



SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Financial Statements
and Supplemental Schedules

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Table of Contents

| | Page |
|---|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis (Unaudited) | 4 |
| Financial Statements: | |
| Statements of Net Position – June 30, 2014 and 2013 | 15 |
| Statements of Revenue, Expenses, and Changes in Net Position – Years ended June 30, 2014 and 2013 | 17 |
| Statements of Cash Flows – Years ended June 30, 2014 and 2013 | 18 |
| Notes to Financial Statements | 20 |
| Supplemental Schedules: | |
| Schedule of Net Position – June 30, 2014 | 43 |
| Schedule of Revenue, Expenses, and Changes in Net Position – Year ended June 30, 2014 | 45 |
| Muni Grants – Federal – Year ended June 30, 2014 | 46 |
| Muni Grants – California Transportation Commission – Year ended June 30, 2014 | 47 |
| Muni Grants – Metropolitan Transportation Commission – Year ended June 30, 2014 | 48 |
| Muni Grants – San Francisco County Transportation Authority – Year ended June 30, 2014 | 49 |
| Muni Grants – Others – Year ended June 30, 2014 | 51 |
| Sustainable Streets Grants – Federal – Year ended June 30, 2014 | 52 |
| Sustainable Streets Grants – California Transportation Commission – Year ended June 30, 2014 | 53 |
| Sustainable Streets Grants – Metropolitan Transportation Commission – Year ended June 30, 2014 | 54 |
| Sustainable Streets Grants – San Francisco County Transportation Authority – Year ended June 30, 2014 | 55 |
| Sustainable Streets Grants – Others – Year ended June 30, 2014 | 56 |
| Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA) | 57 |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 59 |



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Independent Auditors' Report

The Honorable Mayor, Board of Supervisors,
and San Francisco Municipal Transportation Agency Board of Directors
City and County of San Francisco, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the SFMTA'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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial information of the City of San Francisco Uptown Parking Corporation, the City of San Francisco Japan Center Garage Corporation, and the City of San Francisco Portsmouth Plaza Parking Corporation, which reflect total assets constituting 1.00% and 1.25%, respectively, of SFMTA's total assets at June 30, 2014 and 2013, and total revenue constituting 3.31% and 2.96%, respectively, of SFMTA's total revenue for the years then ended. Such financial information was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for SFMTA, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of San Francisco Portsmouth Plaza Parking Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the SFMTA'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 SFMTA'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 opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of SFMTA as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1, the financial statements of SFMTA are intended to present the net position and the changes in net position and cash flows of only that portion of the City that is attributable to the transactions of SFMTA. They do not purport to, and do not, present fairly the net position of the City as of June 30, 2014 and 2013, the changes in its net position, or, where applicable, the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2a to the financial statements, in 2014, the SFMTA adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The July 1, 2012 beginning net position has been restated for the retrospective application of this new accounting guidance. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management’s Discussion and Analysis on pages 4–14 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SFMTA’s basic financial statements. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying



supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of the SFMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SFMTA's internal control over financial reporting and compliance.

KPMG LLP

San Francisco, California
October 24, 2014

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

We offer readers of the San Francisco Municipal Transportation Agency's (SFMTA) financial statements this narrative overview and analysis of the financial activities of the SFMTA for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with information contained in the financial statements. All amounts, unless otherwise noted, are expressed in thousands of dollars.

Financial Highlights

- The SFMTA's assets exceeded their liabilities and deferred inflows of resources by \$2,686,060 and \$2,264,426 at the close of fiscal years ended June 30, 2014 and 2013, respectively.
- The SFMTA's total net position increased by \$421,634 in 2014 and increased by \$170,451 in 2013 over the prior fiscal year.
- Total net investment in capital assets were \$2,396,595 and \$2,123,839 at June 30, 2014 and 2013, respectively, an increase of 12.8% and an increase of 2.5% over the balance of \$2,123,839 and \$2,072,355 at June 30, 2013, and 2012, respectively.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the SFMTA's financial statements. The SFMTA oversees transit, bike and pedestrian programs, taxis, parking and traffic control operations in the City. The SFMTA applies Governmental Accounting Standards Board (GASB) Statements. The SFMTA is an integral part of the City and County of San Francisco, California (the City) and these financial statements are included in the City's Comprehensive Annual Financial Report. More information regarding the SFMTA's organization and the basis of presentation are contained in notes 1 and 2(a) (found on page 20).

The statements of net position (found on pages 15 and 16) presents information on all of the SFMTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is the residual of all other four elements presented in the statement of financial position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the SFMTA. The information of the SFMTA's financial position is presented as of June 30, 2014 and 2013.

The statements of revenue, expenses, and changes in net position (found on page 17) presents information showing how the SFMTA's net position changed during the fiscal years ended June 30, 2014 and 2013. 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. Revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statements of cash flows (found on pages 18 and 19) presents information about the cash receipts and payments of the SFMTA during the fiscal years ended June 30, 2014 and 2013. This statement shows the effects on the SFMTA's cash balances of cash flows from operating, noncapital financing, capital and related financing, and investing activities. When used with related disclosures and information in the other financial statements, the information in the statement of cash flows helps readers assess the SFMTA's ability to generate net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Notes to Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 20 through 42 of this report.

Other Information

The supplemental schedules found on pages 43 through 58 of this report are presented for the purpose of providing additional analysis and are not a required part of the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the SFMTA, assets exceeded liabilities and deferred inflows of resources by \$2,686,060 at the close of the most recent fiscal year.

Condensed Summary of Net Position

June 30, 2014, 2013, and 2012

| | <u>2014</u> | <u>2013 (Restated)</u> | <u>2012 (Restated)</u> |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| Assets: | | | |
| Total current assets | \$ 969,807 | 851,996 | 584,797 |
| Total restricted assets | 36,333 | 16,984 | 17,858 |
| Total other noncurrent assets | — | — | 103 |
| Capital assets, net | <u>2,542,048</u> | <u>2,192,682</u> | <u>2,115,706</u> |
| Total assets | <u><u>3,548,188</u></u> | <u><u>3,061,662</u></u> | <u><u>2,718,464</u></u> |
| Liabilities: | | | |
| Total current liabilities | 383,851 | 419,061 | 300,707 |
| Total noncurrent liabilities | <u>460,540</u> | <u>353,868</u> | <u>298,480</u> |
| Total liabilities | <u><u>844,391</u></u> | <u><u>772,929</u></u> | <u><u>599,187</u></u> |
| Deferred inflows of resources | <u>17,737</u> | <u>24,307</u> | <u>25,302</u> |
| Net position: | | | |
| Net investment in capital assets | 2,396,595 | 2,123,839 | 2,072,355 |
| Restricted | 35,065 | 15,914 | 16,617 |
| Unrestricted | <u>254,400</u> | <u>124,673</u> | <u>5,003</u> |
| Total net position | \$ <u><u>2,686,060</u></u> | <u><u>2,264,426</u></u> | <u><u>2,093,975</u></u> |

Fiscal Year 2014

During the fiscal year 2014, current assets increased by \$118 million or 13.8%. This increase was in unrestricted cash and investments of \$46 million, receivables of \$67 million, and \$5 million in inventories. The increase is

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

mainly due to cash proceeds from new bonds issuance, higher operating revenue including City general fund subsidy, and increase in grant-funded billable project costs for the Central Subway Project.

The restricted assets increased by \$19 million or 113.9% is attributable to more collection in Transit Impact Development Fee (TIDF) of \$12 million and from the issuance of new revenue bonds of \$7 million held in reserve account by the trustee.

The capital assets increased by \$349 million or 15.9% mainly from construction in progress of \$305 million for the Central Subway Project, Central Control System Upgrade and Security Projects. The remaining of \$44 million is from the acquisition of the new revenue buses and paratransit vans.

The SFMTA's net position increased 18.6% compared to the prior year. The increase in net position is attributable to increases in operating revenue, nonoperating revenue, capital contributions, and transfers, offset by increases in operating expenses.

The largest portion of the SFMTA's net position (\$2,396,595 as of June 30, 2014) reflects its net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of \$4,122,350 is offset by accumulated depreciation of \$1,580,302 and related debt of \$145,453. More information can be found in note 5 on page 27. The SFMTA uses these assets to provide services.

The remainder of the SFMTA's net position is composed of restricted and unrestricted net assets. The restricted assets include deposits, investments, and receivables.

Fiscal Year 2013

During the fiscal year 2013, current assets increased by \$267 million or 45.7%. The increase includes unrestricted cash and investments of \$240 million, receivables of \$25 million and \$2 million in inventories. The cash and investments increase is attributable to cash balances from bond issuance, higher net operating revenue, City general fund subsidy, and grants reimbursements received compared to prior year.

The SFMTA's net position increased by 8.1% compared to the prior year. The increase in net position is attributable to increases in operating revenue, nonoperating revenue, capital contributions, and transfers, offset by increases in operating expenses.

The largest portion of the SFMTA's net position (\$2,123,839 as of June 30, 2013) reflects its net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of \$3,672,714 is offset by accumulated depreciation of \$1,480,032 and related debt of \$68,843. More information can be found in note 5 on page 28. The SFMTA uses these assets to provide services.

The remainder of the SFMTA's net position is composed of restricted and unrestricted net assets. The restricted assets include deposits, investments, and receivables.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Condensed Summary of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014, 2013, and 2012

| | <u>2014</u> | <u>2013 (Restated)</u> | <u>2012 (Restated)</u> |
|---|--------------|----------------------------|----------------------------|
| Revenues: | | | |
| Total operating revenues | \$ 527,268 | 500,523 | 457,724 |
| Total nonoperating revenues, net | 163,973 | 145,242 | 138,186 |
| Capital contributions: | | | |
| Federal | 304,351 | 104,062 | 129,226 |
| State and others | 141,588 | 143,596 | 87,288 |
| Total capital contributions | 445,939 | 247,658 | 216,514 |
| Net transfers | 316,891 | 300,913 | 278,961 |
| Total revenues and net transfers | 1,454,071 | 1,194,336 | 1,091,385 |
| Expenses: | | | |
| Total operating expenses | 1,032,437 | 1,023,885 | 956,695 |
| Change in net position | 421,634 | 170,451 | 134,690 |
| Net position at beginning of year | | | |
| Beginning of year, as previously reported | 2,264,426 | 2,095,480 | 1,960,920 |
| Cumulative effect of accounting changes | — | (1,505) | (1,635) |
| Beginning of year as restated | 2,264,426 | 2,093,975 | 1,959,285 |
| Total net position – ending | \$ 2,686,060 | 2,264,426 | 2,093,975 |

Fiscal Year 2014

Total revenue and net transfers for the year ended June 30, 2014 were \$1,454,071, an increase of \$259,735 or 21.7%, compared to the prior fiscal year. This is due to increases in all revenue categories (i.e., operating, nonoperating, capital contributions), and net transfers.

Operating revenue increased by \$26,745 or 5.3% compared to prior year. The increase is mainly due to higher taxi medallion revenue by \$26,508 or 299.2%, parking revenue by \$8,036 or 6.6%, advertising revenue by \$1,674 or 9.4%, and permits revenue by \$1,205 or 10.9%; offset by total decrease of \$10,678 or 3.1%, in passenger fares by \$7,255 or 3.3%, fines and penalties by \$3,143 or 3.3%, and other operating revenue categories by \$280. For parking and transportation revenue, the increase in parking meter collections was attributable to implementation of various meter payment methods as well as parking rate increase. The fares revenue decreases is due to one-time payment from BART in fiscal year 2013 from prior three years as a result of a finalized agreement.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

The nonoperating revenue include operating support received from other sources, primarily federal and state operating grants, transit impact development fees, and interest income. Nonoperating revenue increased by \$18,731 or 12.9%, mostly from transit impact development fee and interest and investment income, which were offset by a decrease in operating grants of \$4.8 million.

Capital contributions consist principally of funds received or receivable from federal, state, and local grant agencies that provide funding for many of the SFMTA's capital projects. There was an increase in capital expenditures incurred and billable to the grantors in fiscal year 2014 compared to the prior year. This resulted in the significant increase in capital contribution by \$198,281 or 80.1% when compared to fiscal year 2013.

Net transfers increased by \$15,978 or 5.3% in fiscal year 2014 mostly due to the increase in the City's General Fund baseline subsidy of \$23.1 million offset by less funding transfers received from the City's Street Improvement fund compared to prior year.

Total operating expenses for the year ended June 30, 2014 were \$1,032,437, an increase of \$8,552 or 0.8%, compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel service costs increase by \$22,142 or 3.7%, attributable to higher salary cost and retirement fringe benefits. General and administrative cost increased by \$21,196 or 57.2% was mainly due to higher judgment and claim costs compared to prior year. Materials and supplies were slightly increased by \$582 or 0.7%. The offsetting decreases are in the following categories: contractual services by \$16,615 or 15.1%, depreciation expense by \$1,525 or 1.3%; services by other departments by \$81 or 0.1%; and other operating expense by \$17,147 or 421.5%. The decrease in contractual services was attributable to less major infrastructure work during this fiscal year compared to prior year. The decrease in other operating expense category is primarily due to increase in cost recovery collections.

Fiscal Year 2013

Total revenue and net transfers for the year ended June 30, 2013 were \$1,194,336, an increase of \$102,951 or 9.4%, compared to the prior fiscal year. This is due to increases in all revenue categories (i.e., operating, nonoperating, capital contributions, and net transfers).

Operating revenue increased by \$42,799 or 9.4% compared to prior year. This comprises mostly increases in the passenger fares by \$17,967 or 8.9%, parking revenue by \$12,985 or 11.9%, parking fines by \$8,852 or 10.1%, charges for services by \$5,439 or 43.7%, and for various operating revenue categories (advertising, rents, and permits) totaling to \$4,949 or 15.7% offset by net decrease of \$7,393 or 45.5% in taxi medallion revenue. Fares revenue increases are due to increased ridership, a one-time payment from BART in fiscal year 2013 from prior three years as a result of a finalized agreement, implementation of an indexing policy that increases fares based on a CPI-based formula, increase usage of smart card technology for fare payment, and improved enforcement. For parking and transportation revenue, the increase in parking meter collections was attributable to implementation of various meter payment methods and Sunday enforcement. Charges for services comprise towing fees, street closure, signs, and curb painting fees.

The nonoperating revenue include operating support received from other sources, primarily federal and state operating grants, transit impact development fees, and interest income. Nonoperating revenue increased by \$7,056 or 5.1%, mostly from operating grants, which were offset by a decrease in interest income.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management’s Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

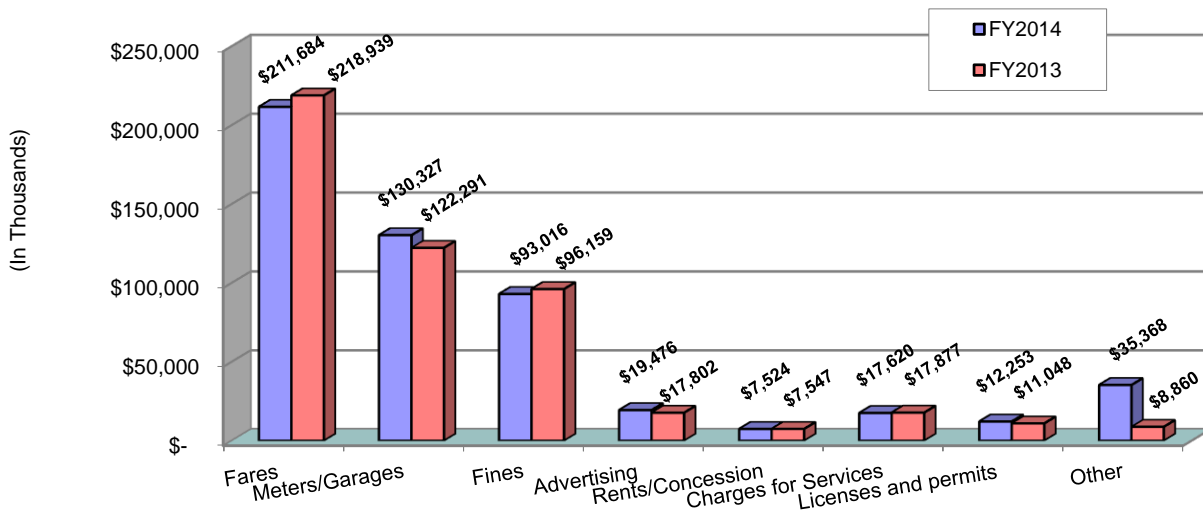
Capital contributions consist principally of funds received or receivable from federal, state, and local grant agencies that provide funding for many of the SFMTA’s capital projects. There was an increase in capital expenditures incurred and billable to the grantors in fiscal year 2013 compared to the prior year. This resulted in the significant increase in capital contribution by \$31,144 or 14.4% when compared to fiscal year 2012. Net transfers increased by \$21,952 or 7.9% in fiscal year 2013 mostly due to the increase in the City’s General Fund revenue baseline subsidy and net of funding transfers to other City departments compared to prior year.

