San Francisco County Transportation Authority

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Memorandum

Date: 11.10.14

RE: Finance Committee
November 18, 2014

To: Finance Committee: Commissioners Cohen (Chair), Wiener (Vice Chair), Chiu, Farrell, Tang and Avalos (Ex Officio)

From: Cynthia Fong – Deputy Director for Finance and Administration

Through: Tilly Chang – Executive Director

Subject: **ACTION** – Recommend Acceptance of the Audit Report for the Fiscal Year Ended June 30, 2014

Summary

The Transportation Authority's financial records are required to be audited annually by an independent, certified public accountant. The annual audit (Audit Report) for the year ended June 30, 2014 was conducted in accordance with generally accepted auditing standards by the independent, certified public accounting firm of Macias, Gini & O'Connell, LLP (Macias Gini). Macias Gini is also the auditor for the City and County of San Francisco. The Transportation Authority received all unmodified (also known as a clean opinion/unqualified opinion) audit opinions from Macias Gini, with no findings or recommendations for improvements. For the fiscal audit, Macias Gini has issued an opinion, stating that the financial statements present fairly, in all material respects, the financial position of the Transportation Authority. Since more than $500,000 in federal grants was expended during the year, a single audit (compliance audit) was performed on the Yerba Buena Island Ramps and Bridge Structures Project, eFleet: Carsharing Electrified Project, Integrated Public Private Partnership Travel Demand Management Program, San Francisco Value Pricing and Regulation Study, Treasure Island Mobility Management Program, and Congestion Management Agency Planning and Programming funded by the Surface Transportation Program. For the single audit, Macias Gini has issued an opinion, stating the Transportation Authority complied in all material respects with the compliance requirements that could have a direct and material effect on the federal funds audited. The full audit report and a separate report containing other required communications to the Finance Committee are attached. **We are seeking a recommendation to accept the Audit Report for the fiscal year ended June 30, 2014.**

BACKGROUND

Under its fiscal policy, the Transportation Authority's financial records are to be audited annually by an independent, certified public accounting firm. The audits for the fiscal year ended June 30, 2014 (Audit Report) were conducted in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The Audit Report contains formal opinions, or disclaimers thereof, issued by an independent, certified public accounting firm as a result of an external audit performed on an agency. An unmodified opinion (also known as a clean opinion/unqualified opinion) is the best type of report an agency may receive from an external audit and represents that the agency complied with direct and material regulatory requirements or that the agency's financial condition, position, and operations in all material respects were fairly presented.

As more than $500,000 in federal expenditures was expended during the fiscal year, the Transportation Authority also was subject to the federal single audit compliance requirements. Both the fiscal audit and the single audit were performed by the independent, certified public accounting firm of Macias, Gini, and O'Connell, LLP (Macias Gini). Macias Gini is also the independent auditor for the City and County of San Francisco.

DISCUSSION

The Audit Report includes the overall basic financial statements, a management discussion and analysis of the Transportation Authority's financial performance during that fiscal year, notes and required supplemental information, and the results from the single audit of federal awards. Financial performance of the Transportation Authority is described in the management's discussion and analysis section. This section includes specific financial analysis, budgetary comparison schedules presented for major funds, and accompanying notes included as supplementary information for the statements.

We are pleased to note that Macias Gini issued all unmodified (clean/unqualified) opinions and the Transportation Authority received no findings or recommendations for improvements. For the annual audit, Macias Gini has issued an opinion, stating that the financial statements present fairly, in all material respects, the financial position of the Transportation Authority. Since more than $500,000 in federal grants was expended during the year, a single audit (compliance audit) was performed on the Yerba Buena Island Ramps and Bridge Structures Project, eFleet: Carsharing Electrified Project, Integrated Public Private Partnership Travel Demand Management Program, San Francisco Value Pricing and Regulation Study, Treasure Island Mobility Management Program, and Congestion Management Agency Planning and Programming funded by the Surface Transportation Program. For the single audit, Macias Gini has issued an opinion, stating that the Transportation Authority complied in all material respects with the compliance requirements that could have a direct and material effect on the federal funds audited. The full audit report and a separate report regarding other required communications to the Finance Committee are attached.

We are seeking a recommendation to accept the Audit Report for the fiscal year ended June 30, 2014.

ALTERNATIVES

1. Recommend acceptance of the Audit Report for the fiscal year ended June 30, 2014.
2. Recommend acceptance of the Audit Report for the fiscal year ended June 30, 2014, with modifications.
3. Defer action, pending additional information or further staff analysis.

CAC POSITION

None. This item will be presented at the December 3, 2014 meeting of the Citizens Advisory Committee (CAC).

FINANCIAL IMPACTS

There are no financial impacts on the Transportation Authority's budget from the proposed action.

RECOMMENDATION

Recommend acceptance of the Audit Report for the fiscal year ended June 30, 2014.

Attachments (2):

1. Audit Report for the Year Ended June 30, 2014
2. Report to the Finance Committee for the Year Ended June 30, 2014

SAN FRANCISCO COUNTY
TRANSPORTATION AUTHORITY

Annual Financial Report

For the Year Ended June 30, 2014

MGO Certified Public Accountants.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Annual Financial Report
For the Year Ended June 30, 2014

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MGO Certified Public Accountants.

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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Transportation Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the San Francisco County Transportation Authority as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7 , 2014 on our consideration of the Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transportation Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 7, 2014

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, 2014. 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) 2013/14 by $35.9 million. Of the net position, $2.8 million was for net investment in capital assets, $342 thousand was restricted for debt service, $12.2 million was restricted for capital projects, and a negative balance of $51.2 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, and vehicle registration fee for transportation improvements program funds. The reporting of the commercial paper debt program, 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 $3.9 million as compared to the prior year. Other non-cash assets (assets other than cash, deposits, and investments) increased by $9.6 million as compared to the prior year.

- The Transportation Authority's total net position increased $25.2 million during the year ended June 30, 2014, as compared to a decrease of $17.3 million in the prior year. Sales tax revenues increased by $8.2 million from the prior year. Investment income increased by $617 thousand, due to unrealized gains in the Transportation Authority's investment in the City and County of San Francisco Treasury Pool and other revenues increased $4.9 million. This year to year variance is largely due to the construction activities for the Interstate 80/Yerba Buena Island Ramps Improvement Project (YBI Ramps) project. Transportation and capital projects expenses decreased by $29 million during the year ended June 30, 2014 due to project delays including the Transit Effectiveness Project, Transbay Transit Center Project, and Radio System Replacement Project.

- The Transportation Authority had negative governmental fund balances of $44.4 million. Of this amount, $249 thousand is nonspendable, $343 thousand is restricted for debt service, $0.8 million is restricted for the capital projects in Transportation Fund for Clean Air Program Fund and $11 million for capital projects in the Vehicle Registration Fee for Transportation Improvements Program Fund, and $56.8 million is an unassigned negative fund balance. The Transportation Authority's governmental funds balances increased by $23.5 million in comparison with the prior year. The negative fund balance in the governmental funds balance sheet occurred in part because the Transportation Authority's capital projects are implemented over the course of several fiscal periods and are funded with short-term financing. The negative governmental fund balance reflects no more than the Transportation Authority's intent to fund a portion of the long-term capital project expenditures in future years.

