609)
State	-	48,310	-	(48,310)
Regional and other	-	1,408,129	-	(1,408,129)
Proceeds from revolver credit loan	-	-	134,664,165	134,664,165
Project refunds and other revenue	5,614,230	5,636,081	179,593	(5,456,488)
Transfers in from other funds	-	1,008,252	1,054,929	46,677
Total Revenues and Transfers In	97,826,470	107,274,614	236,633,611	129,358,997
Expenditures and Transfers Out				
Current - transportation and capital projects:				
Personnel expenditures	3,603,401	4,224,161	3,604,051	620,110
Non-personnel expenditures	2,552,532	2,442,678	2,041,789	400,889
Capital project costs	152,078,267	130,249,492	73,456,244	56,793,248
Capital outlay	258,000	258,000	52,965	205,035
Transfers out to other funds	2,140,030	-	244,664	(244,664)
Debt service				
Interest and fiscal charges	1,786,600	1,786,600	1,468,189	318,411
Total Expenditures and Transfers Out	162,418,830	138,960,931	80,867,902	58,093,029
Change in Fund Balance	(64,592,360)	(31,686,317)	155,765,709	187,452,026
Fund Balance (Deficit) - Beginning	(56,173,557)	(56,173,557)	(56,173,557)	-
Fund Balance (Deficit) - Ending	$ (120,765,917)	$ (87,859,874)	$ 99,592,152	$ 187,452,026

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedules

For the Year Ended June 30, 2015

	Congestion Management Agency Programs			
	Budgeted Amounts			Positive (Negative) Variance Final
	Original	Final	Actual	to Actual
Revenues				
Program Revenues				
Federal	$ 42,170,530	$ 36,149,974	$ 34,331,503	$ (1,818,471)
State	5,078,696	4,207,277	3,798,590	(408,687)
Regional and other	3,452,278	5,703,941	4,232,041	(1,471,900)
Transfers in from other funds	2,140,030	-	-	-
Total Revenues and Transfers In	52,841,534	46,061,192	42,362,134	(3,699,058)
Expenditures				
Current - transportation and capital projects				
Personnel expenditures	1,871,526	1,717,435	1,588,692	128,743
Non-personnel expenditures	153,000	285,154	113,865	171,289
Capital project costs	50,817,008	43,243,711	39,604,648	3,639,063
Transfers out to other funds	-	814,892	1,054,929	(240,037)
Total Expenditures and Transfers Out	52,841,534	46,061,192	42,362,134	3,699,058
Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	$ -	$ -	$ -	$ -

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedules
For the Year Ended June 30, 2015

	Transportation Fund for Clean Air Program			
	Budgeted Amounts			Positive (Negative) Variance Final to Actual
	Original	Final	Actual	
Revenues				
Investment income	$ 2,677	$ 2,677	$ 2,166	$ (511)
Program revenues				
Regional and other	747,116	749,793	741,642	(8,151)
Total Revenues	749,793	752,470	743,808	(8,662)
Expenditures				
Current - transportation and capital projects				
Personnel expenditures	37,355	37,355	33,349	4,006
Non-personnel expenditures	-	-	3,637	(3,637)
Capital project costs	809,871	983,056	355,800	627,256
Total Expenditures	847,226	1,020,411	392,786	627,625
Change in Fund Balance	(97,433)	(267,941)	351,022	618,963
Fund Balance - Beginning	756,482	756,482	756,482	-
Fund Balance - Ending	$ 659,049	$ 488,541	$ 1,107,504	$ 618,963

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedules
For the Year Ended June 30, 2015