Total operating expenses for the year ended June 30, 2013 were \$1,023,885, an increase of \$67,190 or 7.0%, compared to the prior year. Personnel service costs increased by \$6,763 or 1.1%. Contractual services increased by \$43,575 or 65.8%. This is attributable to costs incurred for major repairs and maintenance of infrastructure. Materials and supplies increase by \$307 or 0.4%. Depreciation expense increased by \$3,961 or 3.3% compared to prior year. General and administrative expenses increased by \$6,719 or 22.1%, mainly due to increase in general liability claims compared to prior year. Services provided by other City departments increased by \$2,744 or 5.1% in fiscal year 2013 mainly for city attorney legal costs. The increase in other operating expense category by \$3,121 or 329.6% is primarily due to decrease in recoverable costs.

Parking fines, licenses, and permit revenue have been reclassified to operating revenue in the prior year information noted above to conform to the current year presentation. There were no changes in prior year net position or change in net position resulting from this reclassification.

The charts below illustrate the SFMTA’s operating revenue by source and expenses by category for FY 2014 and FY 2013:

Operating Revenue Comparative - FY2014 and FY2013



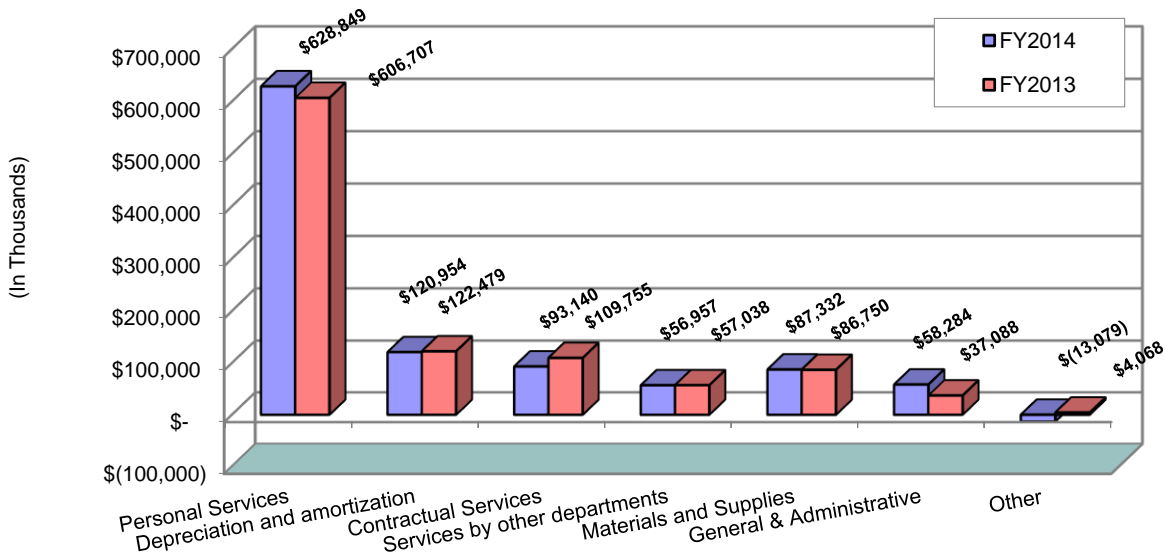
SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management’s Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Operating Expenses Comparative - FY2014 and FY2013



Capital Assets and Debt Administration

Capital Assets

The SFMTA’s investment in capital assets amounts to \$2,542,048 net of accumulated depreciation as of June 30, 2014. This investment includes land, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets is \$349,366 or 15.9%, compared to the previous year. This increase is attributed to continued construction work for new and existing projects and purchase of transit revenue buses and paratransit vans.

The SFMTA’s investment in capital assets amounts to \$2,192,682 net of accumulated depreciation at June 30, 2013. This investment includes land, building structures and improvements, equipment, infrastructure, intangibles and construction in progress. The increase in capital assets is \$76,976 or 3.6% compared to the previous year. This increase is attributed to continued construction work for new and existing projects.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Summary of Capital Assets

| | <u>Balance, June 30, 2014</u> | <u>Balance, June 30, 2013</u> | <u>Balance, June 30, 2012</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Capital assets not being depreciated: | | | |
| Land | \$ 41,030 | 41,030 | 41,495 |
| Construction in progress | <u>849,447</u> | <u>544,592</u> | <u>422,361</u> |
| Total capital assets not being depreciated | <u>890,477</u> | <u>585,622</u> | <u>463,856</u> |
| Capital assets being depreciated: | | | |
| Building structures and improvements | 679,847 | 667,795 | 633,377 |
| Equipment | 1,326,667 | 1,229,299 | 1,212,258 |
| Infrastructure | <u>1,225,359</u> | <u>1,189,998</u> | <u>1,175,203</u> |
| Total capital assets being depreciated | <u>3,231,873</u> | <u>3,087,092</u> | <u>3,020,838</u> |
| Less accumulated depreciation for: | | | |
| Building structures and improvements | 258,927 | 243,523 | 227,733 |
| Equipment | 815,280 | 764,580 | 703,068 |
| Infrastructure | <u>506,095</u> | <u>471,929</u> | <u>438,187</u> |
| Total accumulated depreciation | <u>1,580,302</u> | <u>1,480,032</u> | <u>1,368,988</u> |
| Total capital assets being depreciated, net | <u>1,651,571</u> | <u>1,607,060</u> | <u>1,651,850</u> |
| Total capital assets, net | <u>\$ 2,542,048</u> | <u>2,192,682</u> | <u>2,115,706</u> |

Construction in progress is made up of various transit, pedestrian, and bike projects. The four projects that have the highest balances on June 30, 2014 are the Central Subway, Central Control System Upgrades, Transit Security, and Historic Street Car Renovation. The Central Subway Project will link the existing 5.2 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction is well under way and the two rail tunnels are bored through from end to end. The final construction contract for all stations, track, and systems was awarded and issued a Notice to Proceed. On October 11, 2012, the Federal Transit Agency (FTA) executed the Full Funding Grant Agreement dedicating a total of \$942.2 million in federal Section 5309 funds through project completion; this was followed by FTA allocations of \$85.0 million to the project for FY 12, \$141.8 million for FY 13, and \$150 million for FY 14. The remaining funds will be awarded annually at up to \$150 million per year. The California Transportation Commission awarded the full amount of \$61.3 million in Proposition 1A Connectivity funds grant for the project tunnel construction, and \$12.5 million train control from the State Transportation Improvement Program (STIP) with an additional \$75.5 million pending in future STIP funding cycles. Caltrans awarded an additional \$227.2 million of Prop.1B PTMISEA funds for ROW, final design, vehicles, and construction with another \$81.9 million pending in FY 2015.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management’s Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Significant capital asset additions during fiscal year 2014 included:

- Infrastructure and Construction in progress – A majority of the \$331.5 million costs incurred is for the new Central Subway Project, Rail Replacement, and Escalator Replacement and Rehabilitation. These projects are to upgrade and reconfigure the existing roadway and intersections system and the ongoing program to replace worn parts of the track network.
- Equipment – The cost of \$98.1 million incurred during the fiscal year for the purchase of new buses, a partial replacement of the aging fleet and escalator replacement.
- Building – The total of \$7.9 million was incurred in fiscal year 2014 related to the construction of the Trolley Overhead Reconstruction, Bayview Town Center Construction and tenant improvements on the new Sign Shop Bayshore Blvd facility.

Significant capital asset additions during the fiscal year 2013 included:

- Infrastructure and Construction in progress – A majority of the \$162.5 million costs incurred is for the new Central Subway Project, Rail Replacement, Phelan Bus Loop Project, and Van Ness Bus Rapid Transit Network implementation. These projects are to upgrade and reconfigure the existing roadway and intersections system and the ongoing program to replace worn parts of the track network.
- Equipment – The cost of \$48.4 million incurred during the fiscal year includes the design costs for the replacement for a new radio communication system on SFMTA fleets and the replacement of the central control and subway communication system. These costs also include continued renovation and rehabilitation of streetcars and midlife rehabilitation of Neoplan buses.
- Building – The total of \$16.4 million was incurred in fiscal year 2013 related to the escalator rehabilitation project, roof rehabilitation at the Metro Green facility, and the construction of the Islais Creek bus facility.

Debt Administration

At June 30, 2014 and 2013, the SFMTA’s debt obligations outstanding totaled \$142,940 and \$67,407, respectively. The following table summarizes the changes in debt between fiscal years, 2014 and 2013 and fiscal years, 2013 and 2012:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---------------|-------------------|------------------|------------------|
| Bonds payable | \$ 142,940 | \$ 67,407 | \$ 43,351 |
| Total | \$ <u>142,940</u> | \$ <u>67,407</u> | \$ <u>43,351</u> |

These amounts represent bonds secured by all revenue except for City General Fund allocations and restricted sources.

The SFMTA’s total debt increased by \$75,533 or 112.1% as of June 30, 2014. The increase was primarily due to issuance of new revenue bonds. During the fiscal year, SFMTA issued a total of \$75.4 million to finance a portion of the costs of various capital projects, including a deposit to the bond reserve fund and payment for

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

portion of the cost of issuance. The SFMTA carried underlying debt ratings of Aa3 from Moody's and AA – from Standard & Poor's as of June 30, 2014.

The SFMTA's total debt increased by \$24,056 or 55.5% as of June 30, 2013. The increase was primarily due to issuance of new revenue bonds. During the fiscal year, SFMTA issued a total of \$63.8 million, \$38 million of which were used to refund the outstanding revenue bonds for economic savings, and \$25.8 million to finance a portion of the costs of various capital projects, including a deposit to the bond reserve fund and payment for portion of the cost of issuance. The SFMTA carried underlying debt ratings of Aa3 from Moody's and A from Standard & Poor's as of June 30, 2013.

More detailed information about the SFMTA's debt activity is presented in note 8 to the financial statements.

Leveraged Lease-Leaseback of Breda Vehicles

In April 2002, Muni entered into the leveraged lease-leaseback transaction for 118 Breda light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to separate special purpose trusts and a sublease of the Equipment back from such trusts. The sublease provides Muni with an option to purchase the Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of \$388.2 million from the equity investors in full prepayment of the head lease. Muni deposited a portion of this amount into an escrow, and a portion was paid to a debt payment undertaker whose repayment obligation is guaranteed by Assured Guaranty Municipal Corp (AGM) as successor to Financial Security Assurance, Inc., a bond insurance company.

Muni recorded \$35.5 million in fiscal year 2002 for the difference between the amounts received of \$388.2 million and the amounts paid to the escrows of \$352.7 million. This amount is reclassified as the deferred inflow of resources and will be amortized over the life of the sublease unless the purchase option is executed. SFMTA exercised the purchase option with respect to 30 items of the Equipment on March 17, 2014. Revenue of \$5.4 million was recognized for the unamortized balance in fiscal year 2014. The amount amortized were \$1.0 million in fiscal year 2014 for remaining 88 items of Equipment and \$1.3 million in fiscal year 2013 for 118 items of Equipment, respectively.

In September 2003, after obtaining approval from the SFMTA Board of Directors and the City's Board of Supervisors, Muni entered into a second leveraged lease-leaseback transaction for 21 items of Equipment. The transaction was structured as a head lease of the Equipment to one separate special purpose trust (formed on behalf of a certain equity investor) and a sublease of the Equipment back from such trust. The sublease provides Muni with an option to purchase the Equipment in approximately 26 years, the scheduled completion date of the sublease. During the term of the sublease, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Muni received an aggregate of \$72.6 million from the equity investors in full prepayment of the head lease in fiscal year 2003. Muni deposited a portion of this amount into an escrow, and a portion was paid to a debt payment undertaker whose repayment obligation is guaranteed by Assured Guaranty Municipal Corp (AGM) as successor to Financial Security Assurance, Inc., a bond insurance company. Approximately \$67.5 million of this head lease payment was deposited into two escrows. The deferred inflow of resources amortized in fiscal years 2014 and 2013 amounted to \$0.2 million and \$0.2 million, respectively.

More information can be found in note 15 of the financial statements.

Economic Factors and Next Year's Budget

The SFMTA Board of Directors approved SFMTA's FY 2015 and FY 2016 two-year budget in April 2014. The final adopted budget for FY 2015 is \$945.2 million and for FY 2016, \$963.2 million. Compared to the FY 2014 Amended Budget, there is an 11.1% increase in FY 2015, and from FY 2015 to FY 2016, the increase is 1.9%.

The expenditure budget increase in FY 2015 and FY 2016 included known and projected cost increases in salary and fringe benefits per labor contracts and transit service increase, contract services, property and building rental expenses, materials and supplies, and interdepartmental work orders. The need to fund the rainy day reserve is not included in the FY 2015 and FY 2016 budget as the reserve is currently at the SFMTA Board approved level of 10%. The SFMTA dipped into the reserve and used \$20 million each fiscal year to supplement its budget.

Revenue items that contribute to the budget increase in FY 2015 and FY 2016 are transit fares, operating grants, parking and traffic fees and fines, transit advertising, two parking garages whose ownership reverted to SFMTA, and General Fund contribution. The projected revenue increase in transit fares and parking fees and fines is mainly due to approved rate increases in transit fares and parking citation rates.

Requests for Information

This report is designed to provide a general overview of the SFMTA's finances for all those with a general interest. The financial statements and related disclosures in the notes to the financial statements and supplemental information are presented in accordance with U.S. generally accepted accounting principles. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, SFMTA, One South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

Questions regarding the City and County of San Francisco or a request for a copy of the City's Comprehensive Annual Financial Report should be addressed to the Office of the Controller, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Net Position

June 30, 2014 and 2013

(In thousands)

| | <u>2014</u> | <u>2013</u> <u>(Restated)</u> |
|--|---------------------|----------------------------------|
| Assets: | | |
| Current assets: | | |
| Cash and investments with City Treasury | \$ 707,945 | 665,136 |
| Cash and investments held outside City Treasury | 6,679 | 3,735 |
| Cash on hand | 254 | 724 |
| Receivables: | | |
| Grants | 174,064 | 96,007 |
| Due from the San Francisco County Transportation Authority | 6,286 | 6,462 |
| Charges for services (net of allowance for doubtful accounts of \$132 in 2014 and \$68 in 2013) | 5,523 | 16,262 |
| Interest and other | 6,472 | 6,351 |
| Total receivables | <u>192,345</u> | <u>125,082</u> |
| Inventories | 62,069 | 56,986 |
| Current prepaids and other assets | 515 | 333 |
| Total current assets | <u>969,807</u> | <u>851,996</u> |
| Restricted assets: | | |
| Cash and investments with City Treasury | 20,808 | 8,316 |
| Cash and investments held outside City Treasury | 12,763 | 5,530 |
| Other receivables | 2,762 | 3,138 |
| Total restricted assets | <u>36,333</u> | <u>16,984</u> |
| Noncurrent assets: | | |
| Capital assets, net | 2,542,048 | 2,192,682 |
| Total noncurrent assets | <u>2,578,381</u> | <u>2,209,666</u> |
| Total assets | <u>\$ 3,548,188</u> | <u>3,061,662</u> |

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Net Position

June 30, 2014 and 2013

(In thousands)

| | <u>2014</u> | <u>2013</u> <u>(Restated)</u> |
|--|---------------------|----------------------------------|
| Liabilities: | | |
| Current liabilities: | | |
| Due to other funds | \$ 2,500 | 33 |
| Accounts payable and accrued expenses | 97,717 | 99,631 |
| Accrued payroll | 38,730 | 34,107 |
| Accrued vacation and sick leave | 18,475 | 17,207 |
| Accrued workers' compensation | 15,423 | 14,366 |
| Accrued claims | 27,345 | 15,301 |
| Grants received in advance | 159,102 | 225,526 |
| Unearned revenue and other liabilities | 15,282 | 7,557 |
| Payable from restricted assets | 1,268 | 1,070 |
| Accrued interest payable | 2,064 | 948 |
| Bonds, loans, capital leases, and other payables | 5,945 | 3,315 |
| Total current liabilities | <u>383,851</u> | <u>419,061</u> |
| Noncurrent liabilities: | | |
| Accrued vacation and sick leave, net of current portion | 12,256 | 11,947 |
| Accrued workers' compensation, net of current portion | 79,728 | 74,836 |
| Accrued claims, net of current portion | 32,356 | 22,336 |
| Other postemployment benefits obligation | 199,205 | 180,657 |
| Bonds, loans, capital leases, and other payables, net of current portion | 136,995 | 64,092 |
| Total noncurrent liabilities | <u>460,540</u> | <u>353,868</u> |
| Total liabilities | <u>\$ 844,391</u> | <u>772,929</u> |
| Deferred inflows of resources: | | |
| Unamortized gain on leaseback transaction | \$ 17,288 | 23,819 |
| Unamortized gain on refunding of debt | 449 | 488 |
| Total deferred inflow of resources | <u>\$ 17,737</u> | <u>24,307</u> |
| Net position: | | |
| Net investment in capital assets | \$ 2,396,595 | 2,123,839 |
| Restricted: | | |
| Debt service | 12,763 | 5,530 |
| Other purposes | 22,302 | 10,384 |
| Unrestricted | <u>254,400</u> | <u>124,673</u> |
| Total net position | <u>\$ 2,686,060</u> | <u>2,264,426</u> |