- The Transportation Authority went from a cash ("pay-as-you-go") financing basis to a borrowing entity in March 2004. The Board of Commissioners authorized the issuance by the Transportation Authority of up to $200 million of commercial paper notes. The Transportation Authority issued $50 million of commercial paper on April 14, 2004, with a second tranche of $100 million issued on September 2, 2004. During FY 2013/14 the Transportation Authority worked with sponsors to forecast the financing needed for capital projects in FY 2014/15. As a result of this analysis, $15 million of commercial paper notes was redeemed during FY 2013/14, and at June 30, 2014, $135 million in commercial paper notes was outstanding.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Quality	Government-wide Financial Statements	Governmental Fund Accounting Financial Statements	Fiduciary Fund Financial Statements
Scope	Entire Transportation Authority	Activities of the Transportation Authority that are not proprietary or fiduciary	Instances in which the Transportation Authority administers resources on behalf of others
Required Statements	• Statement of Net Position • Statement of Activities (both government-wide)	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund 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 and long-term liabilities, on a full accrual basis of accounting similar to the accounting model used by private sector firms.

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Transportation Authority's statement of net position shows liabilities exceeded its assets by $35.9 million at June 30, 2014. Cash, deposits and investments increased by $3.9 million overall due to timing of payments related to FY 2012/13 expenditures while transportation and capital expenses for FY 2013/14 decreased $29 million over the prior year. The other assets category increased by $9.8 million as compared to the prior year mainly due to an increase in program receivables balance due to grant reimbursements related to construction activities for the YBI Ramps project and increase in sales tax receivable due to increase in overall FY 2013/14 sales tax revenues. Other assets include $17.7 million in sales tax receivables, $18.6 million in outstanding program and other receivables (including amounts due from the City and County of San Francisco) and $10.6 million in intergovernmental loan made to the Treasure Island Development Authority (TIDA) for the Yerba Buena Island Interchange Improvement Project. For the year ended June 30, 2014, the loan increased by $271 thousand and as of June 30, 2014 TIDA has $10.6 million of the loan outstanding, which includes accrued interest.

Table 2
Statement of Net Position (in thousands)

	June 30, 2014	June 30, 2013	$ Change	% Change
Assets:				
Cash, deposits, and investments	$ 70,983	$ 67,080	$ 3,903	5.8%
Other assets	48,134	38,364	9,770	25.5%
Capital assets	2,805	3,008	(203)	-6.7%
Total assets	121,922	108,452	13,470	12.4%
Liabilities:				
Current and other liabilities	157,856	169,602	(11,746)	-6.9%
Net Position:				
Net investment in capital assets	2,805	3,008	(203)	-6.7%
Restricted for debt service	342	300	42	14.0%
Restricted for capital projects	12,153	10,624	1,529	14.4%
Unrestricted deficit	(51,234)	(75,082)	23,848	31.8%
Total net position	$ (35,934)	$ (61,150)	$ 25,216	41.2%

The Transportation Authority's accounts payable liability balance was $3.5 million more than prior year due mainly to the increased construction activities for the YBI Ramps project. The Transportation Authority's restricted for capital projects of $12.2 million represents resources subject to funding source constraints. The negative unrestricted net position amount of $51.2 million represents a deficit due to commercial paper financing, which will be eliminated with future revenues. The Transportation

Authority's outstanding commitments are described in Note 14 of the basic financial statements. A portion of the Transportation Authority's net position of $342 thousand reflects the debt service reserves required to support the Transportation Authority commercial paper debt program. The $2.8 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, 2014	June 30, 2013	$ Change	% Change
Revenues:				
General:				
Sales tax	$ 93,930	$ 85,753	$ 8,177	9.5%
Vehicle registration fee	4,882	4,724	158	3.3%
Investment income	638	21	617	2938.1%
Other	304	678	(374)	-55.2%
Program operating grants and contributions	17,588	12,703	4,885	38.5%
Total revenues	117,342	103,879	13,463	13.0%
Expenses:				
Transportation and capital projects	90,772	119,741	(28,969)	-24.2%
Interest	1,354	1,483	(129)	-8.7%
Total expenses	92,126	121,224	(29,098)	-24.0%
Change in net position	25,216	(17,345)	42,561	245.4%
Net position, beginning	(61,150)	(43,805)	(17,345)	-39.6%
Net position, ending	$ (35,934)	$ (61,150)	$ 25,216	41.2%

The Transportation Authority's net position increased $25.2 million for the year ended June 30, 2014. During the period, sales tax revenues increased by $8.2 million or 9.5% 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 increased by $617 thousand due to unrealized gains in the Transportation Authority's investment in the City and County of San Francisco Treasury Pool. Program revenues increased by $4.9 million due to increased construction activities for the YBI Ramps project.

For the year ended June 30, 2014, transportation and capital projects expenses were $29 million less than prior year, mainly due to project delays including the Transit Effectiveness Project, Transbay Transit Center Project, and Radio System Replacement 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, 2014						
	Sales Tax Program	Congestion Management Agency Programs	Transportation For Clean Air Program	Vehicle Registration Fee For Transportation Improvements Program	Total	June 30, 2013	$ Change
Assets:							
Cash, deposits, and investments	$ 57,751	$ -	$ 1,447	$ 11,785	$ 70,983	$ 67,080	$ 3,903
Other assets	36,371	15,381	371	843	52,966	40,540	12,426
Total assets	$ 94,122	$ 15,381	$ 1,818	$ 12,628	$ 123,949	$ 107,620	$ 16,329
Liabilities, deferred inflows of resources and fund balances (deficits):							
Liabilities:							
Current and other liabilities	$ 148,424	$ 9,147	$ 690	$ 1,603	$ 159,864	$ 169,149	$ (9,285)
Deferred inflows of resources:							
Unavailable program revenue	1,871	6,234	371	-	8,476	6,359	2,117
Fund balances (deficits):							
Nonspendable	249	-	-	-	249	82	167
Restricted for:							
Debt service	343	-	-	-	343	300	43
Capital projects	-	-	757	11,025	11,782	10,623	1,159
Unassigned	(56,765)	-	-	-	(56,765)	(78,893)	22,128
Total fund balances (deficits)	(56,173)	-	757	11,025	(44,391)	(67,888)	23,497
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 94,122	$ 15,381	$ 1,818	$ 12,628	$ 123,949	$ 107,620	$ 16,329

At June 30, 2014, the Transportation Authority's governmental funds reported combined ending negative fund balances of $44.4 million, a decrease of $23.5 million as compared to the prior year. The total fund balances are composed of a balance of $249 thousand nonspendable for prepaid costs and deposits, $343 thousand restricted for debt service, a balance of $11.8 million restricted for the capital projects, and a negative unassigned fund balance of $56.8 million.