	Vehicle Registration Fee for Transportation Improvements Program			
	Budget Amounts			Positive (Negative) Variance Final
	Original	Final	Actual	to Actual
Revenues				
Vehicle registration fee	$ 4,727,718	$ 4,727,718	$ 4,862,063	$ 134,345
Investment income	3,280	3,280	4,266	986
Total Revenues	4,730,998	4,730,998	4,866,329	135,331
Expenditures				
Current - transportation and capital projects				
Personnel expenditures	109,689	109,689	90,125	19,564
Non-personnel expenditures	151,698	176,698	123,637	53,061
Capital project costs	10,458,813	10,458,813	8,366,725	2,092,088
Total Expenditures	10,720,200	10,745,200	8,580,487	2,164,713
Change in Fund Balance	(5,989,202)	(6,014,202)	(3,714,158)	2,300,044
Fund Balance - Beginning	11,025,549	11,025,549	11,025,549	-
Fund Balance - Ending	$ 5,036,347	$ 5,011,347	$ 7,311,391	$ 2,300,044

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedules
For the Year Ended June 30, 2015

	Treasure Island Mobility Management Agency			
	Budgeted Amounts			Positive (Negative) Variance Final to Actual
	Original	Final	Actual	
Revenues				
Program revenues				
Federal	$ 497,799	$ 805,423	$ 472,627	$ (332,796)
Regional and other	250,000	300,000	-	(300,000)
Transfers in from other funds	-	-	244,664	244,664
Total Revenues and Transfers In	747,799	1,105,423	717,291	(388,132)
Expenditures				
Current - transportation and capital projects				
Personnel expenditures	353,799	461,834	371,665	90,169
Non-personnel expenditures	65,000	17,700	26,043	(8,343)
Capital project costs	329,000	432,529	319,583	112,946
Transfers out to other funds	-	193,360	-	193,360
Total Expenditures and Transfers Out	747,799	1,105,423	717,291	388,132
Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	$ -	$ -	$ -	$ -

The notes to required supplementary information is 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, 2015

Miscellaneous, Classic

	2015 (1)
Proportion of the Net Pension Liability	0.04831%
Proportionate Share of the Net Pension Liability	$ 1,297,056
Covered-Employee Payroll at the 2014 Measurement Date	$ 3,096,958
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	41.88%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.37%

Miscellaneous, PEPRA

	2015 (1)
Proportion of the Net Pension Liability	0.00003%
Proportionate Share of the Net Pension Liability	$ 2,031
Covered-Employee Payroll at the Measurement Date	$ 166,850
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	1.22%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.04%

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Schedule of Pension Contributions
For the Year Ended June, 30, 2015

	2015 [1]	2014 [1]
Contractually required contribution (actuarially determined)	$ 399,932	$ 365,402
Contributions in relation to the actuarially determined contributions	(399,932)	(365,402)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 3,716,928	$ 3,263,808
Contributions as a percentage of covered-employee payroll	10.76%	11.20%

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

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

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, 2015

Program Description	Catalog of Federal Domestic Assistance	Grant No.	Grant Approval Date	Approved Federal Award	Federal Expenditures: Cumulative Expenditures Prior to July 1, 2014	Federal Expenditures: Expenditures July 1, 2014 Through June 30, 2015	Federal Expenditures: Cumulative Expenditures Through June 30, 2015	Available Balance	Amount Provided to Subrecipients
U.S. Department of Transportation									
Federal Highway Administration:									
Highway Research and Development Program									
Passed through - Metropolitan Transportation Commission									
Strategic Highway Research Plan	20.200	SHRP2L-6084(192)	11/12/14	$ 310,000	$ -	$ 53,349	$ 53,349	$ 256,651	$ -
Travel Model Research	20.200	ATF5512L-6084(184)	08/09/13	90,000	-	4,830	4,830	85,170	-
Highway Planning and Construction									
Passed through - Metropolitan Transportation Commission									
Surface Transportation Plan (STP): Transportation Planning and Programming	20.205	C002683	07/01/12	3,568,000	1,341,277	373,490	1,714,767	1,853,233	-
STP: Treasure Island Mobility Management	20.205	N/A	01/01/13	500,000	24,000	392,209	416,209	83,791	-
Passed through - State California Department of Transportation									
eFleet: Carsharing Electrified	20.205	CML-6272(033)	12/28/11	1,700,000	435,776	521,202	956,978	743,022	510,701
Integrated Public Private Partnership Travel Demand Management Program (TDM)	20.205	CML-6272(034)	04/25/11	750,000	576,699	132,088	708,787	41,213	-
San Francisco Value Pricing and Regulation Study	20.205	VPPL-6272(037)	08/17/12	480,000	145,969	152,457	298,426	181,574	-
Treasure Island Mobility Management	20.205	VPPL-6272(041)	08/15/13	480,000	150,577	296,627	447,204	32,796	-
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	17,526,260	28,562,356	46,088,616	27,830,439	-