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Revenues, Expenses,
and Changes in Net Position

Years ended June 30, 2014 and 2013

(In thousands)

| | <u>2014</u> | <u>2013</u> <u>(Restated)</u> |
|---|---------------------|----------------------------------|
| Operating revenues: | | |
| Passenger fares | \$ 211,684 | 218,939 |
| Parking and transportation | 130,327 | 122,291 |
| Fines, forfeitures, and penalties | 93,016 | 96,159 |
| Charges for services | 17,620 | 17,877 |
| Licenses, permits, and franchises | 12,253 | 11,048 |
| Advertising | 19,476 | 17,802 |
| Rents and concessions | 7,524 | 7,547 |
| Other | 35,368 | 8,860 |
| Total operating revenues | <u>527,268</u> | <u>500,523</u> |
| Operating expenses: | | |
| Personnel services | 628,849 | 606,707 |
| Contractual services | 93,140 | 109,755 |
| Materials and supplies | 87,332 | 86,750 |
| Depreciation and amortization | 120,954 | 122,479 |
| Services from other City departments | 56,957 | 57,038 |
| General and administrative | 58,284 | 37,088 |
| Other operating expenses | (13,079) | 4,068 |
| Total operating expenses | <u>1,032,437</u> | <u>1,023,885</u> |
| Operating loss | <u>(505,169)</u> | <u>(523,362)</u> |
| Nonoperating revenues (expenses): | | |
| Operating assistance: | | |
| Federal | 8,507 | 11,387 |
| State and other grants | 131,161 | 133,063 |
| Interest and investment income (loss) | 6,093 | (623) |
| Interest expense | (4,931) | (3,347) |
| Other, net | 23,143 | 4,762 |
| Total nonoperating revenues, net | <u>163,973</u> | <u>145,242</u> |
| Loss before capital contributions and transfers | <u>(341,196)</u> | <u>(378,120)</u> |
| Capital contributions: | | |
| Federal | 304,351 | 104,062 |
| State and others | 141,588 | 143,596 |
| Total capital contributions | <u>445,939</u> | <u>247,658</u> |
| Transfers in: | | |
| City and County of San Francisco – General Fund | 310,920 | 287,861 |
| San Francisco County Transportation Authority | 12,353 | 11,647 |
| City and County of San Francisco – Other City departments | 3,506 | 7,588 |
| Total transfers in | <u>326,779</u> | <u>307,096</u> |
| Transfers out: | | |
| City and County of San Francisco – Other City departments | (9,888) | (6,183) |
| Net transfers | <u>316,891</u> | <u>300,913</u> |
| Change in net position | 421,634 | 170,451 |
| Net position at beginning of year | | |
| Beginning of year, as previously reported | 2,264,426 | 2,095,480 |
| Cumulative effect of accounting change | — | (1,505) |
| Beginning of year as restated | <u>2,264,426</u> | <u>2,093,975</u> |
| Total net position – end of year | \$ <u>2,686,060</u> | <u>2,264,426</u> |

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2014 and 2013

(In thousands)

| | <u>2014</u> | <u>2013</u> |
|---|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from passengers and service contracts | \$ 490,903 | 420,692 |
| Cash received from fines, forfeitures, and penalties | 93,029 | 96,159 |
| Cash received from tenants for rent | 7,566 | 5,176 |
| Cash paid to employees for services | (598,468) | (570,351) |
| Cash paid to suppliers for goods and services | (312,771) | (289,505) |
| Cash paid for judgments and claims | (15,651) | (5,326) |
| Net cash used in operating activities | <u>(335,392)</u> | <u>(343,155)</u> |
| Cash flows from noncapital financing activities: | | |
| Operating grants | 131,834 | 149,366 |
| Net transfers | 316,942 | 301,247 |
| Other noncapital increases | 17,147 | 6,079 |
| Net cash provided by noncapital financing activities | <u>465,923</u> | <u>456,692</u> |
| Cash flows from capital and related financing activities: | | |
| Capital grants | 313,683 | 325,288 |
| Proceeds from sale of capital assets | 25 | 4 |
| Acquisition of capital assets | (458,850) | (220,397) |
| Other capital contribution increase | 2,500 | — |
| Bond sale proceeds and loans received | 82,243 | 70,153 |
| Retirement of capital leases, bonds, and loans | (5,896) | (45,765) |
| Bond issue cost paid | (1,051) | (643) |
| Interest paid on long-term debt | (3,617) | (1,773) |
| Net cash provided by (used in) capital and related financing activities | <u>(70,963)</u> | <u>126,867</u> |
| Cash flows from investing activities: | | |
| Interest income/loss received | 5,440 | (562) |
| Net cash provided by (used in) investing activities | <u>5,440</u> | <u>(562)</u> |
| Net increase in cash and investments | 65,008 | 239,842 |
| Cash and investments – beginning of year | <u>683,441</u> | <u>443,599</u> |
| Cash and investments – end of year | \$ <u><u>748,449</u></u> | \$ <u><u>683,441</u></u> |

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2014 and 2013

(In thousands)

| | <u>2014</u> | <u>2013</u> |
|---|--------------------------|-----------------------|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (505,169) | (523,362) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | 120,954 | 122,479 |
| Provision for doubtful accounts | 64 | 52 |
| Write-off of assets | — | 33,132 |
| Changes in operating assets and liabilities: | | |
| Receivables, net | 8,573 | (18,000) |
| Inventories | (5,083) | (2,205) |
| Prepays and others | (182) | 200 |
| Accounts payable and accrued expenses | (15,104) | 15,990 |
| Accrued payroll | 4,306 | 978 |
| Accrued vacation and sick leave | 1,577 | 875 |
| Accrued workers' compensation | 5,949 | 1,363 |
| Accrued claims | 22,064 | 3,906 |
| Other postemployment benefits obligations | 18,548 | 27,288 |
| Due to other funds | (33) | (3,698) |
| Unearned revenues and others | 8,144 | (2,153) |
| Net cash used in operating activities | \$ <u>(335,392)</u> | <u>(343,155)</u> |
| Reconciliation of cash and cash equivalents to the statement of net position: | | |
| Deposits with City Treasury: | | |
| Unrestricted | \$ 707,945 | 665,136 |
| Restricted | 20,808 | 8,316 |
| Deposits held outside City Treasury: | | |
| Unrestricted | 6,679 | 3,735 |
| Restricted | 12,763 | 5,530 |
| Total deposits and investments | <u>748,195</u> | <u>682,717</u> |
| Cash on hand | 254 | 724 |
| Total cash and investments, end of year | \$ <u><u>748,449</u></u> | <u><u>683,441</u></u> |

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

(1) Description of Reporting Entity

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors. The SFMTA financial statements include the entire City and County of San Francisco, California (the City's) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and parking, regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. All significant interentity transactions have been eliminated. The SFMTA is an integral part of the City, and these statements are reported as a major enterprise fund in the City's Comprehensive Annual Financial Report.

The SFMTA was established by voter approval of the addition of Article VIII A to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved an additional Charter amendment in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA, and another Charter amendment in 2010 (Proposition G), which increased management flexibility related to labor contracts. Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently carries more than 223 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 19 City-owned garages and 19 metered parking lots. Of the five nonprofit parking garages, three corporations provide operational oversight of four garages. Two garage corporations, Ellis O'Farrell Parking Corporation and Downtown Parking Corporation were dissolved in January 2013, and all operations and financial reporting of these two garages have been transferred to Sustainable Streets.

In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

(2) Significant Accounting Policies

(a) *Measurement Focus and Basis of Accounting*

The activities of the SFMTA are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with United States generally accepted accounting principles. Under this method, revenue are recorded when earned and expenses are recorded when the related liability is incurred. When both restricted and unrestricted resources are available for use, it is generally SFMTA's policy to use unrestricted resources first, and then restricted resources when they are needed.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures, which does not conflict with or contradict other GASB pronouncements. The SFMTA implemented the provisions of this statement effective for the fiscal year ended June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The SFMTA implemented the provisions of this statement effective for the fiscal year ended June 30, 2013.

The SFMTA implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. GASB Statement No. 65 sets standards for the accounting and reporting of deferred outflows of resources and deferred inflows of resources and reclassifies certain items that were previously reported as assets or liabilities. The SFMTA restated the beginning net position of fiscal year 2013 by \$1,505 to write-off unamortized bond issuance costs previously classified as assets. As a result, the loss on refunding of debt resulting from the fiscal year 2013 refunding, previously reported as a contra liability, was recalculated to be a gain on refunding reported as a deferred inflow of resources.

The SFMTA distinguishes operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses primarily result from providing transportation and street and parking services in connection with the SFMTA's principal ongoing operations. The principal operating revenue are generated from passenger fares, meter parking, garage parking fees, fines, parking permits, and fees collected from advertisements on the SFMTA property. All revenue received that are not part of normal business operations such as operating assistance grants, interest income, and transit impact development fees are considered nonoperating revenue. Operating expenses of the SFMTA include employment costs, materials, services, depreciation on capital assets, and other expenses related to the delivery of transportation and parking services. All expenses not meeting this definition are reported as nonoperating expenses.

(b) Cash and Cash Equivalents and Investments

The SFMTA maintains its deposits and investments and a portion of its restricted deposits and investments as part of the City's pool of cash and investments. The SFMTA's portion of this pool is displayed on the statement of net position as "Deposits and investments with City Treasury." Income earned or losses arising from pooled investments are allocated on a monthly basis to appropriate funds and entities based on their average daily cash balances.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the City reports certain investments at fair value in the statements of net position and recognizes the corresponding change in fair value of investments in

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

the year in which the change occurred as a component of nonoperating revenue (expenses and losses).

The SFMTA considers its pooled deposits and investments with the City Treasury to be demand deposits and, therefore, cash equivalents for the purposes of the statements of cash flows. The City also may hold nonpooled deposits and investments for the SFMTA. Nonpooled restricted deposits and highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(c) Inventories

Inventories are valued using the average-cost method. Inventories are expensed using the consumption method.

Rebuilt inventory items include motors, transmission, and other smaller parts that are removed from existing coaches that are overhauled and repaired.

(d) Capital Assets

Capital assets are stated at cost. All construction in progress items over \$100 and nonconstruction in progress items over \$5 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 60 years for building structures and improvements, infrastructure, and equipment. Generally, no depreciation is recorded in the year of acquisition, and a full year's depreciation is taken in the year of disposal.

(e) Construction in Progress

Construction in progress represents the design and construction costs of various uncompleted projects. As facilities are accepted by the SFMTA and become operative, they are transferred to building structures and improvements, infrastructure, and equipment accounts and depreciated in accordance with the SFMTA's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

(f) Bond premium, Issuance Costs, and refunding of debt

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method. Deferred outflows/inflows of resources from refunding of debt are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(g) Accrued Vacation and Sick Leave

Accrued vacation pay, which vests and may be accumulated up to 10 weeks per employee, is charged to expense as earned. Unused sick leave accumulated on or prior to December 6, 1978 is

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

vested and payable upon termination of employment by retirement, death, or disability caused by industrial accident. Sick leave earned subsequent to that date is nonvesting and is charged to expense when earned. The amount of allowable accumulation is set forth in various memorandums of understanding but is generally limited to six months per employee.

(h) Capital Grants and Contributions

Capital grants and contributions from external sources are recognized as capital contribution earned when applicable eligibility requirements are met, such as the time reimbursable expenditures related to the grants are incurred.

The U.S. Department of Transportation, through the Federal Transit Administration (FTA), provides capital assistance to the SFMTA for the acquisition and construction of transit-related property and equipment. This assistance generally approximates 80% of acquisition cost and is administered through the Metropolitan Transportation Commission (MTC). The capital assistance provided to the SFMTA by the California Transportation Commission and San Francisco County Transportation Authority (SFCTA) is generally used as a local match to the federal capital assistance. Additional capital assistance provided to the SFMTA by other agencies is administered by MTC, and is also generally used as a local match for the federal capital assistance.

(i) Operating Assistance Grants

Operating assistance grants are recognized as revenue when approved by the granting authority and/or when related expenditures are incurred.

The SFMTA receives operating assistance from federal and various state and local sources. Transportation Development Act funds are received from the City to meet, in part, the SFMTA's operating requirements based on annual claims filed with and approved by the MTC. Sales tax represents an allocation by the MTC of the 1/2 cent transactions and use tax collected within San Francisco County for transit services.

Additionally, the SFMTA receives funding from the U.S. Department of Transportation through the Federal Highway Administration, California Transportation Commission, and the Metropolitan Transportation Commission to provide safe, accessible, clean, and environmentally sustainable service through transportation programs.

(j) Transit Impact Development Fees

The Transit Impact Development Fee (TIDF) is an impact fee levied on most nonresidential new development citywide to offset new development's impacts on the transit system. Revenue generated by the fee is directed to SFMTA and is restricted for the capital and maintenance costs of transit service. These fees are recorded as nonoperating revenue in the year in which they are assessed.

(k) Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(I) Future Implementation of New Accounting Standards

1) Governmental Accounting Standards Board (GASB) No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 revises and establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. The new standard is effective for periods beginning after June 15, 2014. SFMTA will implement the provisions of Statement No. 68 in fiscal year 2015.

2) Governmental Accounting Standards Board (GASB) No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. GASB Statement No. 69 establishes accounting and financial reporting standards for governments that combine or dispose of their operations. The new standard is effective for periods beginning after December 15, 2013. SFMTA will implement the provisions of Statement No. 69 in fiscal year 2015.

3) Governmental Accounting Standards Board (GASB) No. 70

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 70 establishes accounting and financial reporting standards for governments that offer or receive financial guarantees that are nonexchange transactions. The new standard is effective for periods beginning after June 15, 2013. As of July 1, 2013, SFMTA determined that this standard did not have a significant impact on its financial statements.

4) Governmental Accounting Standards Board (GASB) No. 71

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 71 modifies the transition guidance provided in GASB Statement No. 68. The new standard is to be applied simultaneously with the provisions of GASB Statement No. 68. SFMTA will implement the provisions of Statement No. 71 in fiscal year 2015.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

(3) Net Position

Net position as of June 30, 2014 and 2013 consists of the following:

| | 2014 | 2013 (Restated) |
|--|--------------|----------------------------|
| | <hr/> | <hr/> |
| Restricted assets: | | |
| Deposits and investments with City Treasury | \$ 20,808 | 8,316 |
| Deposits and investments outside City Treasury | 12,763 | 5,530 |
| Receivables | 2,762 | 3,138 |
| | <hr/> | <hr/> |
| Total restricted assets | 36,333 | 16,984 |
| | <hr/> | <hr/> |
| Restricted liabilities of: | | |
| Payable from restricted assets | 1,268 | 1,070 |
| | <hr/> | <hr/> |
| Total restricted liabilities | 1,268 | 1,070 |
| | <hr/> | <hr/> |
| Restricted assets, net | \$ 35,065 | 15,914 |
| | <hr/> | <hr/> |
| Net position: | | |
| Restricted: | | |
| Debt service | \$ 12,763 | 5,530 |
| Other purposes | 22,302 | 10,384 |
| | <hr/> | <hr/> |
| Total restricted net position | 35,065 | 15,914 |
| | | |
| Unrestricted | 254,400 | 124,673 |
| Net investment in capital assets | 2,396,595 | 2,123,839 |
| | <hr/> | <hr/> |
| Net position | \$ 2,686,060 | 2,264,426 |
| | <hr/> | <hr/> |

Restricted Net Assets

SFMTA financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted, and unrestricted.

Restricted category represents net assets that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation and includes amounts restricted for debt service and liabilities. At June 30, 2014 and 2013, SFMTA reported \$12.8 million and \$5.5 million restricted assets related to debt reserves and debt service and \$22.3 million and \$10.4 million were restricted by enabling legislation, respectively. The net investment in capital assets category includes capital assets net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted is the residual amount not included in the above categories.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

(4) Deposits and Investments

Pursuant to the City Charter, the SFMTA maintains its deposits and investments with the City Treasury and a portion of its restricted asset deposits as part of the City’s pool of deposits and investments. The City’s investment pool is an unrated pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The Comprehensive Annual Financial Report of the City categorizes the level of common deposits and investment risks associated with the City’s pooled deposits and investments. As of June 30, 2014 and 2013, the SFMTA’s unrestricted and restricted deposits and investments with City Treasury totaled to \$728,753 and \$673,452, respectively.