Table 5

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

	For the Year Ended June 30, 2014						
	Sales Tax Program	Congestion Management Agency Programs	Transportation For Clean Air Program	Vehicle Registration Fee For Transporation Improvements Program	Total	Year Ended June 30, 2013	$ Change
Revenues:							
Sales tax	$ 93,931	$ -	$ -	$ -	$ 93,931	$ 85,754	$ 8,177
Vehicle registration fee	-	-	-	4,882	4,882	4,725	157
Investment income	632	-	2	4	638	20	618
Program revenues	3,800	11,291	379	-	15,470	36,535	(21,065)
Lease Incentive	-	-	-	-	-	1,763	(1,763)
Other	81	88	-	-	169	542	(373)
Total revenues	98,444	11,379	381	4,886	115,090	129,339	(14,249)
Expenditures:							
Transportation and capital projects	65,903	20,228	416	3,692	90,239	119,180	(28,941)
Interest	1,354	-	-	-	1,354	1,483	(129)
Total expenditures	67,257	20,228	416	3,692	91,593	120,663	(29,070)
Excess (deficiency) of revenues (under) expenditures	31,187	(8,849)	(35)	1,194	23,497	8,676	14,821
Other financing sources (uses):							
Transfers in	-	8,849	-	-	8,849	2,741	6,108
Transfers out	(8,849)	-	-	-	(8,849)	(2,741)	(6,108)
Net change in fund balances	22,338	-	(35)	1,194	23,497	8,676	14,821
Fund balances (deficit), beginning	(78,511)	-	792	9,831	(67,888)	(76,564)	8,676
Fund balances (deficit), end of year	$ (56,173)	$ -	$ 757	$ 11,025	$ (44,391)	$ (67,888)	$ 23,497

Total revenues for the Transportation Authority's activities totaled $115.1 million in FY 2013/14, a decrease of $14.2 million from FY 2012/13. As compared to the prior year, sales tax revenues increased by $8.2 million, investment income increased by $618 thousand, and program revenues decreased by $21.1 million. Expenditures for the Transportation Authority's activities totaled $91.6 million and decreased by $29.1 million from FY 2012/13. At June 30, 2014, revenues for governmental funds exceeded expenditures by $23.5 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 budgetary fund balances decreased from the original budget by $176.5 million. The majority of the variance is due to the timing of capital projects expenditure requests from sponsors and the resulting changing needs for the timing of the issuance and payments of commercial paper debt. In the final budget process, the Transportation Authority, working with sponsors, determined that additional debt financing was not necessary in FY 2013/14 and that $15 million of commercial paper could be redeemed during the fiscal year. In addition, budgetary resources and appropriations related to several capital projects were revised resulting in an overall decrease in budgetary capital expenditures due to revised project estimated costs and project delays.

During the year, actual resources were more than the final budgetary estimates by $6.9 million for all Transportation Authority's programs, not including the carryover budgetary fund balance. The majority of the variance is due to the increased Sales Tax revenues reflecting an improved economy and Congestion Management Agency Program revenues from federal funds for the Yerba Buena Island project.

Actual charges to appropriations were less than budgetary estimates by $37.8 million. This amount includes a positive favorable variance of $41.1 million in capital project costs and an unfavorable variance of $4.6 million in transfers to other funds. 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 2013/14, which resulted in idle cash available to reduce the commercial paper note liability in the amount of $15.0 million. The variance of $4.6 million in transfers from the sales tax program fund to the congestion management agency programs fund is principally due the timing of the local match requirements for the Yerba Buena Island project. Additional information on the Transportation Authority's budgetary comparison schedules for all programs can be found on pages 40 through 44 of this report.

CAPITAL ASSETS

The Transportation Authority's investment in capital assets as of June 30, 2014, amounted to $2.8 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 29 of this report.

COMMERCIAL PAPER NOTES

In March 2004, the Transportation Authority authorized $200 million of commercial paper notes to finance the costs of acquiring, constructing and implementing certain transportation improvements included in the Transportation Authority's Proposition K Expenditure Plan. These notes will be repaid from sales tax revenues. During the prior year, Fitch Ratings, Inc. assigned a rating of "AA+" over the Commercial Paper Notes (Limited Tax Bonds), Series 2004A and Series 2004B. As of June 30, 2014, the Transportation Authority has $135 million of commercial paper notes outstanding. Additional information on the Transportation Authority's commercial paper notes can be found in Note 7 on page 31 of this report.

On July 10, 2012, the Transportation Authority entered into a three-year credit facility with Wells Fargo Bank, National Association, in an amount equal to $217.8 million. The credit facility will expire on July 10, 2015 and has a fee of 45 basis points of the annual maximum debt service amount. Additional information on the Transportation Authority's credit facility can be found in Note 7 on page 31 of this report.

REQUESTS FOR INFORMATION

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Governmental Activities
June 30, 2014

Assets:	
Cash in bank	$ 17,695,946
Deposits and investments with City Treasurer	52,944,541
Restricted investments with fiscal agents	342,674
Sales tax receivable	17,703,874
Vehicle registration fee receivable	843,311
Interest receivable from City and County of San Francisco	104,297
Program receivables	18,053,886
Receivable from the City and County of San Francisco	531,821
Other receivables	41,492
Intergovernmental loan receivable	10,606,801
Prepaid costs and deposits	249,102
Capital assets - depreciable, net	2,804,523
Total assets	121,922,268
Liabilities:	
Accounts payable	13,037,919
Accounts payable to the City and County of San Francisco	6,869,941
Accrued salaries and taxes	105,217
Interest payable	19,139
Commercial paper notes payable	135,000,000
Unearned rent abatement	711,001
Unearned leasehold incentive	1,491,920
Accrued compensated absences	620,906
Total liabilities	157,856,043
Net position:	
Net investment in capital assets	2,804,523
Restricted for debt service	342,674
Restricted by enabling legislation for capital projects	12,153,268
Unrestricted deficit	(51,234,240)
Total net position	$ (35,933,775)

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Statement of Activities

Governmental Activities

For the Year Ended June 30, 2014

	Total	Transportation and Capital Projects	Interest
Expenses	$ 92,126,066	$ 90,771,643	$ 1,354,423
Program revenues:			
Operating grants and contributions	17,587,975	17,587,975	-
Net program expense	(74,538,091)	$ (73,183,668)	$ (1,354,423)
General revenues:			
Sales tax	93,930,566		
Vehicle registration fee	4,881,668		
Investment income	637,677		
Other	304,466		
Total general revenues	99,754,377		
Change in net position	25,216,286		
Net position, beginning of year	(61,150,061)		
Net position, end of year	$ (35,933,775)		