See accompanying notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Program Description	Catalog of Federal Domestic Assistance	Grant No.	Grant Approval Date	Approved Federal Award	Federal Expenditures: Cumulative Expenditures Prior to July 1, 2014	Federal Expenditures: Expenditures July 1, 2014 through June 30, 2015	Federal Expenditures: Cumulative Expenditures Through June 30, 2015	Available Balance	Amount Provided to Subrecipients
Yerba Buena Island Viaduct Structure #1 [(1)]	20.205	STPLZ-6272(024)	09/10/10	307,490	191,400	6,209	197,609	109,881	-
Yerba Buena Island Viaduct Structure #2	20.205	STPLZ-6272(026)	09/10/10	9,580,185	2,636,599	628,064	3,264,663	6,315,522	-
Yerba Buena Island Viaduct Structure #3	20.205	STPLZ-6272(027)	09/10/10	2,115,897	1,291,759	511,561	1,803,320	312,577	-
Yerba Buena Island Viaduct Structure #4	20.205	STPLZ-6272(028)	09/10/10	703,068	350,433	190,872	541,305	161,763	-
Yerba Buena Island Viaduct Structure #6	20.205	STPLZ-6272(029)	09/10/10	527,874	411,885	115,989	527,874	-	-
Yerba Buena Island Viaduct Structure #7A	20.205	STPLZ-6272(030)	09/10/10	155,745	135,097	17,401	152,498	3,247	-
Yerba Buena Island Viaduct Structure #7B	20.205	STPLZ-6272(031)	09/10/10	214,476	149,171	40,810	189,981	24,495	-
Yerba Buena Island Viaduct Structure #8	20.205	STPLZ-6272(032)	09/10/10	269,407	214,295	30,080	244,375	25,032	-
Total Federal Highway Administration				95,671,197	25,581,197	32,029,594	57,610,791	38,060,406	510,701
Federal Transit Administration:									
Federal Transit Capital Investment Grants									
Passed through - San Francisco Municipal Transportation Agency									
Van Ness Bus Rapid Transit	20.500	A06/07-34	02/08/11	560,000	-	471,762	471,762	88,238	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research [(2)]									
Passed through - State California Department of Transportation									
San Francisco Freeway Performance Initiative Study	20.505	74A0843	04/15/15	300,000	-	21,952	21,952	278,048	-
Geneva-Harney Way Bus Rapid Transit Feasibility Study	20.505	74A0716	03/01/13	300,000	94,500	205,477	299,977	23	-
Total Federal Transit Administration				1,160,000	94,500	699,191	793,691	366,309	-
Total Expenditures of Federal Awards				$ 96,831,197	$ 25,675,697	$ 32,728,785	$ 58,404,482	$ 38,426,715	$ 510,701

Note:
(1) During Fiscal Year 2014/15, the California Department of Transportation increased the award amounts for Yerba Buena Island Viaduct Structures #1, #2, #4, #7A, #7B, and #8.
(2) The former CFDA# 20.515 has been discontinued. CFDA# 20.505 incorporates both the Statewide Transportation system and the Metropolitan Transportation system into one CFDA.

See accompanying notes to supplementary information.

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with 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 and each major fund 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, 2015, 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 22, 2015. Our report contains an emphasis of matter regarding adoption of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* as of July 1, 2014.

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.

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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 22, 2015

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on the Major Federal Program

In our opinion, 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, 2015.

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 Transportation Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Transportation Authority internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 22, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Summary of Auditor's Results
For the Year Ended June 30, 2015

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	None
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	None

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	$ 981,864
Auditee qualified as low-risk auditee?	Yes

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Federal Awards Findings and Questioned Costs
For the Year Ended June 30, 2015

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

None reported.