The unrestricted deposits and investments outside the City Treasury are cash held by the three nonprofit garage corporations totaling to \$2,952 and \$3,115, taxi medallion collateral sale to \$3,446 and \$328, and revolving fund to \$281 and \$292 as of June 30, 2014 and 2013, respectively. The SFMTA had restricted deposits and investments of \$12,763 and \$5,530 held by an independent trustee outside the City’s investment pool as of June 30, 2014 and 2013, respectively.

The following table shows the percentage distribution of the City’s pooled investments by maturity:

| | Investment maturities (in months) | | | |
|------|--|-------------------------|--------------------------|--------------|
| | Under 1 | 1 to less than 6 | 6 to less than 12 | 12–60 |
| 2014 | 3.4% | 9.6% | 15.6% | 71.4% |
| 2013 | 9.1 | 4.9 | 9.4 | 76.6 |

The following table shows the restricted cash and investments outside of City Treasury as of June 30, 2014 and 2013.

| | Restricted cash and investment outside City Treasury | | |
|------|---|-------------------|-------------------|
| | Investment | Maturities | Fair value |
| 2014 | Money Market Funds | Less than 1 month | \$ 12,763 |
| 2013 | Money Market Funds | Less than 1 month | 5,530 |

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

(5) Capital Assets

Capital asset balances and their movements as of and for the year ended June 30, 2014 are as follows:

| | <u>Balance, July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance, June 30, 2014</u> |
|--|----------------------------------|------------------|------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 41,030 | — | — | 41,030 |
| Construction in progress | <u>544,592</u> | <u>466,846</u> | <u>(161,991)</u> | <u>849,447</u> |
| Total capital assets not being depreciated | <u>585,622</u> | <u>466,846</u> | <u>(161,991)</u> | <u>890,477</u> |
| Capital assets being depreciated: | | | | |
| Building structures and improvements | 667,795 | 12,052 | — | 679,847 |
| Equipment | 1,229,299 | 119,288 | (21,920) | 1,326,667 |
| Infrastructure | <u>1,189,998</u> | <u>35,361</u> | <u>—</u> | <u>1,225,359</u> |
| Total capital assets being depreciated | <u>3,087,092</u> | <u>166,701</u> | <u>(21,920)</u> | <u>3,231,873</u> |
| Less accumulated depreciation for: | | | | |
| Building structures and improvements | 243,523 | 15,404 | — | 258,927 |
| Equipment | 764,580 | 71,384 | (20,684) | 815,280 |
| Infrastructure | <u>471,929</u> | <u>34,166</u> | <u>—</u> | <u>506,095</u> |
| Total accumulated depreciation | <u>1,480,032</u> | <u>120,954</u> | <u>(20,684)</u> | <u>1,580,302</u> |
| Total capital assets being depreciated, net | <u>1,607,060</u> | <u>45,747</u> | <u>(1,236)</u> | <u>1,651,571</u> |
| Total capital assets, net | <u>\$ 2,192,682</u> | <u>512,593</u> | <u>(163,227)</u> | <u>2,542,048</u> |

Certain buses and equipment were sold, disposed, and retired during 2014. The net gain on disposal or retirement is \$25.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Capital asset balances and their movements as of and for the year ended June 30, 2013 are as follows:

| | <u>Balance, July 1, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance, June 30, 2013</u> |
|---|----------------------------------|------------------|------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 41,495 | — | (465) | 41,030 |
| Construction in progress | 422,361 | 231,311 | (109,080) | 544,592 |
| | <u>463,856</u> | <u>231,311</u> | <u>(109,545)</u> | <u>585,622</u> |
| Total capital assets not being depreciated | | | | |
| Capital assets being depreciated: | | | | |
| Building structures and improvements | 633,377 | 34,418 | — | 667,795 |
| Equipment | 1,212,258 | 31,113 | (14,072) | 1,229,299 |
| Infrastructure | 1,175,203 | 14,866 | (71) | 1,189,998 |
| | <u>3,020,838</u> | <u>80,397</u> | <u>(14,143)</u> | <u>3,087,092</u> |
| Total capital assets being depreciated | | | | |
| Less accumulated depreciation for: | | | | |
| Building structures and improvements | 227,733 | 15,790 | — | 243,523 |
| Equipment | 703,068 | 72,876 | (11,364) | 764,580 |
| Infrastructure | 438,187 | 33,813 | (71) | 471,929 |
| | <u>1,368,988</u> | <u>122,479</u> | <u>(11,435)</u> | <u>1,480,032</u> |
| Total accumulated depreciation | | | | |
| Total capital assets being depreciated, net | <u>1,651,850</u> | <u>(42,082)</u> | <u>(2,708)</u> | <u>1,607,060</u> |
| Total capital assets, net | <u>\$ 2,115,706</u> | <u>189,229</u> | <u>(112,253)</u> | <u>2,192,682</u> |

Certain buses and equipment were sold, disposed, and retired during 2013. The net gain for sold assets is \$4. The loss on the retirement of the assets totaled to \$2,423. The decrease in construction in progress included \$33,132 of written-offs in 2013.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Construction in progress consists of the following projects as of June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|-------------------|----------------|
| New Central Subway | \$ 603,576 | 362,302 |
| Central Control System Upgrades | 57,920 | 32,643 |
| Security Projects | 34,477 | 10,550 |
| Historic Street Car Renovation | 23,763 | 20,329 |
| Wayside Fare Collection | 22,701 | 21,999 |
| Radio Replacement | 19,642 | 16,637 |
| Facility Upgrades | 17,510 | 17,523 |
| Islais Creek-Woods Annex | 15,225 | 10,811 |
| Transit Effectiveness Program | 14,923 | — |
| Rail Replacement | 14,402 | 29,112 |
| Traffic Signal Upgrades | 8,761 | 3,126 |
| Motor Bus Hybrid Procurement | 6,542 | 2,714 |
| Traffic Sign Installation | 4,170 | — |
| Trolley Overhead Reconstruction | 1,258 | 3,188 |
| Cable Car Propulsion | 826 | 3,418 |
| Paratransit Van Procurement | — | 2,922 |
| Others | 3,751 | 7,318 |
| | <u>\$ 849,447</u> | <u>544,592</u> |

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were \$97,717 and \$99,631 at June 30, 2014 and 2013. This category consists of liabilities for goods and services either evidenced by vouchers approved for payment but not paid as of June 30, accrued expenses for amount owed to private persons or organizations for goods and services, and construction contracts retainage payable.

| | <u>2014</u> | <u>2013</u> |
|---|------------------|---------------|
| Vouchers payable | \$ 70,539 | 45,491 |
| Accruals | 20,354 | 49,243 |
| Contracts retainage | 6,824 | 4,897 |
| Total accounts payable and accrued expenses | <u>\$ 97,717</u> | <u>99,631</u> |

(7) Short-Term Debt

On June 4, 2013, pursuant to the City Charter Section 8A.102(b)13, the Board of Supervisors authorized the issuance of commercial paper notes in an aggregate principal amount not to exceed \$100 million. The commercial paper is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

the maturity date. The commercial paper program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of commercial paper with the dealers and reporting on the commercial paper program. SFMTA will be requesting drawdowns based on cash flow needs and expenditure schedules.

SFMTA currently plans to repay the commercial paper through grants, which have been previously approved but proceeds have not yet been received. SFMTA may also refinance the debt with the subsequent issuance of commercial paper notes once the original issuance reaches maturity of up to five years. If other sources of revenue are not sufficient to repay the commercial paper, SFMTA could also repay through issuance of revenue bonds. The commercial paper notes will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. No commercial paper notes have been drawn or outstanding as of June 30, 2014 and 2013.

(8) Long-Term Debt, Loans, and Other Payables

In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors.

Series 2013 Revenue Bonds

In December 2013, the SFMTA issues its Revenue Bonds, Series 2013 in the total amount of \$75.4 million. The net proceed of \$82.2 million (consisting of \$75.4 million of the Series 2013 bonds plus original issue premium of \$6.8 million) were used to pay \$0.2 million underwriter discount and \$1 million in costs of issuance, deposit \$6.0 million into the Reserve Account, and fund \$75.0 million for various transit and parking capital projects for the SFMTA. The Series 2013 bonds bear interest at fixed rates between 1.5% to 5.0% and have a final maturity on March 1, 2033.

Series 2012A Revenue Bonds

In July 2012, the SFMTA issued Revenue Refunding Bonds, Series 2012A in the total amount of \$38.0 million to refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Corporation, the City of San Francisco Downtown Parking Corporation, and the City of San Francisco Uptown Parking Corporation. The Series 2012A bonds bear interest at fixed rates between 2.0% and 5.0%, and will mature on March 1, 2032.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

The net proceeds of \$46.0 million (consisting of the \$38.0 million par amount of the Series 2012A bonds, plus original issue premium of \$5.1 million, plus \$2.9 million accumulated in the debt service and reserve fund related to the refunded bonds) were used to pay \$0.1 million underwriter's discount and \$0.5 million in costs of issuance, make a \$2.7 million deposit into Reserve Account, and deposit \$42.7 million into irrevocable escrow funds with the Trustee to defease and refund \$42.3 million in revenue bonds described below:

| | <u>Refunded</u> | <u>Rate</u> | <u>Price</u> |
|-------------------------------|------------------|--------------|--------------|
| Series Revenue Bond: | | | |
| 1999 Parking Meters Refunding | \$ 13,080 | 4.70%–5.00% | 100% |
| 2000A North Beach | 5,075 | 5.00%–5.50% | 100 |
| 2001 Uptown Parking | 15,465 | 5.50%–6.00% | 100 |
| 2002 Ellis Parking | 2,535 | 4.20%–4.70% | 100 |
| 2002 Downtown Parking | 6,095 | 4.50%–5.375% | 100 |
| Total | \$ <u>42,250</u> | | |

The refunded bonds were defeased and redeemed on July 27, 2012. Accordingly, the liability for these bonds has been removed from the accompanying statements of net position. The loss of \$0.9 million on refunding of debt resulting from the fiscal year 2013 refunding, previously reported as a contra liability, was recalculated to be a gain of \$0.5 million reported as a deferred inflow of resources. The SFMTA obtained an economic gain (the difference between the present value of the old debt and the new debt) of \$6.7 million or 15.8% of the refunded bonds.

Series 2012B Revenue Bonds

In July 2012, the SFMTA issues its Revenue Bonds, Series 2012B in the total amount of \$25.8 million. The net proceeds of \$28.0 million (consisting of \$25.8 million of the Series 2012B bonds plus original issue premium of \$2.2 million) were used to pay \$0.1 million underwriter discount and \$0.4 million in costs of issuance and Set Aside, deposit \$1.8 million into the Reserve Account, and fund \$25.7 million for various transit and parking capital projects for the SFMTA. The Series 2012B included serial and term bonds with interest ranging from 3.0% to 5.0% and have a final maturity on March 1, 2042.

The following table is a summary of long-term obligations of the SFMTA:

| | <u>Final maturity date</u> | <u>Remaining interest rate</u> | <u>Balance June 30, 2014</u> | <u>Balance June 30, 2013</u> |
|-----------------------------|--------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Revenue Bonds Series 2012A | 2032 | 4.0%–5.0% | \$ 35,576 | 39,452 |
| Revenue Bonds Series 2012B | 2042 | 3.0%–5.0% | 27,910 | 27,955 |
| Revenue Bonds Series 2013 | 2033 | 3.0%–5.0% | 79,454 | — |
| Total long-term obligations | | | \$ <u>142,940</u> | <u>67,407</u> |

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

The changes in long-term obligations for the SFMTA for year ended June 30, 2014 and 2013 are as follows:

| | <u>July 1, 2013</u> | <u>Additional obligations, interest accretion, and net increases</u> | <u>Current maturities, retirements, and net decreases</u> | <u>June 30, 2014</u> | <u>Amounts due within one year</u> |
|--|-------------------------|--|---|--------------------------|--|
| Bonds payable: | | | | | |
| Revenue bonds | \$ 60,720 | 75,440 | (5,895) | 130,265 | 5,945 |
| Add/less unamortized amounts: | | | | | |
| For issuance premiums | <u>6,687</u> | <u>6,803</u> | <u>(815)</u> | <u>12,675</u> | <u>—</u> |
| Total bonds payable | 67,407 | 82,243 | (6,710) | 142,940 | 5,945 |
| Accrued vacation and sick leave | 29,154 | 1,623 | (46) | 30,731 | 18,475 |
| Accrued workers' compensation | 89,202 | 24,245 | (18,296) | 95,151 | 15,423 |
| Accrued claims | 37,637 | 37,715 | (15,651) | 59,701 | 27,345 |
| Other postemployment benefits obligation | 180,657 | 45,614 | (27,066) | 199,205 | — |
| Unearned revenue and other liabilities | <u>7,557</u> | <u>8,388</u> | <u>(663)</u> | <u>15,282</u> | <u>15,282</u> |
| Total long-term obligations | \$ <u>411,614</u> | <u>199,828</u> | <u>(68,432)</u> | <u>543,010</u> | <u>82,470</u> |

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

| | <u>July 1, 2012</u> | <u>Additional obligations, interest accretion, and net increases</u> | <u>Current maturities, retirements, and net decreases</u> | <u>June 30, 2013</u> | <u>Amounts due within one year</u> |
|--|-------------------------|--|---|--------------------------|--|
| Bonds payable: | | | | | |
| Revenue bonds | \$ 37,615 | 63,795 | (40,690) | 60,720 | 3,315 |
| Lease revenue bonds | 5,075 | — | (5,075) | — | — |
| Add/less unamortized amounts: | | | | | |
| For issuance premiums | 661 | 7,256 | (1,230) | 6,687 | — |
| Total bonds payable | <u>43,351</u> | <u>71,051</u> | <u>(46,995)</u> | <u>67,407</u> | <u>3,315</u> |
| Accrued vacation and sick leave | 28,279 | 21,021 | (20,146) | 29,154 | 17,207 |
| Accrued workers' compensation | 87,839 | 18,216 | (16,853) | 89,202 | 14,366 |
| Accrued claims | 33,731 | 9,232 | (5,326) | 37,637 | 15,301 |
| Other postemployment benefits obligation | 153,369 | 53,272 | (25,984) | 180,657 | — |
| Unearned revenue and other liabilities | <u>6,790</u> | <u>3,263</u> | <u>(2,496)</u> | <u>7,557</u> | <u>7,557</u> |
| Total long-term obligations | <u>\$ 353,359</u> | <u>176,055</u> | <u>(117,800)</u> | <u>411,614</u> | <u>57,746</u> |

The bond debt service requirements are as follows:

| | <u>Principal</u> | <u>Bond interest</u> | <u>Total</u> |
|----------------------|-------------------|--------------------------|----------------|
| Year ending June 30: | | | |
| 2015 | \$ 5,945 | 6,192 | 12,137 |
| 2016 | 6,160 | 5,980 | 12,140 |
| 2017 | 6,425 | 5,698 | 12,123 |
| 2018 | 6,350 | 5,377 | 11,727 |
| 2019 | 5,700 | 5,151 | 10,851 |
| 2020–2024 | 24,285 | 22,042 | 46,327 |
| 2025–2029 | 27,890 | 15,985 | 43,875 |
| 2030–2034 | 29,430 | 8,466 | 37,896 |
| 2035–2039 | 10,465 | 3,524 | 13,989 |
| 2040–2042 | <u>7,615</u> | <u>774</u> | <u>8,389</u> |
| | <u>\$ 130,265</u> | <u>79,189</u> | <u>209,454</u> |

The SFMTA's debt policy is that the aggregate annual debt service on long-term debt cannot exceed five percent of SFMTA's annual operating expenses. SFMTA met the requirement for fiscal year ended 2014.

SFMTA must be in compliance with certain bond covenants.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

The bond indenture for the SFMTA requires that certain funds be established and administered by a trustee. The Reserve Fund is to be maintained by the trustee for the benefit and security of the holders of the bonds to which such accounts are pledged, and shall not be available to pay or secure the payment of any other bonds. As of June 30, 2014 and 2013, the bond reserve fund with the trustee totaled to \$10.5 million and \$4.5 million, respectively.

The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2042.