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2014

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Total
Assets:					
Cash in bank	$ 4,464,295	$ -	$ 1,446,553	$ 11,785,098	$ 17,695,946
Deposits and investments with City Treasurer	52,944,541	-	-	-	52,944,541
Restricted investments with fiscal agent	342,674	-	-	-	342,674
Sales tax receivable	17,703,874	-	-	-	17,703,874
Vehicle registration fee receivable	-	-	-	843,311	843,311
Interest receivable from					
City and County of San Francisco	104,297	-	-	-	104,297
Program receivables:					
Federal	-	14,235,158	-	-	14,235,158
State	-	295,102	-	-	295,102
Other	2,869,134	283,255	371,237	-	3,523,626
Receivable from the					
City and County of San Francisco	-	531,821	-	-	531,821
Other receivables	6,264	35,228	-	-	41,492
Intergovernmental loan receivable	10,606,801	-	-	-	10,606,801
Due from other funds	4,830,966	-	-	-	4,830,966
Prepaid costs and deposits	249,102	-	-	-	249,102
Total assets	$ 94,121,948	$ 15,380,564	$ 1,817,790	$ 12,628,409	$ 123,948,711
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit):					
Liabilities:					
Accounts payable	$ 7,661,297	$ 4,758,723	$ 117,056	$ 500,843	$ 13,037,919
Accounts payable to the					
City and County of San Francisco	5,638,355	55,411	154,089	1,022,086	6,869,941
Accrued salaries and taxes	105,217	-	-	-	105,217
Interest payable	19,139	-	-	-	19,139
Due to other funds	-	4,332,109	418,926	79,931	4,830,966
Commercial paper notes payable	135,000,000	-	-	-	135,000,000
Total liabilities	148,424,008	9,146,243	690,071	1,602,860	159,863,182
Deferred Inflows of Resources:					
Unavailable program revenues	1,871,497	6,234,321	371,237	-	8,477,055
Fund Balances (Deficit):					
Nonspendable	249,102	-	-	-	249,102
Restricted for:					
Debt service	342,674	-	-	-	342,674
Capital projects	-	-	756,482	11,025,549	11,782,031
Unassigned	(56,765,333)	-	-	-	(56,765,333)
Total fund balances (deficit)	(56,173,557)	-	756,482	11,025,549	(44,391,526)
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 94,121,948	$ 15,380,564	$ 1,817,790	$ 12,628,409	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.					2,804,523
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds.					
Program receivables					8,477,055
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:					
Unearned leasehold incentive					(1,491,920)
Unearned rent abatement					(711,001)
Accrued compensated absences					(620,906)
Net position of governmental activities					$ (35,933,775)

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Total
Revenues:					
Sales tax	$ 93,930,566	$ -	$ -	$ -	$ 93,930,566
Vehicle registration fee	-	-	-	4,881,668	4,881,668
Investment income	631,520	-	2,203	3,954	637,677
Program revenues:					
Federal	-	9,497,092	-	-	9,497,092
State	-	1,280,267	-	-	1,280,267
Regional and other	3,800,222	513,858	378,268	-	4,692,348
Project refunds and other	81,398	87,439	-	-	168,837
Total revenues	98,443,706	11,378,656	380,471	4,885,622	115,088,455
Expenditures:					
Current - transportation and capital projects:					
Personnel expenditures	3,397,116	1,694,389	45,589	74,614	5,211,708
Non-personnel expenditures	1,704,536	253,286	-	27,111	1,984,933
Capital project costs	60,605,885	18,280,076	370,762	3,589,819	82,846,542
Capital outlay	195,221	-	-	-	195,221
Debt service -					
Interest and fiscal charges	1,354,423	-	-	-	1,354,423
Total expenditures	67,257,181	20,227,751	416,351	3,691,544	91,592,827
Excess (deficiency) of revenues over (under) expenditures	31,186,525	(8,849,095)	(35,880)	1,194,078	23,495,628
Other financing sources (uses):					
Transfers in	-	8,849,095	-	-	8,849,095
Transfers out	(8,849,095)	-	-	-	(8,849,095)
Total other financing sources (uses)	(8,849,095)	8,849,095	-	-	-
Net change in fund balances	22,337,430	-	(35,880)	1,194,078	23,495,628
Fund balances (deficit), beginning of year	(78,510,987)	-	792,362	9,831,471	
Fund balances (deficit), end of year	$ (56,173,557)	$ -	$ 756,482	$ 11,025,549	

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

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.	
Capital outlay	195,221
Depreciation expense	(398,588)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amortization in leasehold incentives	135,629
Change in deferred inflows of resources	2,118,268
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	(318,787)
Compensated absences	(11,085)
Change in net position of governmental activities	$ 25,216,286

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

SAN FRANCISCO COUNTY TRANSPORTATION AGENCY

Statement of Fiduciary Assets and Liabilities

Owner-Controlled Insurance Program Agency Fund

June 30, 2014

Assets:	
Deposits with escrow agent	$ 1,335,738
Liabilities:	
Due to City and County of San Francisco	$ 1,335,738

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

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NOTE 1 - REPORTING ENTITY AND BACKGROUND

The San Francisco County Transportation Authority (Transportation Authority) was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (the Plan), which was approved as part of Proposition B. The 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.

(a) Sales Tax Program

The Transportation Authority was originally formed by voter approval of Proposition B on November 7, 1989, which allowed the Transportation Authority to levy a county-wide one-half of one percent sales tax (the Sales Tax), that would sunset in 2010, for transportation projects and programs geared toward improving traffic congestion in the City. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MUNI Metro Network; B) construction of the MUNI Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). 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.

NOTE 1 - REPORTING ENTITY AND BACKGROUND (Continued)

(b) Congestion Management Agency Programs

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

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

Major programs and projects under the CMA include:

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

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

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

NOTE 1 - REPORTING ENTITY AND BACKGROUND (Continued)

from Caltrans, the Federal Highway Administration (FHWA), U.S. Coast Guard, TIDA and the Transportation Authority are coordinating construction of the YBI Interchange Improvement Project with the construction of the new Eastern Span of the San Francisco Bay Bridge. Construction of the YBI Interchange Improvement Project started in January 2014 with completion anticipated by mid-2016.

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

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

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

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

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

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

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

(e) Treasure Island Mobility Management Authority (TIMMA)

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 Fiscal Year 2013/14, TIMMA is reported with the Congestion Management Agency Programs. The Transportation Authority will presented TIMMA as a separate fund in Fiscal Year 2014/15.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

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

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

(b) Measurement Focus and Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, vehicle registration fees, interest, and grants are accrued when their receipt occurs within 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. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended June 30, 2014, the Transportation Authority adopted a new revenue recognition policy, and changed the availability period from 120 days to 90 days. The new policy more closely reflects the use of current resources to pay liabilities of the current period. The adoption of the new accounting principle resulted in a reduction in revenues by $1.2 million and $0.4 million in the Congestion Management Agency Programs fund and the Transportation Fund for Clean Air Program fund, respectively, for the year ended June 30, 2014.

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 apply restricted cost-reimbursement grant resources to such programs and then unrestricted general revenues.

(c) Investments

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

(d) Restricted Investments

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

(e) Sales Tax Revenue and Receivables

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

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

(f) Vehicle Registration Fees and Receivables

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Capital Assets

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

The estimated useful lives are as follows:

Leasehold improvements	13 years
Furniture	5 years
Computer equipment	3 years

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

(h) Compensated Absences

The Transportation Authority reports compensated absences for accrued vacation, compensatory time-off and floating holidays. Transportation Authority employees have a vested interest in accrued compensated absences and the time will eventually either be used or paid by the Transportation Authority. Generally, employees earn and use their current compensated absence hours with a small portion being accrued 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, 2014, the Transportation Authority recognized a compensated absences liability in the amount of $620,906 and during the year ended June 30, 2014, the Transportation Authority expended $384,985 in compensated absences.