Annual principal and interest payments for fiscal year 2014 and 2013 were 7.2% and 3.6% of funds available for revenue bond debt service, respectively. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2014 and 2013, applicable net revenues, and funds available for bond debt service are as follows:

| | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| Bonds issued with revenue pledge | \$ 139,235 | 63,795 |
| Principal and interest remaining due at the end of the year | 209,454 | 102,024 |
| Principal and interest paid during the year | 9,582 | 4,931 |
| Net revenue for the year | 123,271 | 130,706 |
| Fund available for revenue bond debt service | 132,853 | 135,637 |

(9) Employee Benefit Plans

(a) Retirement Plan – City and County of San Francisco

Plan Description

The City has a single-employer defined-benefit retirement plan (the Plan), which is administered by the San Francisco City and County Employees’ Retirement System (the Retirement System). The Plan covers substantially all full-time employees of the SFMTA along with other employees of the City. The Plan provides basic retirement, disability, and death benefits based on specified percentages of final average salary, and provide cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code are the authority that establishes and amends the benefit provisions and employer obligations of the Plan. The Retirement System issues a citywide level publicly available financial report that includes financial statements and required supplemental information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees’ Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102, or by calling 415-487-7020.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

Funding Policy

Contributions are made to the basic plan by both the SFMTA and the participating employees. Employee contributions are mandatory. Employee contribution rates for fiscal year 2014 varied from 7.5% to 12.0% as a percentage of covered payroll. The SFMTA is required to contribute at an actuarially determined rate. For fiscal year 2014, 2013, and 2012, the actuarially determined contribution rate as a percentage of covered payroll was 24.82%, 20.71%, and 18.09%, respectively. The SFMTA's required contribution for fiscal year 2014, 2013 and 2012 was approximately \$71.8 million, \$58.8 million, and \$56.4 million, respectively. The SFMTA contributed 100% of their required contribution.

The SFMTA's contributions to the Retirement System on behalf of its employees amounted to \$8.6 million, \$9.1 million, and \$9.2 million for the year ended June 30, 2014, 2013, and 2012, which were equal to the required employer contributions for the year.

Refer to the City's Comprehensive Annual Financial Report (CAFR) for the other required disclosures related to the City's pension plan.

(b) *Deferred Compensation Plan*

The City offers its employees, including the SFMTA employees, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all active employees to voluntarily invest a portion of their pretax regular earnings in a diverse selection of investment funds. Withdrawals from the deferred compensation plan, by employees or other beneficiaries, are allowed only upon termination, retirement, death, or for unforeseeable emergency.

The deferred compensation plan is managed by the Retirement System and is administered by a third-party administrator. The SFMTA has no administrative involvement and does not perform the investing function. SFMTA has no fiduciary accountability for the plan, and accordingly, the plan assets and related liabilities to the plan participants are not included in these financial statements.

(c) *Healthcare Benefits*

Healthcare benefits of the SFMTA employees, retired employees, and surviving spouses are financed by beneficiaries and by the City through the City and County of San Francisco Health Service System (the Health Service System). The SFMTA's annual contribution, which amounted to approximately \$87,529 and \$85,906 in fiscal year 2014 and 2013, which are determined by a charter provision based on similar contributions made by the ten most populous counties in California.

Included in these amounts are \$27,272 and \$25,984 for fiscal year 2014 and 2013, to provide postretirement benefits for retired employees, on a pay-as-you-go basis. No additional City allocation was made for fiscal year 2014 and 2013 to SFMTA's contribution allocation on payments to Health Service System for postretirement health benefits.

The City has determined a citywide annual required contribution, interest on net Other Post – Employment Benefits (OPEB) obligation, Annual Required Contribution (ARC) adjustment, and

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

OPEB cost based upon an actuarial valuation performed in accordance with GASB 45, by the City's actuaries. The City's allocation of the OPEB-related cost to the SFMTA for the year ended June 30, 2014 based upon its percentage of citywide payroll costs is presented below.

The following table shows the components of the City's annual OPEB allocations for SFMTA for the fiscal years ended June 30, 2014 and 2013 the amounts contributed to the plan and changes in the net OPEB obligations:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-----------------|
| Annual required contribution | \$ 44,080 | 52,025 |
| Interest on net OPEB obligation | 9,225 | 7,297 |
| Adjustment to ARC | <u>(7,691)</u> | <u>(6,050)</u> |
| Annual OPEB cost | 45,614 | 53,272 |
| Contribution made | <u>(27,066)</u> | <u>(25,984)</u> |
| Increase in net OPEB obligation | 18,548 | 27,288 |
| Net OPEB obligation, beginning of fiscal year | <u>180,657</u> | <u>153,369</u> |
| Net OPEB obligation, end of fiscal year | <u>\$ 199,205</u> | <u>180,657</u> |

Refer to the City's CAFR for the other required disclosures related to the City's OPEB plan. The City issues a publicly available financial report at citywide level with complete note disclosures and required supplementary information related to the City's postretirement healthcare obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102, or by calling 415-554-7500.

(10) Peninsula Corridor Joint Powers Board

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), along with the Santa Clara Valley Transportation Authority and the San Mateo County Transit District. The PCJPB is governed by a separate board composed of nine members, three from each participating agencies. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service on July 1, 1992. Prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB expired in 2001, upon which it continues thereafter on a year-to-year basis, until a participant withdraws, which requires one-year notice. The SFMTA contributes to the net operating costs and administrative expenses of the PCJPB. The SFMTA contributed \$4.5 million and \$7.6 million for operating needs in fiscal year 2014 and 2013, respectively. The PCJPB's annual financial statements are publicly available.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

(11) Risk Management

The SFMTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; transit and general liability; injuries to employees; and natural disasters. The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City’s Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. The City’s and SFMTA’s general policy is to first evaluate self-insurance for the risk of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

| <u>Risks</u> | <u>Coverage</u> |
|---------------------------------|------------------------------------|
| a. General/Transit Liability | Self-Insure |
| b. Property | Self-Insure and Purchase Insurance |
| c. Workers’ Compensation | Self-Insure |
| d. Employee (Transit Operators) | Purchase Insurance |
| e. Directors and Officers | Purchase Insurance |

(a) General Liability

The SFMTA is self-insured. Through coordination with the Controller and City Attorney’s Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$4 million. As of June 30, 2014 and 2013, the reserve was \$15.4 million and \$10 million, respectively. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

(b) Property

The SFMTA purchases property insurance on scheduled facilities, Breda light rail cars, and personal property.

Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA’s property.

(c) Workers’ Compensation

The workers’ compensation payments are addressed through pay-as-you-go funding as part of the budgetary process. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering open claims’ future exposure based on current costs, and estimation for injuries that may have occurred but not yet reported. The workers’ compensation

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

claims and payouts are handled by the City's third-party administrator. SFMTA continues to develop and implement programs to mitigate growth of costs such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, injury investigation, and medical treatment bills review.

(d) *Employee Benefits (Transit Operators) Insurance*

SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per Memorandum of Understanding.

Workers' compensation expense is part of personnel services, while claims expense is part of general and administrative under operating expenses in the accompanying statement of revenue, expenses, and changes in net position.

(e) *Directors and Officers Insurance*

SFMTA has purchased insurance starting in fiscal year 2012 to cover errors and omissions of its Board members and senior management.

See the changes in workers' compensation and general liabilities for claims paid and incurred claims and changes in estimate in note 8, Long-Term Debt, Loans, and Other Payables.

(12) Transactions with the City

The amount of operating subsidy provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such subsidy is recognized as revenue in the year received.

The General Fund support from the City reflected in the accompanying financial statements includes a total revenue baseline transfer of \$243.9 million and \$222.4 million in fiscal years 2014 and 2013, respectively, as required by the City Charter.

(13) Federal, State, and Local Assistance

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2014 and 2013, the SFMTA had approved capital grants with unused balances amounting to \$750.2 million and \$878.0 million, respectively. Capital grants receivable as of June 30, 2014 and 2013 totaled \$152.1 million and \$82.9 million, respectively.

The SFMTA also receives operating assistance from various federal, state, and local sources including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2014 and 2013, the SFMTA had various operating grants receivable of \$28.2 million and \$19.6 million, respectively. In fiscal year 2014 and 2013, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.2 million and \$1.1 million, respectively, and other federal, state, and local grants of \$7.5 million and \$9.1 million, respectively, to fund project expenses that are operating in nature.

The capital and operating grants identified above include funds received and due from the SFCTA. During the fiscal year 2014 and 2013, the SFCTA approved \$22.4 million and \$42.4 million, respectively, in new

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

capital grants and the SFMTA received payments totaling \$29.3 million and \$72.2 million, respectively. As of June 30, 2014 and 2013, the SFMTA had \$3.4 million and \$6.1 million, respectively, in capital grants due from the SFCTA. Similarly, the SFMTA receives operating grants from SFCTA. During the fiscal years 2014 and 2013, SFCTA approved \$7.8 million and \$10.0 million, respectively, in new operating grants, and SFMTA received payments totaling \$5.8 million and \$6.5 million, respectively. The SFMTA had \$2.9 million and \$1.0 million, respectively, in operating grants due from the SFCTA as of June 30, 2014 and 2013.

Proposition 1B is a 10-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement, and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. The SFMTA received cash totaling \$7.1 million and \$136.5 million, respectively, in fiscal years 2014 and 2013 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal years 2014 and 2013, \$74.9 million and \$41.4 million drawdowns, respectively, were made from the funds for various eligible projects costs.

(14) Commitments and Contingencies

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the funds were expended in accordance with appropriate statutes, grant terms, and regulations. The SFMTA believes that no significant liabilities will result from any such audits.

(b) Operating Leases

The SFMTA leases certain equipment and various properties for use as office space, fleet storage space, and machine shops under lease agreements that expire at various dates through fiscal year 2039. These agreements are accounted for as operating leases. Rent expense was \$13.9 million and \$13.4 million for the year ended June 30, 2014 and 2013, respectively.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

The SFMTA has operating leases for certain buildings and equipment that require the following minimum annual payments:

| | |
|----------------------|--------------------------|
| Year ending June 30: | |
| 2015 | \$ 12,981 |
| 2016 | 12,081 |
| 2017 | 11,976 |
| 2018 | 12,241 |
| 2019 | 12,668 |
| 2020-2024 | 66,263 |
| 2025-2029 | 75,296 |
| 2030-2034 | 83,638 |
| 2035-2039 | 79,748 |
| | <hr/> |
| | \$ <u><u>366,892</u></u> |

SFMTA leases certain owned facilities to tenants and concessionaires who will provide the following minimum annual payments:

| | |
|----------------------|-------------------------|
| Year ending June 30: | |
| 2015 | \$ 3,257 |
| 2016 | 2,187 |
| 2017 | 1,669 |
| 2018 | 1,512 |
| 2019 | 1,329 |
| 2020-2024 | 7,244 |
| 2025-2029 | 6,288 |
| 2030-2034 | 6,250 |
| 2035-2039 | 6,250 |
| 2040-2044 | 6,250 |
| 2045-2049 | 6,250 |
| 2050-2054 | 6,250 |
| 2055-2056 | 2,083 |
| | <hr/> |
| | \$ <u><u>56,819</u></u> |

(c) Other Commitments

As of June 30, 2014 and 2013, the SFMTA has outstanding commitments of approximately \$283.6 million and \$349.5 million with third parties for various capital projects, respectively. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$66 million and \$63.5 million with third parties for noncapital expenditures, respectively. Various local funding sources are used to finance these expenditures.

In addition, the SFMTA is involved in various lawsuits, claims, and disputes, which have arisen in SFMTA's routine conduct of business. In the opinion of management, the outcome of any litigation

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

of these matters will not have a material effect on the financial position or changes in net position of SFMTA.

(15) Leveraged Lease-Leaseback of Breda Vehicles

Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the Equipment). Each transaction, also referred to as a "sale in lease out" or "SILO," was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under the respective sublease, Muni may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of \$388.2 million and \$72.6 million, respectively, in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's (S&P) and "Aaa" by Moody's Investor Services (Moody's) at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the SFMTA as of June 30, 2014.

On March 17, 2014, Muni executed, with one of the equity investors, termination agreements (the Termination Agreements) that (a) constituted the exercise of Muni's purchase option with respect to 30 items of Tranche 1 Equipment having an initial transaction value of \$99.3 million, (b) amended the purchase option dates to the date of the Termination Agreements, and (c) amended the purchase option price to an amount that was funded in full from the sale proceeds of the U.S. Agency securities held in the applicable escrow accounts.

The terms of the SILO documents require the Muni to replace AGM, as successor to FSA, if its ratings are downgraded below "BBB+" by S&P or "Baa1" by Moody's. AGM's current ratings of "AA" from S&P and "A2" from Moody's satisfy this requirement.

In addition, AGM, as successor to FSA, provides a surety policy with respect to each Equipment transaction to guarantee potential payments in the event such transaction were terminated in whole or in

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands, unless otherwise noted)

part prior to such sublease expiration date. The terms of the Equipment transaction documents require Muni to replace AGM, as surety provider, if its ratings are downgraded below “AA-” by S&P or “Aa3” by Moody’s. On January 17, 2013, Moody’s downgraded AGM’s rating to A2. Failure of Muni to replace AGM following a downgrade by either Moody’s or S&P to below the applicable rating threshold within a specified period of time following demand by an equity investor could allow such equity investor, in effect, to issue a default notice to Muni. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, Muni could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2014 after giving effect to the market value of the securities in the escrow accounts, would approximate \$62.4 million. The scheduled termination costs increase over the next several years. As of June 30, 2014, no investor has demanded Muni to replace AGM as the surety provider.

As a result of the cash transactions above, Muni recorded \$35.5 million and \$4.4 million in fiscal years 2002 and 2003 respectively, for the difference between the amounts received of \$388.2 million and \$72.6 million, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million, respectively. These amounts are classified as deferred inflows of resources and will be amortized over the life of the sublease unless the purchase option is executed. As mentioned above SFMTA exercised the purchase option with respect to 30 items of Tranche 1 Equipment on March 17, 2014. Revenue of \$5.4 million was recognized for the remaining unamortized deferred inflows of resources for these items in fiscal year 2014. The deferred inflows of resources amortized amounts were \$1.0 million and \$0.2 million for remaining 88 items of Tranche 1 Equipment and 21 items of Tranche 2 Equipment in fiscal year 2014 and 2013, respectively.

As of June 30, 2014, no outstanding payments remain on the sublease through the end of the sublease term. Payments to be made on the purchase options, if exercised, would be \$441.4 million for the remaining Tranche 1 Equipment and \$154.2 million for the Tranche 2 Equipment. These payments are to be funded from the amounts in escrow and by the payment undertaker. If Muni does not exercise the purchase option, Muni would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the “service recipient,” under a “service contract,” and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

(16) Subsequent Events

Bond 2014 Series Issuance

The Series 2014 Revenue Bonds will be issued by the SFMTA with the U.S. Bank as trustee as approved by the SFMTA Board and concurred by the Board of Supervisors under resolution adopted on September 24, 2013. The total Series 2014 Bonds will result in project funding of \$75 million and are being issued (a) to finance a portion of the costs of various capital projects for the SFMTA; (b) to make a deposit to the Series 2014 Reserve Account of the Reserve Fund established under the Indenture for the Series 2014 Bonds; and (c) to pay a portion of the costs of issuance of the Series 2014 Bonds.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2014

(In thousands)

| | <u>Muni</u> | <u>Sustainable Streets</u> | <u>Parking Garages</u> | <u>Total</u> |
|--|--------------|--------------------------------|----------------------------|--------------|
| Assets: | | | | |
| Current assets: | | | | |
| Deposits and investments with City Treasury | \$ 452,763 | 255,182 | — | 707,945 |
| Deposits and investments held outside City Treasury | 215 | 3,512 | 2,952 | 6,679 |
| Cash on hand | 254 | — | — | 254 |
| Receivables: | | | | |
| Grants | 165,872 | 8,192 | — | 174,064 |
| Due from the San Francisco County Transportation Authority | 3,414 | 2,872 | — | 6,286 |
| Charges for services, net | 2,302 | 3,078 | 143 | 5,523 |
| Other, net | 4,895 | 1,577 | — | 6,472 |
| Total receivables | 176,483 | 15,719 | 143 | 192,345 |
| Inventories | 62,069 | — | — | 62,069 |
| Current prepaids and other assets | — | — | 515 | 515 |
| Total current assets | 691,784 | 274,413 | 3,610 | 969,807 |
| Restricted assets: | | | | |
| Deposits and investments with City Treasury | 20,808 | — | — | 20,808 |
| Deposits and investments held outside City Treasury | 7,671 | 5,092 | — | 12,763 |
| Other receivables | 2,762 | — | — | 2,762 |
| Total restricted assets | 31,241 | 5,092 | — | 36,333 |
| Noncurrent assets: | | | | |
| Capital assets, net | 2,424,242 | 86,994 | 30,812 | 2,542,048 |
| Total noncurrent assets | 2,455,483 | 92,086 | 30,812 | 2,578,381 |
| Total assets | \$ 3,147,267 | 366,499 | 34,422 | 3,548,188 |

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2014

(In thousands)

| | <u>Muni</u> | <u>Sustainable Streets</u> | <u>Parking Garages</u> | <u>Total</u> |
|--|---------------------|--------------------------------|----------------------------|------------------|
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Due to other funds | \$ 2,500 | — | — | 2,500 |
| Accounts payable and accrued expenses | 76,376 | 19,705 | 1,636 | 97,717 |
| Accrued payroll | 34,029 | 4,660 | 41 | 38,730 |
| Accrued vacation and sick leave | 15,791 | 2,684 | — | 18,475 |
| Accrued workers' compensation | 13,502 | 1,921 | — | 15,423 |
| Accrued claims | 24,575 | 2,770 | — | 27,345 |
| Grants received in advance | 158,583 | 519 | — | 159,102 |
| Unearned revenue and other liabilities | 11,826 | 3,157 | 299 | 15,282 |
| Payable from restricted assets | 1,268 | — | — | 1,268 |
| Accrued interest payable | 1,251 | 813 | — | 2,064 |
| Bonds, loans, capital leases, and other payables | 2,024 | 3,921 | — | 5,945 |
| Total current liabilities | <u>341,725</u> | <u>40,150</u> | <u>1,976</u> | <u>383,851</u> |
| Noncurrent liabilities: | | | | |
| Accrued vacation and sick leave | 10,473 | 1,783 | — | 12,256 |
| Accrued workers' compensation | 67,239 | 12,489 | — | 79,728 |
| Accrued claims | 26,431 | 5,925 | — | 32,356 |
| Other postemployment benefits obligation | 173,472 | 25,733 | — | 199,205 |
| Bonds, loans, capital leases, and other payables | 84,018 | 52,977 | — | 136,995 |
| Total noncurrent liabilities | <u>361,633</u> | <u>98,907</u> | <u>—</u> | <u>460,540</u> |
| Total liabilities | <u>\$ 703,358</u> | <u>139,057</u> | <u>1,976</u> | <u>844,391</u> |
| Deferred inflows of resources: | | | | |
| Unamortized gain on leaseback transaction | 17,288 | — | — | 17,288 |
| Unamortized gain on refunding of debt | — | 449 | — | 449 |
| Total deferred inflow of resources | <u>\$ 17,288</u> | <u>449</u> | <u>—</u> | <u>17,737</u> |
| Net position: | | | | |
| Net investment in capital assets | \$ 2,336,949 | 28,834 | 30,812 | 2,396,595 |
| Restricted | | | | |
| Debt service | 7,671 | 5,092 | — | 12,763 |
| Other purposes | 22,302 | — | — | 22,302 |
| Unrestricted | 59,699 | 193,067 | 1,634 | 254,400 |
| Total net position | <u>\$ 2,426,621</u> | <u>226,993</u> | <u>32,446</u> | <u>2,686,060</u> |

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Revenues, Expenses,
and Changes in Net Position

Year ended June 30, 2014

(In thousands)

| | <u>Muni</u> | <u>Sustainable Streets</u> | <u>Parking Garages</u> | <u>SFMTA Eliminations</u> | <u>Total</u> |
|---|---------------------|--------------------------------|----------------------------|-------------------------------|------------------|
| Operating revenues: | | | | | |
| Passenger fares | \$ 211,684 | — | — | — | 211,684 |
| Parking and transportation | — | 105,018 | 25,309 | — | 130,327 |
| Fines, forfeitures, and penalties | — | 93,016 | — | — | 93,016 |
| Charges for services | 1,367 | 16,253 | — | — | 17,620 |
| Licenses, permits, and franchises | — | 12,253 | — | — | 12,253 |
| Advertising | 19,476 | — | — | — | 19,476 |
| Rents and concessions | 1,642 | 4,886 | 996 | — | 7,524 |
| Other | — | 35,323 | 45 | — | 35,368 |
| Total operating revenues | <u>234,169</u> | <u>266,749</u> | <u>26,350</u> | <u>—</u> | <u>527,268</u> |
| Operating expenses: | | | | | |
| Personnel services | 553,781 | 70,838 | 4,230 | — | 628,849 |
| Contractual services | 48,231 | 41,918 | 2,991 | — | 93,140 |
| Materials and supplies | 75,790 | 11,060 | 482 | — | 87,332 |
| Depreciation and amortization | 115,746 | 3,882 | 1,326 | — | 120,954 |
| Services from other City departments | 42,451 | 14,506 | — | — | 56,957 |
| General and administrative | 50,432 | 6,734 | 1,118 | — | 58,284 |
| Other operating expenses | (19,937) | 5,120 | 1,738 | — | (13,079) |
| Total operating expenses | <u>866,494</u> | <u>154,058</u> | <u>11,885</u> | <u>—</u> | <u>1,032,437</u> |
| Operating income (loss) | <u>(632,325)</u> | <u>112,691</u> | <u>14,465</u> | <u>—</u> | <u>(505,169)</u> |
| Nonoperating revenues (expenses and losses): | | | | | |
| Operating assistance: | | | | | |
| Federal | 5,451 | 3,056 | — | — | 8,507 |
| State and other grants | 124,939 | 6,222 | — | — | 131,161 |
| Interest and investment income (loss) | 3,982 | 2,108 | 3 | — | 6,093 |
| Interest expense | (3,237) | (1,694) | — | — | (4,931) |
| Other, net | 18,526 | 4,617 | — | — | 23,143 |
| Total nonoperating revenues, net | <u>149,661</u> | <u>14,309</u> | <u>3</u> | <u>—</u> | <u>163,973</u> |
| Income (loss) before capital contribution and transfers | <u>(482,664)</u> | <u>127,000</u> | <u>14,468</u> | <u>—</u> | <u>(341,196)</u> |
| Capital contributions: | | | | | |
| Federal | 298,524 | 5,827 | — | — | 304,351 |
| State and others | 136,076 | 5,512 | — | — | 141,588 |
| Total capital contributions | <u>434,600</u> | <u>11,339</u> | <u>—</u> | <u>—</u> | <u>445,939</u> |
| Transfers in: | | | | | |
| City and County of San Francisco – General Fund | 244,205 | 66,715 | — | — | 310,920 |
| San Francisco County Transportation Authority | 9,193 | 3,160 | — | — | 12,353 |
| City and County of San Francisco – Other City departments | 2,100 | 1,406 | — | — | 3,506 |
| SFMTA operating transfers in | 115,392 | 9,859 | — | (125,251) | — |
| Total transfers in | <u>370,890</u> | <u>81,140</u> | <u>—</u> | <u>(125,251)</u> | <u>326,779</u> |
| Transfers out: | | | | | |
| City and County of San Francisco – Other City departments | — | (4,248) | (5,640) | — | (9,888) |
| SFMTA operating transfers out | — | (115,392) | (9,859) | 125,251 | — |
| Net transfers | <u>370,890</u> | <u>(38,500)</u> | <u>(15,499)</u> | <u>—</u> | <u>316,891</u> |
| Change in net position | 322,826 | 99,839 | (1,031) | — | 421,634 |
| Total net position – beginning of year | <u>2,103,795</u> | <u>127,154</u> | <u>33,477</u> | <u>—</u> | <u>2,264,426</u> |
| Total net position – end of year | \$ <u>2,426,621</u> | <u>226,993</u> | <u>32,446</u> | <u>—</u> | <u>2,686,060</u> |

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – Federal

Year ended June 30, 2014

(In thousands)

| | Authorized grants as of July 1, 2013 | New grants approved/ spending commences | Payments received | Expired/ rescinded adjusted grants | Authorized grants as of June 30, 2014 | Amounts not expended as of June 30, 2014 | Grants receivable as of June 30, 2014 |
|--|---|--|----------------------|--|--|---|--|
| Capital grants: | | | | | | | |
| FY 2007 Section 5309 New Starts | \$ 80,904 | 141,766 | (66,379) | — | 156,291 | (53,474) | 102,817 |
| FY 2008 Section 5309 Bus & Facilities | 247 | — | (247) | — | — | — | — |
| FY 1999 Section 5307 Urban Area Formula | 131 | — | (131) | — | — | — | — |
| FY 2002 Section 5307 Urban Area Formula | 2,521 | — | (226) | — | 2,295 | (1,860) | 435 |
| FY 2004 Section 5307 Urban Area Formula | 12 | — | (12) | — | — | — | — |
| FY 2005 Section 5307 Urban Area Formula | 1,686 | — | (1,232) | — | 454 | — | 454 |
| FY 2006 Section 5307 Urban Area Formula | 967 | — | (967) | — | — | — | — |
| FY 2007 Section 5307 Urban Area Formula | 8,996 | — | (2,811) | — | 6,185 | (5,750) | 435 |
| FY 2008 Section 5307 Urban Area Formula | 8,241 | — | (3,473) | — | 4,768 | (4,184) | 584 |
| FY 2009 Section 5307 Urban Area Formula | 18,003 | — | (6,911) | — | 11,092 | (10,919) | 173 |
| FY 2010 Section 5307 Urban Area Formula | 11,719 | — | (7,809) | (3,710) | 200 | (200) | — |
| FY 2011 Section 5307 Urban Area Formula | 8,906 | — | (4,447) | — | 4,459 | (4,432) | 27 |
| FY 2013 Section 5307 Urban Area Formula | — | 49,141 | (33,454) | — | 15,687 | (14,582) | 1,105 |
| FY 2008 & 2009 Section 5317 New Freedom | 386 | — | (156) | — | 230 | (4) | 226 |
| FY 2011 Section 5307 CMAQ | 3,330 | — | (452) | — | 2,878 | (1,829) | 1,049 |
| FY 2005 Section 5309 Fixed Guideway | 6,385 | — | (2,267) | — | 4,118 | (2,226) | 1,892 |
| FY 2006 Section 5309 Bus & Facilities | 2,536 | — | (604) | — | 1,932 | (1,795) | 137 |
| FY 2006 Section 5309 Fixed Guideway | 601 | — | (601) | — | — | — | — |
| FY 2007 Section 5309 Fixed Guideway | 5,644 | — | (797) | — | 4,847 | (4,530) | 317 |
| FY 2007 Section 5309 Bus & Facilities | 325 | — | (325) | — | — | — | — |
| FY 2008 Section 5309 Fixed Guideway | 17,240 | — | (9,449) | — | 7,791 | (5,308) | 2,483 |
| FY 2009 Section 5309 Fixed Guideway | 41,747 | — | (5,597) | — | 36,150 | (30,276) | 5,874 |
| FY 2010 Section 5309 Fixed Guideway | 63,117 | — | (3,019) | — | 60,098 | (59,373) | 725 |
| FY 2011 Section 5309 Bus & Facilities | 43,108 | 16,974 | (21,867) | — | 38,215 | (36,155) | 2,060 |
| FY 2011 Section 5309 Fixed Guideway | 65,846 | — | (2,828) | — | 63,018 | (59,527) | 3,491 |
| FY 2012 Section 5307 Urban Area Formula | 6,182 | — | (13) | — | 6,169 | (2,030) | 4,139 |
| FY 2012 Section 5309 Bus Livability | 5,316 | — | (4,437) | — | 879 | (372) | 507 |
| FY 2012 Section 5309 Fixed Guideway | 68,252 | 1,158 | (64) | — | 69,346 | (68,390) | 956 |
| FY 2013 Section 5307 CMAQ & Surface Transportation Program | 10,767 | 20,623 | (4,987) | — | 26,403 | (24,517) | 1,886 |
| FY 2013 Section 5309 Bus Livability | 6,352 | — | (1,778) | — | 4,574 | (3,665) | 909 |
| FY 2013 Section 5337 State of Good Repair | — | 30,552 | (20) | — | 30,532 | (30,260) | 272 |
| FY 2013 Section 5339 Bus & Facilities Formula | — | 6,691 | — | — | 6,691 | — | 6,691 |
| FY 2013 Section 5307 Surface Transportation Program | — | 1,694 | (215) | — | 1,479 | (1,472) | 7 |
| FY 2014 Section 79-TG-3 Tiger IV OST Surface Transportation Infrastructure | — | 10,000 | (423) | — | 9,577 | (9,275) | 302 |
| FY 2013 CA Regional Priority Development Area Planning Grant | — | 492 | — | — | 492 | (481) | 11 |
| Total capital grants | \$ 489,467 | 279,091 | (187,998) | (3,710) | 576,850 | (436,886) | 139,964 |
| ARRA Grants: | | | | | | | |
| FY 2009 Section 5307 ARRA (Operating in nature) | \$ 21 | — | (21) | — | — | — | — |
| FY 2009 Section 5307 ARRA (Capital) | 68 | — | (68) | — | — | — | — |
| Total ARRA grants | \$ 89 | — | (89) | — | — | — | — |
| Operating grants: | | | | | | | |
| FY 2007 Section 5317 New Freedom | \$ 199 | — | (59) | — | 140 | (34) | 106 |
| FY 2012 Section 5317 New Freedom | 176 | — | (47) | — | 129 | (95) | 34 |
| FY 2013 Section 5316 JARC Funds | — | 289 | — | — | 289 | — | 289 |
| FY 2010 Section 5307 Urban Area Formula | — | — | — | 3,710 | 3,710 | (3,669) | 41 |
| FY 2013 Section 5307 Urban Area Formula | — | 4,644 | (3,732) | — | 912 | — | 912 |
| FY 2013 Section 5307 CMAQ & Surface Transportation Program | — | 1,600 | — | — | 1,600 | (1,600) | — |
| FY 2012 & 2013 National Park Service Cooperative Agreement | — | 232 | — | — | 232 | — | 232 |
| Total operating grants | \$ 375 | 6,765 | (3,838) | 3,710 | 7,012 | (5,398) | 1,614 |

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY
Supplemental Schedule of Grants – California Transportation Commission
Year ended June 30, 2014
(In thousands)

| | Authorized grants as of July 1, 2013 | New grants approved/ spending commences | Payments received | Expired/ rescinded adjusted grants | Authorized grants as of June 30, 2014 | Amounts not expended as of June 30, 2014 | Grants receivable as of June 30, 2014 |
|---|---|--|----------------------|--|--|---|--|
| Capital grants: | | | | | | | |
| FY 2008 Prop 1B: 3rd St. Light Rail | \$ 2,428 | — | (21) | — | 2,407 | (2,407) | — |
| FY 2008 Prop 1B: Automated Passenger Counter Equipment | 2 | — | — | (2) | — | — | — |
| FY 2008 Prop 1B: Overhead Rehab 5 Fulton/Hayes Bus Lines | 733 | — | (708) | — | 25 | (25) | — |
| FY 2008 Prop 1B: Farebox Rehab | 161 | — | (134) | — | 27 | (27) | — |
| FY 2008 Prop 1B: Geneva Yard Historic Street Car Enclosure Facility | 208 | — | (208) | — | — | — | — |
| FY 2008 Prop 1B: Metro East Light Rail Vehicle Facility | 1,648 | — | (889) | — | 759 | (759) | — |
| FY 2008 Prop 1B: Operator Restrooms | 1,976 | — | (783) | — | 1,193 | (1,193) | — |
| FY 2008 Prop 1B: Transit Security | 3,299 | — | (3,254) | — | 45 | (45) | — |
| FY 2009 Prop 1B: New Central Subway | 8,394 | — | (3,108) | — | 5,286 | (5,286) | — |
| FY 2009 Prop 1B: Central Control & Communications (C3) | 390 | — | (156) | — | 234 | (234) | — |
| FY 2009 Prop 1B: Central Control & Communications (C3) | 1,126 | — | (1,021) | — | 105 | (105) | — |
| FY 2009 Prop 1B: High Speed Connectivity | 797 | — | (779) | — | 18 | (18) | — |
| FY 2009 Prop 1B: Transit Security Infrastructure | 4,240 | — | (3,924) | — | 316 | (316) | — |
| FY 2009 Prop 1B: LRV Rehabilitation | 3,923 | — | — | — | 3,923 | (3,923) | — |
| FY 2009 & 2010 Prop 1B: Central Subway | 51,742 | — | (51,742) | — | — | — | — |
| FY 2010 Prop 1B: Transit Security | 7,070 | — | (3,982) | — | 3,088 | (3,088) | — |
| FY 2012 Prop 1B: Transit Security | — | 7,071 | — | — | 7,071 | (7,071) | — |
| FY 2010 Prop 1B: Balboa Park Eastside Connection | 864 | — | (3) | — | 861 | (861) | — |
| FY 2010 Prop 1B: Motor Coach Component Rehab | 630 | — | (566) | — | 64 | (64) | — |
| FY 2013 Prop 1B: Central Subway | 117,681 | — | (475) | — | 117,206 | (117,206) | — |
| FY 2013 Prop 1B: Transit Security | 4,674 | — | (1,186) | — | 3,488 | (3,488) | — |
| FY 2013 High Speed Passenger Train Bond Fund | 53,002 | — | (53,002) | — | — | — | — |
| FY 2013 Prop 1B: Mission Mobility Maximization | 5,057 | — | — | — | 5,057 | (5,057) | — |
| FY 2013 Prop 1B: 8X Mobility Maximization | 5,285 | — | (624) | — | 4,661 | (4,661) | — |
| FY 2013 Prop 1B: Mission Bay Loop | 1,382 | — | (199) | — | 1,183 | (1,183) | — |
| Total capital grants | <u>\$ 276,712</u> | <u>7,071</u> | <u>(126,764)</u> | <u>(2)</u> | <u>157,017</u> | <u>(157,017)</u> | <u>—</u> |