(i) Effects of New Pronouncements

During the year ended June 30, 2014, the Transportation Authority implemented the following GASB Statements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify certain items (that were previously reported as assets and liabilities) as deferred outflows of resources or deferred inflows of resources, and recognizes certain items (that were previously reported as assets and liabilities) as outflows of resources or inflows of resources. The Transportation Authority implemented this statement during the year ended June 30, 2014 and reclassified amounts previously reported as a liability in the governmental funds to a deferred inflows of resources. As of June 30, 2014, the Transportation Authority reported $1,871,497, $6,234,321 and $371,237 as deferred inflows of resources in the Sales Tax Program fund, Congestion Management Agency Programs fund and Transportation Fund for Clean Air Program fund, respectively, for program receivables that are not expected to be collected within the Transportation Authority's availability period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. This statement did not have a significant impact to the Transportation Authority's financial statements.

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

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

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

  Key changes include:

  - Separating how the accounting and financial reporting is determined from how pensions are funded.
  - Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
  - Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
  - Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Recording of a liability in the financial statements of employers for defined-benefit plans.
- Requiring more extensive note disclosures and required supplementary information.

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. Application of this statement is effective for the Transportation Authority's year ending June 30, 2015.

- In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the Transportation Authority's year ending June 30, 2015.
- In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which resolves transition issues in GASB Statement No. 68. This statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement 68. This statement requires that when a state or local government is transitioning to the new pension standards, that it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. Application of this statement is effective for the Transportation Authority's year ending June 30, 2015.

(j) 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."

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014, 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.

The sales tax program fund had a negative fund balance of $56,173,557 as of June 30, 2014. This condition, as well as the negative net position, exists because the Transportation Authority uses debt financing to accelerate the delivery – for earlier benefits to the traveling public – of sales tax funded projects that are owned and operated by other agencies. The negative fund balance will be covered as future sales tax revenues are realized.

(k) Use of Estimates

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

NOTE 3 - CASH AND INVESTMENTS

(a) Custodial Credit Risk

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Transportation Authority's deposits may not be returned to it. The Transportation Authority does not have a policy for custodial credit risk on deposits. As of June 30, 2014, the carrying amount of the Transportation Authority's deposits was $17,695,946 and the bank balance was $18,386,401. 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 $17,636,401 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, 2014, the Transportation Authority's investments are not exposed to custodial credit risk.

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

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

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

** More restrictive than the California Government Code.

Investments Authorized by the Indenture Agreement

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

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

The following is a summary of the Transportation Authority's investments at June 30, 2014:

	Fair Value	Investment (Maturities in Years)		Credit Ratings
		Less than 1	1-5	(Standard & Poor's)
Deposits and investments with City Treasury Pool	$ 52,944,541	$ -	$ 52,944,541	Not rated
Money Market Mutual Fund	342,674	342,674	-	AAAm
Total investments	$ 53,287,215	$ 342,674	$ 52,944,541	

The Transportation Authority maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2014, the Transportation Authority's deposits and investments in the Pool is approximately $52.9 million and the total amount invested by all public agencies in the Pool is approximately $6 billion. The Transportation Authority's investment in the Pool has a weighted average maturity of 1.9 years. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Transportation Authority's shares in the Pool, which may be withdrawn, is based on the book value of the Transportation Authority's percentage participation, which is different than the fair value of the Transportation Authority's percentage participation in the Pool. At June 30, 2014, 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, 2014, is as follows:

	Payable to:			
	Congestion Management Agency	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvement Program	Total
Receivable from:				
Sales Tax Program	$ 4,332,109	$ 418,926	$ 79,931	$ 4,830,966

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.

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Transfers

During the fiscal year, the Congestion Management Agency Programs received a subsidy transfer of $8,849,095 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, 2014, is as follows:

	Balance July 1, 2013	Additions	Retirement	Balance June 30, 2014
Capital assets, being depreciated:				
Leasehold improvements	$ 2,992,404	$ 31,220	$ -	$ 3,023,624
Furniture and equipment	770,577	164,001	(25,554)	909,024
Total capital assets, being depreciated	3,762,981	195,221	(25,554)	3,932,648
Less accumulated depreciation for:				
Leasehold improvements	230,185	231,542	-	461,727
Furniture and equipment	524,906	167,046	(25,554)	666,398
Total accumulated depreciation	755,091	398,588	(25,554)	1,128,125
Total capital assets, net	$ 3,007,890	$ (203,367)	$ -	$ 2,804,523

Depreciation expense for the current year amounted to $398,588.

NOTE 6 – TRANACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO

Receivables from the City and County of San Francisco consist of the following at June 30, 2014:

Receivables from the following City Department/Agency	Purpose	Total
Planning Department	Transportation Sustainability Project and Travel Demand Modeling Assistance	$ 23,521
Office of Community Investment and Infrastructure	Folsom Street Off-Ramp Realignment Project	160,725
Treasure Island Development Authority	Treasure Island Transportation Implementation Plan	199,872
	Yerba Buena Island Ramps Improvement Project	147,703
		347,575
Total receivables from the City and County of San Francisco		$ 531,821

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, 2014:

Payables to the following City Department	Purpose		Total
Department of Environment	Clean Air Programs		$ 202,465
Department of Public Works	Street Resurfacing		200,124
Municipal Transportation Agency:			
Department of Parking & Traffic	Bicycle Circulation/Safety	$ 66,848	
	Clean Air Programs	110,986	
	New Signals and Signs	1,146,408	
	Pedestrian Circulation/Safety	224,112	
	Pedestrian Safety	947,908	
	Rapid Bus Network including Real Time Transit Information	9,786	
	Traffic Calming	383,925	
	Transportation Demand Management	14,700	
		2,904,673	
Municipal Railway	Balboa Park BART/Muni Station Access Improvements	33,848	
	Central Subway	1,428,751	
	Guideways	735,128	
	Rehabilitation, Upgrade and Replacement of Existing Facilities	562,791	
	Transit Vehicle Replacement and Renovation	637,287	
	Transportation/Land Use Coordination	2,993	
	Transportation Studies	11,549	
		3,412,347	
			6,317,020
Office of Economic and Workforce Development	Workforce Development for Presidio Parkway		150,332
Total payable to the City and County of San Francisco			$ 6,869,941

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, 2014:

Expenditures incurred by the following City Department	Total
Department of Environment	$ 533,141
Department of Public Works	7,953,667
Municipal Transportation Agency	44,343,947
Office of Economic and Workforce Development	200,099
Planning Department	6,013
Port of San Francisco	66,207
Total expenditures incurred by the City and County of San Francisco	$ 53,103,074

NOTE 6 – TRANSACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO (Continued)

During Fiscal Year 2013/14, the Transportation Authority incurred capital expenditures of $53.1 million, which were paid to departments within the City, of which $44.3 million was expended on SFMTA projects. SFMTA projects include $33.7 million on the Central Subway and Computer-Aided Dispatch Replacement projects and the Central Control and Communications Program and $10.6 million on various transit and street maintenance improvements and pedestrian and bicycle projects.

NOTE 7 - COMMERCIAL PAPER NOTES

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

During the year ended June 30, 2014, the Authority redeemed $15,000,000 in commercial paper notes. As of June 30, 2014, $135,000,000 in commercial paper notes was outstanding, with a weighted average maturity of 104 to 139 days after year-end, with interest rates at 0.08% and 0.09%, respectively. For the year ended June 30, 2014, the Transportation Authority paid $993,500 to Wells Fargo Bank in line of credit fees.

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT PLAN

Plan Description

All full-time and certain other qualifying employees of the Transportation Authority are eligible to participate in the Public Employees' Retirement Fund (the Fund) of the State of California's Public Employees' Retirement System (CALPERS). CALPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Transportation Authority's retirement plan is under the CALPERS Miscellaneous 2% at 55 Risk Pool for classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the CALPERS system) and 2% at 62 Risk Pool for new members (employees hired after January 1, 2013 and are new entrants to the CALPERS system), cost-sharing multiple employer plans. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by Transportation Authority resolution. CALPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CALPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

Funding Policy

Active plan members have an obligation to contribute a percentage of their annual covered salary to the Fund. For classic employees, the Transportation Authority contributes the 7% employee portion on behalf of its employees. For new members, employees pay the 6.25% employee contribution.

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT PLAN CITY AND COUNTY OF SAN FRANCISCO (Continued)

The Transportation Authority is required to contribute the actuarially determined remaining amounts necessary to fund the 2% at age 55 retirement plan benefits for its classic members and 2% at 62 retirement plan benefits for its new members under the California Employees' Pension Reform Act (PEPRA) provisions. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2014 was 11.38% and 6.25%, for classic and new members, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CALPERS. The Transportation Authority's contributions to CALPERS for the years ended June 30, 2014, 2013, and 2012, were $365,402, $351,952; and $349,720, respectively, equal to the required contributions for each year.

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

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

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

Funding Policy

The contribution requirements of plan members and the Transportation Authority are established and may be amended by the Board. As of June 30, 2014, 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.

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Annual OPEB Cost

As of June 30, 2014, 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	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 158,000	100%	$ -
6/30/2013	163,000	100%	-
6/30/2014	138,400	100%	-

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	1,124,100
Unfunded actuarial accrued liability (UAAL)	$ 364,500
Funded ratio (actuarial value of plan assests/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.

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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. On December 9, 2011, the Transportation Authority executed a 13-year workspace lease for its new office located at 1455 Market Street, with a 5-year extension option. The term of the lease commenced on July 1, 2012 and expires on June 30, 2025. Under the lease agreement, the landlord granted the Transportation Authority a rent abatement totaling $522,112 for the period July 1, 2012 through November 30, 2012 and from July 1, 2013 through October 31, 2013 and provided a leasehold allowance credit in the amount of $1,763,180. During the year ended June 30, 2014, the Transportation Authority expended $473,164 towards its office lease and recorded an office lease expense of $791,754 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. On April 22, 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, 2014, total copier expenses were $9,110.

The following is a schedule of future minimum lease obligations as of June 30, 2014:

Year ending June 30:	Office Lease	Copier Leases	Total
2015	$ 734,220	$ 17,868	$ 752,088
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 - 2024	4,527,690	-	4,527,690
2025	978,960	-	978,960
Total future minimum lease obligations	$ 9,422,490	$ 51,656	$ 9,474,146

NOTE 11 - ADMINISTRAIVE EXPENSE LIMITATIONS

In accordance with California Public Utilities Code, Section 131107, not more than one percent of the Transportation Authority's annual net amount of revenues raised by the sales tax may be used to fund the salaries and benefits of the staff of the Transportation Authority in administering the Plan. For the year ended June 30, 2014, revenues, staff salaries and fringe benefits for administering the Plan for the Sales Tax Program were as follows:

Revenue	$	93,930,566
Expenditures:		
Salaries		356,595
Fringe benefits		104,180
Total	$	460,775
Percentage of revenue		0.49%

Personnel expenditures of $3,397,116 were reported in the Sales Tax Program Fund, of which $460,775 was related to general administration of the Plan and $2,936,341 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, 2014, the Transportation Authority has $1,335,738 in escrow accounts to fund claims related to MUNI's Third Street Light Rail Project.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Transportation Authority's outstanding commitments totaled $308,382,378 at June 30, 2014. This amount is comprised of $242,008,061 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, 2014, the Transportation Authority has $3,005,432 and $63,368,885 encumbered in

NOTE 14 - COMMITMENTS AND CONTINGENCIES

the Sales Tax Program and the Congestion Management Agency Programs, respectively, on various Transportation Authority contracts held with private consulting and construction companies and cooperative agreements with governmental entities.

(b) 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 Replacement Project, now known as the YBI Interchange 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 Bridge Structures (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.

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. As of June 30, 2014, TIDA has drawn down $10,143,433 on the loan and accrued $463,368 in interest costs.

NOTE 15 – SUBSEQUENT EVENT

State Legislates TIMMA as a separate legal entity

Following the establishment of the Transportation Authority as the TIMMA by the San Francisco Board of Supervisors on April 1, 2014, the Transportation Authority worked with the State Assembly delegation to establish TIMMA as a separate legal entity, in order to protect the role of TIMMA from the Transportation Authority's operations and resources, particular the voter-approved Prop K and Prop AA funded programs. On September 19, 2014, Governor Brown signed AB 141 (Ammiano) into law, establishing TIMMA as a separate legal entity.

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information (Unaudited)
Schedules of Funding Progress and Employer Contributions
For the Year Ended June 30, 2014

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	Actuarial Value of Assets	Accrued Liability (AAL) - Entry Age	(Excess Assets) [(B) - (A)]	Funded Ratio [(A) / (B)]	(E) Covered Payroll	of Covered Payroll [(C) / (E)]
1/1/2008	$ -	$ 182,000	$ 182,000	0.0%	$ 1,978,000	9.2%
1/1/2010	173,000	374,000	201,000	46.3%	2,858,000	7.0%
6/30/2011	405,000	671,000	266,000	60.4%	3,251,000	8.2%
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, 2009	$ 86,000	$ 86,000	100.0%
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	138,400	138,400	100.0%

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules
For the Year Ended June 30, 2014

	Sales Tax Program			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	$ 73,141,679	$ 73,141,679	$ 73,141,679	$ -
Resources (inflows):				
Sales tax	88,294,414	88,294,414	93,930,566	5,636,152
Vehicle registration fee	-	-	-	-
Investment income	939,991	518,497	631,520	113,023
Program revenues:				
Federal	-	-	-	-
State	-	-	-	-
Regional and other	-	4,641,715	3,800,222	(841,493)
Proceeds from commercial paper notes	275,318,510	-	-	-
Project refunds and other revenue	2,571,750	44,400	81,398	36,998
Transfers in from other funds	-	-	-	-
Total resources	367,124,665	93,499,026	98,443,706	4,944,680
Amount available for appropriation	440,266,344	166,640,705	171,585,385	4,944,680
Charges to appropriations (outflows):				
Current - transportation and capital projects:				
Personnel expenditures	2,942,389	3,391,935	3,397,116	(5,181)
Non-personal expenditures	1,784,292	2,079,942	1,704,536	375,406
Capital project costs	210,587,000	101,897,000	60,761,426	41,135,574
Capital outlay	-	258,000	195,221	62,779
Transfers out to other funds	4,100,345	4,234,826	8,849,095	(4,614,269)
Debt service:				
Principal payment	-	15,006,000	15,000,000	6,000
Interest and fiscal charges	1,600,000	1,600,000	1,354,423	245,577
Total charges to appropriations	221,014,026	128,467,703	91,261,817	37,205,886
Budgetary fund balances, end of year	$ 219,252,318	$ 38,173,002	$ 80,323,568	$ 42,150,566