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2014

(In thousands)

| | <u>Authorized grants as of July 1, 2013</u> | <u>New grants approved/ spending commences</u> | <u>Payments received</u> | <u>Expired/ rescinded adjusted grants</u> | <u>Authorized grants as of June 30, 2014</u> | <u>Amounts not expended as of June 30, 2014</u> | <u>Grants receivable as of June 30, 2014</u> |
|---|---|--|------------------------------|---|--|---|--|
| Capital grants: | | | | | | | |
| Bridge toll: | | | | | | | |
| Match to Capital Grants | \$ 9,264 | 7,347 | (3,229) | (1,613) | 11,769 | 10,029 | 1,740 |
| Total capital grants – Bridge tolls | \$ 9,264 | 7,347 | (3,229) | (1,613) | 11,769 | 10,029 | 1,740 |
| State Transit Assistance: | | | | | | | |
| Third Street Light Rail | \$ 306 | — | — | — | 306 | (306) | — |
| Balboa Park Station Eastside Connection | 219 | — | (34) | — | 185 | (77) | 108 |
| Total capital grants - State Transit Assistance | \$ 525 | — | (34) | — | 491 | (383) | 108 |
| Operating grants: | | | | | | | |
| AB1107 Sales Tax | \$ 3,418 | 36,912 | (36,609) | — | 3,721 | — | 3,721 |
| State Transit Assistance | 11,083 | 42,185 | (39,859) | (2,165) | 11,244 | — | 11,244 |
| Transportation Development Act | — | 41,898 | (41,898) | — | — | — | — |
| Translink Project - Wayside Fare Collection | 14 | — | — | — | 14 | (14) | — |
| Lifeline Cycle 2 - Shopping Shuttle | 16 | 125 | (106) | (35) | — | — | — |
| Lifeline Bus Restoration Service | — | 4 | — | — | 4 | — | 4 |
| State Transit Assistance - BART Strike | — | 1,154 | — | — | 1,154 | — | 1,154 |
| RM2 | | | | | | | |
| Owl Service | — | 188 | (188) | — | — | — | — |
| T-Third Light Rail | — | 2,500 | (2,500) | — | — | — | — |
| Lifeline Cycle 3: | | | | | | | |
| Treasure Island Improvement Service | — | 800 | — | — | 800 | — | 800 |
| Bus Restoration Service | — | 958 | — | (637) | 321 | — | 321 |
| Route 29 Reliability Improvement | — | 800 | — | — | 800 | — | 800 |
| Free Muni for Low Income Youth Program | — | 400 | — | (370) | 30 | — | 30 |
| Total operating grants | \$ 14,531 | 127,924 | (121,160) | (3,207) | 18,088 | (14) | 18,074 |

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY
Supplemental Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2014
(In thousands)

| | Authorized grants as of July 1, 2013 | New grants approved/ spending commences | Payments received | Expired/ rescinded adjusted grants | Authorized grants as of June 30, 2014 | Amounts not expended as of June 30, 2014 | Grants receivable as of June 30, 2014 |
|---|---|--|----------------------|--|--|---|--|
| Capital grants: | | | | | | | |
| 3rd Street Light Rail Projects | \$ 4,169 | — | — | — | 4,169 | (4,169) | — |
| Accessible Vans | 5 | — | (5) | — | — | — | — |
| Cable Car Infrastructure | 2,997 | — | — | (2,184) | 813 | (813) | — |
| Central Subway | 10,975 | — | (1,781) | — | 9,194 | (7,765) | 1,429 |
| Diesel Bus Purchase | 105 | — | — | (105) | — | — | — |
| Escalator Replacement Study | 617 | 3,700 | (200) | (311) | 3,806 | (3,806) | — |
| Facilities Rehabilitation & Improvement | 367 | — | — | (367) | — | — | — |
| Financial Capacity Study | 240 | — | — | — | 240 | (240) | — |
| Hybrid Buses | 107 | — | — | (107) | — | — | — |
| Islais Creek Woods | 3,673 | — | — | — | 3,673 | (3,264) | 409 |
| Muni Rail Replacement Project | 1,758 | — | (109) | — | 1,649 | (1,649) | — |
| Overhead Rehab Program | 3,004 | — | (518) | (1,867) | 619 | (486) | 133 |
| PCC Streetcars 10 Year Overhaul | 1,667 | — | (168) | (4) | 1,495 | (904) | 591 |
| Rail Replacement & Mission Bay Loop | 1,712 | — | — | (141) | 1,571 | (1,571) | — |
| Trolley Coach Rebuild | 204 | — | — | (204) | — | — | — |
| Woods/Potrero Roof Replacement | 2 | — | — | (2) | — | — | — |
| Woods Lifts – Heavy Maintenance Shop | 2,251 | 235 | (1,526) | (1) | 959 | (959) | — |
| Central Train Control & Communication (3C) | 34,183 | — | (5,932) | (46) | 28,205 | (28,017) | 188 |
| Duboce Ave. Pedestrian Improvement | 6 | — | (6) | — | — | — | — |
| Van Ness Bus Rapid Transit Environmental Review | 5 | — | — | — | 5 | (5) | — |
| Radio Communications System | 59,175 | — | — | — | 59,175 | (59,175) | — |
| Bus Rapid Transit (Geary/Van Ness) | 256 | 1,311 | 1,021 | — | 2,588 | (2,577) | 11 |
| Wayside Fare Collection | 2,573 | — | — | — | 2,573 | (2,573) | — |
| Balboa park Intermodal Improvements | 83 | — | (83) | — | — | — | — |
| Balboa Park Circulation Study | 65 | — | (33) | (32) | — | — | — |
| Balboa Park Station Eastside Connection | 271 | — | — | — | 271 | (237) | 34 |
| Motor Coach NABI Replacement | 15,660 | — | (9,782) | — | 5,878 | (5,840) | 38 |
| Green Center Rail Replacement | 6,644 | — | (344) | — | 6,300 | (5,731) | 569 |
| Market & Haight Transit & Pedestrian Improvements | — | 780 | (10) | — | 770 | (770) | — |
| Motor Coach Replacement | — | 15,996 | (9,726) | — | 6,270 | (6,260) | 10 |
| Balboa Park Real-Time Transit Information | — | 60 | (60) | — | — | — | — |
| Central Subway Phase 3 Initial Study | — | 125 | (25) | — | 100 | (98) | 2 |
| Muni Forward Bike & Pedestrian Integration | — | 200 | — | — | 200 | (200) | — |
| Total capital grants | <u>\$ 152,774</u> | <u>22,407</u> | <u>(29,287)</u> | <u>(5,371)</u> | <u>140,523</u> | <u>(137,109)</u> | <u>3,414</u> |

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2014

(In thousands)

| | <u>Authorized grants as of July 1, 2013</u> | <u>New grants approved/ spending commences</u> | <u>Payments received</u> | <u>Expired/ rescinded adjusted grants</u> | <u>Authorized grants as of June 30, 2014</u> | <u>Amounts not expended as of June 30, 2014</u> | <u>Grants receivable as of June 30, 2014</u> |
|-----------------------------------|---|--|------------------------------|---|--|---|--|
| Operating grants: | | | | | | | |
| Transit Corridor Investment Study | \$ 67 | 306 | (41) | (19) | 313 | (312) | 1 |
| Mission Bay Transit Loop | 11 | — | (11) | — | — | — | — |
| N-Judah Customer First | 716 | — | (113) | — | 603 | (603) | — |
| Total operating grants | <u>\$ 794</u> | <u>306</u> | <u>(165)</u> | <u>(19)</u> | <u>916</u> | <u>(915)</u> | <u>1</u> |

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – Others

Year ended June 30, 2014

(In thousands)

| | <u>Authorized grants as of July 1, 2013</u> | <u>New grants approved/ spending commences</u> | <u>Payments received</u> | <u>Expired/ rescinded adjusted grants</u> | <u>Authorized grants as of June 30, 2014</u> | <u>Amounts not expended as of June 30, 2014</u> | <u>Grants receivable as of June 30, 2014</u> |
|--|---|--|------------------------------|---|--|---|--|
| Capital grants: | | | | | | | |
| Homeland Security: | | | | | | | |
| FY 2008 CA Emergency Management Agency – Transit Security | \$ 6,221 | — | (6,220) | — | 1 | (1) | — |
| FY 2011 Federal Homeland Security – TSA K9 Project | 550 | — | (247) | (1) | 302 | (272) | 30 |
| FY 2009 Transit Security Grant Program | 3,989 | — | (2,719) | — | 1,270 | (1) | 1,269 |
| FY 2010 Transit Security Grant Program | 7,510 | — | (4,735) | — | 2,775 | (207) | 2,568 |
| FY 2013 Transit Security Grant Program | — | 3,000 | — | — | 3,000 | (2,877) | 123 |
| Total capital grants | <u>\$ 18,270</u> | <u>3,000</u> | <u>(13,921)</u> | <u>(1)</u> | <u>7,348</u> | <u>(3,358)</u> | <u>3,990</u> |
| Operating in nature grants: | | | | | | | |
| CA Video Surveillance Project | \$ 8 | — | (5) | — | 3 | (3) | — |
| FY 2011 Transit Security Grant Program – SFPD | 578 | — | (215) | — | 363 | (103) | 260 |
| BAAQMD -TFCA 82X Shuttle Service | — | 122 | — | — | 122 | — | 122 |
| Total operating grants | <u>\$ 586</u> | <u>122</u> | <u>(220)</u> | <u>—</u> | <u>488</u> | <u>(106)</u> | <u>382</u> |

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Federal

Year ended June 30, 2014

(In thousands)

| | Authorized grants as of July 1, 2013 | New grants approved/ spending commences | Payments received | Expired/ rescinded/ adjusted grants | Authorized grants as of June 30, 2014 | Amounts not expended as of June 30, 2014 | Grants receivable as of June 30, 2014 |
|--|---|--|----------------------|---|--|---|--|
| Capital grants: | | | | | | | |
| FY 2009 CMAQ – SF Park | \$ 10,452 | — | (7,903) | — | 2,549 | (1,101) | 1,448 |
| FY 2011 Section 5307 Surface Transportation | 490 | — | (490) | — | — | — | — |
| FY 2012 Section 4314 Transportation Community & System Preservation | 241 | — | (63) | — | 178 | (8) | 170 |
| FY 2012 Highway Safety Improvement – Bayshore Paul Signals | 259 | 24 | (14) | — | 269 | (65) | 204 |
| FY 2013 Section 5307 Surface Transportation | 517 | — | (3) | — | 514 | (512) | 2 |
| FY 2012 Safe Routes to School – Chinatown | 386 | 113 | — | — | 499 | (328) | 171 |
| FY 2010 Highway Safety Improvement-Sunset New Signals | 626 | 75 | (248) | — | 453 | (131) | 322 |
| FY 2012 CMAQ – Outer Sunset | 481 | 69 | (1) | — | 549 | (377) | 172 |
| FY 2012 Surface Transportation – Church & Duboce | 341 | — | (139) | — | 202 | (122) | 80 |
| FY 2013 Highway Safety Imprograment – Continental Crosswalks | — | 316 | — | — | 316 | (310) | 6 |
| FY 2013 Highway Safety Imprograment – Masonic Signals Project | — | 739 | — | — | 739 | (738) | 1 |
| FY 2013 Safe Routes to School – Jefferson SRTS Project | — | 467 | — | — | 467 | (331) | 136 |
| FY 2013 Highway Safety Improvement – Rail Signals | — | 889 | — | — | 889 | (704) | 185 |
| FY 2013 Surface Transportation – Mansell Corridor Complete Streets | — | 211 | — | — | 211 | (211) | — |
| FY2014 Highway Safety Improvement Program – Polk Street Signals | — | 253 | — | — | 253 | (247) | 6 |
| FY 2016 & 2017 Highway Safety Improvement Program – South Van Ness Pedestrian Signals Projects | — | 262 | — | — | 262 | (262) | — |
| Total capital grants | \$ 13,793 | 3,418 | (8,861) | — | 8,350 | (5,447) | 2,903 |
| Operating in nature: | | | | | | | |
| TEA Pedestrian Safety Education | \$ 20 | — | — | — | 20 | — | 20 |
| Inner Sunset Traffic Calming & Transit Enhancement | 69 | — | — | — | 69 | (69) | — |
| Inner Sunset Traffic Calming & Transit Enhancement | 73 | — | — | — | 73 | (73) | — |
| Tenderloin Pedestrian Improvements | 279 | — | — | — | 279 | (279) | — |
| Golden Gate Park Ped Improvements | 63 | — | — | — | 63 | (3) | 60 |
| Var Bike Network Improvements | 9 | — | (1) | — | 8 | (8) | — |
| Eastern Neighborhoods | 428 | — | (428) | — | — | — | — |
| Chinatown Safe Routes to School | 19 | 30 | (17) | — | 32 | (25) | 7 |
| Van Ness Corridor Improvement | 3,653 | — | (1,333) | — | 2,320 | (1,683) | 637 |
| Fulton Curb Ramps | 147 | — | (5) | — | 142 | (63) | 79 |
| HSIP – Emergency Vehicle Signal Project | 384 | — | (384) | — | — | — | — |
| Bayshore & Paul Signal Upgrade Design | 2 | — | — | — | 2 | (2) | — |
| Parking Guidance Project | 1,931 | — | (883) | — | 1,048 | (552) | 496 |
| Jefferson Safe Routes to School – Planning | 12 | — | (11) | — | 1 | (1) | — |
| Sunset Boulevard New Traffic Signal Design | 45 | — | (19) | — | 26 | (10) | 16 |
| Alamo School Safe Routes to School | 91 | — | (57) | — | 34 | (8) | 26 |
| SFGO Van Ness Corridor Management – TSP/BRT | 5,999 | — | (227) | — | 5,772 | (5,654) | 118 |
| Sunset Blvd Ped Safety Education Program | 17 | — | — | — | 17 | (17) | — |
| SF Bicycle Parking Program | 163 | — | (134) | — | 29 | (4) | 25 |
| Pedestrian Safety Program | 70 | — | (66) | — | 4 | — | 4 |
| Masonic Avenue Signal Upgrade | 153 | — | (55) | — | 98 | (31) | 67 |
| FY 2007 Safe Routes to School | 29 | — | — | — | 29 | (29) | — |
| FY 2004 Safe Routes to School | 12 | — | — | — | 12 | (12) | — |
| FY 2012 Safe Routes to School – Tenderloin | 112 | — | (17) | — | 95 | (3) | 92 |
| FY 2012 Safe Transportation Improvement – Ped Countdown | 464 | — | (332) | — | 132 | (90) | 42 |
| FY 2013 Safe Routes to School – Denman | 121 | 38 | (60) | — | 99 | (26) | 73 |
| FY 2012 State Transportation Improvement – Church & Duboce | 47 | — | (29) | — | 18 | (14) | 4 |
| VPPL-6328(054) Link Price Elec | 571 | — | (5) | — | 566 | (370) | 196 |
| FY 2010 & 2011 State Transportation Improvement Program – SF Pedestrian Safety & Encouragement | — | 851 | (8) | — | 843 | (680) | 163 |
| FY 2013 CA Regional Priority Development Area Planning -Various Projects | — | 2,308 | — | — | 2,308 | (2,087) | 221 |
| Total operating in nature | \$ 14,983 | 3,227 | (4,071) | — | 14,139 | (11,793) | 2,346 |
| ARRA: | | | | | | | |
| Inner Sunset Traffic Calming – Construction Phase | \$ 79 | — | — | — | 79 | (79) | — |
| Total ARRA | \$ 79 | — | — | — | 79 | (79) | — |