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

(Continued)

	Congestion Management Agency Programs			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	$ -	$ -	$ -	$ -
Resources (inflows):				
Sales tax	-	-	-	-
Vehicle registration fee	-	-	-	-
Investment income	-	-	-	-
Program revenues:				
Federal	10,503,527	11,207,649	9,497,092	(1,710,557)
State	1,208,579	1,208,579	1,280,267	71,688
Regional and other	793,250	1,304,211	513,858	(790,353)
Proceeds from commercial paper notes	-	-	-	-
Project refunds and other revenue	88,143	88,143	87,439	(704)
Transfers in from other funds	4,100,345	4,234,826	8,849,095	4,614,269
Total resources	16,693,844	18,043,408	20,227,751	2,184,343
Amount available for appropriation	16,693,844	18,043,408	20,227,751	2,184,343
Charges to appropriations (outflows):				
Current - transportation and capital projects:				
Personnel expenditures	2,485,377	2,344,755	1,694,389	650,366
Non-personal expenditures	249,499	196,999	253,286	(56,287)
Capital project costs	13,958,968	15,501,654	18,280,076	(2,778,422)
Capital outlay	-	-	-	-
Transfers out to other funds	-	-	-	-
Debt service:				
Principal payment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total charges to appropriations	16,693,844	18,043,408	20,227,751	(2,184,343)
Budgetary fund balances, end of year	$ -	$ -	$ -	$ -

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

	Transportation Fund for Clean Air Program			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	$ 792,362	$ 792,362	$ 792,362	$ -
Resources (inflows):				
Sales tax	-	-	-	-
Vehicle registration fee	-	-	-	-
Investment income	3,000	3,000	2,203	(797)
Program revenues:				
Federal	-	-	-	-
State	-	-	-	-
Regional and other	736,195	736,195	378,268	(357,927)
Proceeds from commercial paper notes	-	-	-	-
Project refunds and other revenue	-	-	-	-
Transfers in from other funds	-	-	-	-
Total resources	739,195	739,195	380,471	(358,724)
Amount available for appropriation	1,531,557	1,531,557	1,172,833	(358,724)
Charges to appropriations (outflows):				
Current - transportation and capital projects:				
Personnel expenditures	36,501	36,501	45,589	(9,088)
Non-personal expenditures	-	-	-	-
Capital project costs	1,433,954	1,223,378	370,762	852,616
Capital outlay	-	-	-	-
Transfers out to other funds	-	-	-	-
Debt service:				
Principal payment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total charges to appropriations	1,470,455	1,259,879	416,351	843,528
Budgetary fund balances, end of year	$ 61,102	$ 271,678	$ 756,482	$ 484,804

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

	Vehicle Registration Fee for Transportation Improvements Program			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	$ 9,831,471	$ 9,831,471	$ 9,831,471	$ -
Resources (inflows):				
Sales tax	-	-	-	-
Vehicle registration fee	4,727,760	4,727,760	4,881,668	153,908
Investment income	5,000	5,000	3,954	(1,046)
Program revenues:				
Federal	-	-	-	-
State	-	-	-	-
Regional and other	-	-	-	-
Proceeds from commercial paper notes	-	-	-	-
Project refunds and other revenue	-	-	-	-
Transfers in from other funds	-	-	-	-
Total resources	4,732,760	4,732,760	4,885,622	152,862
Amount available for appropriation	14,564,231	14,564,231	14,717,093	152,862
Charges to appropriations (outflows):				
Current - transportation and capital projects:				
Personnel expenditures	85,568	85,568	74,614	10,954
Non-personal expenditures	150,820	150,820	27,111	123,709
Capital project costs	9,817,216	5,432,162	3,589,819	1,842,343
Capital outlay	-	-	-	-
Transfers out to other funds	-	-	-	-
Debt service:				
Principal payment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total charges to appropriations	10,053,604	5,668,550	3,691,544	1,977,006
Budgetary fund balances, end of year	$ 4,510,627	$ 8,895,681	$ 11,025,549	$ 2,129,868

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

(Continued)

	Total Programs			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	$ 83,765,512	$ 83,765,512	$ 83,765,512	$ -
Resources (inflows):				
Sales tax	88,294,414	88,294,414	93,930,566	5,636,152
Vehicle registration fee	4,727,760	4,727,760	4,881,668	153,908
Investment income	947,991	526,497	637,677	111,180
Program revenues:				
Federal	10,503,527	11,207,649	9,497,092	(1,710,557)
State	1,208,579	1,208,579	1,280,267	71,688
Regional and other	1,529,445	6,682,121	4,692,348	(1,989,773)
Proceeds from commercial paper notes	275,318,510	-	-	-
Project refunds and other revenue	2,659,893	132,543	168,837	36,294
Transfers in from other funds	4,100,345	4,234,826	8,849,095	4,614,269
Total resources	389,290,464	117,014,389	123,937,550	6,923,161
Amount available for appropriation	473,055,976	200,779,901	207,703,062	6,923,161
Charges to appropriations (outflows):				
Current - transportation and capital projects:				
Personnel expenditures	5,549,835	5,858,759	5,211,708	647,051
Non-personal expenditures	2,184,611	2,427,761	1,984,933	442,828
Capital project costs	235,797,138	124,054,194	83,002,083	41,052,111
Capital outlay	-	258,000	195,221	62,779
Transfers out to other funds	4,100,345	4,234,826	8,849,095	(4,614,269)
Debt service:				
Principal payment	-	15,006,000	15,000,000	6,000
Interest and fiscal charges	1,600,000	1,600,000	1,354,423	245,577
Total charges to appropriations	249,231,929	153,439,540	115,597,463	37,842,077
Budgetary fund balances, end of year	$ 223,824,047	$ 47,340,361	$ 92,105,599	$ 44,765,238

Explanation of Differences between Budgetary fund balances and GAAP fund balances

The proceeds from the issuance of commercial paper notes are inflows of budgetary resources but are not revenues for financial reporting purposes.	(150,000,000)
The payment of prinicipal on the commercial paper notes are outflows of budgetary resources but are not expenditures for financial reporting purposes.	15,000,000
Prior year deobligations from transportation project and programs and other budgetary adjustments are inflows.	(11,603,407)
Prior year payments on the Yerba Buena Island Ramps Project/TIDA loan are outflows of budgetary resources but are not expenditures for financial reporting purposes.	9,950,741
Current year payments on the Yerba Buena Island Ramps Project/TIDA loan are outflows of budgetary resources but are not expenditures for financial reporting purposes.	155,541
	$ (44,391,526)

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

Budgets and Budgetary Data

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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Transportation Authority's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Macias Gini & O'Connell LLP

Walnut Creek, California
November 7, 2014

MGO Certified Public Accountants.