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2014

(In thousands)

| | <u>Authorized grants as of July 1, 2013</u> | <u>New grants approved/ spending commences</u> | <u>Payments received</u> | <u>Expired/ rescinded/ adjusted grants</u> | <u>Authorized grants as of June 30, 2014</u> | <u>Amounts not expended as of June 30, 2014</u> | <u>Grants receivable as of June 30, 2014</u> |
|--|---|--|------------------------------|--|--|---|--|
| Operating in nature grants: | | | | | | | |
| Randolph/Farralones/Orizaba Transit Access | | | | | | | |
| Pedestrian Safety | \$ 419 | — | (15) | — | 404 | (404) | — |
| SF Community & Monroe Elementary – Safe Routes to School | 158 | — | — | (158) | — | — | — |
| Buena Vista Safe Routes to School | 192 | — | — | (192) | — | — | — |
| Inner Sunset Traffic Calming & Transit Enhancement | 9 | — | — | — | 9 | (9) | — |
| Addison & Dighy Traffic Circle – Design | 7 | — | — | — | 7 | (7) | — |
| Addison & Dighy Traffic Circle | 56 | — | — | — | 56 | (56) | — |
| Van Ness Corridor Improvement | 3,799 | — | (640) | — | 3,159 | (1,802) | 1,357 |
| Prop IB – Persia Triangle Improvements | 780 | — | (86) | — | 694 | (694) | — |
| Prop IB – Hunter’s View Transit Connection | 347 | — | (334) | — | 13 | (13) | — |
| Class II & III Bikeways | 260 | — | — | — | 260 | (181) | 79 |
| West Portal Improvements to School Access | 100 | 613 | (59) | — | 654 | (137) | 517 |
| Eastern Neighborhoods | 4 | — | — | — | 4 | (4) | — |
| Leonard Flynn Safe Routes to School | 27 | — | — | (27) | — | — | — |
| Western Approach to SFO Bay Bridge | — | 53 | — | — | 53 | (53) | — |
| Jean Parker Safe Routes to School | — | 415 | — | — | 415 | (411) | 4 |
| Total operating in nature grants | \$ 6,158 | 1,081 | (1,134) | (377) | 5,728 | (3,771) | 1,957 |

See accompanying independent auditors’ report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2014

(In thousands)

| | <u>Authorized grants as of July 1, 2013</u> | <u>New grants approved/ spending commences</u> | <u>Payments received</u> | <u>Expired/ rescinded adjusted grants</u> | <u>Authorized grants as of June 30, 2014</u> | <u>Amounts not expended as of June 30, 2014</u> | <u>Grants receivable as of June 30, 2014</u> |
|---|---|--|--------------------------|---|--|---|--|
| Operating in nature grants: | | | | | | | |
| TDA: | | | | | | | |
| FY 2011 Bicycle Safety Education & Outreach | \$ 4 | — | (1) | — | 3 | — | 3 |
| FY 2012 Bicycle Safety Education & Outreach | 1 | — | — | — | 1 | — | 1 |
| FY 2012 Bicycle Facility Project | 136 | — | (7) | — | 129 | (2) | 127 |
| Market & Octavia Bicycle Markings | 25 | — | (1) | — | 24 | (24) | — |
| Bicycle Safety Education | 23 | — | (11) | — | 12 | (6) | 6 |
| Bicycle Facility | 146 | — | (139) | — | 7 | (4) | 3 |
| Short Term Bike Parking | 80 | — | (62) | — | 18 | — | 18 |
| Bike Share Pilot | 167 | — | (74) | — | 93 | — | 93 |
| FY 2007 Bicycle Parking | 102 | — | — | (102) | — | — | — |
| Green Lanes Project | — | 16 | — | — | 16 | (16) | — |
| Signal Equipment Sloat Boulevard Bike Lane | — | 3 | — | — | 3 | — | 3 |
| Bicycle Share System | — | 276 | — | — | 276 | (247) | 29 |
| Bicycle Projects | — | 60 | — | — | 60 | (60) | — |
| Howard 6/10 Buffered Bicycle Lane | — | 24 | — | — | 24 | (24) | — |
| Raised Cycletrack Demonstration | — | 53 | — | — | 53 | (53) | — |
| Bridge Tolls (RM2): | | | | | | | |
| Market Street Safety Zone | 150 | — | — | (150) | — | — | — |
| Mission/Geneva Pedestrian Improvements – Design | 14 | — | — | — | 14 | (14) | — |
| Mission/Geneva Pedestrian Improvements – Construction | 93 | — | — | — | 93 | (93) | — |
| 24th & Mission Pedestrian Improvement – Construction | 239 | — | — | (239) | — | — | — |
| Glen Park Area Bicycle – Construction | 1 | — | (1) | — | — | — | — |
| Balboa Park Station Connections Phase II – Signals and Wayfinding Signs | 292 | — | (230) | — | 62 | (62) | — |
| Sidewalk Improvement – Construction | 16 | — | — | — | 16 | (16) | — |
| Bicycle Transit System Integration | 160 | — | (2) | — | 158 | (94) | 64 |
| Polk Street Bicycle Gap Closure | 584 | — | — | — | 584 | (29) | 555 |
| Total operating in nature grants | \$ 2,233 | 432 | (528) | (491) | 1,646 | (744) | 902 |

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2014

(In thousands)

| | <u>Authorized grants as of July 1, 2013</u> | <u>New grants approved/ spending commences</u> | <u>Payments received</u> | <u>Expired/ rescinded adjusted grants</u> | <u>Authorized grants as of June 30, 2014</u> | <u>Amounts not expended as of June 30, 2014</u> | <u>Grants receivable as of June 30, 2014</u> |
|---|---|--|------------------------------|---|--|---|--|
| Operating in nature grants: | | | | | | | |
| Bicycle Program Projects | \$ 1,828 | 984 | (890) | (470) | 1,452 | (1,353) | 99 |
| Pedestrian Safety Program Projects | 1,634 | 1,395 | (401) | (1,047) | 1,581 | (1,497) | 84 |
| Traffic Calming Program Projects | 3,601 | 415 | (1,241) | (370) | 2,405 | (2,117) | 288 |
| Traffic Signal/Traffic Sign Projects | 9,121 | 4,090 | (2,419) | (248) | 10,544 | (8,246) | 2,298 |
| Transit Study & Street Improvement Projects | 3,198 | 495 | (242) | (3,141) | 310 | (277) | 33 |
| Taxi Vehicle Alternative Fuel Program | — | 161 | — | — | 161 | (92) | 69 |
| Total operating in nature grants | \$ <u>19,382</u> | <u>7,540</u> | <u>(5,193)</u> | <u>(5,276)</u> | <u>16,453</u> | <u>(13,582)</u> | <u>2,871</u> |
| Pass-thru grants operating in nature: | | | | | | | |
| Bicycle Program Projects | \$ 706 | — | (408) | — | 298 | (298) | — |
| Traffic Calming Projects | 58 | — | — | (58) | — | — | — |
| Traffic Signal Projects | 73 | — | — | (73) | — | — | — |
| Bicycle Program Projects | 8 | — | — | — | 8 | (8) | — |
| Transit Study & Street Improvement Projects | 2 | — | — | (2) | — | — | — |
| Total pass-thru grants operating in nature | \$ <u>847</u> | <u>—</u> | <u>(408)</u> | <u>(133)</u> | <u>306</u> | <u>(306)</u> | <u>—</u> |

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Others

Year ended June 30, 2014

(In thousands)

| | <u>Authorized grants as of July 1, 2013</u> | <u>New grants approved/ spending commences</u> | <u>Payments received</u> | <u>Expired/ rescinded adjusted grants</u> | <u>Authorized grants as of June 30, 2014</u> | <u>Amounts not expended as of June 30, 2014</u> | <u>Grants receivable as of June 30, 2014</u> |
|--|---|--|------------------------------|---|--|---|--|
| Operating in nature grants: | | | | | | | |
| BAAQMD – Transportation Fund for Clean Air: | | | | | | | |
| 7th Avenue Traffic Calming | \$ 2 | — | — | (2) | — | — | — |
| Design/Plan/Implement Citywide Bicycle Racks | 84 | — | — | — | 84 | — | 84 |
| Install Bike Lane – Lake Merced/Skyline | 44 | — | — | — | 44 | (44) | — |
| Total operating in nature grants | \$ 130 | — | — | (2) | 128 | (44) | 84 |

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2014

(In thousands)

| Project Number | Grant title | Allocation | Beginning Balance July 1, 2013 | Interest Earned | Additions | Reassigned Interest Earnings | Expenditures | Ending Balance June 30, 2014 |
|---|---|------------|--------------------------------|-----------------|-----------|------------------------------|--------------|------------------------------|
| First Allocation Fiscal Year 2007–2008 | | | | | | | | |
| CPT522 | Third Street Light Rail | \$ 3,700 | 2,653 | 17 | — | (201) | (21) | 2,448 |
| CPT588 & CPT544 | Automated Passenger Count Equipment & Central Subway | 2,500 | 1 | — | — | — | — | 1 |
| CPT447 | Overhead Rehabilitation: 5 Fulton and 21 Hayes Bus Lines | 3,000 | 869 | 5 | — | (106) | (708) | 60 |
| CPT613 & CPT650, | Farebox Rehabilitation, Neoplan Lifecycle Rehabilitation, Vehicle | | | | | | | |
| CPT672 & CPT688 | Video Surveillance & 14 Mission Customer First | 20,000 | 204 | 1 | — | — | (134) | 71 |
| CPT531 & CPT544 | Geneva Yard – Historic Street Car Enclosure Facility & Central Subway | 7,500 | 340 | 2 | — | (26) | (208) | 108 |
| | Subtotal | 36,700 | 4,067 | 25 | — | (333) | (1,071) | 2,688 |
| Second Allocation Fiscal Year 2007–2008 | | | | | | | | |
| CPT522 | Third Street Light Rail | 9,700 | 2,067 | 11 | — | (403) | (889) | 786 |
| CPT303 & CPT629 | Operator Restrooms & Woods Lifts Heavy Maintenance Shop | 2,965 | 2,165 | 14 | — | (190) | (783) | 1,206 |
| CPT560 | Wayside Fare Collection Equipment | 1,000 | 45 | — | — | — | — | 45 |
| | Subtotal | 13,665 | 4,277 | 25 | — | (593) | (1,672) | 2,037 |
| First Allocation Fiscal Year 2008–2009 | | | | | | | | |
| CPT544; 595, 672,681 | Central Subway; Wayside Central Control and | | | | | | | |
| CPT688, 694, 699 | Muni Rail Replacement | 30,000 | 8,525 | 1 | — | (132) | (3,108) | 5,286 |
| CPT630 | Interim Line Management Center | 400 | 405 | 2 | — | — | (155) | 252 |
| CPT630 | Light Rail Operations Control Center Improvements | 1,300 | 1,177 | 7 | — | — | (1,021) | 163 |
| CPKA74 | Persia Triangle Transit Access Improvements | 127 | 121 | 1 | — | — | (2) | 120 |
| CPKA66 | Randolph, Farallones, and Orizaba Transit Access Pedestrian Safety | 85 | 26 | — | — | — | (14) | 12 |
| | Subtotal | 31,912 | 10,254 | 11 | — | (132) | (4,300) | 5,833 |
| Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009 | | | | | | | | |
| CPT591 | Light Rail Vehicle Rehabilitation Program | 3,638 | 96 | 2 | — | — | — | 98 |
| CPT544 | Construction of Central Subway Light Rail Line | 352 | (5) | — | — | — | — | (5) |
| CPT630 | High Speed Connectivity and Communications Upgrade | 817 | 822 | 5 | — | — | (780) | 47 |
| | Subtotal | 4,807 | 913 | 7 | — | — | (780) | 140 |
| Third Allocation Fiscal Year 2008–2009 | | | | | | | | |
| CPT591 | Light Rail Vehicle Rehabilitation Program | 5,262 | 4,040 | 28 | — | (61) | — | 4,007 |
| CPT626 | Light Rail Vehicle Collision Repairs | 3,831 | 44 | — | — | — | — | 44 |
| CPT544 | Construction of Central Subway Light Rail Line | 719 | — | — | — | — | — | — |
| | Subtotal | 9,812 | 4,084 | 28 | — | (61) | — | 4,051 |
| First Allocation Fiscal Year 2009–2010 | | | | | | | | |
| CPT544 | Construction of Central Subway Light Rail Line | 20,216 | — | — | — | — | — | — |
| CPT626 | Light Rail Vehicle Restoration | 770 | — | — | — | — | — | — |
| CPT653 | Balboa Park Station Eastside Connections | 864 | 864 | — | — | — | (3) | 861 |
| CPKE96 | Hunter's View Revitalization Transit Stop Connection | 510 | 188 | — | — | — | (175) | 13 |
| CPT631 | Motor Coach Component Rehab | 700 | 630 | — | — | — | (566) | 64 |
| Unassigned | Interest Earned on First Allocation FY 2009–2010 | — | 66 | 21 | — | (72) | — | 15 |
| | Subtotal | 23,060 | 1,748 | 21 | — | (72) | (744) | 953 |

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2014

(In thousands)

| Project Number | Grant title | Allocation | Beginning Balance July 1, 2013 | Interest Earned | Additions | Reassigned Interest Earnings | Expenditures | Ending Balance June 30, 2014 |
|--|--|-------------------|-----------------------------------|-----------------|-----------|------------------------------|-----------------|---------------------------------|
| Second Allocation Fiscal Year 2009–2010 | | | | | | | | |
| CPT544 | Construction of Central Subway Light Rail Line | \$ 16,045 | 14,609 | 55 | — | (208) | (14,452) | 4 |
| CPKA66 | Randolph, Farallones, and Orizaba Transit Access Pedestrian Safety | 395 | 400 | 2 | — | — | — | 402 |
| | Subtotal | <u>16,440</u> | <u>15,009</u> | <u>57</u> | <u>—</u> | <u>(208)</u> | <u>(14,452)</u> | <u>406</u> |
| Third Allocation Fiscal Year 2009–2010 | | | | | | | | |
| CPT544 | Construction of Central Subway Light Rail Line | 48,400 | 37,678 | 229 | — | (572) | (37,290) | 45 |
| CPKA74 | Persia Triangle Improvements | 676 | 664 | — | — | — | (85) | 579 |
| | Subtotal | <u>49,076</u> | <u>38,342</u> | <u>229</u> | <u>—</u> | <u>(572)</u> | <u>(37,375)</u> | <u>624</u> |
| First Allocation Fiscal Year 2010–2011 | | | | | | | | |
| CPT544 | New Central Subway | 117,681 | 118,095 | 781 | — | (818) | (476) | 117,582 |
| | Subtotal | <u>117,681</u> | <u>118,095</u> | <u>781</u> | <u>—</u> | <u>(818)</u> | <u>(476)</u> | <u>117,582</u> |
| Second Allocation Fiscal Year 2010–2011 | | | | | | | | |
| CPT995 | Mission Mobility Maximization | 5,057 | 5,057 | 33 | — | — | — | 5,090 |
| CPT995 | 8X Mobility Maximization | 4,225 | 4,225 | 35 | — | — | (624) | 3,636 |
| CPT672 | Vehicle Video Surveillance Replacement | 1,060 | 1,060 | — | — | — | — | 1,060 |
| CPT684 | Mission Bay Loop | 1,382 | 1,382 | 9 | — | — | (199) | 1,192 |
| | Subtotal | <u>11,724</u> | <u>11,724</u> | <u>77</u> | <u>—</u> | <u>—</u> | <u>(823)</u> | <u>10,978</u> |
| Reassigned Interest Earnings | | | | | | | | |
| CPT665 | Central Subway Goodwill | — | — | — | — | 374 | (320) | 54 |
| CPT656 | Paratransit Mobile Van Data Terminals | — | 57 | — | — | — | (56) | 1 |
| CPT687 | Capital Program Controls System Procurement | — | 618 | — | — | — | (264) | 354 |
| CPT639 | FY 10 TSGP Security Grant | — | — | — | — | 215 | (215) | — |
| CPT725 | LRV 2/3 ATCS Antenna Replacement Charges | — | — | — | — | 2,200 | — | 2,200 |
| | Subtotal | <u>—</u> | <u>675</u> | <u>—</u> | <u>—</u> | <u>2,789</u> | <u>(855)</u> | <u>2,609</u> |
| | Total | <u>\$ 314,877</u> | <u>209,188</u> | <u>1,261</u> | <u>—</u> | <u>—</u> | <u>(62,548)</u> | <u>147,901</u> |

See accompanying independent auditors' report.



KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' 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*

The Honorable Mayor, Board of Supervisors,
and San Francisco Municipal Transportation Agency Board of Directors
City and County of San Francisco, California:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund, of the City and County of San Francisco, California (the City) as of and for the year then ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014. Our report includes a reference to other auditors who audited the financial statements of certain entities to the SFMTA financial statements. The financial statements of the City of San Francisco Portsmouth Plaza Parking Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SFMTA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SFMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of SFMTA'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 be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether SFMTA'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 SFMTA'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 SFMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

San Francisco, California
October 24, 2014