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Independent Auditor's Report on Compliance for Each Major 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, 2014. The Transportation Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance 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 the Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Macias Gini & O'Connell LLP

Walnut Creek, California
November 7, 2014

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Program Description	Catalog of Federal Domestic Assistance	Grant No.	Grant Approval Date	Approved Federal Award	Federal Expenditures: Cumulative Expenditures Prior to July 1, 2013	Federal Expenditures: July 1, 2013 through June 30, 2014	Federal Expenditures: Cumulative Expenditures Through June 30, 2014	Available Balance	Amount Provided to Subrecipients
U.S. Department of Transportation, Federal Highway Administration:									
Highway Planning and Construction									
Passed through - Metropolitan Transportation Commission									
Surface Transportation Plan (STP):									
Transportation Planning and Programming[1]	20.205	C002683	07/01/12	$ 3,568,000	$ 667,000	$ 674,277	$ 1,341,277	$ 2,226,723	$ -
STP: Treasure Island Mobility Management	20.205	N/A	01/01/13	500,000	8,000	16,000	24,000	476,000	-
Passed through - State California Department of Transportation									
eFleet: Carsharing Electrified	20.205	CML-6272(033)	12/28/11	1,700,000	188,668	247,108	435,776	1,264,224	238,698
Integrated Public Private Partnership Travel Demand Management Program (TDM)	20.205	CML-6272(034)	04/25/11	750,000	345,948	230,751	576,699	173,301	-
San Francisco Value Pricing and Regulation Study	20.205	VPPL-6272(037)	08/17/12	480,000	14,661	131,308	145,969	334,031	-
Treasure Island Mobility Management	20.205	VPPL-6272(041)	08/15/13	480,000	-	150,577	150,577	329,423	-
Yerba Buena Island - Reconstruct Existing Westbound On and Off Ramps on East Side of Yerba Buena Island[2]	20.205	BRLS-6272(023)	08/20/10	73,919,055	6,692,135	10,834,125	17,526,260	56,392,795	-
Yerba Buena Island Viaduct Structure #1	20.205	STPLZ-6272(024)	09/10/10	218,967	184,584	6,816	191,400	27,567	-
Yerba Buena Island Viaduct Structure #2	20.205	STPLZ-6272(026)	09/10/10	4,268,535	1,727,679	908,920	2,636,599	1,631,936	-
Yerba Buena Island Viaduct Structure #3	20.205	STPLZ-6272(027)	09/10/10	2,115,897	979,030	312,729	1,291,759	824,138	-
Yerba Buena Island Viaduct Structure #4	20.205	STPLZ-6272(028)	09/10/10	539,435	300,790	49,643	350,433	189,002	-
Yerba Buena Island Viaduct Structure #6	20.205	STPLZ-6272(029)	09/10/10	527,874	343,056	68,829	411,885	115,989	-
Yerba Buena Island Viaduct Structure #7A	20.205	STPLZ-6272(030)	09/10/10	150,321	132,197	2,900	135,097	15,224	-
Yerba Buena Island Viaduct Structure #7B	20.205	STPLZ-6272(031)	09/10/10	191,163	143,277	5,894	149,171	41,992	-
Yerba Buena Island Viaduct Structure #8	20.205	STPLZ-6272(032)	09/10/10	242,887	208,649	5,646	214,295	28,592	-
Total Highway Planning and Construction				89,652,134	11,935,674	13,645,523	25,581,197	64,070,937	238,698
Public Transportation Research									
Passed through - State California Department of Transportation									
19th Avenue Investment Study	20.515	74A0626	02/01/12	297,600	255,083	42,517	297,600	-	-
Balboa Park Circulation Study	20.515	74A0627	02/01/12	262,400	126,831	135,569	262,400	-	-
Geneva-Harney Way Bus Rapid Transit Feasibility Study	20.515	74A0716	03/01/13	300,000	6,034	88,466	94,500	205,500	-
Total Public Transportation Research				860,000	387,948	266,552	654,500	205,500	-
Total U.S. Department of Transportation, Federal Transit Administration				90,512,134	12,323,622	13,912,075	26,235,697	64,276,437	238,698
Total Expenditures of Federal Awards				$ 90,512,134	$ 12,323,622	$ 13,912,075	$ 26,235,697	$ 64,276,437	$ 238,698

Note: [1] During fiscal year 2013/14, the Metropolitan Transportation Commission increased the STP Transportation Planning and Programming grant from $2,795,000 to $3,568,000.

[2] During fiscal year 2013/14, the California Department of Transportation increased the award amount from $8,299,687 to $73,919,055.

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

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NOTE 1 - GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major program:

Federal Catalog 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:	$417,362
Auditee qualified as a low-risk auditee?	Yes

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.

There were no audit findings nor questioned costs for the year ended June 30, 2013.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Report to the Finance Committee

For the Year Ended June 30, 2014

MGO Certified Public Accountants.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Report to the Finance Committee
For the Year Ended June 30, 2014

Table of Contents

MGO Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Finance Committee of the Board of Commissioners
Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

In planning and performing our audit of the basic financial statements of the San Francisco County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Transportation Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transportation Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those 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 identified.

Additionally, we have included in this letter a report on communications with the Finance Committee (Committee) as required by auditing standards generally accepted in the United States of America.

This communication is intended solely for the use of the Board of Commissioners, Finance Committee and the Transportation Authority's management and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 7, 2014

REQUIRED COMMUNICATIONS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2014, and have issued our report thereon dated November 7, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We communicated such information in our engagement letter dated May 8, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Transportation Authority are described in Note 2 to the basic financial statements. As described in Note 2(i) to the basic financial statements, the Transportation Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62,* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* There was no significant impact to the financial statements as a result of implementing these new standards.

In addition, as described in Note 1(b) to the financial statements, the Transportation Authority adopted a new revenue recognition policy during the year ended June 30, 2014, and changed the availability period from 120 days to 90 days. The new policy more closely reflects the use of current resources to pay liabilities of the current period. The adoption of the new accounting principle resulted in a reduction in revenues reported in the Congestion Management Agency Programs by $1.2 million and the Transportation Fund for Clean Air Program by $0.4 million for the year ended June 30, 2014.

We noted no transactions entered into by the Transportation Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the accrual of compensated absences, the contribution requirements for pension and other postemployment benefits (OPEB), and the funded status of the OPEB plan. Management's estimate of the accrual of compensated absences is based on eligible employees' current pay rate and accrued hours and pension and other postemployment benefit plans' employer and employee contribution requirements and funded status (OPEB plan only) were based on actuarially determined studies. We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following summarizes the uncorrected misstatements of the financial statements:

Fund	Account		Debit		Credit
Sales Tax	Fund balance	$	2,521,904		
Sales Tax	Transfers out			$	1,516,437
Sales Tax	Revenue			$	1,005,467
CMA	Transfers in	$	1,516,437		
CMA	Revenue			$	1,516,437
TFCA	Fund balance	$	362,080		
TFCA	Revenue			$	362,080

To record the change in the governmental funds' availability period from 120 days to 90 days.

Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated November 7, 2014.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Transportation Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information In Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the financial statements and our report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedules of funding progress and employer contributions and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.